

State of New Mexico
Cobre Consolidated School District No. 2

**FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS'
REPORT THEREON**

For The Fiscal Year Ended June 30, 2018

Cobre Consolidated School District No. 2
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Cobre Consolidated School District No. 2
DIRECTORY OF OFFICIALS
June 30, 2018

BOARD OF EDUCATION

Ralph Sepulveda	President
Frank Cordova	Vice-President
Frank Gomez	Secretary
Gabriel Holguin	Member
Gilbert Guadiana	Member

SCHOOL OFFICIALS

Robert Mendoza	Superintendent
Teresa Holguin	Director of Finance

MIKE STONE, C.P.A.
LINDA STONE MCGEE, C.P.A.
KAY STONE, C.P.A.
KELLEY WYATT, C.P.A.

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INDEPENDENT AUDITOR'S REPORT

Wayne Johnson, State Auditor
And
Board of Education
Cobre Consolidated School District No. 2
Bayard, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of the Cobre Consolidated School District No. 2, as of and for the year ended June 30, 2018, and the related notes to the financial statements which collectively comprise the Cobre Consolidated School District No. 2'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 from 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 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 Cobre Consolidated School District No. 2 as of June 30, 2018, and the respective changes in financial position and the respective budgetary comparisons for the general fund 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 information related to the District's pension plan presented on pages 44 to 46 and the District's other postemployment benefits presented on pages 47 to 49 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 considers 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 inquiries 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 our 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 evidence sufficient to express an opinion or provide any assurance.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of 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 Cobre Consolidated School District No. 2's financial statements that collectively comprise the District's basic financial statements. The Schedule of Expenditures of Federal Awards as required by the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Guidance, Cost Principles, and Audit Requirements for Federal Awards*, and the other schedules presented as other supplementary

information 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 the other supplementary information are the responsibility of management and were derived from and related 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 auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and the other supplementary information are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2018, on our consideration of the Cobre Consolidated School District No. 2's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreement 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 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 Cobre Consolidated School District No. 2's internal control over financial reporting and compliance.

Stone, McGee & Co., CPAs

Silver City, New Mexico
November 12, 2018

Stone, McGee & Co.
Certified Public Accountants

Cobre Consolidated School District No. 2
STATEMENT OF NET POSITION
June 30, 2018

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 4,769,041
Property taxes receivable	636,190
Accounts receivable	136,012
Due from other governments	831,565
Inventory	8,642
Capital assets:	
Land and improvements	\$ 747,139
Buildings and improvements	70,770,194
Equipment	3,915,884
Construction in progress	118,138
Less accumulated depreciation	(39,019,759)
Total capital assets, net of depreciation	\$ 36,531,596
Total assets	\$ 42,913,046
Deferred Outflows of Resources	
Related to other postemployment benefits	\$ 170,434
Related to pensions	10,622,000
Total deferred outflows of resources	\$ 10,792,434
Liabilities	
Accounts payable	\$ 48,030
Long-term liabilities:	
Portion due or payable within one year:	
Bonds payable	1,415,000
Accrued interest payable	104,173
Portion due or payable after one year:	
Net pension liability	31,753,401
Net other postemployment benefits liability	8,562,143
Bonds payable	7,185,000
Notes payable	
Compensated absences	116,708
Total liabilities	\$ 49,184,455

Cobre Consolidated School District No. 2
STATEMENT OF NET POSITION (concluded)
June 30, 2018

Deferred Inflows of Resources

Unavailable revenue	\$	35,828
Related to other postemployment benefit liability		1,948,724
Related to pensions		1,107,597
		1,107,597
Total deferred inflows of resources	\$	3,092,149

Net Position

Net investment in capital assets	\$	29,947,180
Restricted for:		
Capital projects		21,804
Debt service		2,034,015
Other purposes		1,512,521
Unrestricted		(32,086,644)
		(32,086,644)
Total net position	\$	1,428,876

The accompanying notes are an integral part of these financial statements

Cobre Consolidated School District No. 2
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2018

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position Total Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
<u>Functions/Programs</u>				
Governmental activities:				
Instruction	\$ 11,751,309	\$ 77,077	\$ 1,798,088	\$ -
Support services - Students	2,194,683	23,483	504,043	
Support services - Instruction	689,856		10,546	
General administration	1,346,774	3,670	193,571	
School administration	1,140,479		77,020	
Central services	457,313			
Operation of plant	3,194,860		529	229,616
Food services	1,174,745	18,174	876,257	
Transportation	1,230,099		804,329	
Other support services	111,163			
Bond issue costs	46,953			
Interest on long-term debt	201,860			
	<u>\$ 23,540,094</u>	<u>\$ 122,404</u>	<u>\$ 4,264,383</u>	<u>\$ 229,616</u>
Total governmental activities				<u>\$ (18,923,691)</u>

General revenues:	
Property taxes:	
Levied for general purposes	\$ 96,198
Levied for debt service	1,739,835
Levied for capital improvements	568,888
State aid - formula grants	11,922,556
Federal aid-formula grants	112,357
Recoveries and refunds	113,376
Unrestricted investment earnings	<u>1,376</u>
 Total general revenues and special items	 <u>\$ 14,554,586</u>
 Change in net position	 <u><u>\$ (4,369,105)</u></u>
 Net position, beginning of year, as originally stated	 \$ 15,968,442
Restatement (Note 13)	<u>(10,170,461)</u>
Net position, beginning of year, as restated	\$ 5,797,981
Change in net position	<u>(4,369,105)</u>
Net position - end of year, as restated	<u><u>\$ 1,428,876</u></u>

The accompanying notes are an integral part of these financial statements.

Cobre Consolidated School District No. 2
BALANCE SHEETS
GOVERNMENTAL FUNDS
June 30, 2018

	General Fund	SB-9	Pre-K Initiative
Assets			
Cash and investments	\$ -	\$ 349,555	\$ -
Accounts receivable	136,012		
Property taxes receivable	22,449	171,231	
Inventory			
Due from other governments			258,244
Interfund receivable	496,649	317,632	
 Total assets	\$ 655,110	\$ 838,418	\$ 258,244
 Liabilities			
Accounts payable	\$ 35,990	\$ 12,040	\$ -
Interfund payable			258,244
 Total liabilities	\$ 35,990	\$ 12,040	\$ 258,244
 Deferred Inflows of Resources			
Unavailable revenue	\$ 134,324	\$ 159,806	\$ -
 Total deferred inflows of resources	\$ 134,324	\$ 159,806	\$ -
 Fund balance:			
Nonspendable:			
Inventories	\$ -	\$ -	\$ -
Restricted for:			
Education		666,572	
Food service			
Transportation	9,625		
Social services			
Capital projects			
Debt service			
Unassigned	475,171		
 Total fund balances	\$ 484,796	\$ 666,572	\$ -
 Total liabilities, deferred inflows of resources and fund balances	\$ 655,110	\$ 838,418	\$ 258,244

The accompanying notes are an integral part of these financial statements.

