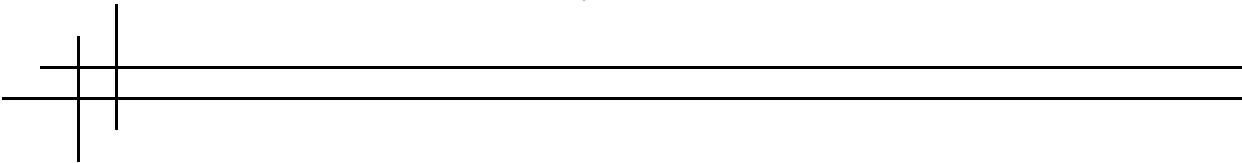


State of New Mexico  
**Artesia Public Schools**

**Annual Financial Report**  
June 30, 2019

**De'Aun Willoughby CPA, PC**  
Certified Public Accountant  
Clovis, New Mexico



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State of New Mexico  
**Artesia Public Schools**  
Official Roster  
June 30, 2019

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**Board of Education**

Lowell Irby	President
Jeff Bowman	Vice-President
Cherie Widmayer	Secretary
David Conklin	Member
Luis Florez	Member

**School Officials**

Dr. Crit Caton	Superintendent
Janet Grice	Business Manager
Thad Phipps	Chief Procurement Officer

Independent Auditor's Report

Mr. Brian S. Colón  
State Auditor of the State of New Mexico  
Board Members of Artesia Public Schools

Mr. Colón and Members of the Board

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, and the budgetary comparisons for the general and major special revenue funds of Artesia Public Schools (District), as of and for the year ended June 30, 2019, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2019, and the respective changes in financial position and the respective budgetary comparisons for the general and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Other Matters

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Schedules of Required Supplementary Information for Pension Plan and related notes be presented to supplement the basic financial statements. Such information although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who consider it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during my audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management's Discussion and Analysis which is required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the District's financial statements that collectively comprise the District's basic financial statements. The Schedule of Expenditures of Federal Awards as required by Office of Management and Budget *Title 2 U.S. CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and the other schedules presented as other supplemental information related to non-major funds as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards and other schedules presented as other supplemental information related to non-major funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*De'Aun Willoughby, CPA, PC*

Clovis, New Mexico  
October 23, 2019

## **Financial Section**



State of New Mexico  
**Artesia Public Schools**  
Government-Wide Statement of Net Position  
June 30, 2019

	Governmental Activities
<b>Assets</b>	
Current Assets	
Cash and Cash Equivalents	\$ 24,725,926
Taxes Receivable	714,870
Due from Grantor	1,557,252
Inventory	15,035
Total Current Assets	<u>27,013,083</u>
Noncurrent Assets	
Capital Assets	144,393,628
Less Accumulated Depreciation	(75,523,356)
Total Noncurrent Assets	<u>68,870,272</u>
Total Assets	<u>95,883,355</u>
Deferred Outflows of Resources	
Deferred Outflows Related to Pensions	
Actuarial Experience	65,504
Changes of Assumptions	18,497,504
Investment Experience	198,688
Changes in Proportion	1,397,322
Contributions Subsequent to Measurement Date	3,013,497
Deferred Outflows Related to Other Post Employment Benefits	
Changes in Proportion	257,987
Contributions Subsequent to Measurement Date	433,621
Total Deferred Outflows of Resources	<u>23,864,123</u>
Liabilities	
Current Liabilities	
Accounts Payable	133,088
Compensated Absences	145,060
Total Current Liabilities	<u>278,148</u>
Noncurrent Liabilities	
Pension Liability	89,752,199
Other Post Employment Benefits Liability	21,487,395
Total Noncurrent Liabilities	<u>111,239,594</u>
Total Liabilities	<u>111,517,742</u>
Deferred Inflows of Resources	
Deferred Inflows Related to Pensions	
Actuarial Experience	1,708,129
Deferred Inflows Related to Other Post Employment Benefits	
Actuarial Experience	1,272,191
Investment Experience	268,155
Changes of Assumptions	4,011,601
Total Deferred Inflows of Resources	<u>7,260,076</u>
Net Position	
Invested in Net Capital Assets	68,870,272
Restricted for	
Capital Projects	23,419,191
Unrestricted	(91,319,803)
Total Net Position	<u>\$ 969,660</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico  
**Artesia Public Schools**  
 Government-Wide Statement of Activities  
 For the Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
<b>Governmental Activities</b>				
Instruction	\$ 43,665,541	318,849	\$ 2,142,364	\$ 0
Support Services				
Students	3,610,119	380,273	124,464	0
Instruction	1,011,231	0	0	0
General Administration	781,447	0	46,819	0
School Administration	4,065,008	0	436,261	0
Central Services	1,146,349	0	0	0
Operation of Plant	6,740,166	145,896	0	0
Student Transportation	1,470,024	0	1,408,582	0
Food Services Operations	1,991,873	390,842	1,324,036	0
Total Governmental Activities	\$ 64,481,758	\$ 1,235,860	\$ 5,482,526	\$ 0
<b>General Revenues</b>				
Taxes				
Property Taxes, Levied for General Purposes				
871,488				
Property Taxes, Levied for Capital Projects				
12,648,198				
Federal and State aid not restricted to specific purpose				
General				
27,368,762				
Capital				
2,025,000				
Miscellaneous				
542,787				
Subtotal, General Revenues				
<u>43,456,235</u>				
Change in Net Position				
(14,307,137)				
Net Position - Beginning				
<u>15,276,797</u>				
Net Position - Ending				
<u>\$ 969,660</u>				

The notes to the financial statements are an integral part of this statement.

State of New Mexico  
**Artesia Public Schools**  
Governmental Funds  
Balance Sheet  
June 30, 2019

	General		
	Operational 11000	Teacherage 12000	Transportation 13000
<b>Assets</b>			
Cash and Cash Equivalents	\$ 952,596	\$ 302,817	\$ 0
Receivables			
Taxes	45,546	0	0
Due From Grantor	0	0	0
Interfund Balance	1,524,227	0	0
Inventory	0	0	0
<b>Total Assets</b>	<b>\$ 2,522,369</b>	<b>\$ 302,817</b>	<b>\$ 0</b>
<b>Liabilities</b>			
Accounts Payable	\$ 54,302	\$ 92	\$ 0
Interfund Balance	0	0	0
<b>Total Liabilities</b>	<b>54,302</b>	<b>92</b>	<b>0</b>
<b>Deferred Inflows of Resources</b>			
Unavailable Revenue	12,801	0	0
<b>Total Deferred Inflows of Resources</b>	<b>12,801</b>	<b>0</b>	<b>0</b>
<b>Fund Balances</b>			
Nonspendable-Inventory	0	0	0
Restricted for			
Special Revenue Funds	0	0	0
Capital Improvements	0	0	0
Unassigned	2,455,266	302,725	0
<b>Total Fund Balances</b>	<b>2,455,266</b>	<b>302,725</b>	<b>0</b>
<b>Total Liabilities, Deferred Inflow of Resources and Fund Balances</b>	<b>\$ 2,522,369</b>	<b>\$ 302,817</b>	<b>\$ 0</b>

The notes to the financial statements are an integral part of this statement.

State of New Mexico  
**Artesia Public Schools**  
 Governmental Funds  
 Balance Sheet  
 June 30, 2019

	Special Revenue		
	General	Instructional Materials 14000	Entitlement IDEA-B 24106
<b>Assets</b>			
Cash and Cash Equivalents	\$ 41,705	\$ 0	\$ 0
Receivables			
Taxes	0	0	0
Due From Grantor	0	448,901	678,953
Interfund Balance	0	0	0
Inventory	0	0	0
<b>Total Assets</b>	<b>\$ 41,705</b>	<b>\$ 448,901</b>	<b>\$ 678,953</b>
<b>Liabilities</b>			
Accounts Payable	\$ 3,077	\$ 0	\$ 0
Interfund Balance	0	448,901	678,953
<b>Total Liabilities</b>	<b>3,077</b>	<b>448,901</b>	<b>678,953</b>
<b>Deferred Inflows of Resources</b>			
Unavailable Revenue	0	0	0
<b>Total Deferred Inflows of Resources</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Fund Balances</b>			
Nonspendable-Inventory	0	0	0
Restricted for			
Special Revenue Funds	0	0	0
Capital Improvements	0	0	0
Unassigned	38,628	0	0
<b>Total Fund Balances</b>	<b>38,628</b>	<b>0</b>	<b>0</b>
<b>Total Liabilities, Deferred Inflow of Resources and Fund Balances</b>	<b>\$ 41,705</b>	<b>\$ 448,901</b>	<b>\$ 678,953</b>

The notes to the financial statements are an integral part of this statement.

State of New Mexico  
**Artesia Public Schools**  
 Governmental Funds  
 Balance Sheet  
 June 30, 2019

	<u>Capital Projects</u>		
	<u>HB 33 31600</u>	<u>Senate Bill Nine-Local 31701</u>	<u>Other Governmental Funds</u>
<b>Assets</b>			
Cash and Cash Equivalents	\$ 17,165,192	\$ 5,861,723	\$ 401,893
Receivables			
Taxes	477,526	190,734	1,064
Due From Grantor	0	0	429,398
Interfund Balance	0	0	0
Inventory	0	0	15,035
Total Assets	<u>\$ 17,642,718</u>	<u>\$ 6,052,457</u>	<u>\$ 847,390</u>
<b>Liabilities</b>			
Accounts Payable	\$ 11,480	\$ 63,791	\$ 346
Interfund Balance	0	0	396,373
Total Liabilities	<u>11,480</u>	<u>63,791</u>	<u>396,719</u>
<b>Deferred Inflows of Resources</b>			
Unavailable Revenue	143,465	57,248	1,064
Total Deferred Inflows of Resources	<u>143,465</u>	<u>57,248</u>	<u>1,064</u>
<b>Fund Balances</b>			
Nonspendable-Inventory	0	0	15,035
Restricted for			
Special Revenue Funds	0	0	427,811
Capital Improvements	17,487,773	5,931,418	0
Unassigned	0	0	6,761
Total Fund Balances	<u>17,487,773</u>	<u>5,931,418</u>	<u>449,607</u>
 Total Liabilities, Deferred Inflow of Resources and Fund Balances	 <u>\$ 17,642,718</u>	 <u>\$ 6,052,457</u>	 <u>\$ 847,390</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico  
**Artesia Public Schools**  
 Governmental Funds  
 Balance Sheet  
 June 30, 2019

---

	Total Governmenta Funds
<b>Assets</b>	
Cash and Cash Equivalents	\$ 24,725,926
Receivables	
Taxes	714,870
Due From Grantor	1,557,252
Interfund Balance	1,524,227
Inventory	15,035
Total Assets	<u>\$ 28,537,310</u>
<b>Liabilities</b>	
Accounts Payable	\$ 133,088
Interfund Balance	1,524,227
Total Liabilities	<u>1,657,315</u>
<b>Deferred Inflows of Resources</b>	
Unavailable Revenue	<u>214,578</u>
Total Deferred Inflows of Resources	<u>214,578</u>
<b>Fund Balances</b>	
Nonspendable-Inventory	15,035
Restricted for	
Special Revenue Funds	427,811
Capital Improvements	23,419,191
Unassigned	<u>2,803,380</u>
Total Fund Balances	<u>26,665,417</u>
 Total Liabilities, Deferred Inflow of Resources and Fund Balances	 <u>\$ 28,537,310</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico  
**Artesia Public Schools**  
 Reconciliation of the Governmental Funds  
 Balance Sheet to the Statement of Net Position  
 June 30, 2019

Total Fund Balance - Governmental Funds \$ 26,665,417

Amounts reported for governmental activities in the Statement of Net Position are different because:

Property taxes receivable will be collected after the period of availability, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds. 214,578

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

Capital Assets	\$ 144,393,628	
Accumulated Depreciation	<u>(75,523,356)</u>	68,870,272

Deferred Outflows and Inflows Related to Pensions and Other Post-Employment Benefits (OPEB) are the results of differences in expected and actual actuary experience and the difference in actuary projected and actual earnings. Also changes in proportion and differences between contributions and proportionate share of contributions.

Deferred Outflows Related to Pensions	23,172,515	
Deferred Outflows Related to OPEB	691,608	
Deferred Inflows Related to Pensions	(1,708,129)	
Deferred Inflows Related to OPEB	<u>(5,551,947)</u>	16,604,047

Long-term and certain other liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term and other liabilities at year end consist of :

Compensated Absences	(145,060)	
Pension Liability	(89,752,199)	
Other Post Employment Benefits Liability	<u>(21,487,395)</u>	<u>(111,384,654)</u>

Total Net Position - Governmental Activities \$ 969,660

The notes to the financial statements are an integral part of this statement.

State of New Mexico  
**Artesia Public Schools**  
Governmental Funds  
Statement of Revenues, Expenditures and Changes  
in Fund Balance  
For the Year Ended June 30, 2019

	General		
	Operational 11000	Teacherage 12000	Transportation 13000
<b>Revenues</b>			
Property Taxes	\$ 871,439	\$ 0	\$ 0
Fees	92,926	145,896	0
State & Local Grants	27,356,892	0	1,352,706
Federal Grants	11,870	0	0
Miscellaneous	483,864	0	0
Total Revenues	<u>28,816,991</u>	<u>145,896</u>	<u>1,352,706</u>
<b>Expenditures</b>			
Current			
Instruction	19,179,966	0	0
Support Services			
Students	2,461,470	0	0
Instruction	723,144	0	0
General Administration	497,213	0	0
School Administration	2,389,885	0	0
Central Services	816,141	0	0
Operation of Plant	3,337,305	128,314	0
Student Transportation	0	0	1,352,719
Food Service Operations	0	0	0
Capital Outlay	0	14,100	0
Total Expenditures	<u>29,405,124</u>	<u>142,414</u>	<u>1,352,719</u>
Excess (Deficiency) of Revenues Over Expenditures	(588,133)	3,482	(13)
Fund Balances at Beginning of Year	<u>3,043,399</u>	<u>299,243</u>	<u>13</u>
Fund Balance End of Year	<u>\$ 2,455,266</u>	<u>\$ 302,725</u>	<u>\$ 0</u>

The notes to the financial statements are an integral part of this statement.



State of New Mexico  
**Artesia Public Schools**  
Governmental Funds  
Statement of Revenues, Expenditures and Changes  
in Fund Balance  
For the Year Ended June 30, 2019

	Special Revenue		
	General	Special Revenue	
	Instructional Materials 14000	Title I 24101	Entitlement IDEA-B 24106
Revenues			
Property Taxes	\$ 0	\$ 0	\$ 0
Fees	0	0	0
State & Local Grants	128,287	0	0
Federal Grants	0	720,539	1,085,167
Miscellaneous	0	0	0
Total Revenues	<u>128,287</u>	<u>720,539</u>	<u>1,085,167</u>
Expenditures			
Current			
Instruction	101,552	357,894	785,367
Support Services			
Students	0	0	124,464
Instruction	0	0	0
General Administration	0	11,238	29,043
School Administration	0	171,830	146,293
Central Services	0	0	0
Operation of Plant	0	0	0
Student Transportation	0	0	0
Food Service Operations	0	0	0
Capital Outlay	0	179,577	0
Total Expenditures	<u>101,552</u>	<u>720,539</u>	<u>1,085,167</u>
Excess (Deficiency) of Revenues Over Expenditures	26,735	0	0
Fund Balances at Beginning of Year	<u>11,893</u>	<u>0</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 38,628</u>	<u>\$ 0</u>	<u>\$ 0</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico  
**Artesia Public Schools**  
Governmental Funds  
Statement of Revenues, Expenditures and Changes  
in Fund Balance  
For the Year Ended June 30, 2019

	<u>Capital Projects</u>		
	<u>HB 33 31600</u>	<u>Senate Bill Nine-Local 31701</u>	<u>Other Governmental Funds</u>
<b>Revenues</b>			
Property Taxes	\$ 9,016,231	\$ 3,608,599	\$ 150
Fees	0	0	997,038
State & Local Grants	2,000,000	0	686,509
Federal Grants	0	0	1,534,318
Miscellaneous	46,063	3,355	9,505
Total Revenues	<u>11,062,294</u>	<u>3,611,954</u>	<u>3,227,520</u>
<b>Expenditures</b>			
Current			
Instruction	488,582	1,035,984	1,326,852
Support Services			
Students	0	0	0
Instruction	0	0	0
General Administration	42,992	17,212	14,860
School Administration	0	0	137,463
Central Services	0	0	0
Operation of Plant	155,093	2,347,507	0
Student Transportation	0	0	55,876
Food Service Operations	0	0	1,693,479
Capital Outlay	8,730,188	929,260	25,000
Total Expenditures	<u>9,416,855</u>	<u>4,329,963</u>	<u>3,253,530</u>
Excess (Deficiency) of Revenues Over Expenditures	1,645,439	(718,009)	(26,010)
Fund Balances at Beginning of Year	<u>15,842,334</u>	<u>6,649,427</u>	<u>475,617</u>
Fund Balance End of Year	<u>\$ 17,487,773</u>	<u>\$ 5,931,418</u>	<u>\$ 449,607</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico  
**Artesia Public Schools**  
 Governmental Funds  
 Statement of Revenues, Expenditures and Changes  
 in Fund Balance  
 For the Year Ended June 30, 2019

---

	Total Governmental Funds
Revenues	
Property Taxes	\$ 13,496,419
Fees	1,235,860
State & Local Grants	31,524,394
Federal Grants	3,351,894
Miscellaneous	542,787
Total Revenues	<u>50,151,354</u>
Expenditures	
Current	
Instruction	23,276,197
Support Services	
Students	2,585,934
Instruction	723,144
General Administration	612,558
School Administration	2,845,471
Central Services	816,141
Operation of Plant	5,968,219
Student Transportation	1,408,595
Food Service Operations	1,693,479
Capital Outlay	9,878,125
Total Expenditures	<u>49,807,863</u>
Excess (Deficiency) of Revenues Over Expenditures	343,491
Fund Balances at Beginning of Year	<u>26,321,926</u>
Fund Balance End of Year	<u>\$ 26,665,417</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico  
**Artesia Public Schools**  
 Reconciliation of the Governmental Funds  
 Statement of Revenues, Expenditures and Changes in Fund Balance  
 To the Statement of Activities  
 June 30, 2019

---

Excess (Deficiency) of Revenues Over Expenditures \$ 343,491

Amounts reported for governmental activities in the Statement of Activities are different because:

Some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered "available" revenues in the governmental funds, and are instead reported as deferred outflows. They are however, recorded as revenues in the Statement of Activities.