Bond Building	Special Capital Outlay	Debt Service	Other Funds	Governmental Funds
\$ 2,037,388	\$ -	\$ 1,690,842	\$ 691,256	\$ 4,769,041
		436,823	5,687	136,012
	150,000		8,642	636,190
			423,321	8,642
				831,565
				814,281
<u>\$ 2,037,388</u>	<u>\$ 150,000</u>	<u>\$ 2,127,665</u>	<u>\$ 1,128,906</u>	<u>\$ 7,195,731</u>
\$ -	\$ -	\$ -	\$ -	\$ 48,030
	150,000		406,037	814,281
<u>\$ -</u>	<u>\$ 150,000</u>	<u>\$ -</u>	<u>\$ 406,037</u>	<u>\$ 862,311</u>
\$ -	\$ -	\$ 401,229	\$ 41,485	\$ 736,844
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 401,229</u>	<u>\$ 41,485</u>	<u>\$ 736,844</u>
\$ -	\$ -	\$ -	\$ 8,642	\$ 8,642
			168,098	834,670
			423,873	423,873
2,037,388			75,905	75,905
		1,726,436	4,866	2,037,388
				1,731,302
				475,171
<u>\$ 2,037,388</u>	<u>\$ -</u>	<u>\$ 1,726,436</u>	<u>\$ 681,384</u>	<u>\$ 5,596,576</u>
<u>\$ 2,037,388</u>	<u>\$ 150,000</u>	<u>\$ 2,127,665</u>	<u>\$ 1,128,906</u>	<u>\$ 7,195,731</u>

Cobre Consolidated School District No. 2
**RECONCILIATION OF THE BALANCE SHEET-GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION**
 June 30, 2018

Total governmental fund balances	\$ 5,596,576
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	36,531,596
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds:	
Property taxes receivable subject to the 60 day availability period	587,269
State grants subject to the 60 day availability period	113,747
Deferred outflows and inflows of resources related to pensions and other postemployment benefits are applicable to future periods and, therefore, are not reported in the funds	
Deferred inflows of resources related to pensions	(1,107,597)
Deferred outflows of resources related to pensions	10,622,000
Deferred inflows related to other postemployment benefits	(1,948,724)
Deferred outflows related to other postemployment benefits	170,434
Long-term liabilities, including bonds payable, accrued interest payable, and compensated absences are not due and payable in the current period and therefore are not reported in the funds:	
Net pension liability	(31,753,401)
Net other postemployment benefits liability	(8,562,143)
Bonds payable	(8,600,000)
Accrued interest payable	(104,173)
Compensated absences	(116,708)
	\$ 1,428,876
<i>Net position of governmental activities</i>	<u>\$ 1,428,876</u>

The accompanying notes are an integral part of these financial statements.

Cobre Consolidated School District No. 2
**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

For The Fiscal Year Ended June 30, 2018

	General Fund	SB-9	Pre-K Initiative
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Property taxes	\$ 95,677	\$ 536,488	\$ -
Fees and charges	3,670		
State aid	12,684,448		556,566
Federal aid	142,420		
Earnings on investments	723	575	
Miscellaneous	112,250		
	<u> </u>	<u> </u>	<u> </u>
Total revenues	<u>\$ 13,039,188</u>	<u>\$ 537,063</u>	<u>\$ 556,566</u>
Expenditures:			
Current:			
Instruction	\$ 6,186,338	\$ -	\$ 416,717
Support services - Students	1,345,749		
Support services - Instruction	514,020		
General administration	689,717	2,076	25,104
School administration	755,683		39,827
Central services	352,328		
Operation of plant	2,056,254	296,508	
Food service			
Transportation	745,255		74,918
Other support services	92,466		
Bond issue costs			
Debt service:			
Principal			
Interest			
Capital outlay		285,955	
	<u> </u>	<u> </u>	<u> </u>
Total expenditures	<u>\$ 12,737,810</u>	<u>\$ 584,539</u>	<u>\$ 556,566</u>
Revenues over (under) expenditures	\$ 301,378	\$ (47,476)	\$ -
Other financing sources:			
Bond proceeds			
	<u> </u>	<u> </u>	<u> </u>
Net change in fund balance	\$ 301,378	\$ (47,476)	\$ -
Fund balance, July 1, 2017	183,418	714,048	
	<u> </u>	<u> </u>	<u> </u>
Fund balance, June 30, 2018	<u>\$ 484,796</u>	<u>\$ 666,572</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

Bond Building	Special Capital Outlay	Debt Service	Other Funds	Governmental Funds Total
\$ -	\$ -	\$ 1,747,943	\$ 117	\$ 2,380,225
	193,881		78,053	81,723
19,514			869,467	14,304,362
			2,103,335	2,245,755
		326	40	20,852
			800	113,376
<u>\$ 19,514</u>	<u>\$ 193,881</u>	<u>\$ 1,748,269</u>	<u>\$ 3,051,812</u>	<u>\$ 19,146,293</u>
\$ -	\$ -	\$ -	\$ 1,446,360	\$ 8,049,415
			392,755	1,738,504
			12,383	526,403
		6,711	168,468	892,076
			37,193	832,703
				352,328
200,587			529	2,553,878
			931,577	931,577
			15,300	835,473
46,953			18,697	111,163
				46,953
		2,200,000		2,200,000
		176,738		176,738
<u>136,876</u>	<u>193,881</u>	<u></u>	<u>16,221</u>	<u>632,933</u>
<u>\$ 384,416</u>	<u>\$ 193,881</u>	<u>\$ 2,383,449</u>	<u>\$ 3,039,483</u>	<u>\$ 19,880,144</u>
\$ (364,902)	\$ -	\$ (635,180)	\$ 12,329	\$ (733,851)
<u>2,400,000</u>		<u>1,100,000</u>		<u>3,500,000</u>
\$ 2,035,098	\$ -	\$ 464,820	\$ 12,329	\$ 2,766,149
<u>2,290</u>		<u>1,261,616</u>	<u>669,055</u>	<u>2,830,427</u>
<u><u>\$ 2,037,388</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,726,436</u></u>	<u><u>\$ 681,384</u></u>	<u><u>\$ 5,596,576</u></u>

Cobre Consolidated School District No. 2
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES**
For The Year Ended June 30, 2018

Net change in fund balances-total governmental funds \$ 2,766,149

*Amounts reported for governmental activities in the statement
of activities are different because:*

Governmental funds report capital outlays as expenditures. However,
in the Statement of Activities, the cost of those assets is allocated
over their estimated useful lives as depreciation expense:

Capital outlay	632,933
Depreciation	(2,818,760)

Revenues in the Statement of Activities that do not provide current
financial resources are not reported as revenues in the funds. This is the net
change during the year:

Property taxes	24,697
Intergovernmental grants	

Bond proceeds are reported as financing sources in the funds. In the Statement of
Activities, however, issuing debt increases long-term liabilities. (3,500,000)

Repayment of debt principal is an expenditure in the governmental
funds, but the repayment reduces long-term liabilities in the
Statement of Net Assets 2,200,000

Governmental funds report pension contributions as expenditures. However
in the Statement of Activities, the cost of pension benefits earned net of
employee contributions is reported as pension expense

Pension contributions	1,186,127
Cost of benefits earned	(4,690,748)

Governmental funds report other postemployment benefit contributions as
expenditures. However, in the Statement of Activities, the cost of other
postemployment benefits earned net of employee contributions is reported as
other postemployment benefits expense

Post employment benefit contributions	170,434
Cost of benefits earned	(340,406)

In the Statement of Activities, interest is accrued on outstanding bonds,
whereas in governmental funds, an interest expenditure is reported
when due. This is the net change during the year. (25,122)

Some expense reported in the Statement of Activities, such as
compensated absences, do not require the use of current financial
resources and therefore are not reported as expenditures in
governmental funds. This is the net change during the year.

25,591

Change in Net Position of Governmental Activities \$ (4,369,105)

The accompanying notes are an integral part of these financial statements.

Cobre Consolidated School District No. 2
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Federal sources	\$ 35,000	\$ 35,000	\$ 126,767	\$ 91,767
State sources	12,656,775	12,677,202	12,677,836	634
Local sources	216,624	216,624	211,912	(4,712)
Interest income	721	721	723	2
Total revenues	\$ 12,909,120	\$ 12,929,547	\$ 13,017,238	\$ 87,691
Expenditures:				
Current:				
Instruction	\$ 5,857,745	\$ 5,864,868	\$ 6,195,242	\$ (330,374)
Support services - Students	1,579,160	1,579,160	1,345,749	233,411
Support services - Instruction	521,605	521,605	507,200	14,405
General administration	670,272	670,272	684,186	(13,914)
School administration	793,916	793,916	755,683	38,233
Central services	342,214	342,214	352,328	(10,114)
Operation of plant	2,292,435	2,292,435	2,032,615	259,820
Pupil transportation	729,984	750,411	745,255	5,156
Other support services	171,789	171,789	92,466	79,323
Capital outlay	-	-	-	-
Total expenditures	\$ 12,959,120	\$ 12,986,670	\$ 12,710,724	\$ 275,946
Net change in fund balance	\$ (50,000)	\$ (57,123)	\$ 306,514	\$ 363,637
Fund balance, July 1, 2017	181,231	181,231	181,231	-
Fund balance, June 30, 2018	<u>\$ 131,231</u>	<u>\$ 124,108</u>	<u>\$ 487,745</u>	<u>\$ 363,637</u>
Net change in fund balance, GAAP				\$ 301,378
Revenue accruals (net)				(21,950)
Expenditure accruals (net)				<u>27,086</u>
Net change in fund balance, NON-GAAP budgetary basis				<u>\$ 306,514</u>

The accompanying notes are an integral part of these financial statements

Cobre Consolidated School District No. 2
SPECIAL REVENUE FUND- SB-9
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Federal sources	\$ -	\$ -	\$ -	\$ -
State sources				-
Local sources	524,041	524,041	538,339	14,298
Interest income	<u>217</u>	<u>217</u>	<u>575</u>	<u>358</u>
Total revenues	<u>\$ 524,258</u>	<u>\$ 524,258</u>	<u>\$ 538,914</u>	<u>\$ 14,656</u>
Expenditures:				
Current:				
Instruction	\$ -	\$ -	\$ -	\$ -
Support services - Students				-
Support services - Instruction				-
General administration	2,104	2,104	2,076	28
School administration				-
Central services				-
Operation of plant	800,000	800,000	306,733	493,267
Pupil transportation				-
Other support services				-
Capital outlay	<u>388,763</u>	<u>388,763</u>	<u>263,690</u>	<u>125,073</u>
Total expenditures	<u>\$ 1,190,867</u>	<u>\$ 1,190,867</u>	<u>\$ 572,499</u>	<u>\$ 618,368</u>
Net change in fund balance	\$ (666,609)	\$ (666,609)	\$ (33,585)	\$ 633,024
Fund balance, July 1, 2017	<u>666,609</u>	<u>666,609</u>	<u>645,580</u>	<u>(21,029)</u>
Fund balance, June 30, 2018	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 611,995</u>	<u>\$ 611,995</u>
Net change in fund balance, GAAP				\$ (47,476)
Revenue accruals (net)				1,851
Expenditure accruals (net)				<u>12,040</u>
Net change in fund balance, NON-GAAP budgetary basis				<u>\$ (33,585)</u>

The accompanying notes are an integral part of these financial statements

Cobre Consolidated School District No. 2
SPECIAL REVENUE FUND - PRE K INITIATIVE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
State sources	\$ 559,518	\$ 559,518	\$ 556,566	\$ (2,952)
Expenditures:				
Current:				
Instruction	\$ 416,032	\$ 416,032	\$ 416,717	\$ (685)
General administration	17,051	17,051	25,104	(8,053)
School administration	41,435	41,435	39,827	1,608
Transportation	85,000	85,000	74,918	10,082
Total expenditures	<u>\$ 559,518</u>	<u>\$ 559,518</u>	<u>\$ 556,566</u>	<u>\$ 2,952</u>
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance, July 1, 2017	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30, 2018	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance, GAAP			\$ -	
Revenue accruals (net)				
Expenditure accruals (net)				
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ -</u>	

The accompanying notes are an integral part of these financial statements.

Cobre Consolidated School District No. 2
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2018

	<u>Agency Funds</u>
Assets	
Cash and investments	<u>\$ 188,104</u>
Total assets	<u><u>\$ 188,104</u></u>
Liabilities	
Deposits held for others	<u>\$ 188,104</u>
Total liabilities	<u><u>\$ 188,104</u></u>

The accompanying notes are an integral part of these financial statements.

Cobre School Consolidated School District No. 2
NOTES TO FINANCIAL STATEMENTS
For The Fiscal Year Ended June 30, 2018

Note 1 **Summary of Significant Accounting Policies**

Cobre Consolidated School District No. 2, organized under the laws of the State of New Mexico, operates under the school board-superintendent form of government. The System provides public education opportunities for children from first through twelfth grade, including but not limited to classroom and vocational studies; as well as school oriented social and athletic activities.

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the District are discussed below.

A. REPORTING ENTITY

These financial statements present the District (the primary government). As defined by GAAP, component units are legally separate entities that are included in the District's reporting entity because of the significance of their operating or financial relations with the District. Based on the criterion in GAAP, the District has no component units.

B. BASIS OF PRESENTATION

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The District has no business-type activities.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into two major categories: governmental, and fiduciary. An emphasis is placed on major funds within the governmental categories. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

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- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that category or type.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the District and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds. Included in the General Fund are sub-funds; Operational, the Unrestricted District Fund; Transportation, which accounts for State source revenue used to transport students; Instructional Materials, which accounts for State Source Funds used to purchase textbooks; and Non-instructional Support, which accounts for various student extracurricular activities.

Special Revenue Funds

Special Revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes.

Capital Project Fund

The Capital project Funds are used to account for resources restricted for the acquisition or construction of specific capital projects or items.

Debt Service Fund

The Debt Service Fund accounts for the accumulation of financial resources for the payment of interest and principle on the general long-term debt of the District.

Fiduciary Funds

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support District programs. The reporting focus is on net position and changes in net position and are reported using accounting principles similar to proprietary funds.

Agency Funds account for assets held in a purely custodial capacity. Since agency funds are custodial in nature (i.e.) assets equal liabilities, they do not involve the measurements of results of operations. Typically, these funds are owned by clubs, athletic teams, and/or student organizations.

The emphasis in fund financial statements is on the major funds in the governmental category. Non-major funds are summarized into a single column.

The District's fiduciary funds are presented in the fiduciary fund financial statements by type (pension, private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated in to the government-wide statements.

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Major Fund Descriptions

General – See above description.

Kindergarten 3 Plus Pre-K Initiative – Fund used to account for federal resources administered the New Mexico State Department of Education to provide for the special education needs handicapped children three to five years old. Required by the New Mexico Department of Education Manual of Procedures for New Mexico School Districts to be accounted for as a separate fund within the Special Revenue Funds (P.L. 94-142 and P.L. 99-457).

SB-9 - Created by State law to account for the District tax levy restricted solely for use in improvements to the physical plant (NMSA 1978-22-25-1) and is a Special Revenue Funds.

Bond Building – to account for bond proceeds plus any income earned thereon. The proceeds are restricted for the purpose of making additions to and furnishing of school buildings or purchasing or improving school grounds or any combination thereof as approved by the voters of the District. This is a Capital Project Fund.

Special Capital Outlay - The fund is used to account for the State Grant relating to erecting, remodeling, making additions to, providing equipment for, or furnishing public school buildings and purchasing or improving public school grounds, and is a Capital Project Fund.

Debt Service – See above description.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Position and the Statement of Activities, governmental activities are presented using the economic resources measurement focus as defined in item “b” below.

In the fund financial statements, the “current financial resources” measurement focus is used.

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets, deferred outflows of resources, liabilities and deferred inflows of resources are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The government-wide financial statements utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), and financial position. All assets, deferred outflows of resources, liabilities and deferred

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inflows of resources (whether current or noncurrent) associated with their activities are reported. Revenues, expenses, gains, losses, assets, deferred outflow of resources, liabilities and deferred inflows of resources resulting from non-exchange transactions are recognized when the earnings process is complete.

BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual:

The government-wide financial statements and the fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

2. Modified Accrual:

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

Substantially all governmental fund revenues are accrued. In applying GASBS No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as deferred outflows of resources by the provider and deferred inflows of resources by the recipient. Grant revenues not collected within 60 days of year end are recorded as receivables and deferred inflows of resources. Such amounts are recorded net of estimated uncollectible accounts.