Property Taxes Receivable, June 30, 2018	\$ (191,311)	
Property Taxes Receivable, June 30, 2019	<u>214,578</u>	23,267

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.

Depreciation expense	(11,690,274)	
Capital Outlays	<u>9,878,125</u>	(1,812,149)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences, June 30, 2018	127,774	
Compensated Absences, June 30, 2019	<u>(145,060)</u>	(17,286)

Pension and Other Post Employee Benefits (OPEB) contributions are reported as expenses in the government funds but are deferred outflows in the Statement of Net Position. Pension and OPEB expense is reported in the Statement of Activities but not in the governmental funds.

Pension Contributions	3,013,497	
OPEB Contributions	433,621	
Pension Expense	(16,265,479)	
OPEB Expense	<u>(26,099)</u>	<u>(12,844,460)</u>

Changes in Net Position of Governmental Activities \$ (14,307,137)

The notes to the financial statements are an integral part of this statement.

State of New Mexico  
**Artesia Public Schools**  
 General Fund-Operational-11000  
 Statement of Revenues, Expenditures, and Changes in Cash Balance -  
 Budget and Actual (Budgetary Basis)  
 For the Year Ended June 30, 2019

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$ 697,824	\$ 837,824	\$ 879,184	\$ 41,360
Fees	62,600	62,600	92,925	30,325
State Grant	27,284,732	27,496,135	27,368,762	(127,373)
Miscellaneous	331,611	481,611	483,864	2,253
Total Revenues	<u>28,376,767</u>	<u>28,878,170</u>	<u>28,824,735</u>	<u>(53,435)</u>
<b>Expenditures</b>				
<b>Instruction</b>				
Personnel Services	13,867,580	14,085,886	13,849,994	235,892
Employee Benefits	4,895,374	4,887,874	4,778,511	109,363
Professional & Tech Services	107,750	130,057	45,676	84,381
Other Purchased Services	253,083	369,691	172,250	197,441
Supplies	358,013	389,908	309,618	80,290
Supply Assets	800	800	0	800
Total Instruction	<u>19,482,600</u>	<u>19,864,216</u>	<u>19,156,049</u>	<u>708,167</u>
<b>Support Services</b>				
<b>Students</b>				
Personnel Services	1,568,506	1,586,056	1,449,756	136,300
Employee Benefits	534,690	524,690	475,211	49,479
Professional & Tech Services	518,500	660,950	534,790	126,160
Other Purchased Services	150,150	0	0	0
Supplies	3,600	3,600	1,704	1,896
Total Students	<u>2,775,446</u>	<u>2,775,296</u>	<u>2,461,461</u>	<u>313,835</u>
<b>Instruction</b>				
Personnel Services	463,960	498,560	498,943	(383)
Employee Benefits	185,154	204,054	190,689	13,365
Professional & Tech Services	775	1,565	1,557	8
Other Purchased Services	76,600	17,800	1,337	16,463
Supplies	125,200	132,240	29,739	102,501
Total Instruction	<u>851,689</u>	<u>854,219</u>	<u>722,265</u>	<u>131,954</u>
<b>General Administration</b>				
Personnel Services	302,048	302,348	298,744	3,604
Employee Benefits	108,210	108,210	98,291	9,919
Professional & Tech Services	111,600	118,425	54,117	64,308
Other Purchased Services	96,500	110,500	26,545	83,955
Supplies	32,461	32,461	18,718	13,743
Total General Administration	<u>\$ 650,819</u>	<u>\$ 671,944</u>	<u>\$ 496,415</u>	<u>\$ 175,529</u>

State of New Mexico  
**Artesia Public Schools**  
 General Fund-Operational-11000  
 Statement of Revenues, Expenditures, and Changes in Cash Balance -  
 Budget and Actual (Budgetary Basis)  
 For the Year Ended June 30, 2019

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
School Administration				
Personnel Services	\$ 1,789,593	\$ 1,791,743	\$ 1,778,837	\$ 12,906
Employee Benefits	633,108	633,158	579,492	53,666
Professional & Tech Services	27,600	27,600	18,211	9,389
Other Purchased Services	151,400	151,400	1,008	150,392
Supplies	20,100	20,100	12,379	7,721
Total School Administration	<u>2,621,801</u>	<u>2,624,001</u>	<u>2,389,927</u>	<u>234,074</u>
Central Services				
Personnel Services	566,323	568,448	570,276	(1,828)
Employee Benefits	196,226	194,131	178,489	15,642
Professional & Tech Services	17,100	17,100	17,005	95
Other Purchased Services	169,600	169,600	40,640	128,960
Supplies	12,000	18,214	9,634	8,580
Total Central Services	<u>961,249</u>	<u>967,493</u>	<u>816,044</u>	<u>151,449</u>
Operation of Plant				
Personnel Services	1,182,229	1,234,907	1,169,868	65,039
Employee Benefits	482,014	492,514	459,863	32,651
Professional & Tech Services	14,200	14,950	10,077	4,873
Purchased Property Services	1,201,010	1,257,980	805,022	452,958
Other Purchased Services	832,635	834,235	763,874	70,361
Supplies	115,000	234,534	143,761	90,773
Total Operation of Plant	<u>3,827,088</u>	<u>4,069,120</u>	<u>3,352,465</u>	<u>716,655</u>
Other				
Other	98,225	98,225	0	98,225
Total Other	<u>98,225</u>	<u>98,225</u>	<u>0</u>	<u>98,225</u>
Total Support Services	<u>11,786,317</u>	<u>12,060,298</u>	<u>10,238,577</u>	<u>1,821,721</u>
Total Expenditures	<u>31,268,917</u>	<u>31,924,514</u>	<u>29,394,626</u>	<u>2,529,888</u>
Excess (Deficiency) of Revenues Over Expenditures	(2,892,150)	(3,046,344)	(569,891)	2,476,453
Cash Balance Beginning of Year	<u>3,046,714</u>	<u>3,046,714</u>	<u>3,046,714</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 154,564</u>	<u>\$ 370</u>	<u>\$ 2,476,823</u>	<u>\$ 2,476,453</u>

State of New Mexico  
**Artesia Public Schools**  
 General Fund-Operational-11000  
 Statement of Revenues, Expenditures, and Changes in Cash Balance -  
 Budget and Actual (Budgetary Basis)  
 For the Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary</u>	<u>with Final</u>
			<u>Basis)</u>	<u>Budget-</u>
				<u>Favorable</u>
				<u>(Unfavorable)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (569,891)	
Net Change in Taxes Receivable			(6,635)	
Net Change in Accounts Payable			(10,498)	
Net Change in Unavailable Revenue			(1,109)	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			\$ <u>(588,133)</u>	

The notes to the financial statements are an integral part of this statement.

State of New Mexico  
**Artesia Public Schools**  
 General Fund-Teacherage-12000  
 Statement of Revenues, Expenditures, and Changes in Cash Balance -  
 Budget and Actual (Budgetary Basis)  
 For the Year Ended June 30, 2019

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
Fees	\$ 125,000	\$ 125,000	\$ 145,896	\$ 20,896
Total Revenues	<u>125,000</u>	<u>125,000</u>	<u>145,896</u>	<u>20,896</u>
<b>Expenditures</b>				
<b>Support Services</b>				
Operation of Plant				
Personnel Services	42,755	42,755	43,635	(880)
Employee Benefits	22,759	22,759	21,678	1,081
Professional & Tech Services	0	0	292	(292)
Purchased Property Services	158,500	187,740	43,623	144,117
Other Purchased Services	95,500	95,500	4,538	90,962
Supplies	45,826	45,826	4,118	41,708
Supply Assets	20,000	20,000	10,676	9,324
Fixed Assets	10,000	10,000	14,100	(4,100)
Total Operation of Plant	<u>395,340</u>	<u>424,580</u>	<u>142,660</u>	<u>281,920</u>
Total Support Services	<u>395,340</u>	<u>424,580</u>	<u>142,660</u>	<u>281,920</u>
Total Expenditures	<u>395,340</u>	<u>424,580</u>	<u>142,660</u>	<u>281,920</u>
Excess (Deficiency) of Revenues Over Expenditures	(270,340)	(299,580)	3,236	302,816
Cash Balance Beginning of Year	<u>299,581</u>	<u>299,581</u>	<u>299,581</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 29,241</u>	<u>\$ 1</u>	<u>\$ 302,817</u>	<u>\$ 302,816</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 3,236	
Net Change in Accounts Payable			<u>246</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 3,482</u>	

The notes to the financial statements are an integral part of this statement.



State of New Mexico  
**Artesia Public Schools**  
 General Fund-Transportation-13000  
 Statement of Revenues, Expenditures, and Changes in Cash Balance -  
 Budget and Actual (Budgetary Basis)  
 For the Year Ended June 30, 2019

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
State Grant	\$ 1,352,706	1,352,706	\$ 1,352,706	\$ 0
Total Revenues	<u>1,352,706</u>	<u>1,352,706</u>	<u>1,352,706</u>	<u>0</u>
<b>Expenditures</b>				
<b>Support Services</b>				
<b>Student Transportation</b>				
Personnel Services	52,185	56,387	55,605	782
Employee Benefits	23,507	26,845	26,697	148
Professional & Tech Services	1,500	0	0	0
Purchased Property Services	138,526	142,039	142,039	0
Other Purchased Services	1,133,488	1,124,852	1,124,975	(123)
Supplies	3,500	2,596	3,403	(807)
Total Student Transportation	<u>1,352,706</u>	<u>1,352,719</u>	<u>1,352,719</u>	<u>0</u>
Total Support Services	<u>1,352,706</u>	<u>1,352,719</u>	<u>1,352,719</u>	<u>0</u>
Total Expenditures	<u>1,352,706</u>	<u>1,352,719</u>	<u>1,352,719</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	0	(13)	(13)	0
Cash Balance Beginning of Year	<u>13</u>	<u>13</u>	<u>13</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 13</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures			\$ (13)	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (13)</u>	

The notes to the financial statements are an integral part of this statement.

State of New Mexico  
**Artesia Public Schools**  
 General Fund-Instructional Materials-14000  
 Statement of Revenues, Expenditures, and Changes in Cash Balance -  
 Budget and Actual (Budgetary Basis)  
 For the Year Ended June 30, 2019

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
State Grant	\$ 128,287	\$ 138,104	\$ 128,288	\$ (9,816)
Total Revenues	<u>128,287</u>	<u>138,104</u>	<u>128,288</u>	<u>(9,816)</u>
<b>Expenditures</b>				
<b>Instruction</b>				
Supplies	128,287	150,413	98,892	51,521
Total Instruction	<u>128,287</u>	<u>150,413</u>	<u>98,892</u>	<u>51,521</u>
Total Expenditures	<u>128,287</u>	<u>150,413</u>	<u>98,892</u>	<u>51,521</u>
Excess (Deficiency) of Revenues Over Expenditures	0	(12,309)	29,396	41,705
Cash Balance Beginning of Year	<u>12,309</u>	<u>12,309</u>	<u>12,309</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 12,309</u>	<u>\$ 0</u>	<u>\$ 41,705</u>	<u>\$ 41,705</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures			\$ 29,396	
Net Change in Accounts Payable			<u>(2,661)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 26,735</u>	

The notes to the financial statements are an integral part of this statement.

State of New Mexico  
**Artesia Public Schools**  
Special Revenue Fund-Title I-24101  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
Federal Grant	\$ 694,357	\$ 936,824	\$ 424,895	\$ (511,929)
Total Revenues	<u>694,357</u>	<u>936,824</u>	<u>424,895</u>	<u>(511,929)</u>
<b>Expenditures</b>				
<b>Instruction</b>				
Personnel Services	263,751	261,751	263,648	(1,897)
Employee Benefits	98,281	96,281	94,246	2,035
Fixed Assets	0	242,467	179,577	62,890
Total Instruction	<u>362,032</u>	<u>600,499</u>	<u>537,471</u>	<u>63,028</u>
<b>Support Services</b>				
<b>General Administration</b>				
Professional & Tech Services	11,238	11,238	11,238	0
Total General Administration	<u>11,238</u>	<u>11,238</u>	<u>11,238</u>	<u>0</u>
<b>School Administration</b>				
Personnel Services	122,951	126,951	126,931	20
Employee Benefits	44,879	44,879	44,899	(20)
Total School Administration	<u>167,830</u>	<u>171,830</u>	<u>171,830</u>	<u>0</u>
Total Support Services	<u>179,068</u>	<u>183,068</u>	<u>183,068</u>	<u>0</u>
Total Expenditures	<u>541,100</u>	<u>783,567</u>	<u>720,539</u>	<u>63,028</u>
Excess (Deficiency) of Revenues Over Expenditures	153,257	153,257	(295,644)	(448,901)
Cash Balance Beginning of Year	<u>(153,257)</u>	<u>(153,257)</u>	<u>(153,257)</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (448,901)</u>	<u>\$ (448,901)</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures			\$ (295,644)	
Net Change in Due from Grantor			295,644	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 0</u>	

The notes to the financial statements are an integral part of this statement.

State of New Mexico  
**Artesia Public Schools**  
Special Revenue Fund-IDEA-B-Entitlement-24106  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
Federal Grant	\$ 1,522,645	\$ 2,088,773	\$ 758,306	\$ (1,330,467)
Total Revenues	<u>1,522,645</u>	<u>2,088,773</u>	<u>758,306</u>	<u>(1,330,467)</u>
<b>Expenditures</b>				
<b>Instruction</b>				
Personnel Services	478,618	723,193	441,452	281,741
Employee Benefits	162,599	192,599	190,816	1,783
Professional & Tech Services	33,300	144,300	97,863	46,437
Other Purchased Services	21,141	57,641	44,298	13,343
Supplies	41,238	56,238	10,076	46,162
Supply Assets	9,084	26,789	862	25,927
Total Instruction	<u>745,980</u>	<u>1,200,760</u>	<u>785,367</u>	<u>415,393</u>
<b>Support Services</b>				
<b>Students</b>				
Personnel Services	126,941	147,941	72,057	75,884
Employee Benefits	38,854	36,854	17,184	19,670
Professional & Tech Services	8,500	22,000	2,732	19,268
Other Purchased Services	0	0	450	(450)
Supplies	15,279	20,279	11,142	9,137
Supply Assets	10,000	20,000	20,899	(899)
Total Students	<u>199,574</u>	<u>247,074</u>	<u>124,464</u>	<u>122,610</u>
<b>General Administration</b>				
Professional & Tech Services	32,191	46,004	29,043	16,961
Total General Administration	<u>32,191</u>	<u>46,004</u>	<u>29,043</u>	<u>16,961</u>
<b>School Administration</b>				
Personnel Services	131,220	161,220	102,859	58,361
Employee Benefits	61,587	61,587	39,014	22,573
Professional & Tech Services	0	0	1,296	(1,296)
Other Purchased Services	0	0	69	(69)
Supplies	0	10,035	3,054	6,981
Supply Assets	0	10,000	0	10,000
Total School Administration	<u>192,807</u>	<u>242,842</u>	<u>146,292</u>	<u>96,550</u>
Total Support Services	<u>424,572</u>	<u>535,920</u>	<u>299,799</u>	<u>236,121</u>
Total Expenditures	\$ <u>1,170,552</u>	\$ <u>1,736,680</u>	\$ <u>1,085,166</u>	\$ <u>651,514</u>

State of New Mexico  
**Artesia Public Schools**  
Special Revenue Fund-IDEA-B-Entitlement-24106  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget- Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Excess (Deficiency) of Revenues Over Expenditures	\$ 352,093	\$ 352,093	\$ (326,860)	\$ (678,953)
Cash Balance Beginning of Year	<u>(352,093)</u>	<u>(352,093)</u>	<u>(352,093)</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (678,953)</u>	<u>\$ (678,953)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures			\$ (326,860)	
Net Change in Due from Grantor			<u>326,860</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 0</u>	

The notes to the financial statements are an integral part of this statement.

State of New Mexico  
**Artesia Public Schools**  
Statement of Fiduciary Assets and Liabilities-Agency Funds  
June 30, 2019

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	<u>Agency Funds</u>
Assets	
Cash and Cash Equivalents	\$ <u>1,307,679</u>
Total Assets	\$ <u><u>1,307,679</u></u>
Liabilities	
Deposits Held for Others	\$ <u>1,307,679</u>
Total Liabilities	\$ <u><u>1,307,679</u></u>

The notes to the financial statements are an integral part of this statement.