Property tax receivables are recognized net of estimated refunds and uncollectible amounts in the period for which the taxes are levied, even if they are not available. Property taxes not collected within 60 days of year end are reported as deferred inflows of resources in the fund statements. Property taxes are considered fully collectible.

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 fully 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 – net investment in capital assets; restricted net position; and unrestricted net position. The District first utilizes restricted resources when an expense is incurred and for purposes for which both restricted and unrestricted net positions are available.

The government-wide Statement of Activities reports both the gross and net cost of each of the District's functions. The functions are also supported by generally government revenues (property taxes, certain intergovernmental revenues, and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related

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program revenues, operating and capital grants. Program revenues must be directly associated with the function. Charges for services include revenues based on exchange or exchange-like transactions. These revenues arise from charges to customers or applicants who purchase use or directly benefit from the goods, services or privileges provided. Revenues in this category include fees charged for specific services, such as attendance at athletic events, food service, copies and auxiliary services. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function) are normally covered by general revenue (property taxes, intergovernmental revenues, interest income, etc.).

The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities.

D. BUDGETS

Budgets for the General, Special Revenue, Debt Service and Capital Projects funds are prepared by management and approved by the local school board and the Public Finance School Division of the Department of Education. Included in the bond building fund, when applicable, are payments made by the Public School Facilities Authority directly to vendors on behalf of the District, and bond proceeds held and disbursed to vendors by the New Mexico Finance Authority. Such amounts are excluded from the budgetary comparison of the bond building fund.

These budgets are prepared on the NON-GAAP cash basis, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year.

Actual expenditures may not exceed the budget on a functional category basis, i.e., each budgeted expenditure must be within budgeted amounts. Budgets may be amended in two ways. If a budget transfer is necessary within a major category called a "series", this may be accomplished with only local Board of Education approval. If a transfer between "series" or a budget increase is required, approval must also be obtained from Public Education Department.

The budgetary information presented in these financial statements has been amended in accordance with the above procedures.

E. CASH AND INVESTMENTS

Cash includes amounts in demand deposits as well as short-term investments with a maturity of six months from the date acquired by the government. State statutes authorize the government to invest in obligations of the U.S. Treasury, interest-bearing accounts with local financial institutions and the State Treasurer Pool.

New Mexico Statutes require that financial institutions with public monies on deposit pledge collateral, to the owners of such monies, in an amount not less than 50% of the public monies held on deposit. Collateral pledged is held in safekeeping by other financial institutions, with safekeeping receipts held by the District. The pledged

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securities remain in the name of the financial institution. Repurchase agreements are required to be collateralized 102%.

F. INVENTORIES

Except for U.S.D.A. commodities, which are shown at estimated value, inventories are valued at cost (first-in, first-out). Inventory in the Cafeteria Fund consists mainly of food items. Inventories, in other governmental fund types, consist primarily of supply-type assets.

G. CAPITAL ASSETS

Capital assets purchased or acquired with an original cost of \$5,000.00 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of 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. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	20-50 years
Software and library resources	3-5 years
Machinery and equipment	5-10 years
Improvements	10-20 years

The accounting treatment over property, plant and equipment depends on whether they are reported in the government-wide financial statements or fund financial statements. In the government-wide financial statements, fixed assets are accounted for as capital assets. In the fund financial statements, fixed assets are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

H. LONG-TERM DEBT

The accounting treatment of long-term debt depends on whether the assets are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of bonds payable and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures.

I. COMPENSATED ABSENCES

The District's policies, regarding vacation time, permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources. These liabilities have typically been liquidated from general fund resources.

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J. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents consumption of net position that applies to a future period, and so will not be recognized as an outflow or resource (expenses/expenditures) until then. The Government has deferred outflows of resources related to pensions as discussed in Note 5, and other postemployment benefits as discussed in Note 6.

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenues) until that time. The Government has three types of items, one of which arises under the full accrual basis of accounting and all of which arise under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item unavailable revenue, is reported in both the statement of net position and the governmental funds balance sheet, if necessary. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The Government reports unavailable revenue from the following sources:

<u>Governmental Funds Balance Sheet</u>						
	<u>Statement Of Net Position</u>	<u>General Fund</u>	<u>SB-9 Fund</u>	<u>Debt Service Fund</u>	<u>Other Funds</u>	<u>Total</u>
Advances received under expenditure driven grants	\$35,828	\$	\$	\$	\$ 35,828	\$ 35,828
Revenue not received within 60 days of year-end		113,747				113,747
Property taxes		<u>20,577</u>	<u>159,806</u>	<u>401,229</u>	<u>5,657</u>	<u>587,269</u>
Total	<u>\$35,828</u>	<u>\$134,324</u>	<u>\$159,806</u>	<u>\$401,229</u>	<u>\$ 41,485</u>	<u>\$ 736,844</u>

In addition, the District reports deferred inflows of resources related to pensions as discussed in Note 5, and other postemployment benefits as discussed in Note 6.

K. EQUITY CLASSIFICATIONS

Government-wide Statements

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

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- b. Restricted net position – consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – all other net positions that do not meet the definition of “restricted” or “net investment in capital assets.”

Fund Statements

During the year ended June 30, 2011, the District implemented GASB Statement 54 “Fund Balance Reporting and Governmental Fund Type Definitions”. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used.

- o Non-spendable fund balance – amounts that are not in a spendable form (such as inventory) or are required to remain intact.
- o Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- o Committed fund balance – amounts constrained to specific purposes by the government itself, using its highest level of decision-making authority, to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change its constraints.
- o Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the government body delegates the authority.
- o Unassigned fund balance – amounts that are available for any purpose; positive amounts are reported only in the general fund.

The Board of Education establishes (and modifies or rescinds) fund balance commitments by adoption of a resolution or a vote of the Board. This is typically done through the adoption and amendment of the budget. Assigned fund balance is established by the Board of Education through adoption or amendment of the budget as intended for a specific purpose (such as purchase of fixed assets, construction, debt service or for other purposes). Expenditures incurred are normally paid from the most highly constrained fund balance.

L. PROPERTY TAX

Property taxes attach as an enforceable lien on property as of January 1. Property tax rates for the year are set no later than September 1 each year by the Secretary of Finance and Administration. The rates of tax are then used by County Assessors to develop the property tax schedule by October 1. Taxes are payable in equal semiannual installments by November 10 and April 10 of the subsequent year and become delinquent 30 days later. Taxes are collected on behalf of the District by the County Treasurer, and are remitted to the District in the month following collection. Because the Treasurer of the County in which the District is located is statutorily required to collect taxes as an intermediary agency for all forms of government, distribution of taxes are made through the applicable County to the District.

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The District is permitted to levy taxes for general operating purposes up to \$.50 per \$1,000 of taxable value for both residential and nonresidential property, taxable value being defined as one third of the fully assessed value. In addition, the district is allowed to levy taxes for payments of bond principal and interest in amounts approved by voters of the District, as well as a Two Mill Levy for District improvements. The District's total tax rate to finance general government services for the year ended June 30, 2018 was \$.395 per \$1,000 for non-residential property and \$.315 for residential property. The District's tax rate for debt service was \$2.507 per \$1,000 for both residential and nonresidential property. The District's tax rate for District improvements was \$2.00 per \$1,000 for residential and \$2.00 for nonresidential property.

M. INTERFUND ACTIVITY

Inter-fund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as inter-fund receivables and payable as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other inter-fund transactions are treated as transfers. Inter-fund activity between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

N. USE OF 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.

Note 2 Custodial Credit Risk

Custodial credit risk is the risk in the event of a bank failure the government's deposits may not be returned to it. The District does not have a deposit policy for credit risk beyond that disclosed in Note 1.

As of June 30, 2018 \$2,506,511 of the government bank balance of \$5,585,744 was exposed to custodial credit risk as follows:

Uninsured and collateralized		<u>\$ 2,506,511</u>
	<u>Bank Balance</u>	<u>Carrying Amount</u>
Deposits by custodial risk category:		
Insured	\$ 250,000	\$ 250,000
Collateral held by the pledging bank's agent in the District's name	2,829,233	2,483,945
Uninsured and collateralized	<u>2,506,511</u>	<u>-0-</u>
	<u>\$ 5,585,744</u>	<u>\$ 2,733,945</u>

The District also has \$2,035,096 on deposit with the New Mexico Finance Authority.

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Note 3 Capital Assets

Capital asset activity for the year ended June 30, 2018, was as follows:

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
Capital assets not being depreciated:				
Land	\$ 747,139	\$ -	\$ -	\$ 747,139
Construction in progress	<u>-0-</u>	<u>118,138</u>	<u>-</u>	<u>118,138</u>
Total assets not being depreciated	<u>\$ 747,139</u>	<u>\$ 118,138</u>	<u>\$ -</u>	<u>\$ 865,277</u>
Other capital assets:				
Building & improvements	\$ 70,594,924	\$ 175,270	\$ -	\$ 70,770,194
Furniture and equipment	<u>3,598,281</u>	<u>339,525</u>	<u>21,922</u>	<u>3,915,884</u>
Total other assets at historical cost	<u>\$ 74,193,205</u>	<u>\$ 514,795</u>	<u>\$ 21,922</u>	<u>\$ 74,686,078</u>
Less accumulated depreciation:				
Buildings and improvements	\$(32,800,587)	\$(2,780,469)	\$ -	\$(35,581,056)
Furniture and equipment	<u>(3,422,334)</u>	<u>(38,291)</u>	<u>(21,922)</u>	<u>(3,438,703)</u>
Total accumulated depreciation	<u>\$(36,222,921)</u>	<u>\$(2,818,760)</u>	<u>\$ (21,922)</u>	<u>\$(39,019,759)</u>
Total capital assets, net	<u>\$ 38,717,423</u>	<u>\$ (2,185,827)</u>	<u>\$ -0-</u>	<u>\$ 36,531,596</u>

Depreciation expense was charged to the governmental activities as follows:

Instruction	\$ 1,465,755
Student support	28,188
Instructional support	49,328
Administration general	225,501
Administration school	75,780
Central services	3,080
Plant operation	435,564
Transportation	394,626
Food Services	<u>140,938</u>
	<u>\$ 2,818,760</u>

The District has construction commitments totaling approximately \$2,000,000 at June 30, 2018, funded principally by the issuance of bonds.

Note 4 Long-term Debt

Changes in long-term debt were as follows during the year end June 30, 2018:

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>	<u>Due In</u> <u>One Year</u>
PSFA Loan	\$ 1,100,000	\$	\$ 1,100,000	\$ -0-	\$ -0-
G.O. Bonds, 2011	6,200,000	-0-	1,100,000	5,100,000	1,100,000
G.O. Bonds, 2017	<u>-0-</u>	<u>3,500,000</u>	<u>-0-</u>	<u>3,500,000</u>	<u>315,000</u>
	<u>\$ 7,300,000</u>	<u>\$3,500,000</u>	<u>\$ 2,200,000</u>	<u>\$ 8,600,000</u>	<u>\$ 1,415,000</u>
Compensated absences	<u>\$ 142,299</u>	<u>\$ 94,309</u>	<u>\$ 119,900</u>	<u>\$ 116,708</u>	<u>\$ -0-</u>

Annual debt service for bonds payable requirements are as follows:

Due in fiscal year ending June 30:

	<u>Principal</u>	<u>Interest</u>
2019	\$ 1,415,000	\$ 231,900
2020	1,275,000	186,158
2021	1,200,000	151,588
2022	1,220,000	114,575
2023	1,220,000	75,622
2024-2028	1,120,000	224,624
2029-2033	<u>1,150,000</u>	<u>84,420</u>
	<u>\$ 8,600,000</u>	<u>\$ 1,068,887</u>

No compensated absences are considered due and payable in the next fiscal year.

GENERAL OBLIGATION BONDS

The bonds and bond interest are paid from property tax levies enacted specifically for the debt retirement. The revenues pledged totaled \$9,668,887 at June 30, 2018, and equal 100% of the tax levies enacted to repay the bonded indebtedness. The bonds were sold to erect and furnish facilities for the District. Interest rates range from 1.77% to 3.570% for individually scheduled retirements, and maturity dates range from 2019 through 2032. The property tax levies expire when the related bond indebtedness is repaid.

During the year ended June 30, 2018, the District recognized \$2,380,225 in property taxes pledged to retire the bonded indebtedness, and retired \$2,376,738 in bond principal and interest.

Summary of Significant Accounting Policies

Pensions. 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 Board (ERB) and additions to/deductions from ERB's fiduciary net position have been determined on the same basis as they are reported by ERB, on the economic resources measurement focus and accrual basis of accounting. 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 amortized cost.

General Information about the Pension Plan

Plan Description

ERB was created by the State's Education Retirement Act, Section 22-11-1 through 22-11-52. NMSA 1978, as amended, to administer the New Mexico Educational Employees' Retirement Plan (Plan). The Plan is a cost-sharing, multiple employer 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 agencies providing educational programs. The Plan is a pension trust fund of the State of New Mexico. The New Mexico Legislature has the authority to set or amend contribution rates.

ERB issues a publicly available financial report and a comprehensive annual financial report that can be obtained at www.nmerb.org.

Benefits Provided

A member's retirement benefit is determined by a formula which includes three component parts: the member's final average salary (FAS), the number of years of service credit, and 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. A brief summary of Plan coverage provisions follows:

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 that date refunded all member contributions and then became, or becomes, reemployed after that date 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

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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 of 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.

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 lump sum to the member's surviving beneficiary. There are three benefit options available: single life annuity; single life annuity monthly benefit reduced to provide for a 100% survivor's benefit; or single life annuity monthly benefit is reduce to provide for a 50% survivor's benefit.

Retired members and surviving beneficiaries receiving benefits receive an automatic cost of living adjustment (COLA) to their benefit each July 1, beginning in the year the member attains or would have attained age 65 or on July 1 of the year following the member's retirement date, whichever is later. Prior to June 30, 2013 the COLA adjustment was equal to one half the change in the Consumer Price Index (CPI), except that the COLA shall not exceed 4% nor be less than 2%, unless the change in CPI is less than 2%, in which case, the COLA would equal the change in the CPI, but never less than zero. As of July 1, 2013, for current and future retirees the COLA was immediately reduced until the plan is 100% funded. The COLA reduction was 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 1.8%. All other retirees will have a 20% COLA reduction; their average COLA will be 1.6%. 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 1.9%. All other retirees will have a 10% COLA reduction; their average will be 1.8%. 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.

A member is eligible for a disability benefit provided (a) he or she has credit for at least 10 years of service, and (b) the disability is approved by ERB. The monthly benefit is equal to 2% of FAS times years of service, but not less than the smaller of (a) one-third of FAS or (b) 2% of FAS times year of service projected to age 60. The disability benefit commences immediately upon the member's retirement. Disability benefits are payable as a monthly life annuity, with a guarantee that, if the payments made do not exceed the member's accumulated contributions, determined as of the date of retirement, the balance will be paid in a lump sum to the member's surviving beneficiary. If the disabled member survives to age 60, the regular optional forms of payment are then applied. A member with five or more years of earned service credit on deferred status may retire on disability retirement when eligible under the Rule of 75 or when the member attains age 65.