### **Summary of Significant Accounting Policies**

The financial statements of the Artesia Public Schools (District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

### **Financial Reporting Entity**

The District has been in existence since the early nineteen hundreds, and is currently operating under the provisions of the Public School District Code, Chapter 22, of the New Mexico Statutes Annotated, 1978 Compilation. The District operates with a local board of education - superintendent form of government and provides a supervised program of instruction designed to educate students at the elementary and secondary level.

GASB Statement No. 14 established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the District is considered a *primary government*, since it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the District may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges and issue bonded debt.

The District has no component units, defined by GASB Statement No. 14 as other legally separate organizations for which the elected District members are financially accountable. There are no other primary governments with which the School Board Members are financially accountable. There are no other primary governments with which the District has a significant relationship.

The accounts of the District are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

The funds of the District are classified into two categories: governmental and fiduciary. In turn, each category is divided into separate fund types. The fund classification and a description of each existing fund type follows below:

### ***Governmental Funds***

Governmental funds are used to account for the District's general government activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of capital assets and the servicing of general long-term debt.

General Fund - The General Fund is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Capital Projects Funds - The Capital Projects Funds is used to account for all resources for the acquisition of capital facilities by the District.

Debt Service Fund - The Debt Service Fund is used to account for all resources for, and the payment of, principal, interest and related costs.

### ***Fiduciary Fund Type***

Fiduciary funds account for assets held by the government in a trustee capacity or as an agent on behalf of outside parties, including other governments, or on behalf of other funds within the District.

The Student Activity Fund, an agency fund, accounts for assets held by the District as an agent for the District organizations. These organizations exist with the explicit approval of and are subject to revocation by the District's Board of Education. This accounting reflects the District's agency relationship with the student activity organizations.

### **Major Funds**

The District reports the following major governmental funds:

**General Fund (11000)(12000)(13000)(14000).**The General Fund consist of four sub funds. The first is the Operational fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. The Teacherage accounts for rents collected from teachers and related expenditures. The Transportation fund includes a state grant to provide transportation for students in the District. The Instructional Materials fund accounts for a state grant to provide text books for students in the District.

### **Special Revenue Fund**

**Title I (24101).**To account for a program funded by a Federal grant to supplement the regular instructional program for educationally deprived students. Funding authorized by the Elementary and Secondary Act of 1965, Chapter I of Title I, as amended, Public Laws 100-297, 20 U.S.C. 2701. The fund was created by the authority of federal grant provisions.

**IDEA-B Entitlement (24106)** To account for a program funded by a Federal grant to assist the District in providing free appropriate public education to all handicapped children. Funding authorized by the Individuals with Disabilities Education Act, Part B, Sections 611-620, as amended, Public Laws 91-230, 93-380, 94-142, 98-199, 99-457, 100-639, and 101-476, 20 U. S. C. 1411-1420. The fund was created by the authority of federal grant provisions.

### **Major Capital Projects Fund**

**House Bill 33 (31600)** To account for resources received through House Bill 33 and local tax levies obtained for the financing, construction and remodeling of various school buildings. Expenditures are restricted to Capital Improvements.

**Senate Bill Nine-Local (31701).** The revenues are derived from a district tax levy. Expenditures are restricted to capital improvements, repairs and maintenance, supplies and supply assets used in the upkeep of the facilities.

### **Measurement Focus and Basis of Accounting**

#### ***Government-Wide Financial Statements (GWFS)***

The Statement of Net Position and the Statement of Activities displays information about the reporting government as a whole. Fiduciary funds are not included in the GWFS. Fiduciary Funds are reported only in the Statement of Fiduciary Assets and Liabilities at the fund financial statement level.

In the government-wide Statement of Net Position, the governmental activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position is reported in three parts - invested in net capital assets; restricted and unrestricted net position.



The Statement of Net Position and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, deferred outflow of resources, liabilities and deferred inflow of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, deferred outflow of resources, liabilities and deferred inflow of resources resulting from nonexchange transactions are recognized in accordance with the requirement of GASB Statement No. 33 "Accounting and Financial Reporting for Nonexchange Transactions."

#### Program Revenues

Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the District's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the District's general revenues. Program revenues include: 1) charges for services to students or applicants who purchase, use or directly benefit from the goods or services provided by the given function 2) program-specific operating grants and contributions, Transportation, Food Service, Special Revenue Funds such as special education as well as others, and 3) program specific capital grants and contributions.

### ***Fund Financial Statements (FFS)***

#### Governmental Funds

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within 30 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured principal and interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. Any effect of interfund activity has been eliminated from the district-wide financial statements.

#### Revenues

Taxes. Ad valorem taxes are susceptible to full accrual on the government wide financial statements. Property Tax revenues recognize revenues net of estimated refunds and uncollectible accounts in the period for which the taxes are levied.

Grants. Government mandated nonexchange transaction and voluntary nonexchange transactions. Recipients should recognize revenues in the period when all applicable eligibility requirements have been met and the resources are available.

#### Revenue Recognition for Grants.

Eligibility requirements for government-mandated and voluntary nonexchange transaction comprise one or more of the following:

1. Required characteristics of recipients. The recipient has the characteristics specified by the provider (are required to be school districts).
2. Time requirements. Time requirements specified by enabling legislation or the provider have been met (period when the resources are required to be used).

3. Reimbursements. The provider offers resources on a reimbursement ("expenditure-driven") basis and the recipient has incurred allowable costs under the applicable program.

4. Contingencies. The providers offer of resources is contingent upon a specified action of the recipient and that action has occurred (the recipient has raised the matching funds).

*Entitlement and shared revenues* (which include state equalization and state revenue sharing) are recorded as unrestricted grants-in-aid at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met and the susceptible to accrual criteria have been met.

*Other receipts* become measurable and available when cash is received by the District and are recognized as revenue at that time.

#### Expenditures

*Salaries* are recorded as paid. Salaries for nine-month employees are paid prior to the end of the fiscal year and therefore are not accrued. Salaries for the twelve month employees payroll are accrued.

#### Other Financing Sources (Uses)

Transfers between funds that are not expected to be repaid (or any other types, such as capital lease transactions, sale of fixed assets, debt extinguishments, long-term debt proceeds, etc.) are accounted for as other financing sources (uses). These other financing sources (uses) are recognized at the time the underlying events occur.

#### Basis of Budgeting

Formal budgetary integration is employed as a management control device during the year.

Budgets for the General, Special Revenue, Debt Service and Capital Projects Funds are adopted on a basis inconsistent with generally accepted accounting principles (GAAP). These budgets are prepared using the cash basis of accounting. Budgetary comparisons for the various funds in this report are on the non-GAAP budgetary basis.

The District follows the following procedures in establishing data reflected in the financial statements:

1. Prior to April 15, (unless a later date is fixed by the Secretary of Education) the local school board submits to the School Budget and Finance Analysis Unit (SBFAU) of the New Mexico Public Education Department an estimated budget for the District for the ensuing fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them. All budgets submitted to the New Mexico Public Education Department (PED) by the district shall contain headings and details as prescribed by law.
2. Prior to June 20, of each year, the proposed "operating" budget will be reviewed and approved by the SBFAU and certified and approved by the local school board at the public hearing of which notice has been published by the local school board which fixed the estimated budget for the district for the ensuing fiscal year.

3. The "operating" budget will be used by the District until they have been notified that the budget has been approved by the SBFAU and the local school board. The budget shall be integrated formally in to the accounting system. Encumbrances shall be used as an element for control and shall be integrated into the budget system.
4. The District shall make corrections, revisions and amendments to the estimated budgets fixed by the local school board to recognize actual cash balances and carryover funds, if any. These adjustments shall be reviewed and approved by the SBFAU.
5. No school board or officer or employee of the District shall make any expenditures or incur any obligation for the expenditures of public funds unless such expenditure or contractual obligation is made in accordance with an operating budget approved by the division. But this does not prohibit the transfer of funds between line items within a series of a budget.
6. Budget change requests are processed in accordance with Supplement I (Budget Preparation and Maintenance) of the *Manual of Procedures Public School Accounting and Budgeting*. Such changes are initiated by the District and approved by the SBFAU.
7. Legal budget control for expenditures is by function.
8. Appropriations lapse at fiscal year end. Funds unused during the fiscal year may be carried over into the next fiscal year by budgeting those in the subsequent fiscal year's budget. The budget of the District has been amended during the current fiscal year in accordance with these procedures. The budget schedules included in the accompanying financial statements reflect the approved budget and amendments thereto.

Budget comparison schedules are no longer required for non-major funds and are not included.

#### Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The District is authorized under the provisions of Chapter 6, Article 10, paragraph 10, NMSA 1978, to deposit its money in banks, savings and loan associations and/or credit unions whose accounts are insured by an agency of the United States.

#### Investments

All money not immediately necessary for the public uses of the District may be invested in :

- (a) bonds or negotiable securities of the United States, the state or any county, municipality or school district which has a taxable valuation of real property for the last preceding year of at least one million dollars (1,000,000) and has not defaulted in the payment of any interest or sinking fund obligation or failed to meet any bonds at maturity at any time within five years last preceding; or
- (b) securities that are issued by the United States government or by its agencies or instrumentalities and that are either direct obligations of the United States or are backed by the full faith and credit of the United States government or agencies guaranteed by the United States government.

(c) in contracts with banks, savings and loan associations or credit unions for the present purchase and resale at a specified time in the future of specific securities at specified prices at a price differential representing the interest income to be earned by the investor. The contract shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with the investment. The contract shall be fully secured by obligations of the United States having a market value of at least one hundred two percent of the contract. The collateral required for investment in the contracts provided for in this subsection shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with investment.

#### Receivables and Payables

Receivables include property taxes, interfund loans that are expected to be paid back and amount due from state government agencies related to various grant agreements. Payables represent routine monthly bills for services rendered and products purchased and accrued salaries and benefits.

#### Property Taxes

The County collects the District's share of property taxes assessed. Property taxes attach an enforceable lien on property as of January 1st. Tax notices are sent by the County treasurer to property owners by November 1st of each year to be paid in whole or in two installments by November 10th and April 10th of each year. The County collects such taxes and distributes them to the District on a monthly basis. The District accounts for its share of property taxes in the General, Debt Service and Capital Projects Funds. Only those collections received are recorded as revenues for the budget presentation.

#### Elimination and Reclassifications of Certain Receivables and Payables

In the process of aggregating data for the Statement of Net Position and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

#### Inventories and Prepaid Items

Purchased inventory is valued at the lower of cost (first-in, first-out) or market. Inventory in the Cafeteria Fund consists of purchased food and non-food items and United States Department of Agriculture (USDA) commodities. Commodities are shown at the USDA procurement cost. Costs are recorded as expenditures at the time individual inventory items are used (consumption method). Reported inventories are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both District-wide and fund financial statements.

#### Capital Assets

Capital assets are recorded at historical costs and depreciated over their estimated useful lives (with no salvage value). Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Donated capital assets are recorded at their estimated fair market value on the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

If there are any construction projects funded by the NM Public School Facilities Authority they are included in the appropriate capital projects fund and in the capital assets.

Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Straight line depreciation is used based on the following estimated useful lives:

Buildings & Improvements	20-50 Years
Equipment, Vehicles, Information Technology Equipment, Software & Library Books	3-15 Years

#### Capital Leases

Capital leases are recorded at the inception of the leases as expenditures and other financing sources in governmental fund financial statement at the present value of the future minimum lease payments, using the stated or implicit interest rate in the leases. Lease payments are recorded as expenditures on the due date. Capital leases are recorded as a liability in the government-wide financial statement at the time of inception and the corresponding asset is recorded in the capital asset section on the balance sheet.

#### Short -Term Debt

Short-term debt results from borrowings characterized by anticipation notes, use of lines of credit, and similar loans. The District does not have any activity in short-term debt.

#### Long-Term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method or the straight-line method if the difference from the effective interest method is minimal. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual net of debt proceeds received, are reported as debt service expenditures.

#### Restricted Net Position

For the government-wide statement of net position, net positions are reported as restricted when constraints placed use are either:

Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments;

Imposed by law through constitutional provisions or enabling legislation.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available it will first be applied to restricted resources.

#### Fund Balances of Fund Financial Statements

Nonspendable fund balance indicates that portion of fund equity is not spendable such as inventory.

The restricted fund balance category includes amounts that can be spent only for specific purposes stipulated by constitution, external resources providers, or through enabling legislation.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.

Unassigned fund balance is the residual amount that is not restricted or committed.

#### Interfund Transfers

In governmental funds, transfers should be reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers.

#### Deferred Outflows

The District reports deferred revenues on its Statement of Net Position and Fund Balance Sheet. Deferred outflows arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when the District has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and the revenue is recognized. Deferred outflows also occur in the fund financial statements when revenue is earned but is not available. The revenue becomes available if received within 30 days of the fiscal year end.

#### Compensated Absences

After a full time twelve (12) month support staff employee has been with the Artesia Public Schools for a period of at least six months, the employee is entitled to a five (5) days paid vacation; after twelve months employment, the employee is entitled to a ten (10) days paid vacation. Vacation may accumulate to a maximum of twenty (20) days, at which time no more vacation can be earned. As accumulated vacation days are used and drop below twenty (20) days, an eligible employee may again accumulate vacation up to the maximum limit. Vacation is to be scheduled at an appropriate time and approved by the supervisor. If an employee is discharged the employee shall receive commensurate vacation pay.

After a full time twelve (12) month support staff employee has been with the Artesia Public Schools for a period of twenty-five (25) years, the employee is entitled to a fifteen (15) days paid vacation. Vacation may accumulate to a maximum of thirty (30) days, at which time no more vacation can be earned. As accumulated vacation days are used and drop below thirty (30), an eligible employee may again accumulate vacation up to the maximum limit. After twenty-six (26) years, a full-time twelve (12) month employee may accrue one additional vacation day for each full year of service and those days may accumulate to a maximum of twice the number of days earned. As accumulated vacation days are used and drop below the accumulated total, an eligible employee may again accumulate vacation up to the maximum limit. Vacation is to be scheduled at an appropriate time and approved by the supervisor. If an employee is discharged the employee shall receive commensurate vacation pay.

The District's recognition and measurement criteria for compensated absences follow:

GASB Statement No. 16 provides that vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees if both the following conditions are met:

- (a) The employees' right to receive compensation is attributable to services already rendered.
- (b) It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts, if any, are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**A. Deposits and Investments**

The District is required by New Mexico State Statute (Section 6-10-17) to be 50% collateralized. Following is a schedule calculating the requirement and disclosing the pledged securities.

<b>Western Bank</b>	Balance Per Bank 6/30/19	Reconciled Balance	Type
APs-Operational	\$ 4,633,662	\$ 2,925,156	Interest-Checking
APs-Operational (NMPSIA)	31,363	31,363	Interest-Checking
Total Deposited	<u>4,665,025</u>	<u>\$ 2,956,519</u>	
Less FDIC Coverage	(250,000)		
Uninsured Amount	<u>4,415,025</u>		
50% collateral requirement	2,207,513		
Pledged securities	<u>5,689,895</u>		
Over (Under) requirement	<u>\$ 3,482,382</u>		

The difference between the bank balance and the reconciled balance is outstanding deposits, outstanding checks and pending bank adjustments.

The following securities are pledged at Western Bank:

<u>Description</u>	<u>CUSIP #</u>	<u>Market Value</u>	<u>Maturity Date</u>	<u>Location</u>
Los Lunas, NM	545562PH7	\$ 350,000	07/15/2021	FHLB Dallas, TX
Los Lunas, NM	545562PH7	195,000	07/15/2021	FHLB Dallas, TX
UNM Gallup	914684DW2	250,137	10/15/2023	FHLB Dallas, TX
FNMA	31412SKY0	49,650	03/01/2038	FHLB Dallas, TX
FFCB	3133EHRW5	700,027	07/24/2025	FHLB Dallas, TX
FNMA	3138LFQT8	1,996,130	11/01/2023	FHLB Dallas, TX
FNMA	313G05J6	998,475	05/26/2021	FHLB Dallas, TX
FHLB	3133XFKF2	1,074,378	06/11/2021	FHLB Dallas, TX
FHLMC#91273	3128P7MW0	76,097	10/01/2029	FHLB Dallas, TX
		<u>\$ 5,689,895</u>		

State of New Mexico  
**Artesia Public Schools**  
Notes to the Financial Statements  
June 30, 2019

<b>First American Bank</b>	Balance	Reconciled	
<u>Name of Account</u>	<u>Per Bank</u>	<u>Balance</u>	<u>Type</u>
	<u>6/30/19</u>	<u>Balance</u>	
APS (Inst Material/Medicaid)	\$ 4,485	\$ 4,485	Non-Interest-Checking
APS-Operational	1,023	1,023	Interest-Checking
APS (IRS Taxes)	0	0	Non-Interest-Checking
Cafeteria	2,003	2,003	Interest-Checking
Activities	1,225	1,225	Interest-Checking
Activities	1,073	1,073	Interest-Checking
Capital Improvements	22,847,992	22,564,850	Interest-Checking
HB-33	2,427	2,427	Interest-Checking
Capital Projects-CD	500,000	500,000	Interest-Savings
	<u>23,360,228</u>	<u>\$ 23,077,086</u>	
Less FDIC Coverage	(500,000)		
Uninsured Amount	22,860,228		
50% collateral requirement	11,430,114		
Pledged securities	14,210,684		
Over (Under) requirement	<u>\$ 2,780,570</u>		

The difference between the bank balance and the reconciled balance is outstanding deposits, outstanding checks and pending bank adjustments.