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Contributions

The contribution requirements of defined benefit plan members and the Cobre Consolidated School District No. 2 are established in state statute under Chapter 10, Article 11, NMSA, 1978. The requirements may be amended by acts of the legislature. For fiscal year ended June 30, 2018 employers contributed 13.90% and employees earning \$20,000 or less continued to contribute 7.9% and employees earning more than \$20,000 contributed an increased amount of 10.70% of their gross annual salary. Contributions to the pension plan from the Cobre Consolidated School District No. 2 were \$1,186,127 for the year ended June 30, 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

The total ERB pension liability, net pension liability, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2016. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2017, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2017. At June 30, 2018, the Cobre Consolidated School District No. 2 reported a liability of \$31,753,401 for its proportionate share of the net pension liability. The District's proportion of the net pension liability is based on the employer contributing entity's percentage of total employer contributions for the fiscal year ended June 30, 2017. The contribution amounts were defined by Section 22-11-21, NMSA 1978. At June 30, 2017, the District's proportion was .28572 percent, which was a decrease of .00175 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Cobre Consolidated School District No. 2 recognized pension expense of \$4,690,748. At June 30, 2018, the Cobre Consolidated School District No. 2 reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Differences between expected and actual experience	\$ 57,000	\$ (489,191)
Changes of assumptions	9,269,442	-
Net difference between projected and actual earnings on pension plan investments		(4,356)
Changes in proportion and differences between Cobre Consolidated School District No. 2 contributions and proportionate share of contributions	109,431	(614,050)
Cobre Consolidated School District No. 2 contributions subsequent to the measurement date	<u>1,186,127</u>	<u>-</u>
Total	<u>\$10,622,000</u>	<u>\$(1,107,597)</u>

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\$1,186,127 reported as deferred outflows of resources related to pensions resulting from Cobre Consolidated School District No. 2 contributions subsequent to the measurement date June 30, 2017 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:

Year ended June 30:

2019	\$ 3,136,942
2020	3,316,933
2021	2,135,807
2022	(261,466)

Actuarial Assumptions

As described above, the total ERB pension liability and net pension liability are based on an actuarial valuation performed as of June 30, 2016. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2017 using generally accepted actuarial principles. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2017. Specifically the liabilities measured as of June 30, 2017 incorporate the following assumptions:

1. All members with an annual salary of more than \$20,000 will contribute 10.7%.
2. Members hired after June 30, 2013 will have an actuarially reduced retirement benefit if they retire before age 55 and their COLA will be deferred until age 67.
3. COLA's for most retirees are reduced until ERB attains a 100% funded status.
4. These assumptions were adopted by ERB on June 12, 2015 in conjunction with the six-year experience study period ending June 30, 2014.

For the purposes of projecting future benefits, it is assumed that the full COLA is paid in all future years. The actuarial methods and assumptions used to determine contribution rates included in the measurement are as follows:

Actuarial Cost Method	Entry Age Normal
Single discount rate	5.9 Years
Inflation	3.00%
Salary Increases	Composition: 3% inflation, plus .75% productivity rate, plus step rate promotional increases for members with less than 10 years of service
Investment Rate of Return	7.25%

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Retirement Age	Experience based table of age and service rates
Mortality	Healthy males: RP-2000 Combined Mortality Table with White Collar Adjustment, using Scale BB. Healthy females: GRS Southwest Regional teacher mortality table, set back one year, generational mortality improvements in accordance with scale BB from the tables base year of 2012.

The long-term expected rate of return on pension plan investments is determined annually using a building-block approach that includes the following: 1) Rate of return projections are the sum of current yield plus projected changes in price (valuation, defaults, etc.). 2) Application of key economic projections (inflation, real growth, dividends, etc.), and 3) Structural themes (supply and demand imbalances, capital flows, etc.). These items are developed for each major asset class.

Discount Rate

A single discount rate of 5.9% was used to measure the total ERB pension liability as of June 30, 2017. This single discount rate was based on the expected rate of return on pension plan investments of 7.25%. Based on the stated assumptions and the projection of cash flows, the Plan’s fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current pension plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The projection of cash flows used to determine this single discount rate assumed that Plan contributions will be made at the current statutory levels. Additionally, contributions received through the Alternative Retirement Plan (ARP), ERBs defined contribution plan, are included in the projection of cash flows. ARP contributions are assumed to remain at a level percentage of ERB payroll, where the percentage of payroll is based on the most recent five year contribution history.

Sensitivity of the Cobre Consolidated School District No. 2’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table shows the sensitivity of the net pension liability to changes in the discount rate as of the fiscal year end 2017. In particular, the table presents the District’s net pension liability under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (4.90%) or one percentage point higher (6.90%) than the single discount rate.

	<u>1% Decrease</u> <u>(4.90%)</u>	<u>Discount Rate</u> <u>(5.90%)</u>	<u>1% Increase</u> <u>(6.90%)</u>
Cobre Consolidated School District No. 2’s proportionate share of the net pension liability	\$41,335,032	\$31,753,401	\$23,921,198

Pension Plan Fiduciary Net Position

Detailed information about the ERB’s fiduciary net position is available in the separately issued audited financial statements as of and for the years ended June 30, 2017 and 2016 which are publicly available at www.nmerb.org.

Note 6 Retiree Health Care Plan

Summary of Significant Accounting Policies

For purposes of measuring the net other postemployment benefits liability (OPEB) deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Retiree Health Care Authority (RHCA) and additions to/deductions from RHCA’s fiduciary net position have been determined on the same basis as they are reported by RHCA, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Health Care Authority

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.

RHCA issues a publicly available financial report and a comprehensive annual financial report that can be obtained at www.nmrhca.state.nm.us, or by contacting the New Mexico Retiree Health Care Authority at 4308 Carlisle N.E., Albuquerque, N.M. 87107.

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.

The plan has 310 participating employers and 160,035 current members, including active employees, terminated eligible members, retirees, and surviving spouses. As of June 30, 2017, membership in the plan consists of the following:

Plan membership:	
Current retirees and surviving spouses	51,208
Inactive and eligible for deferred benefit	11,478
Current active members	<u>97,349</u>
	<u>160,035</u>

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Municipal police	3,820
Municipal FTRE	2,290
Educational Retirement Board	<u>48,756</u>
	<u>97,349</u>

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

Employer and employee contributions to the Authority 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 Authority.

Current retirees are required to make monthly contributions for individual basic medical coverage. The Board may designate other plans as "optional coverages". See Section 10-7C-13 NMSA 1978 for more details.

The plan's actuarial valuation and measurement of the net OPEB liability and other OPEB amounts were performed by the Authority's independent actuary as of June 30, 2017. The plan's valuation and measurement of the total OPEB liability and related net OPEB liability were performed in accordance with GASB No. 74. The components of the net OPEB liability as of June 30, 2017 are as follows:

	<u>June 30, 2017</u>
Total OPEB liability	\$ 5,111,141,659
Plan fiduciary net position	<u>579,468,641</u>
Net OPEB liability	<u>\$ 4,531,673,018</u>
Plan fiduciary net position as a percentage of the total OPEB liability (funded status)	11.34%

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Other Postemployment Benefits

The Cobre Consolidated School District No. 2 reported a liability of \$8,562,143 for its proportionate share of the net OPEB liability. The District's proportion of the net OPEB liability based on the employer contributing entity's percentage of total employer contributions for the fiscal year ended June 30, 2017. At June 30, 2017, the District's proportion was .18894 percent.