The following securities are pledged at First American Bank:

<u>Description</u>	<u>CUSIP #</u>	<u>Market Value</u>	<u>Maturity Date</u>	<u>Location</u>
FHLMC 15 YR	3128MFNQ7	\$ 1,328,794	08/01/2032	FHLB Dallas, TX
GRANT CO NM 33	387766CW6	481,103	09/01/2033	FHLB Dallas, TX
Albuquerque SD #12-A NM 19	013595QN6	200,346	08/01/2019	FHLB Dallas, TX
Grants Etc Co SD 1-A NM 20	388240FZ1	805,984	11/15/2020	FHLB Dallas, TX
FNMA Covn <30 Mtg	3138ERXG0	777,824	02/01/2036	FHLB Dallas, TX
gnma LL 5X1	36225FLV	240,866	02/20/2042	FHLB Dallas, TX
Alamogordo Muni SD #1 NM 2	011464HL1	805,528	08/01/2023	FHLB Dallas, TX
Torrance Etc Cntys NM 23	891400NS8	358,572	09/01/2023	FHLB Dallas, TX
FNMA 10 YR	31418BFN1	547,223	07/01/2024	FHLB Dallas, TX
Clovis Mun SD #2 NM 24	189414JA4	658,970	08/01/2024	FHLB Dallas, TX
Ruidoso-Ref NM 25	781346DP3	268,668	06/01/2025	FHLB Dallas, TX
Belen SD #2 Bldg NM 25	077581PT7	732,389	08/01/2025	FHLB Dallas, TX
FNMA 10 YR	31418CF25	1,185,217	01/01/2027	FHLB Dallas, TX
FNMA 15 YR	3138EJCG1	437,823	05/01/2027	FHLB Dallas, TX
Truth ETC SD #6 NM 27	898439EC4	355,229	08/01/2027	FHLB Dallas, TX
Truth ETC SD #6 NM 27	898439ES9	316,242	08/01/2027	FHLB Dallas, TX
Mosquero SD #5	619636EX7	106,068	10/15/2027	FHLB Dallas, TX
Dona Ana CO NM 29	257579DC3	475,333	09/01/2023	FHLB Dallas, TX
FNMA 15 YR	3138ELBP7	555,482	05/01/2028	FHLB Dallas, TX
FNMA 15 YR	3138ENYB9	671,441	12/01/2029	FHLB Dallas, TX
MC Kinley Gross Rcpts NM	581615DR9	505,969	06/01/2030	FHLB Dallas, TX
Dona Ana CO NM 30	257579DB5	165,599	09/01/2029	FHLB Dallas, TX
FNMA 20YR	31410LQE5	831,046	01/01/2032	FHLB Dallas, TX
FNMA ARM	3138ELZ97	552,054	08/01/2036	FHLB Dallas, TX
GNMA II 15 yr	36179NFE3	846,912	06/20/2028	FHLB Dallas, TX
		<u>\$ 14,210,684</u>		



**Custodial Credit Risk-Deposits**

<u>Depository Account</u>	<u>Bank Balance</u>
Insured	\$ 750,000
Collateralized:	
Collateral held by the pledging bank in District's name	19,900,578
Uninsured and uncollateralized	7,374,675
Total Deposits	<u>\$ 28,025,253</u>

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2019 \$7,374,675 of the District's balance of \$28,025,253 was exposed to custodial risk.

**B. Receivables**

Following is a schedule of receivables as of June 30, 2019:

	<u>General Fund 11000</u>	<u>HB 33 31600</u>	<u>Senate Bill Nine-Local 31701</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Property Taxes					
Available	\$ 32,745	\$ 334,061	\$ 133,486	\$ 0	\$ 500,292
Unavailable	12,801	143,465	57,248	1,064	214,578
	<u>\$ 45,546</u>	<u>\$ 477,526</u>	<u>\$ 190,734</u>	<u>\$ 1,064</u>	<u>\$ 714,870</u>
		<u>Title I 24101</u>	<u>IDEA-B Entitlement 24106</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Due From Grantors					
State	\$ 0	\$ 0	\$ 0	201,348	\$ 201,348
Federal Agencies		448,901	678,953	228,050	1,355,904
		<u>\$ 448,901</u>	<u>\$ 678,953</u>	<u>\$ 429,398</u>	<u>\$ 1,557,252</u>

**C. Interfund Receivables, Payables and Transfers**

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Funds</u>			
	<u>Title I 24101</u>	<u>IDEA-B Entitlement 24106</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
Operational Fund	\$ 448,901	\$ 678,953	\$ 396,373	<u>\$ 1,524,227</u>

The above interfund balances resulted from reimbursement grants. The shortfalls were covered by the above funds. All transactions will be repaid within one year.

**D. Capital Assets**

Capital Assets Balances and Activity for the year ended June 30, 2019, is as follows:

	Balance 6/30/18	Increases	Decreases	Ending Balance 6/30/19
<b>Governmental Activities</b>				
Capital Assets not being Depreciated				
Land	\$ 215,439	\$ 0	\$ 0	\$ 215,439
Total Capital Assets not being Depreciated	<u>215,439</u>	<u>0</u>	<u>0</u>	<u>215,439</u>
Capital Assets, being Depreciated				
Buildings & Improvements	123,558,281	7,793,174	0	131,351,455
Equipment, Vehicles, Software & Library Books	<u>10,741,783</u>	<u>2,084,951</u>	<u>0</u>	<u>12,826,734</u>
Total Capital Assets, being Depreciated	<u>134,300,064</u>	<u>9,878,125</u>	<u>0</u>	<u>144,178,189</u>
Total Capital Assets	<u>134,515,503</u>	<u>9,878,125</u>	<u>0</u>	<u>144,393,628</u>
<b>Less Accumulated Depreciation</b>				
Buildings & Improvements	58,917,153	9,619,198	0	68,536,351
Equipment, Vehicles, Software & Library Books	<u>4,915,929</u>	<u>2,071,076</u>	<u>0</u>	<u>6,987,005</u>
Total Accumulated Depreciation	<u>63,833,082</u>	<u>11,690,274</u>	<u>0</u>	<u>75,523,356</u>
Capital Assets, net	<u>\$ 70,682,421</u>	<u>\$ (1,812,149)</u>	<u>\$ 0</u>	<u>\$ 68,870,272</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 11,690,274
Total Depreciation Expenses	<u>\$ 11,690,274</u>

**E. Commitments**

The District has various construction commitments on June 30, 2019.

**F. Long-Term Debt and Other Liabilities**

The District has no long-term debt.

**G. Retirement Plan**

**Summary of Significant Accounting Policies**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Educational Retirement Plan (ERP) and additions to/deductions from ERP's fiduciary net position have been determined on the same basis as they are reported by ERP. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### **General Information about the Pension Plan**

**Plan Description.** The New Mexico Educational Retirement Act (ERA) was enacted in 1957. The act created the Educational Employees Retirement Plan (Plan) and, to administer it, the New Mexico Educational Retirement Board (NMERB). The Plan is included in NMERB's comprehensive annual financial report. The report can be found on NMERB's Web site at [https://www.nmerb.org/Annual\\_reports.html](https://www.nmerb.org/Annual_reports.html).

The Plan is a cost-sharing, multiple-employer pension plan established to provide retirement and disability benefits for certified teachers and other employees of the state's public schools, institutions of higher learning, and state agencies providing educational programs. Additional tenets of the ERA can be found in Section 22-11-1 through 22-11-52, NMSA 1978, as amended.

The Plan is a pension trust fund of the State of New Mexico. The ERA assigns the authority to establish and amend benefit provisions to a seven-member Board of Trustees (Board); the state legislature has the authority to set or amend contribution rates and other terms of the Plan. NMERB is self-funded through investment income and educational employer contributions. The Plan does not receive General Fund Appropriations from the State of New Mexico.

All accumulated assets are held by the Plan in trust to pay benefits, including refunds of contributions as defined in the terms of the Plan. Eligibility for membership in the Plan is a condition of employment, as defined Section 22-11-2, NMSA 1978. Employees of public schools, universities, colleges, junior colleges, technical-vocational institutions, state special schools, charter schools, and state agencies providing an educational program, who are employed more than 25% of a full-time equivalency, are required to be members of the Plan, unless specifically excluded.

**Pension Benefit.** A member's retirement benefit is determined by a formula which includes three component parts: 1) the member's final average salary (FAS), 2) the number of years of service credit, and 3) a 0.0235 multiplier. The FAS is the average of the member's salaries for the last five years of service or any other consecutive five-year period, whichever is greater.

**Summary of Plan Provisions for Retirement Eligibility.** For members employed before July 1, 2010, a member is eligible to retire when one of the following events occurs:

- \*The member's age and earned service credit add up to the sum of 75 or more,
- \*The member is at least sixty-five years of age and has five or more years of earned service credit, or
- \*The member has service credit totaling 25 years or more.

Chapter 288, Laws of 2009 changed the eligibility requirements for new members first employed on, or after, July 1, 2010 and before July 1, 2013. The eligibility for a member who either becomes a new member on or after July 1, 2010 and before July 1, 2013, or at any time prior to July 1, 2010 refunded all member contributions and then becomes re-employed after July 1, 2010 is as follows:

- \*The member's age and earned service credit add up to the sum of 80 or more,
- \*The member is at least sixty-seven years of age and has five or more years of earned service credit, or
- \*The member has service credit totaling 30 years or more.

Section 2-11-23.2, NMSA 1978 added eligibility requirements for new members who were first employed on or after July 1, 2013, or who were employed before July 1, 2013 but terminated employment and subsequently withdrew all contributions, and returned to work for an ERB employer on or after July 1, 2013. These members must meet one of the following requirements.

\*The member's minimum age is 55, and has earned 30 or more years of service credit. Those who retire earlier than age 55, but with 30 years of earned service credit will have a reduction in benefits to the actuarial equivalent of retiring at age 55.

\*The member's minimum age and earned service credit add up to the sum of 80 or more. Those who retire under the age of 65, and who have fewer than 30 years of earned service credit will receive reduced retirement benefits.

\*The member's age is 67, and has earned 5 or more years of service credit.

**Forms of Payment.** The benefit is paid as a monthly life annuity with a guarantee that, if the payments made do not exceed the member's accumulated contributions plus accumulated interest, determined as of the date of retirement, the balance will be paid in a lump sum to the member's surviving beneficiary.

**Benefit Options.** The Plan has three benefit options available.

Option A. Straight Life Benefit. The single life annuity option has no reductions to the monthly benefit, and there is no continuing benefit due to a beneficiary or estate, except the balance, if any, of member contributions plus interest less benefits paid prior to the member's death.

Option B. Joint 100% Survivor Benefit. The single life annuity monthly benefit is reduced to provide for a 100% survivor's benefit. The reduced benefit is payable during the life of the member, with the provision that, upon death, the same benefit is paid to the beneficiary for his or her lifetime. If the beneficiary predeceases the member, the member's monthly benefit is increased to the amount the member would have received under Option A Straight Life benefit. The member's increased monthly benefit commences in the month following the beneficiary's death.

Option C. Joint 50% Survivor Benefit. The single life annuity monthly benefit is reduced to provide for a 50% survivor's benefit. The reduced benefit is payable during the life of the member, with the provision that, upon death, the reduced 50% benefit is paid to the beneficiary for his or her lifetime. If the beneficiary predeceases the member, the member's monthly benefit is increased to the amount the member would have received under Option A. The member's increased monthly benefit commences in the month following the beneficiary's death.

**Disability Benefit.** An NMERB member is eligible for disability benefits if they have acquired at least ten years of earned service credit and is found totally disabled. The disability benefit is equal to 2% of the member's Final Average Salary (FAS) multiplied by the number of years of total service credits. However, the disability benefit shall not be less than the smaller of (a) one-third of the member's FAS or (b) 2% of the member's FAS multiplied by total years of service credit projected to age 60.

**Cost of Living Adjustment (COLA).** All retired members and beneficiaries receiving benefits receive an automatic adjustment in their benefit on July 1 following the later of 1) the year a member retires, or 2) the year a member reaches age 65 (Tier 1 and Tier 2) or age 67 (Tier 3).

\*Tier 1 membership is comprised of employees who became members prior to July 1, 2010.

\*Tier 2 membership is comprised of employees who became members after July 1, 2010, but prior to July 1, 2013.

\*Tier 3 membership is comprised of employees who became members on or after July 1, 2013.

As of July 1, 2013, for current and future retirees the COLA is immediately reduced until the Plan is 100% funded. The COLA reduction is based on the median retirement benefit of all retirees excluding disability retirements. Retirees with benefits at or below the median and with 25 or more years of service credit will have a 10% COLA reduction; their average COLA will be 1.5%. Once the funding is greater than 90%, the COLA reductions will decrease. The retirees with benefits at or below the median and with 25 or more years of service credit will have a 5% COLA reduction; their average COLA will be 1.7%.

Members on disability retirement are entitled to a COLA commencing on July 1 of the third full year following disability retirement. A member on regular retirement who can prove retirement because of a disability may qualify for a COLA beginning July 1 in the third full year of retirement.

**Refund of Contributions.** Members may withdraw their contributions only when they terminate covered employment in the State and their former employer(s) certification determination has been received by NMERB. Interest is paid to members when they withdraw their contributions following termination of employment at a rate set by the Board. Interest is not earned on contributions credited to accounts prior to July 1, 1971, or for contributions held for less than one year.

**Contributions.** For the fiscal year ended June 30, 2019 educational employers contributed to the Plan based on the following rate schedule.

<u>Fiscal Year</u>	<u>Date Range</u>	<u>Wage Category</u>	<u>Member's Rate</u>	<u>Employer's Rate</u>	<u>Combined Rate</u>
2019	7-1-18 to 6-30-19	Over \$20K	10.70%	13.90%	24.60%
2019	7-1-18 to 6-30-19	\$20K or less	7.90%	13.90%	21.80%
2018	7-1-17 to 6-30-18	Over \$20K	10.70%	13.90%	24.60%
2018	7-1-17 to 6-30-18	\$20K or less	7.90%	13.90%	21.80%

The contribution requirements are established in statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the New Mexico Legislature. For the fiscal years ended June 30, 2019 and 2018, the District paid employee and employer contributions of \$5,308,093 and \$5,159,972 which equal the amount of the required contributions for each fiscal year.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.** At June 30, 2019, the District reported a liability of \$89,752,199 for their proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2018 using generally accepted actuarial principles. The roll-forward incorporates the impact of the new assumptions adopted by the Board on April 21, 2017. There were no other significant events of changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2018. Therefore, the District's portion was established as of the measurement date of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating educational institutions at June 30, 2018, actuarially determined. At June 30, 2018, the District's proportion was 0.75477%, which was an increase of 0.01834% from its proportion measured as of June 30, 2017.

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For the year ended June 30, 2019, the District recognized pension expense of \$16,265,479. At the June 30, 2019, the District reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 65,504	\$ 1,708,129
Changes of assumptions	18,497,504	0
Net difference between projected and actual earnings on pension plan investments	198,688	0
Changes in proportion and differences between the District's contributions and proportionate share of contributions	1,397,322	0
District's contributions subsequent to the measurement date	3,013,497	0
	<u>\$ 23,172,515</u>	<u>\$ 1,708,129</u>

\$3,013,497 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June</u>	
2019	\$ 11,122,729
2020	7,217,715
2021	107,830
2022	2,615
Total	<u>\$ 18,450,889</u>

**Actuarial Assumptions and Methods.** The total pension liability as of June 30, 2018 was based on an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 and was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry age normal				
Inflation	2.50%				
Salary Increases	3.25% composed of 2.50% inflation, plus 0.75% productivity increase rate, plus a step-rate promotional increase for members with less than 10 years of service.				
Investment Rate of Return	7.25% compounded annually, net of expenses. This is made up of a 2.50% inflation rate and a 4.75 real rate of return.				
Average of Expected Remaining Service Lives	Fiscal year	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
	Service life in years	3.35	3.77	3.92	3.88

Mortality	<p>Healthy males: Based on the RP-2000 Combined Mortality Table with White Collar adjustments, generational mortality improvements with Scale BB from the table's base year of 2000.</p> <p>Healthy females: Based on GRS Southwest Region Teacher Mortality Table, set back one year, generational mortality improvements in accordance with Scale BB from the table's base year of 2012.</p> <p>Disabled males: RP-2000 Disabled Mortality Table for males, set back three years, projected to 2016 with Scale BB.</p> <p>Disabled females: RP-2000 Disabled Mortality Table for females, no set back, projected to 2016 with Scale BB.</p> <p>Active members: RP-2000 Employee Mortality Tables, with males set back two years and scaled at 80%, and females set back five years and scaled at 70%. Static mortality improvement from the table's base year of 2000 to the year 2016 in accordance with Scale BB. No future improvement was assumed for preretirement mortality.</p>
Retirement Age	<p>Experience based table of rates based on age and service. Adopted by NMERB on April 21, 2017 in conjunction with the six-year experience study for the period ended June 30, 2016.</p>
Cost-of-living Increases	<p>1.90% per year, compounded annually; increases deferred until July 1 following the year a member retires, or the year in which a member attains the age of 65 (67 for Tier 3), whichever is later or, for disabled retirees, until July 1 of the third year following retirement.</p>
Payroll Growth	<p>3.00% per year (with no allowance for membership growth).</p>
Contribution Accumulation	<p>The accumulated member account balance with interest is estimated at the valuation date by assuming that member contributions increased 5.50% per year for all years prior to the valuation date. Contributions are credited with 4.00% interest, compounded annually, applicable to the account balances in the past as well as the future.</p>
Disability Incidence	<p>Approved rates are applied to eligible members with at least 10 years of service.</p>

Actuarial assumptions and methods are set by the Plan's Board of Trustees, based upon recommendations made by the Plan's actuary. The Board adopted new assumptions on April 21, 2017 in conjunction with the six-year actuarial experience study period ending June 30, 2016. At that time, the Board adopted several economic assumption changes, including a decrease in the inflation assumption from 3.00% to 2.50%. The 0.50% decrease in the inflation assumption also led to decreases in the nominal investment return assumption from 7.75% to 7.25%, the assumed annual wage inflation rate from 3.75% to 3.25%, the payroll growth assumption from 3.50% to 3.00%, and the annual assumed COLA from 2.00% to 1.90%.

The long-term expected rate of return on pension plan investments was determined using a building-block approach that includes the following:

- \*Rate of return projections that are the sum of current yield plus projected changes in price (valuations, defaults, etc.)
- \*Application of key economic projections (inflation, real growth, dividends, etc.)
- \*Structural themes (supply and demand imbalances, capital flows, etc.) developed for each major asset class.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Equities	33%	
Fixed Income	26%	
Alternatives	40%	
Cash	1%	
	<u>100%</u>	7.25%

**Discount rate.** A single discount rate of 5.69% was used to measure the total pension liability as of June 30, 2018. This rate is 0.21% less than the 5.90% discount rate used for June 30, 2017.

The June 30, 2018 single discount rate was based on a long-term expected rate of return on pension plan investments of 7.25%, and a municipal bond rate of 3.62%. Based on the stated assumptions and the projection of cash flows, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2050. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the 2050 fiscal year, and the municipal bond rate was applied to all benefit payments after that date.

The projections of cash flows used to determine the June 30, 2018 single discount rate assumed that plan member and employer contributions will be made at the current statutory levels.

**Sensitivity of the Net Pension Liability.** The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 5.69 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.69 percent) or 1-percentage-point higher (6.69 percent) than the current rate:

	<u>1% Decrease (4.69%)</u>	<u>Current Discount Rate (5.69%)</u>	<u>1% Increase (6.69%)</u>
The Districts' proportionate share of the net pension liability	\$ <u>116,643,484</u>	\$ <u>89,752,199</u>	\$ <u>67,810,589</u>

**Pension plan fiduciary net position.** Detailed information about the pension plan's fiduciary net position is available in separately issued NMERB'S financial reports. The reports can be found on NMERB's Web site at [https://www.nmerb.org/Annual\\_reports.html](https://www.nmerb.org/Annual_reports.html).



**H. Other Post-Employment Benefits (OPEB)**

**Retiree Health Care Plan**

The New Mexico Retiree Health Care Authority (the Authority) was formed February 13, 1990, under the New Mexico Retiree Health Care Act (the Act) of New Mexico Statutes Annotated, as amended (NMSA 1978), to administer the Retiree Health Care Fund (the Fund) under Section 10-7C-1-19 NMSA 1978. The Fund was created to provide comprehensive group health insurance coverage for individuals (and their spouses, dependents and surviving spouses) who have retired or will retire from public service in New Mexico.

NMRHCA is an independent agency of the State of New Mexico. The funds administered by NMRHCA are considered part of the State of New Mexico financial reporting entity and are OPEB trust funds of the State of New Mexico. NMRHCA's financial information is included with the financial presentation of the State of New Mexico.

**Summary of Significant Accounting Policies.** *Postemployment Benefits Other Than Pensions (OPEB).* For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the New Mexico Retiree Health Care Authority (NMRHCA) and additions to and deductions from NMRHCA's fiduciary net position have been determined on the same basis as they are reported by NMRHCA. For this purpose, NMRHCA recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Plan Description.** The Fund is a multiple employer cost sharing defined benefit healthcare plan that provides eligible retirees (including terminated employees who have accumulated benefits but are not yet receiving them), their spouses, dependents and surviving spouses and dependents with health insurance and prescription drug benefits consisting of a plan, or optional plans of benefits, that can be contributions to the Fund and by co-payments or out-of-pocket payments of eligible retirees. Employees of the Authority also participate in the Fund.

**Benefits Provided.** The Fund is a multiple employer cost sharing defined benefit healthcare plan that provides eligible retirees (including terminated employees who have accumulated benefits but are not yet receiving them), their spouses, dependents and surviving spouses and dependents with health insurance and prescription drug benefits consisting of a plan, or optional plans of benefits, that can be contributions to the Fund and by co-payments or out-of-pocket payments of eligible retirees.

*Employees covered by benefit terms* – At June 30, 2018, the Fund's measurement date, the following employees were covered by the benefit terms:

Plan membership	
Current retirees and surviving spouses	51,205
Inactive and eligible for deferred benefit	11,471
Current active members	93,349
	<u>156,025</u>
Active membership	
State general	19,593
State police and corrections	1,886
Municipal general	17,004
Municipal police	3,820
Municipal FTRE	2,290
Educational Retirement Board	48,756
	<u>93,349</u>

**Contributions.** Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee's salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer's participation in the Fund. Contributions to the Fund from the District were \$433,621 for the year ended June 30, 2019.

**Actuarial Assumptions**

The total OPEB liability was determined by an actuarial valuation using the following actuarial assumptions:

Valuation Date	June 30, 2017
Actuarial cost method	Entry age normal, level percent of pay, calculated on individual employee basis
Asset valuation method	Market value of assets
Actuarial assumptions:	
Inflation	2.50% for ERB members; 2.25% for PERA members
Projected payroll increases	3.25% to 12.50%, based on years of service, including inflation
Investment rate of return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation
Health care cost trend rate	8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 for Medicare medical plan costs
Mortality	ERB members: RP-2000 Combined Healthy Mortality Table with White Collar Adjustment (males) and GRS Southwest Region Teacher Mortality Table (females) PERA members: RP-2000 Combined Healthy Mortality

**Rate of Return**

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which the expected future real rates of return (net of investment fees and inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumptions. The best estimates for the long-term expected rate of return is summarized as follows:

Asset Class	Long-Term Rate of Return
U.S. core fixed income	2.1%
U.S. equity - large cap	7.1%
Non U.S. - emerging markets	10.2%
Non U.S. - developed	7.8%
Private equity	11.8%
Credit and structured	5.3%
Real estate	4.9%
Absolute return	4.1%
U.S. equity - small/mid cap	7.1%

### Discount Rate

The discount rate used to measure the Fund's total OPEB liability is 4.08% as of June 30, 2018. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2029. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2029. Beyond 2029, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Thus, 4.08% is the blended discount rate.

### Sensitivity of the Net OPEB Liability

The following presents the net OPEB liability, calculated using the discount rate of 4.08%, as well as what the Fund's net OPEB liability would be if it were calculated using a discount rate that is 1-percent lower or 1-percent higher than the current rate:

	1% Decrease (3.08%)	Current Discount Rate (4.08%)	1% Increase (5.08%)
The Districts' proportionate share of the net OPEB liability \$	26,004,808	21,487,395	17,926,667

The following presents the Net OPEB Liability of the District, as well as what the Fund's Net OPEB Liability would be if it were calculated using a health cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the health cost trend rates used:

	1% Decrease	Current Trend Rates	1% Increase
The Districts' proportionate share of the net OPEB liability \$	18,164,382	21,487,395	24,092,712

### OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2019, the District reported a liability of \$21,487,395 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. The District's proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2018. At June 30, 2018, the School's proportion was 0.49415%.

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For the year ended June 30, 2019, the District recognized OPEB expense of \$26,099. At June 30, 2019 the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 0	\$ 1,272,191
Net difference between projected and actual earnings on OPEB investments	0	268,155
Changes in assumptions	0	4,011,601
Changes in proportion and differences between the District's contributions and proportionate share of contributions	257,987	0
District's contributions subsequent to the measurement date	<u>433,621</u>	<u>0</u>
	<u>\$ 691,608</u>	<u>\$ 5,551,947</u>

Deferred outflows of resources totaling \$433,621 represent District's contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

<u>Year ended June</u>	
2019	\$ (1,355,972)
2020	(1,355,972)
2021	(1,355,972)
2022	(1,034,705)
2023	(191,339)
Total	<u>\$ (5,293,960)</u>

**OPEB plan fiduciary net position.** Detailed information about the OPEB plan's fiduciary net position is available in NMRHCA's audited financial statements for the year ended June 30, 2018.

**I. Reconciliation of Budgetary Basis to GAAP Basis Statements**

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - all Governmental Fund Types is presented on the budgetary basis to provide a comparison of actual results with the budget. The major differences between the budget basis and GAAP (Generally Accepted Accounting Principles) basis are that:

- A. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- B. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

The adjustments necessary to convert the results of operations for the year from GAAP basis to the budget basis for the governmental funds are presented on each individual Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget and Actual (Budgetary Basis).

The reconciliation of budgetary basis to GAAP basis statements are located at the bottom of each budget actual.

**J. Contingent Liabilities**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the District expects such amount, if any, to be immaterial.

**K. Risk Management**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; error and omissions; and injuries to employees; and natural disasters. The District, as a New Mexico Public School, is insured through the New Mexico Public Schools Insurance Authority (NMPSIA). Annual premiums are paid by the District to NMPSIA for coverage provided in the following areas:

- Property and Automobile Liability and Physical Damage
- Liability and Civil Rights and Personal Injury
- Contract School Bus Coverage; and
- Crime

The officials and certain employees of the District are covered by a surety bond as required by Section 12-6-7, NMSA, 1978 Compilation.

**L. Joint Powers Agreements**

The Southeastern New Mexico Educational Resource Center was established in recognition of the need to compensate for the unique isolation of the school districts in southeastern New Mexico. The primary mission of the regional center is to provide resources to the school districts in Chaves, Eddy, and Lea Counties through the collaborative efforts of the eleven participating districts and three government agencies. Local businesses have also joined in this partnership by providing sponsorship to many of the programs developed by the partners. Southeastern New Mexico Educational Resource Center is not a legal entity since it was not properly formed through a joint powers agreement adopted by each participating school district.

A joint powers agreement was entered into between the Artesia Public Schools (District) and the New Mexico Human Services Department to participate in the Medicaid School-Based Services program.

The Human Services Department (HSD) shall oversee the provision of direct services in the Medicaid School Based Services program. The District shall identify the special education and related services needs of each IDEA-eligible child or youth, regardless of whether all services identified qualify for Medicaid reimbursement. The District will collaborate with local community health and human service providers to develop and implement a Collaborative Plan that identifies health needs with the community and outlines strategies to meet those needs.

The purpose of the program is provide Medicaid reimbursable services to Medicaid eligible children.

The agreement became effective February 28, 2005 and remains in effect until terminated by the parties pursuant to the terms of the agreement.

The District and HSD shall maintain fiscal records, as required by applicable federal and state laws and regulations. The District shall provide copies of such reports to HSD when requested, in accordance with the requirements of the Medicaid Provider Participation Agreement. The District has the audit responsibility for the revenues and expenditures at the District.

**M. Concentrations**

The District depends on financial resources flowing from, or associated with, both the Federal Government and the State of New Mexico. Because of this dependency, the District is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State Appropriations.

**N. Subsequent Events**

Subsequent events were evaluated through October 23, 2019, which is the date the financial statements were available to be issued.

**O. Tax Abatement Disclosures**

The District has not been affected by a tax abatement.

## **Required Supplemental Information**

State of New Mexico  
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Schedules of Required Supplementary Information for Pension Plan

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**Schedule of the District's Proportionate Share of the Net Pension Liability**

Last 10 Fiscal Years\*

	Fiscal Year	2015	2016	2017	2018
	Measurement Date	2014	2015	2016	2017
District's proportion of the net pension liability.		0.68753%	0.72010%	0.72825%	0.73643%
District's proportionate share of the net pension liability.		\$ 39,228,602	\$ 46,702,385	\$ 52,408,027	\$ 81,842,914
District's covered-employee payroll.		\$ 20,496,186	\$ 20,800,033	\$ 20,971,987	\$ 21,093,859
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll.		191.39%	224.53%	249.90%	387.99%
Plan fiduciary net position as a percentage of the total pension liability.		66.54%	63.97%	61.58%	52.95%
	Fiscal Year	2019			
	Measurement Date	2018			
District's proportion of the net pension liability.		0.75477%			
District's proportionate share of the net pension liability.		\$ 89,752,199			
District's covered-employee payroll.		\$ 21,681,885			
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll.		413.95%			
Plan fiduciary net position as a percentage of the total pension liability.		52.17%			

\**Governmental Accounting Standards Board Statement No. 68* requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the District is not available prior to fiscal year 2015, the year the statement's requirements became effective.

The notes to the financial statements are an integral part of this statement.



State of New Mexico  
**Artesia Public Schools**  
Schedules of Required Supplementary Information for Pension Plan

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**Schedule of District's Contributions**

Last 10 Fiscal Years\*

	June 30,			
	2015	2016	2017	2018
Contractually required contribution.	\$ 2,848,969	\$ 2,891,204	\$ 2,915,024	\$ 2,932,046
Contributions in relation to the contractually required contribution.	<u>2,848,969</u>	<u>2,891,204</u>	<u>2,915,024</u>	<u>2,932,046</u>
Contribution deficiency (excess).	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Districts covered-employee payroll.	\$ 20,496,186	\$ 20,800,033	\$ 20,971,987	\$ 21,093,859
Contributions as a percentage of covered-employee payroll.	13.90%	13.90%	13.90%	13.90%

Last 10 Fiscal Years\*

	June 30, 2019
Contractually required contribution.	\$ 3,013,497
Contributions in relation to the contractually required contribution.	<u>3,013,497</u>
Contribution deficiency (excess).	<u>\$ 0</u>
Districts covered-employee payroll.	\$ 21,681,885
Contributions as a percentage of covered-employee payroll.	13.90%

\*Governmental Accounting Standards Board Statement No. 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for District is not available prior to fiscal year 2015, the year the statement's requirements became effective.

The notes to the financial statements are an integral part of this statement.

**Notes to Required Supplementary Information**

**Changes of benefit terms and assumptions.**

Changes in benefit provisions. There were no modifications to the benefit provisions that were reflected in the actuarial valuation as of June 30, 2018.

Changes in assumptions and methods. Actuarial assumptions and methods are set by the Board of Trustee, based upon recommendations made by the Plan's actuary. The Board adopted new assumptions on April 21, 2017 in conjunction with the six-year actuarial experience study period ending June 30, 2016. At that time, The Board adopted a number of economic assumption changes, including a decrease in the inflation assumption from 3.00% to 2.50%. The 0.50% decrease in the inflation assumption also led to decreases in the nominal investment return assumption from 7.75% to 7.25%, the assumed annual wage inflation rate from 3.75% to 3.25%, the payroll growth assumption from 3.50% to 3.00%, and the annual assumed COLA from 2.00% to 1.90%.

The notes to the financial statements are an integral part of this statement.

State of New Mexico

**Artesia Public Schools**

Schedules of Required Supplementary Information and Notes for Other Post Employee Benefits

**Schedule of the District's Proportionate Share of the Net Other Post Employee Benefits (OPEB) Liability**

Last 10 Fiscal Years\*

	Fiscal Year Measurement Date	2018 2017	2019 2018
District's proportion of the net OPEB liability.		0.48853%	0.49415%
District's proportionate share of the net OPEB liability.		\$ 22,138,582	\$ 21,487,395
District's covered-employee payroll.		\$ 21,093,859	\$ 21,681,885
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll.		104.95%	99.10%
Plan fiduciary net OPEB as a percentage of the total OPEB liability.		11.34%	13.14%

\*Governmental Accounting Standards Board Statement No. 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the District is not available prior to fiscal year 2018, the year the statement's requirements became effective.

**Schedule of District's Contributions**

Last 10 Fiscal Years\*

	June 30,	
	2018	2019
Contractually required contribution.	\$ 422,015	\$ 433,621
Contributions in relation to the contractually required contribution.	422,015	433,621
Contribution deficiency (excess).	\$ 0	\$ 0
District's covered-employee payroll.	21,093,859	21,681,885
Contributions as a percentage of covered-employee payroll.	2.00%	2.00%

\*Governmental Accounting Standards Board Statement No. 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for District is not available prior to fiscal year 2018, the year the statement's requirements became effective.

**Notes to Required Supplementary Information**

**Changes of benefit terms and assumptions.** There were no changes in benefit terms from the previous valuation. A description of these benefits may be found at [www.nmrhca.org](http://www.nmrhca.org) by clicking on Retirees. Assumptions are included in the notes to the financial statements Note H.

The notes to the financial statements are an integral part of this statement.

**Supplemental Information Related to  
Nonmajor Funds**

### **Nonmajor Special Revenue Funds**

**Food Service (21000).** To account for revenue and expenditures associated with the school breakfast and lunch program. Funding is provided from fees from patrons and USDA food reimbursements. Authority for creation of this fund is NMSA 22-13-13.

**Athletics (22000).** To account for revenue and expenditures associated with the District's budgeted athletic activities. (NMAC 6.20.2).

**IDEA Preschool (24109).** To account for a program funded by a Federal grant to assist the District in providing a free appropriate public education to preschool disabled children aged three through five years. Funding authorized by the Individuals with Disabilities Education Act, Part B, Section 619, as amended, Public Laws 94-142, 99-457, 100-630, 101-497, 101-476, and 102-119. The fund was created by the authority of federal grant provisions.

**IDEA B Results Plan (24132).** The New Mexico Real Results Plan (NMRRP) is part of New Mexico's State Systemic Improvement Plan, required by the U.S. Department of Education, Office of Special Education Programs. New Mexico's plan supports PED's waiver under the Elementary and Secondary Education Act and the A - F School Grading System. This plan and all its resources specifically target students with disabilities enrolled in Title I schools. PL 108-446 PT B Individuals with Disabilities Education Act.