For the year ended June 30, 2018, the District recognized OPEB expense of \$340,406. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows

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of resources related to other postemployment benefits from the following sources:

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Differences between expected and actual experience	\$	\$ 328,570
Net difference between projected and actual earnings on plan investments		123,172
Changes of assumptions		1,496,982
The District's contributions subsequent to the measurement date	<u>170,434</u>	<u> </u>
Total	<u>\$ 170,434</u>	<u>\$1,948,724</u>

\$170,434 reported as deferred outflows of resources related to OPEB resulting from the District contributions subsequent to the measurement date, June 30, 2017 will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:

2019	\$ 414,312
2020	414,312
2021	414,312
2022	414,312
2023	291,476

Actuarial Valuation

The total OPEB liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2017. The mortality, retirement, disability, turnover and salary increase assumptions are based on the PERA annual valuation as of June 30, 2016 and the ERB actuarial experience study as of June 30, 2016. The following actuarial assumptions were applied to the actuary's measurement:

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

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Actuarial assumptions:	
Inflation	2.50% for ERB members; 2.25% for PERA members
Projected payroll increases	3.50%
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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Rate of Return</u>
U.S. Core Fixed Income	20%	4.1%
U.S. Equity – Large Cap	20%	9.1%
Non U.S. – Emerging Markets	15%	12.2%
Non U.S. – Developed Equities	12%	9.8%
Private Equity	10%	13.8%
Credit and Structured Finance	10%	7.3%
Real Estate	5%	6.9%
Absolute Return	5%	6.1%
U.S. Equity – Small/Mid Cap	3%	9.1%

Discount Rate

The discount rate used to measure the total OPEB liability is 3.81% as of June 30, 2017. 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

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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, 2028. 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 3.81% is the blended discount rate.

Sensitivity of the Net District's OPEB Liability

The following presents the District's net OPEB liability, calculated using the discount rate of 3.81%, as well as what the 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:

<u>1% Decrease</u> <u>(2.81%)</u>	<u>Current Discount</u> <u>(3.81%)</u>	<u>1% Increase</u> <u>(4.81%)</u>
\$10,385,746	\$8,562,143	\$7,131,362

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the ***current healthcare cost trend rates***:

<u>1% Decrease</u>	<u>Current</u> <u>Trend Rates</u>	<u>1% Increase</u>
\$7,282,692	\$8,562,143	\$9,559,798

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, 2017.

Note 7 Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Because the District was unable to obtain general liability insurance at a cost it considered to be economically justifiable, it joined together with other school districts in the State and obtained insurance coverage with New Mexico Public Schools Insurance Authority, a public entity risk pool currently operating as a common risk management and insurance program for member school districts. The District pays an annual premium to New Mexico Public Schools Insurance Authority for its general insurance coverage, and all risk of loss is transferred. No losses exceeded insurance in the past three years.

The New Mexico Public Schools Insurance Authority is self-insured for property and liability losses below \$250,000 and purchases excess insurance above the self-insured retention. The self-insured retention aggregate for property is set at \$2,000,000 with a \$1,000,000 stop loss. The self-insured retention aggregate for liability is \$3,000,000 with a \$1,000,000 stop loss.

Note 8 Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. 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 government expects such amounts, if any, to be immaterial.

Note 9 Inter-fund Activity

	Inter-Fund Payable			
	<u>Pre-K Initiative</u>	<u>Special Capital Outlay</u>	<u>Other Funds</u>	<u>Total</u>
<u>Inter-fund Receivable</u>				
General	\$ 258,244	\$ 150,000	\$ 88,405	\$ 496,649
SB-9			<u>317,632</u>	<u>317,632</u>
	<u>\$ 258,244</u>	<u>\$ 150,000</u>	<u>\$ 406,037</u>	<u>\$ 814,281</u>

These transactions were used to fund operations in the short-term, and are expected to be repaid within one year.

There were no inter-fund transfers during the year ended June 30, 2018.

Note 10 Restricted Net Position

At June 30, 2018, net positions restricted for other purposes included the following balances:

General	\$ 9,625
Medicaid	423,873
Cafeteria	77,235
SB-9	826,378
Other	<u>175,410</u>
	<u>\$ 1,512,521</u>

The District reports restricted positions of \$3,568,340 of which \$3,568,340 is restricted by enabling legislation.

Note 11 Expenditures in Excess of Budgetary Authority

The District incurred expenditures in excess of budgetary authority in the following funds:

Operational	\$ 360,605
Pre-K Initiative	8,738

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The District is in the process of reviewing its budget adjustment procedures to alleviate these overruns. The hiring of professional staff has been accomplished, and budget adjustment requests will be made in the future.

Note 12 Evaluation of Subsequent Events

The District has evaluated subsequent events through November 12, 2018, the date which the financial statements were available to be issued.

Note 13 Restatements

During the year ended June 30, 2018, the District adopted Governmental Accounting Standards Board Statement No. 75. This statement requires the recognition of a net other postemployment benefit liability for the unfunded postemployment benefits as currently measured by the Retiree Health Care Authority.

Government-
Wide Financial
Statements

Retiree Health Care Liability as of June 30, 2017

\$10,170,461

Prior year net position has been restated to show the effects of the changes, where necessary.

Cobre Consolidated School District No. 2
NONMAJOR GOVERNMENTAL FUNDS DESCRIPTION
June 30, 2018

SPECIAL REVENUE FUNDS

Cafeteria – Fund used to account for revenues generated by the District as well as the federal assistance received and the related expenditures necessary to provide food services for the District. Required by the New Mexico Department of Education Manual of Procedures for New Mexico School Districts to be accounted for as a separate fund within the Special Revenue Funds (PSAB, Supplement 17).

Athletics – To account for the revenues received, and the related expenditures incurred, by the District related to athletic functions (PSAB, Supplement 3).

Grads – To provide grants to States or Territories to assist needy families with children so that children can be cared for in their own homes; to reduce dependency by promoting job preparation, work, and marriage; to reduce and prevent out-of-wedlock pregnancies; and to encourage the formation and maintenance of two-parent families. Social Security Act, Title IV, Part A, as amended; Personal Responsibility and Work Opportunity Reconciliation Act of 1996, Public Law 104-193. The fund was created by state grant provision.

Title I – Fund used to account for federal resources administered by the New Mexico State Department of Education to provide assistance to educationally deprived students in low-income areas of the District. Required by the New Mexico Department of Education Manual of Procedures for New Mexico School Districts to be accounted for as a separate fund within the Special Revenue Funds (P.L. 103-382).

Entitlement Fund – Entitlement funds are used to account for federal resources administered by the New Mexico State Department of Education to provide for the special education needs of handicapped children three to five years old. Required by the New Mexico Department of Education Manual of Procedures for New Mexico School Districts to be accounted for as a separate fund within the Special Revenue Funds (P.L. 94-142 and P.L. 99-457).

Pre-School – Fund used to account for federal resources administered by the New Mexico State Department of Education to provide for the special education needs of handicapped children. Required by the New Mexico Department of Education Manual of Procedures for New Mexico School Districts to be accounted for as a separate fund within the Special Revenue Funds (P.L. 94-142 and P.L. 99-457).

Teacher Training – Created by P.L. 107-110 to improve teacher and principal quality and ensure that all teachers are highly qualified.

Rural Schools – Created to provide financial assistance to rural districts to carry out activities help improve the quality of teaching and learning in their schools. (Elementary and Secondary Education Act of 1965 (ESEA), Title VI, Part B, as amended).

Day Care Child Care Block Grant – To account for the federal resources to provide daycare services for the District.

Recruitment Fund – To account for the State resources to provide for teacher recruitment.

NM Reads To Lead K-3 Fund – Grants to provide an overarching goal of increasing student achievement in grades K-3 to ensure that all students are proficient in reading before entering fourth grade.

Kindergarten 3 Plus Pre-K Initiative – Fund used to account for federal resources administered the New Mexico State Department of Education to provide for the special education needs handicapped children three to five years old. Required by the New Mexico Department of Education Manual of Procedures for New Mexico School Districts to be accounted for as a separate fund within the Special Revenue Funds (P.L. 94-142 and P.L. 99-457).

Medicaid – To account for the federal assistance to improve primary health care and increase health education (P.L. 015-33); and is a Special Revenue Fund.

2009 Dual Credit Instruction – To account for state grant received to provide college credits to high school students, authority, State Grant PED.

English Language – Created to improve the education of limited English proficient children and youths by helping them learn English. (ESEA as amended by the No Child Left Behind Act (P.L. No. 107-110).

Child and Adult Foods/Fruits and Vegetables – To account for the resources granted to ensure that children get an adequate diet of fruits and vegetables with meals. (NMPED regulations).