**English Language Acquisition (24153)** To account for revenues and expenditures received from a federal grant provided to develop school-wide programs for limited English proficient students that reform, restructure, and upgrade all relevant programs. The fund was created by the Elementary and Secondary Education Act of 1965, as amended, Title VII, Part A.

**Supporting Effective Instruction (24154).** To provide grants to State Education Agencies (SEAs) on a formula basis to increase student academic achievement through strategies such as improving teacher and principal quality and increasing the number of highly qualified teachers in the classroom and highly qualified principals and assistant principals in schools and hold local educational agencies and schools accountable for improvements in student academic achievement. Elementary and Secondary Education Act of 1965, as amended, Title II, Part A (PL 107-110).

**Student Support & Academic Enrichment Program (24189).** To account for a funds for the needs for improvement in three key areas: (a) access to and opportunities for a well-rounded education, (b) safe and supportive conditions for learning, and (c) access to personalized learning experiences supported by technology. Authority for the fund is the Student Support and Academic Enrichment Grant program in Title IV, Part A of the Elementary and Secondary Education Act (ESEA) of 1965, as amended by the Every Student Succeeds Act (ESSA) (Pub. L. No. 114-95).

**Medicaid (25153).** To account for a program providing school-based screening, diagnostic services and other related health services and administrative activities in conformance with the approved Medicaid State Plan in order to improve health and developmental outcomes for children. The fund was created by the authority of federal grant provisions. (Title XIX Social Security Act).

**Dual Credit Instructional Materials (27103).** To provide financial assistance to purchased instructional materials for the college classes offered to students who are taking them for dual credits. The fund was created by the authority of state grant provisions.

**Excellence in Teaching (27125).** House Bill 2 established this fund to recognize teachers earning the highest distinction on NMTEACH with a one-time non-reoccurring stipend of \$5,000 or \$10,000 - with the larger awards for secondary math and science teachers. The fund was created by the authority of state grant provisions.

**Breakfast for Elementary (27155).** To account for revenues and expenditures from a state grant provided for breakfast for elementary students. The fund was created by state grant provisions.

**Kindergarten 3 Plus (K3 Plus)(27166).** To account for funds received to provide the opportunity for the District to address early literacy. The full-day kindergarten program is the first step in the implementation of a sequential early literacy approach to teaching reading.

**K3+4th & 5th (27198).** To account for revenues and expenditures from a state grant to provide the opportunity for the District to address literacy for students in the 4th and 5th grades. The fund was created by the authority of state grant provisions.

**Nonmajor Capital Project Fund**

**Special Capital Outlay-State (31400).** The revenues are derived from a state grant. Expenditures are restricted to capital improvements.

**Senate Bill-Nine-State (31700).** The revenues are derived from a district tax levy and matched by the state. Expenditures are restricted to capital improvements.

**Nonmajor Debt Service Fund**

**Debt Service (41000).** To account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. The resources of this fund are generated by a tax levy based upon property values. Expenditures are restricted to debt reduction.

State of New Mexico  
**Artesia Public Schools**  
 Nonmajor Funds  
 Combining Balance Sheet  
 June 30, 2019

	Special Revenue Funds		
	Food Service 21000	Athletics 22000	IDEA Preschool 24109
<b>Assets</b>			
Cash and Cash Equivalents	\$ 0	\$ 160,774	\$ 0
Receivables			
Taxes	0	0	0
Due From Grantor	110,630	0	20,237
Inventory	15,035	0	0
<b>Total Assets</b>	<b>\$ 125,665</b>	<b>\$ 160,774</b>	<b>\$ 20,237</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts Payable	\$ 262	\$ 84	\$ 0
Interfund Balance	77,605	0	20,237
<b>Total Liabilities</b>	<b>77,867</b>	<b>84</b>	<b>20,237</b>
<b>Deferred Inflows of Resources</b>			
Unavailable Revenue	0	0	0
<b>Total Deferred Inflows of Resources</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Fund Balances</b>			
Nonspendable-Inventory	15,035	0	0
Restricted for			
Special Revenue	32,763	160,690	0
Capital Projects	0	0	0
Unassigned	0	0	0
<b>Total Fund Balances</b>	<b>47,798</b>	<b>160,690</b>	<b>0</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 125,665</b>	<b>\$ 160,774</b>	<b>\$ 20,237</b>

The notes to the financial statements are an integral part of this statement.

State of New Mexico  
**Artesia Public Schools**  
 Nonmajor Funds  
 Combining Balance Sheet  
 June 30, 2019

	Special Revenue Funds		
	IDEA B	English	Supporting
	Results Plan	Language	Effective
	24132	24153	24154
<b>Assets</b>			
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 0
Receivables			
Taxes	0	0	0
Due From Grantor	51,700	6,220	36,690
Inventory	0	0	0
<b>Total Assets</b>	<b>\$ 51,700</b>	<b>\$ 6,220</b>	<b>\$ 36,690</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts Payable	\$ 0	\$ 0	\$ 0
Interfund Balance	51,700	6,220	36,690
<b>Total Liabilities</b>	<b>51,700</b>	<b>6,220</b>	<b>36,690</b>
<b>Deferred Inflows of Resources</b>			
Unavailable Revenue	0	0	0
<b>Total Deferred Inflows of Resources</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Fund Balances</b>			
Nonspendable-Inventory	0	0	0
Restricted for			
Special Revenue	0	0	0
Capital Projects	0	0	0
Unassigned	0	0	0
<b>Total Fund Balances</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 51,700</b>	<b>\$ 6,220</b>	<b>\$ 36,690</b>

The notes to the financial statements are an integral part of this statement.



State of New Mexico  
**Artesia Public Schools**  
 Nonmajor Funds  
 Combining Balance Sheet  
 June 30, 2019

	Special Revenue Funds		
	Student Support & Academic Enrichment 24189	Medicaid 25153	Duel Credit Instructional Materials 27103
	<u>24189</u>	<u>25153</u>	<u>27103</u>
<b>Assets</b>			
Cash and Cash Equivalents	\$ 0	\$ 234,358	\$ 0
Receivables			
Taxes	0	0	0
Due From Grantor	2,573	0	0
Inventory	0	0	0
Total Assets	<u>\$ 2,573</u>	<u>\$ 234,358</u>	<u>\$ 0</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts Payable	\$ 0	\$ 0	\$ 0
Interfund Balance	2,573	0	0
Total Liabilities	<u>2,573</u>	<u>0</u>	<u>0</u>
<b>Deferred Inflows of Resources</b>			
Unavailable Revenue	0	0	0
Total Deferred Inflows of Resources	<u>0</u>	<u>0</u>	<u>0</u>
<b>Fund Balances</b>			
Nonspendable-Inventory	0	0	0
Restricted for			
Special Revenue	0	234,358	0
Capital Projects	0	0	0
Unassigned	0	0	0
Total Fund Balances	<u>0</u>	<u>234,358</u>	<u>0</u>
Total Liabilities and Fund Balances	<u>\$ 2,573</u>	<u>\$ 234,358</u>	<u>\$ 0</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico  
**Artesia Public Schools**  
 Nonmajor Funds  
 Combining Balance Sheet  
 June 30, 2019

	Special Revenue Funds		
	Excellence in Teaching Awards 27125	Breakfast for Elementary 27155	Kindergarten 3 Plus 27166
	<u>27125</u>	<u>27155</u>	<u>27166</u>
<b>Assets</b>			
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 0
Receivables			
Taxes	0	0	0
Due From Grantor	0	0	166,975
Inventory	0	0	0
<b>Total Assets</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 166,975</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts Payable	\$ 0	\$ 0	\$ 0
Interfund Balance	0	0	166,975
<b>Total Liabilities</b>	<b>0</b>	<b>0</b>	<b>166,975</b>
<b>Deferred Inflows of Resources</b>			
Unavailable Revenue	0	0	0
<b>Total Deferred Inflows of Resources</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Fund Balances</b>			
Nonspendable-Inventory	0	0	0
Restricted for			
Special Revenue	0	0	0
Capital Projects	0	0	0
Unassigned	0	0	0
<b>Total Fund Balances</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 166,975</b>

The notes to the financial statements are an integral part of this statement.

State of New Mexico  
**Artesia Public Schools**  
 Nonmajor Funds  
 Combining Balance Sheet  
 June 30, 2019

	Special		
	Revenue Fund	Capital Projects	
	K3+ 4th & 5th 27198	Special Capital Outlay State 31400	Senate Bill Bill-Nine State 31700
<b>Assets</b>			
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 0
Receivables			
Taxes	0	0	0
Due From Grantor	34,373	0	0
Inventory	0	0	0
<b>Total Assets</b>	<b>\$ 34,373</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts Payable	\$ 0	\$ 0	\$ 0
Interfund Balance	34,373	0	0
<b>Total Liabilities</b>	<b>34,373</b>	<b>0</b>	<b>0</b>
<b>Deferred Inflows of Resources</b>			
Unavailable Revenue	0	0	0
<b>Total Deferred Inflows of Resources</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Fund Balances</b>			
Nonspendable-Inventory	0	0	0
Restricted for			
Special Revenue	0	0	0
Capital Projects	0	0	0
Unassigned	0	0	0
<b>Total Fund Balances</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 34,373</b>	<b>\$ 0</b>	<b>\$ 0</b>

The notes to the financial statements are an integral part of this statement.

State of New Mexico  
**Artesia Public Schools**  
 Nonmajor Funds  
 Combining Balance Sheet  
 June 30, 2019

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	Debt Service 41000	Total
<b>Assets</b>		
Cash and Cash Equivalents	\$ 6,761	\$ 401,893
Receivables		
Taxes	1,064	1,064
Due From Grantor	0	429,398
Inventory	0	15,035
Total Assets	<u>\$ 7,825</u>	<u>\$ 847,390</u>
<b>Liabilities and Fund Balances</b>		
<b>Liabilities</b>		
Accounts Payable	\$ 0	346
Interfund Balance	0	396,373
Total Liabilities	<u>0</u>	<u>396,719</u>
<b>Deferred Inflows of Resources</b>		
Unavailable Revenue	1,064	1,064
Total Deferred Inflows of Resources	<u>1,064</u>	<u>1,064</u>
<b>Fund Balances</b>		
Nonspendable-Inventory	0	15,035
Restricted for		
Special Revenue	0	427,811
Capital Projects	0	0
Unassigned	6,761	6,761
Total Fund Balances	<u>6,761</u>	<u>449,607</u>
Total Liabilities and Fund Balances	<u>\$ 6,761</u>	<u>\$ 847,390</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico  
**Artesia Public Schools**  
 Nonmajor Funds  
 Combining Statement of Revenues, Expenditures and  
 Changes in Fund Balance  
 For the Year Ended June 30, 2019

	Special Revenue Funds		
	Food Service 21000	Athletics 22000	IDEA Preschool 24109
Revenues			
Property Taxes	\$ 0	\$ 0	\$ 0
Fees	390,842	225,923	0
State & Local Grants	0	0	0
Federal Grants	1,277,818	0	44,297
Miscellaneous	881	8,624	0
Total Revenues	<u>1,669,541</u>	<u>234,547</u>	<u>44,297</u>
Expenditures			
Current			
Instruction	0	257,438	1,661
Support Services			
Students	0	0	0
Instruction	0	0	0
General Administration	0	0	1,186
School Administration	0	0	41,450
Central Services	0	0	0
Operation of Plant	0	0	0
Student Transportation	0	0	0
Food Service Operations	1,647,261	0	0
Capital Outlay	0	0	0
Total Expenditures	<u>1,647,261</u>	<u>257,438</u>	<u>44,297</u>
Excess (Deficiency) of Revenues Over Expenditures	22,280	(22,891)	0
Fund Balances at Beginning of Year	<u>25,518</u>	<u>183,581</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 47,798</u>	<u>\$ 160,690</u>	<u>\$ 0</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico  
**Artesia Public Schools**  
 Nonmajor Funds  
 Combining Statement of Revenues, Expenditures and  
 Changes in Fund Balance  
 For the Year Ended June 30, 2019

	Special Revenue Funds		
	IDEA B Results Plan 24132	English Language Acquisition 24153	Supporting Effective Instruction 24154
<b>Revenues</b>			
Property Taxes	\$ 0	\$ 0	\$ 0
Fees	0	0	0
State & Local Grants	0	0	0
Federal Grants	83,355	11,817	96,123
Miscellaneous	0	0	0
<b>Total Revenues</b>	<b>83,355</b>	<b>11,817</b>	<b>96,123</b>
<b>Expenditures</b>			
Current			
Instruction	81,124	11,585	93,550
Support Services			
Students	0	0	0
Instruction	0	0	0
General Administration	2,231	232	2,573
School Administration	0	0	0
Central Services	0	0	0
Operation of Plant	0	0	0
Student Transportation	0	0	0
Food Service Operations	0	0	0
Capital Outlay	0	0	0
<b>Total Expenditures</b>	<b>83,355</b>	<b>11,817</b>	<b>96,123</b>
Excess (Deficiency) of Revenues Over Expenditures	0	0	0
Fund Balances at Beginning of Year	0	0	0
Fund Balance End of Year	\$ 0	\$ 0	\$ 0

The notes to the financial statements are an integral part of this statement.

State of New Mexico  
**Artesia Public Schools**  
 Nonmajor Funds  
 Combining Statement of Revenues, Expenditures and  
 Changes in Fund Balance  
 For the Year Ended June 30, 2019

	Special Revenue Funds		
	Student Support & Academic Enrichment	Medicaid	Duel Credit Instructional Materials
	24189	25153	27103
Revenues			
Property Taxes	\$ 0	\$ 0	\$ 0
Fees	0	380,273	0
State & Local Grants	0	0	14,051
Federal Grants	20,908	0	0
Miscellaneous	0	0	0
Total Revenues	<u>20,908</u>	<u>380,273</u>	<u>14,051</u>
Expenditures			
Current			
Instruction	20,592	378,175	14,051
Support Services			
Students	0	0	0
Instruction	0	0	0
General Administration	316	8,322	0
School Administration	0	19,325	0
Central Services	0	0	0
Operation of Plant	0	0	0
Student Transportation	0	0	0
Food Service Operations	0	0	0
Capital Outlay	0	0	0
Total Expenditures	<u>20,908</u>	<u>405,822</u>	<u>14,051</u>
Excess (Deficiency) of Revenues Over Expenditures	0	(25,549)	0
Fund Balances at Beginning of Year	<u>0</u>	<u>259,907</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 234,358</u>	<u>\$ 0</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico  
**Artesia Public Schools**  
 Nonmajor Funds  
 Combining Statement of Revenues, Expenditures and  
 Changes in Fund Balance  
 For the Year Ended June 30, 2019

	Special Revenue Funds		
	Excellence in Teaching Awards 27125	Breakfast for Elementary 27155	Kindergarten 3 Plus 27166
	<u>27125</u>	<u>27155</u>	<u>27166</u>
<b>Revenues</b>			
Property Taxes	\$ 0	\$ 0	\$ 0
Fees	0	0	0
State & Local Grants	53,825	29,248	434,145
Federal Grants	0	0	0
Miscellaneous	0	0	0
Total Revenues	<u>53,825</u>	<u>29,248</u>	<u>434,145</u>
<b>Expenditures</b>			
Current			
Instruction	53,825	0	290,845
Support Services			
Students	0	0	0
Instruction	0	0	0
General Administration	0	0	0
School Administration	0	0	76,688
Central Services	0	0	0
Operation of Plant	0	0	0
Student Transportation	0	0	49,642
Food Service Operations	0	29,248	16,970
Capital Outlay	0	0	0
Total Expenditures	<u>53,825</u>	<u>29,248</u>	<u>434,145</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	0
Fund Balances at Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

The notes to the financial statements are an integral part of this statement.



State of New Mexico  
**Artesia Public Schools**  
 Nonmajor Funds  
 Combining Statement of Revenues, Expenditures and  
 Changes in Fund Balance  
 For the Year Ended June 30, 2019

	Special		
	Revenue Fund	Capital Projects	
	K3+ 4th & 5th 27198	Special Capital Outlay State 31400	Senate Bill Bill-Nine State 31700
<b>Revenues</b>			
Property Taxes	\$ 0	\$ 0	\$ 0
Fees	0	0	0
State & Local Grants	43,345	25,000	86,895
Federal Grants	0	0	0
Miscellaneous	0	0	0
<b>Total Revenues</b>	<u>43,345</u>	<u>25,000</u>	<u>86,895</u>
<b>Expenditures</b>			
Current			
Instruction	37,111	0	86,895
Support Services			
Students	0	0	0
Instruction	0	0	0
General Administration	0	0	0
School Administration	0	0	0
Central Services	0	0	0
Operation of Plant	0	0	0
Student Transportation	6,234	0	0
Food Service Operations	0	0	0
Capital Outlay	0	25,000	0
<b>Total Expenditures</b>	<u>43,345</u>	<u>25,000</u>	<u>86,895</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	0
Fund Balances at Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico  
**Artesia Public Schools**  
 Nonmajor Funds  
 Combining Statement of Revenues, Expenditures and  
 Changes in Fund Balance  
 For the Year Ended June 30, 2019

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	Debt Service 41000	Total
Revenues		
Property Taxes	\$ 150	\$ 150
Fees	0	997,038
State & Local Grants	0	686,509
Federal Grants	0	1,534,318
Miscellaneous	0	9,505
Total Revenues	<u>150</u>	<u>3,227,520</u>
Expenditures		
Current		
Instruction	0	1,326,852
Support Services		
Students	0	0
Instruction	0	0
General Administration	0	14,860
School Administration	0	137,463
Central Services	0	0
Operation of Plant	0	0
Student Transportation	0	55,876
Food Service Operations	0	1,693,479
Capital Outlay	0	25,000
Total Expenditures	<u>0</u>	<u>3,253,530</u>
Excess (Deficiency) of Revenues Over Expenditures	150	(26,010)
Fund Balances at Beginning of Year	<u>6,611</u>	<u>475,617</u>
Fund Balance End of Year	<u>\$ 6,761</u>	<u>\$ 449,607</u>

The notes to the financial statements are an integral part of this statement.

## Other Supplemental Information

**Fiduciary Fund**

**Activity Trust Fund**

To account for funds of various student groups that are custodial in nature.

State of New Mexico  
**Artesia Public Schools**  
Agency Funds - Activity  
Schedule of Fiduciary Assets and Liabilities-Agency Funds  
For the Year Ended June 30, 2019

	Balance 6/30/18	Receipts	Expenditures	Balance 6/30/19
23700 Interest	\$ 9,164	\$ 1	\$ 0	\$ 9,165
23701 Red Ribbon Campaign	185	0	0	185
23704 Book Fund	10,388	1,391	0	11,779
23705 Elementary Art Program	123	0	0	123
23706 General	1,494	0	0	1,494
23707 Gifted Program	1,109	0	0	1,109
23708 Cafeteria General	4,726	25,975	27,132	3,569
23711 AIS PTO	3,106	9,733	11,490	1,350
23712 Summer School	3,363	21,621	100	24,884
23713 Snack Bar	740	0	0	740
23714 Yeso General	15,380	5,310	1,656	19,034
23715 Central PTO	2,821	9,128	8,152	3,797
23716 Central General	8,797	2,385	3,030	8,152
23717 Central Special Account	299	0	0	299
23718 Grand Heights General	17,687	21,908	30,764	8,830
23719 AHS Golf Boosters	816	12,847	13,298	364
23720 Hermosa General	3,639	4,010	4,420	3,229
23721 Hermosa PTO	5,400	30,293	29,724	5,968
23722 Penasco General	551	7,427	0	7,978
23723 AHS Paw Prowlers	1,065	850	318	1,597
23724 Roselawn General	10,272	12,395	14,392	8,275
23725 Elementary Science PIE	320	0	0	320
23726 Yucca General	2,802	14,151	5,410	11,543
23727 AHS Boys A Club	18,390	10,074	9,008	19,456
23729 AHS Track	12,118	37,531	37,243	12,407
23730 HS Girls A Club	223	0	0	223
23731 AIS STEM (Devon)	0	10,000	9,964	36
23732 Lou Smith Scholarship	397	1,093	800	690
23733 J Clark Bruce Scholarship	26	0	0	26
23734 Estelle Yates Special	207	49,775	43,264	6,717
23735 Navajo PIE	1,501	68,960	27,939	42,522
23736 Mack Chase Scholarship	33	0	0	33
23737 AHS Arts/Crafts	2,640	110	713	2,037
23738 AHS Annual	7,475	5,845	921	12,399
23739 AJHS Paw Prints	1	0	0	1
23740 AHS Band	31,167	164,465	184,760	10,873
23741 AHS Baseball Boosters	10,245	22,003	18,193	14,055
23742 AHS Beacon	1,907	580	816	1,671
23743 AHS Girls Basketball	1,731	5,968	4,121	3,578
23744 AHS Tennis	3,497	3,333	2,928	3,902
23745 AHS Boys Basketball	1,732	21,183	19,679	3,236
23746 AHS Cheerleaders	13,083	53,926	59,928	7,082
23747 Yeso Library	1,953	15,427	15,969	1,411
23748 AHS Chorus	38,707	76,856	75,397	40,166
23749 AHS Night Classes	1,465	0	0	1,465
23750 Workbook Fees	5,147	0	0	5,147
23752 Class of 2020	5,070	10,883	7,869	8,083
23753 Class of 2019	8,849	1,960	6,167	4,641
23754 PY Foundation/Science Services	232,895	289,000	418,995	102,900
23755 RDC Scholarship	2,416	0	0	2,416
23756 Class of 2018	1,098	1,310	0	2,408
23757 Chase Special Projects	\$ 382,511	\$ 0	\$ 120,651	\$ 261,860

State of New Mexico  
**Artesia Public Schools**  
Agency Funds - Activity  
Schedule of Fiduciary Assets and Liabilities-Agency Funds  
For the Year Ended June 30, 2019

	Balance 6/30/18	Receipts	Expenditures	Balance 6/30/19
23700 Interest	\$ 9,164	\$ 1	\$ 0	\$ 9,165
23758 AHS Rodeo	\$ 12,848	\$ 0	\$ 545	\$ 12,304
23759 AHS Cross Country	634	10,837	5,596	5,875
23760 AHS Girls Soccer	6,090	451	201	6,340
23761 AHS Boys Soccer	2,200	10,486	10,165	2,521
23762 Drivers Education	529	7,199	583	7,144
23763 AHS DECA	10,763	6,774	8,440	9,097
23764 AHS FFA	23,980	79,637	78,921	24,695
23765 AHS Volleyball	5,727	24,496	17,674	12,549
23766 AHS FACS Activity	4,320	19	0	4,339
23767 AHS Football Boosters	8,176	16,831	8,328	16,680
23768 AHS Football Playoffs	25,303	25,564	19,012	31,854
23769 AHS General	150	7,756	6,722	1,184
23772 AHS Honor Society	1,096	2,899	3,028	966
23773 Athletics General	29,086	13,380	20,565	21,902
23774 AHS Industrial Arts	4,979	3,496	1,897	6,578
23775 GRAD Co-Pay	10,368	0	0	10,368
23776 AHS Library	9,420	5,822	4,595	10,647
23777 Fellowship of Christian Athletes	1,298	0	0	1,298
23778 AHS Drama/Masquers	16,192	11,636	18,154	9,674
23779 Kayci Houghtaling Fund	1,088	0	0	1,088
23781 Yeso Thunderbirds	8,000	0	0	8,000
23782 AHS BPA	3,573	30,107	30,766	2,914
23783 Scholarship Fund	8,519	23,500	21,750	10,269
23784 AHS International Club	62	198	0	260
23785 AHS Special Education	4,352	50	2,113	2,288
23786 AHS Student Council	3,629	5,382	4,814	4,197
23787 AHS Swimming	2,061	14,049	8,964	7,146
23788 AHS Metals Fabrication	3,117	2,355	2,473	2,998
23789 AHS Vending/Concession	43,489	38,471	50,854	31,105
23790 AHS Auto Mechanics	201	1,040	0	1,241
23791 AHS Girls Softball	7,251	25,058	22,030	10,279
23792 AHS Testing	3,212	12,924	12,735	3,401
23793 AJHS Activity Miscellaneous	58,917	0	32,377	26,540
23794 AJHS Annual	665	5,506	6,170	-
23795 AJHS Concessions	20,409	30,474	38,685	12,198
23796 AJHS Arts & Crafts	7,637	0	3,124	4,513
23797 AJHS Band	19	0	0	19
23798 AJHS Cheerleaders	9,615	14,117	13,484	10,248
23799 AJHS FACS	2,454	9,573	6,177	5,850
23800 AJHS General	7,471	7,914	15,385	-
23801 AJHS Football	15	0	0	15
23802 AJHS Honor Society	608	0	0	608
23803 Border Conference	0	3,301	3,301	-
23804 AJHS Industrial Arts	6,566	3,292	2,562	7,295
23805 AJHS Track	1,067	0	253	814
23806 AJHS Library	2,204	403	1,336	1,270
23807 AIS Boys Athletics	164	0	0	164
23808 AHS NM MESA	7,877	0	0	7,877
23810 AJHS Student Council	276	0	0	276
23812 AIS General	5,507	13,386	12,102	6,791
23813 AIS Library	\$ 164	\$ 781	\$ 33	\$ 911

State of New Mexico  
**Artesia Public Schools**  
Agency Funds - Activity  
Schedule of Fiduciary Assets and Liabilities-Agency Funds  
For the Year Ended June 30, 2019

	Balance 6/30/18	Receipts	Expenditures	Balance 6/30/19
23700 Interest	\$ 9,164	\$ 1	\$ 0	\$ 9,165
23814 District 4-AAA	\$ 1,965	\$ 3,701	\$ 3,258	\$ 2,408
23815 AIS Grants	6	0	0	6
23816 AIS Vending	1,084	3,806	3,869	1,022
23817 AIS Band	9,366	23,822	23,838	9,351
23818 5th Grade All City Choir	8,274	5,600	7,690	6,184
23819 AIS Student council	4,427	2,105	1,451	5,081
23821 AIS Chorus	13,975	42,810	43,612	13,174
23822 Children First	14	0	0	14
23823 AIS Activity	1,354	1,855	2,142	1,067
23824 AIS Girls Athletics	480	0	195	285
23825 NMAA District Chair	10,027	10,436	8,519	11,943
23826 AHS Bowling	101	0	0	101
23829 Yeso PTO	41,074	35,403	30,803	45,674
23830 Roselawn PTO	16,599	14,760	15,228	16,131
23831 Yucca PTO	5,764	14,822	14,835	5,750
23832 Penasco PTO	12,469	0	3,207	9,262
23833 Rachel's Challenge	620	0	0	620
23834 LG Henderson Fund	11,205	200	3,000	8,405
23835 Estelle Yates Special	2,862	0	0	2,862
23836 Grand Heights I-Pad Project	47	0	0	47
23837 AIS Annual	7,745	3,125	3,525	7,345
23838 AHS Devon-Science	1	0	0	1
23839 Carol Tolle Memorial Scholarship	29,511	12,645	3,000	39,156
23840 Leadership Summit Activity	40	0	0	40
23841 Band All State Camp	2,185	14,700	15,741	1,144
23842 Masters Program	0	59,487	59,487	-
23843 Assets	257	0	0	257
23844 AJHS Navajo	3,888	0	3,369	519
23845 AHS Girls Soccer Booster	30,385	16,181	15,597	30,969
23846 AJHS Basketball Activity	65	0	0	65
23847 Tennis Booster	6,218	0	0	6,218
23848 AJHS Photography Activity	0	880	0	880
23849 Educators Rising	1,250	0	0	1,250
23850 Gary Sims Memorial Scholarship	0	3,500	3,334	166
23851 Technical Theater Activity	291	350	564	76
23900 NMPSIA Clearing	172	0	0	172
23920 Special Projects	1,742	6,476	0	8,218
	<u>\$ 1,509,530</u>	<u>\$ 1,775,540</u>	<u>\$ 1,977,391</u>	<u>\$ 1,307,679</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico  
**Artesia Public Schools**  
Cash Reconciliations - All Funds  
For the Year Ended June 30, 2019

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		Beginning Cash 6/30/18	Revenue	Expenditures	Adjustments/ Transfer/ Loans	Ending Cash 6/30/19
Operational	11000	\$ 3,046,714	\$ 28,824,735	\$ 29,394,625	\$ 0	\$ 2,476,824
Teacherage	12000	299,581	145,896	142,660	0	302,817
Transportation	13000	13	1,352,706	1,352,719	0	0
Instructional Materials	14000	12,309	128,287	98,892	0	41,704
Food Service	21000	10,198	1,439,159	1,526,963	0	(77,606)
Athletics	22000	183,651	234,547	257,424	0	160,774
Activities	23000	1,509,530	1,775,540	1,977,391	0	1,307,679
Federal Flowthrough	24000	(625,782)	1,443,198	2,062,206	(483)	(1,245,273)
Federal Direct	25000	259,906	380,273	405,822	0	234,357
State Flowthrough	27000	(182,541)	555,690	574,830	333	(201,348)
Special Capital Outlay State	31400	0	25,000	25,000	0	0
Capital Improvements HB-33	31600	15,570,771	11,138,169	9,543,748	0	17,165,192
SB 9 State	31700	0	86,895	86,895	0	0
SB 9-Capital Improvements	31701	6,524,413	3,641,616	4,304,307	0	5,861,722
Debt Service	41000	6,611	150	0	0	6,761
Total		<u>\$ 26,615,375</u>	<u>\$ 51,171,861</u>	<u>\$ 51,753,482</u>	<u>\$ (150)</u>	<u>\$ 26,033,604</u>

The notes to the financial statements are an integral part of this statement.



## **Federal Compliance**

State of New Mexico  
**Artesia Public Schools**  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2019

Federal Agency/Pass Through Grantor/Program Title	Federal CFDA Number	State ID Number	Total Federal Awards Expended
<u>U. S. Department of Agriculture</u>			
Pass-through State Public Education Department			
Child Nutrition Cluster			
School Breakfast Program	10.553	21000	\$ 421,901
National School Lunch Program	10.555	21000	732,285
Pass-through State Department of Human Services			
Commodity Supplemental Food Program	10.565	21000	(1) 123,632
Total Child Nutrition Cluster			<u>1,277,818</u>
Direct Program			
Forest Reserve	10.665	11000	11,870
Total U. S. Department of Agriculture			<u>1,289,688</u>
<u>U. S. Department of Education</u>			
Pass-through State Public Education Department			
Special Education Cluster			
IDEA B Entitlement	84.027	24106	1,085,167
IDEA B Results Plan	84.027	24132	83,355
IDEA Preschool	84.173	24109	44,297
Total Special Education Cluster			<u>1,212,819</u>
Title I	84.010	24101	720,539
English Language Acquisition	84.365	24153	11,817
Supporting Effective Instruction	84.367	24154	96,123
Student Support & Academic Enrichment Program	84.424	24189	20,908
Total U. S. Department of Education			<u>2,062,206</u>
Total Federal Assistance			<u>\$ 3,351,894</u>

(1) Non-cash assistance

See accompanying notes to the Schedule of Expenditures of Federal Awards

State of New Mexico

**Artesia Public Schools**

Notes to the Schedule of Expenditures of Federal Awards

June 30, 2019

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Note 1: Significant Accounting Policies used in preparing the Schedule of Expenditure of Federal Awards

The modified accrual basis was used to prepare the Schedule of Expenditures of Federal Awards

Note 2: Insurance Requirements

There are no insurance requirements on the federal awards disclosed on the Schedule of Expenditures of Federal Awards

Note 3: Loans or Loan Guarantees

There were no loans or loan guarantees outstanding at year end.

Note 4: De Minimis Indirect Rate

The District did not elect to use the 10% de minimis indirect cost rate.

Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements Performed  
In Accordance with *Government Auditing Standards*

Independent Auditor's Report

Mr. Brian S. Colón  
State Auditor of the State of New Mexico  
Board Members of Artesia Public Schools

Mr. Colón and Members of the Board

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general and major special revenue funds, of the Artesia Public Schools (District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 23, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit, of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that are less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs, that we consider to be significant deficiencies. 2019-001, 2019-002, 2019-004, 2019-005, 2019-006.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2019-001, 2019-002, 2019-003, 2019-004, 2019-005, and 2019-006.

#### District's Responses to Findings

The District's responses to the findings identified in our audit as described in the accompanying Schedule of Findings and Questioned Cost. Responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. This report is intended solely for the information and use of the District, the New Mexico State Auditor's Office and Public Education Department, Local Government Division and the New Mexico Legislature and is not intended to be and should not be used by anyone other than those specified parties.

*De'Aun Willoughby, CPA, PC*

Clovis, New Mexico  
October 23, 2019

Report on Compliance With Requirements  
Applicable To Each Major Program and Internal Control  
Over Compliance in Accordance With OMB Uniform Guidance

Independent Auditor's Report

Mr. Brian S. Colón  
State Auditor of the State of New Mexico  
Board Members of Artesia Public Schools

Mr. Colón and Members of the Board

Compliance

We have audited Artesia Public Schools (District) compliance with the types of compliance requirements described in the *Title 2 U.S. CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2019. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements in the *Uniform Guidance*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

### Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements. In planning and performing the compliance audit, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*De'Aun Willoughby, CPA, PC*

Clovis, New Mexico  
October 23, 2019

**A. Summary of Audit Results**

Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting

\* Material weaknesses identified? No

\* Significant deficiencies identified? Yes

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

\* Material weaknesses identified? No

\* Significant deficiencies identified? No

Type of auditor's report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance No

Identification of major programs:

<u>CFDA Numbers)</u>	<u>Name of Federal Program of Cluster</u>
84.027	Special Education Cluster
84.173	IDEA B Entitlement
84.010	IDEA Preschool
	Title I

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Audited qualified as low risk Auditee Yes



**Federal Compliance Findings**

**Prior Year Audit Findings**

None

**Current Year Audit Findings**

None

**Financial Statements Findings**

**Prior Year Audit Findings**

	<u>Status</u>
2018-001 Personnel Files	Repeated and Modified
2018-002 Employee Timesheets and Pay	Repeated and Modified
2018-003 Failure to Obtain Certification	Resolved
2018-004 New Hire Reporting	Repeated and Modified

**Summary of Audit Results**

Type of auditor's report issued                      Unmodified

Internal control over financial reporting:

- Material weakness (es) identified?              N/A
  - Significant deficiency(ies) identified              5
- Noncompliance material to financial              N/A

**Current Year Audit Findings**

**2019-001 (2018-001) Personnel Files-Compliance and Internal Control-Significant Deficiency**

**Condition**

Out of 54 personnel files tested it was noted:

- (A) One I-9 was not completed within 3 days of being hired.
- (B) One W-4 on file is from 2016 and the employee claimed exempt.

***Management has made significant progress resolving this finding.***

**Criteria**

(A) U.S. Citizenship and Immigration Services I-9 instructions and M-274 Handbook for employers. Form I-9 is used for verifying the identity and employment authorization of individuals hired for employment in the United States. All U.S. employers must ensure proper completion of Form I-9 for each individual they hire for employment in the United States. NMAC 6.20.2.18 states the local board shall establish written policies and procedures which comply with state and federal regulations on payroll as well as maintaining strict internal controls, close supervision and financial accounting in accordance with GAAP.

(B) As per IRS instructions for exempt on a W-4 - An exemption is good for only one year. You must give your employer a new Form W-4 by February 15 each year to continue your exemption.

**Cause**

Human Resources employee accidentally missed the 3 day deadline. Payroll department was not aware of the IRS regulation stating that W-4 exemptions were only good for one year and that they needed to have the one employee come in and complete a new form.

**Effect**

(A) The District is subject to penalties. The penalties can include \$250 to \$3,000 for improper completion of the I-9 form.

(B) An employee may be subject to a \$500 penalty if he or she submits, with no reasonable basis, a Form W-4 that results in less tax being withheld than is required.

**Recommendation**

(A) Additional training and supervision is necessary to assure the I-9s are completed timely.

(B) When an employee submits a W-4 that has exempt on it the District should flag it and remind the employee that a new W-4 is required to be submitted to the payroll department by February 15th of the following year. If the employee doesn't give you a new Form W-4, withhold tax as if he or she is single with no withholding allowances. However, if you have an earlier Form W-4 (not claiming exempt status) for this employee that's valid, withhold based on the old Form W-4.

**Response**

Staff will be more diligent to make sure they meet all deadlines and will also have the employee come in and complete a new W-4 form. We are now aware of this regulation and will make sure in the future to request updated W-4 forms for anyone claiming exempt.

**Responsible Party:** Superintendent and Finance Director

**Timeline:** October 31, 2019

**2019-002 (2018-002) Employee Timesheets and Pay-Compliance and Internal Control-Significant Deficiency**

**Condition**

Twenty-four non-exempt employees' timesheets tested were both electronic and hand written. Seven of the timesheets have the in times and out times exactly the same for each day. There were time sheets that had the same time for each day but then crossed out and written spring break across those days.

Two non-exempt employees also coached for the District but had no timesheets for the coaching duties. Without timesheets it could not determine if the District is in compliance with FLSA for non-exempt employees overtime regulations.

***Management has not made progress resolving this finding.***

**Criteria**

Recordkeeping Requirements under the Fair Labor Standards Act (FLSA) - Employees on Fixed Schedules: Many employees work on a fixed schedule from which they seldom vary. The employer may keep a record showing the exact schedule of daily and weekly hours and merely indicate that the worker did follow the schedule. When a worker is on a job for a longer or shorter period of time than the schedule shows, the employer must record the number of hours the worker actually worked, on an exception basis.

**Cause**

Staff does not understand FLSA and therefore doesn't understand why they need to document their actual hours. Also, Supervisors don't realize the consequences of violating the Labor Laws.

**Effect**

By violating the Fair Labor Standards Act (FLSA), the District may be liable for both the shortfall in underpaid wages and penalties.

**Recommendation**

The District needs to review non-exempt employee timesheets and determine if they have paid for all hours physically worked and if overtime or compensating time is owed.

**Response**

We have done training with Secretaries and other non-exempt staff so they understand the importance of documenting their time accurately. We have also met with Principals and Supervisors to go over the FLSA. We are looking at going to time clocks at all of our buildings.

**Responsible Party:** Asst. Superintendent and Business Manager

**Timeline:** June 30, 2020

**2019-003 (2018-004) New Hire Reporting-Compliance and Internal Control-Other Matters**

**Condition**

Twelve of 118 new hires were reviewed. Three of the 12 were not submitted timely to the New Mexico New Hires Directory. There was no documentation to determine if 6 other submissions were submitted timely.

***Management has not made progress resolving this finding.***

**Criteria**

As per New Mexico law (§50-13-1 to 50-13-4) and Federal law (42 USC §653.a.(b)(1)(A)), all public, private, non-profit, and government employers are required to report all newly hired employees within 20 days of hire or rehire to the New Mexico New Hires Directory.

**Cause**

There is confusion on the timeline of when to report new hires because substitutes complete the paperwork but may not work until months later.

**Effect**

Pursuant to federal law, states have the option of imposing civil monetary penalties on employers who fail to report new hires. The fine can be up to \$20 per newly hired employee, and if there is a conspiracy between the employer and employee not to report, the penalty can be up to \$500 per newly hired employee.

**Recommendation**

Additional training and supervision is necessary to avoid this oversight in the future.

**Response**

HR Clerk will be more careful with data entry on hire dates and timelines.

**Responsible Party:** Superintendent

**Timeline:** October 31, 2019

**2019-004 ERB, RHCA, and NMPSIA-Compliance and Internal Control-Significant Deficiency**

**Condition**

Out of 54 employees tested it was noted one employee was working both greater than a .25 FTE and greater than 20 hours per week. This employee and the District should have been paying into ERB, RHCA and the employee should have been offered health insurance.

**Criteria**

22-11-21 NMSA 1978 Contributions; members; local administrative units. The ERB handbook states any employee working .25 FTE or more is covered by ERB's retirement program. As per ERB New Member Brochure any employee covered by ERB's retirement program earning Greater than \$20,000 is to contribute 10.7% and employees earning less than \$20,000 are to contribute 7.9%. ERB withholdings are based on the employee's gross salary without including stipends or increments. 6.50.8.1 NMAC Subsection D of Section 22-29-7 NMSA 1978, directs the authority to promulgate necessary rules, regulations and procedures for the implementation of the New Mexico Public School Insurance Authority Act, Section 22-29-1 et seq. NMSA 1978. As per NMPSIA Handbook "If an employee works 20+ hours a week or fewer than 20 hours per week but at least 15 hours per week, you may also be eligible to participate if your employer has passed a resolution which has been approved by the NMPSIA Board of Directors, then they are eligible to participate in this employee benefit program". The employee base salary will determine which matrix the employee falls into (25%/75%, 30%/70%, 35%/65%, or 40%/60%). Also, the Office of the State Auditor has added NMRHCA to their 2010 State Auditor Rule under State Compliance, Section 2.2.2.10 (G) (19). The rule states: "Retiree Health Care Authority Act (Section 10-7C-1 to 10-7C-19 NMSA 1978). Auditors should test to ensure 100% of payroll is reported to NMRHCA. RHCA employer and employee contributions are set forth in Section 10-7C-15 NMSA 1978.

**Cause**

District activity drivers don't usually work more than .25 FTE or more than 20 hours per week. Since there has been such a shortage in our District of qualified activity drivers, we used this driver a little more than would be normal and our HR and Payroll staff did not catch that he had actually worked more than a .25 FTE or 20 hours in one week.

**Effect**

The employee and employer should have been paying into ERB & RHCA. The District should have offered the employee health insurance. Amount under paid to ERB totaled \$1,948.10 - employee \$705.96 and employer \$1,242.14. Amount under reported to RHCA totaled \$ 268.09 - employee \$89.36 and employer \$178.73. The District could be penalized because it did not offer a qualified employee coverage which is a requirement of the Affordable Care Act.

**Recommendation**

The District should be reviewing employees' time worked to ensure if they work greater than .25 FTE they are paying into both ERB and RHCA. The District should review any employee who works greater than 20 hours per week to ensure they were offered NMPSIA. If the employee declines coverage that form should be kept in their file.

**Response**

Our Assistant Superintendent of Transportation and HR and Payroll staff will continually watch the amount of time that activity drivers are scheduled and do drive. If any of them actually do work more than .25 FTE or 20 hours a week, then benefits will be offered and they will be included on ERB and RHCA.

**Responsible Party:** Asst. Superintendent of Transportation, HR/Payroll Staff and Finance Director

**Timeline:** We have immediately started monitoring the Activity Drivers time, and will apply appropriate benefits at each payroll.

**2019-005 Stale Dated Checks-Compliance and Internal Control-Significant Deficiency**

**Condition**

The Operational bank account had 4 old outstanding checks from 2017 and 2018 totaling \$363.97. The Capital Outlay bank account had 1 old outstanding check from 2014 totaling \$115.85.

**Criteria**

In accordance with 6.20.2.14 whenever any check is unpaid for one year, the fiscal officer shall cancel it in accordance with Section 6-10-57(A), NMSA 1978.

**Cause**

When voiding and clearing all stale dated checks we just missed these 4 in June. The old one from 2014 was actually never printed, because of an error; however we never went back in and cleared that out.

**Effect**

Carrying numerous bank reconciling items could result in a misstatement in the accounting records or related misappropriation of funds.

**Recommendation**

A review of all checks issued over one year should occur at year end. All uncleared checks should be researched and resolved before year end process is complete.

**Response**

The Finance Director will go in and void and clear out these old checks. We will be more diligent to watch and make sure that we clear out all stale dated checks in the future.

**Responsible Party:** Finance Director

**Timeline:** These outstanding stale dated checks will be voided as of October 31, 2019.

**2019-006 Activity Receipts-Compliance and Internal Control-Significant Deficiency**

**Condition**

Of 115 activity deposits reviewed, there were 2 deposit packages that included receipts that did not have the District's name and receipt number preprinted on them, 1 had a concession stand reconciliation that did not have the signature of a second person verifying the money count, there were 2 deposits that were for athletic events that did not include supporting documentation, one included a receipt that was issued to an activity rather than a person and 4 that had no receipts attached. None of the 115 deposits reviewed had the secretaries' receipts attached.

**Criteria**

NMAC 6.20.2.14 and PSAB Student Activity describe internal controls for receipting money.

**Cause**

We had several breakdowns in our receipting process. A secretary used a non-authorized receipt book, we did not have a second person verifying a concession receipt, and then we had several deposits that may have had the backup documentation, however it was not attached to the receipt and we didn't call and ask them to bring it over to put with the deposit.

**Effect**

Activity funds pose a high risk of fraud making the implementation of a strong internal control system very important. Without a strong working control system, activity funds could easily be misappropriated.

**Recommendation**

Procedures from both NMAC 6.20.2.14 and PSAB Student Activities should be implemented.

**Response**

We have sent out emails to all secretaries and everyone involved with student activity funds to remind them again that we have receipt books for them all to use and that they are not allowed to use other books. We have also reminded all of them that they must have two people counting the funds and document it. Also reminding them to attach all documentation to the deposit slips. Our Assistant Business Manager is responsible for asking for all documentation if it is not attached to the deposit slips. We have written procedures that outline all of the receipting process; we have reminded staff that they must abide by those procedures. The Finance Director will randomly spot check the receipting process several times during the year to check for compliance.

**Responsible Party:** Assistant Business Manager and Finance Director

**Timeline:** Immediately, we are double checking all deposits for backup documentation.

**Financial Statement Preparation-**The financial statements were prepared by De'Aun Willoughby CPA. However, they are the responsibility of management.

**Exit Conference-**An exit conference was held on October 11, 2019. Those present were John Ross Null-Superintendent, Thad Phipps-Assistant Superintendent/CPO, Mike Worley-Assistant Superintendent of Elementary Educations and Federal Programs, Cherie Widmayer-Board Member, Danny Parker-Audit Committee, Audrey Sanchez-Audit Committee, Pearl Valles-Audit Committee, Esther Earl-Payroll, Anna Bilberry-Payroll, Monica Reyes-STARs/Power School Coordinator, Liz Calderon-Federal Programs Secretary, Vana Conner-Human Resource, Mykol Horner-Superintendent Secretary, Dianna Neel-Athletic Secretary, Joy Conklin-Assistant Business Manager, Janet Grice-Business Manager, Starla Sharp-Auditor, and De'Aun Willoughby-CPA.



# Artesia Public Schools

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301 Bulldog Boulevard  
Artesia, New Mexico 88210-1899  
575.746.3585

**Janet Grice**  
**Finance Director**  
jgrice@bulldogs.org

## CORRECTIVE ACTION PLAN

**October 23, 2019**

**US Department of Education**

**Artesia Public School District respectfully submits the following corrective action plan for the year ended June 30, 2019.**

**Name and address of the independent public accounting firm:**

**DeAun Willoughby CPA, PC**  
**225 Innsdale Terrace**  
**Clovis, NM 88101**

Audit period:

June 30, 2019

The findings from the June 30, 2019 Schedule of Findings and Questioned Cost are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

### **FINDINGS - FINANCIAL STATEMENT AUDIT**

#### **FINDING THAT DOES NOT RISE TO THE LEVEL OF SIGNIFICANT DEFICIENCY**

##### **2019-003 (2018-004) New Hire Reporting**

Recommendation

Additional training and supervision is necessary to avoid this oversight in the future.

Management Response

HR Clerk will be more careful with data entry on hire dates and timelines.

Corrective Action: Practice of printing from Visions and faxing to New Mexico Department of Workforce Solutions will be discontinued. HR Clerk is obtaining login credentials for the New Mexico Department of Workforce Solutions. New hire data will be entered into portal where a confirmation page will be printed. New hire confirmation pages will be filed and housed in the HR Clerk's office.

Responsible Party: Superintendent, HR Clerk

Timeline: October 31, 2019



## **SIGNIFICANT DEFICIENCY**

### **2019-001 (2018-001) Personnel Files**

#### Recommendation

(A) The District is subject to penalties. The penalties can include \$250 to \$3,000 for improper completion of the 1-9 form.

(B) When an employee submits a W-4 that has exempt on it the District should flag it and remind the employee that a new W-4 is required to be submitted to the payroll department by February 15th of the following year. If the employee doesn't give you a new Form W-4, withhold tax as if he or she is single with no withholding allowances. However, if you have an earlier Form W-4 (not claiming exempt status) for this employee that's valid, withhold based on the old Form W-4.

#### Management Response

Staff will be more diligent to make sure they meet all deadlines and will also have the employee come in and complete a new W-4 form. We are now aware of this regulation and will make sure in the future to request updated W-4 forms for anyone claiming exempt.

Corrective Action : HR staff will do additional training on the proper completion of 1-9 forms. Payroll staff will flag any employee's W-4 form that has an exempt status and request a new W-4 form to be completed once a year prior to February 15th

Responsible Party: Superintendent, Finance Director, Payroll Department

Timeline: Immediately and then ongoing yearly

### **2019-002 (2018-002) Employee Timesheets and Pay**

#### Recommendation

The District needs to review non-exempt employee timesheets and determine if they have paid for all hours physically worked and if overtime or compensating time is owed.

#### Management Response

We have done training with Secretaries and other non-exempt staff so they understand the importance of documenting their time accurately . We have also met with Principals and Supervisors to go over the FLSA. We are looking at going to time clocks at all of our buildings.

Corrective Action: Supervisors, district administrators, and the payroll department will monitor timesheets bringing any concerns to the attention of the Director of Finance and Superintendent immediately. We will be reviewing electronic time-keeping systems over the course of the remainder of the 2019-2020 school year with implementation of new system to start July 1, 2020.

Responsible Party: Superintendent and Finance Director

Timeline: June 30, 2020

### **2019-004 ERB, RHCA, and NMPSIA**

#### Recommendation

The District should be reviewing employees' time worked to ensure if they work greater than .25 FTE they are paying into both ERB and RHCA. The District should review any employee who works greater than 20 hours per week to ensure they were offered NMPSIA. If the employee declines coverage that form should be kept in their file.

#### Management Response

Our Assistant Superintendent of Operations and Payroll staff will continually watch the amount of time that activity drivers are scheduled and do drive. If any of them actually do work more than .25 FTE or 20 hours a week, then benefits will be offered and they will be included on ERB and RHCA.

Corrective Action: Our Assistant Superintendent of Operations and Payroll staff will continually watch the amount of time that part time employees are scheduled to work. If any of them actually do work more than .25 FTE or 20 hours a week, then benefits will be offered and from that point on they will be included on ERB and RHCA.

Responsible Party: Asst. Superintendent of Operations, Payroll Staff and Finance Director

Timeline: Immediately and ongoing.

### **2019-005 Stale Dated Checks**

#### Recommendation

A review of all checks issued over one year should occur at year end. All uncleared checks should be researched and resolved before year end process is complete.

#### Management Response

The Finance Director will go in and void and clear out these old checks. We will be more diligent to watch and make sure that we clear out all stale dated checks in the future.

Corrective Action: Each year before the year-end process is complete; we will review and resolve all outstanding checks that have an issue date of over one year.

Responsible Party: Finance Director

Timeline: By June 30<sup>th</sup> of each year

## 2019-006 Activity Receipts

### Recommendation

Procedures from both NMAC 6.20.2.14 and PSAB Student Activities should be implemented.

### Management Response

We have sent out emails to all secretaries and everyone involved with student activity funds to remind them again that we have receipt books for them all to use and that they are not allowed to use other books. We have also reminded all of them that they must have two people counting the funds and document it. Also, reminding them to attach all documentation to the deposit slips. Our Assistant Business Manager is responsible for asking for all documentation if it is not attached to the deposit slips. We have written procedures that outline all of the receipting process; we have reminded staff that they must abide by those procedures. The Finance Director will randomly spot check the receipting process several times during the year to check for compliance.

Corrective Action: We do have procedures in place and will continue to go over our procedures every year with all activity personnel at the start of school. We will also do random spot checks every month to make sure that everyone is following procedures. We will also do additional training as needed during the year.

Responsible Party: Assistant Business Manager and Finance Director

Timeline: Immediately and a continuing process every year.

If the US Department of Education has questions regarding this plan, please call me at 575-746-3585.



Janet Grice  
Finance Director