USHHS Truancy Prevention Fund – To account for the grant sponsored by the Department of Health and Human Services for programs to educate students on pregnancy prevention.

Preschool Stimulus – IDEA-B Stimulus Award for the Special Education Preschool funding from around 2010-2011.

Library SB301 G.O. Bonds, Library Bonds, and REC Operating – to account for funds to upgrade libraries, books, and equipment (NMPED), Laws of 2004.

Elementary Breakfast/Breakfast for Elementary – To account for funds to provide breakfast for elementary students (PED).

NMEMNRD – To account for the federal grant from the Department of Energy to implement and monitor energy efficiency in school buildings. (Title V, subtitle E of Energy Independence and Security Act, P.L. 110-140).

CAPITAL PROJECT FUNDS

Special Capital Outlay – State – To account for the state resources to be used for specific construction projects.

DEBT SERVICE

Ed Tech Debt – To account for revenue to be used to service debt requirements related to technology equipment.

Cobre Consolidated School District No. 2
**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY OF
 THE EDUCATIONAL RETIREMENT BOARD (ERB) PLAN
 LAST 10 FISCAL YEARS***

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Cobre Consolidated School District No. 2's proportion of the net pension liability	.28572%	.28747%	.30508%	.29769
Cobre Consolidated School District No. 2's proportionate share of the net pension liability	\$ 31,753,401	\$ 20,687,588	\$ 19,760,856	\$ 16,985,381
Cobre Consolidated School District No. 2's covered payroll	\$ 8,563,931	\$ 8,229,722	\$ 8,329,661	\$ 8,439,369
Cobre Consolidated School District No. 2's proportionate share of the net pension liability as a percentage of its covered payroll	371%	251%	237%	201%
Plan fiduciary net position as a percentage of the total pension liability	52.95%	61.58%	63.97%	66.54%

*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10 year trend is compiled, Cobre Consolidated School District No. 2 will present information for those years for which information is available.

Cobre Consolidated School District No. 2
SCHEDULE OF CONTRIBUTIONS
EDUCATIONAL RETIREMENT BOARD (ERB) PENSION PLAN
***LAST 10 FISCAL YEARS**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 1,186,127	\$ 1,130,986	\$ 1,140,033	\$ 1,173,109
Contributions in relation to contractually required contribution	<u>(1,186,127)</u>	<u>(1,130,986)</u>	<u>(1,140,033)</u>	<u>(1,173,109)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Cobre Consolidated School District No. 2's covered payroll	8,563,931	\$ 8,229,722	\$ 8,329,661	\$ 8,439,369
Contributions as a percentage of covered payroll	13.85%	13.74%	13.69%	13.90%

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, Cobre Consolidated School District No. 2 will present information for those years for which information is available.

Cobre Consolidated School District No. 2
NOTES TO REQUIRED EDUCATIONAL RETIREMENT BOARD (ERB)
SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2018

Changes in benefit terms – The COLA and retirement eligibility benefits changes in recent years are described in the **Benefits Provided** subsection of the financial statement note disclosure **General Information on the Pension Plan**.

Changes of Assumptions

ERB conducts an actuarial experience study for the Plan on a biennial basis. Based on the six-year actuarial experience study for period ending June 30, 2016, presented to the Board of Trustees on April 21, 2017, ERB implemented the following changes in assumptions for the fiscal year 2017:

1. Fiscal year 2017 valuation assumptions that changed based on this study:
 - a. Lower inflation assumption from 3.00% to 2.50%
 - b. Lower payroll growth from 3.50% to 3.00%
 - c. Wage inflation rate from 3.75% to 3.25%
 - d. Investment return assumption from 7.75% to 7.25%
 - e. Annual assumed COLA from 2.00% to 1.9%

All other assumptions remain unchanged.

See also the **Actuarial Assumptions** subsection of the financial statement note disclosure **General Information on the Pension Plan**.

Cobre Consolidated School District No. 2
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET OTHER
 POSTEMPLOYMENT BENEFIT (OPEB) LIABILITY OF THE
 RETIREE HEALTH CARE AUTHORITY (RHCA) PLAN
 LAST 10 FISCAL YEARS*

	2017
Cobre Consolidated School District No. 2's proportion of the net OPEB liability	.18894%
Cobre Consolidated School District No. 2's share of the OPEB liability	\$ 8,562,143
Cobre Consolidated School District No. 2's covered employee payroll	\$ 8,521,678
Cobre Consolidated School District No. 2's proportionate share of the net OPEB liability as a percentage of it covered employee payroll	100%
Plan fiduciary net position as a percentage of the total OPEB liability	11.34%

*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10 year trend is compiled, Cobre Consolidated School District No. 2 will present information for those years for which information is available.

Cobre Consolidated School District No. 2
 SCHEDULE OF CONTRIBUTIONS
 RETIREE HEALTH CARE AUTHORITY (RHCA) PLAN
 LAST 10 FISCAL YEARS*

	2017
Contractually required contributions	\$ 170,434
Contributions in relation to contractually required contributions	(170,434)
Contribution deficiency (excess)	\$ -
Cobre Consolidated School District No. 2's covered employee payroll	\$ 8,521,678
Cobre Consolidated School District No. 2's contributions as a percentage of its covered employee payroll	2%

*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10 year trend is compiled, Cobre Consolidated School District No. 2 will present information for those years for which information is available.

Cobre Consolidated School District No. 2
NOTES TO REQUIRED RETIREE HEALTH CARE AUTHORITY (RHCA)
SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2018

Changes in benefit terms – The eligibility benefits changes in recent years are described in the **Benefits Provided** subsection of the financial statement note disclosure **General Information on the Retiree Health Care Plan**.

Changes of Assumptions

RHCA conducted an actuarial experience study for the Plan as of June 30, 2017. The mortality, retirement, disability, turnover and salary increase assumptions are based on the Public Employees Retirement Association (PERA) of New Mexico Actuarial Valuation as of June 30, 2016, and the New Mexico Educational Retirement Board (ERB) Actuarial Experience Study as of June 30, 2016. Changes in those assumptions as they relate to the Cobre Consolidated School District No. 2 are detailed in the ERB notes to supplementary information included elsewhere in this report.

1. Fiscal year 2017 valuation assumptions are as follows:
 - a. Inflation assumptions 2.50% for ERB, 2.25% for PERA
 - b. Investment return assumption 7.25%
 - c. Health care trend 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 years for Medicare medical plan costs

See also the **Actuarial Assumptions** subsection of the financial statement note disclosure **General Information on the Pension Plan**.

Cobre Consolidated School District No. 2
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2018

	Special Revenue Funds			
	Cafeteria	Athletics	Title I	Entitlement
Assets				
Cash and investments	\$ 64,824	\$ -	\$ -	\$ 27,828
Inventory	8,642			
Property taxes receivable				
Interfund receivable				
Due from other governments	3,769	-	90,378	-
Total assets	\$ 77,235	\$ -	\$ 90,378	\$ 27,828
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Interfund payable			90,378	
Total liabilities	\$ -	\$ -	\$ 90,378	\$ -
Deferred Inflows of Resources				
Unavailable revenue	\$ -	\$ -	\$ -	\$ 27,828
Total deferred inflows of resources	\$ -	\$ -	\$ -	\$ 27,828
Fund balance:				
Nonspendable:				
Inventories	\$ 8,642	\$ -	\$ -	\$ -
Restricted for:				
Education				
Social services				
Food service	68,593			
Debt service				
Unassigned	-	-	-	-
Total fund balances	\$ 77,235	\$ -	\$ -	\$ -
Total liabilities, deferred inflows of resources, and fund balances	\$ 77,235	\$ -	\$ 90,378	\$ 27,828

The accompanying notes are an integral part of these financial statements.

Special Revenue Funds

Preschool	Teacher Training	Grads Plus	Child and Adult Food	Reads to Lead	Rural Schools
\$ -	\$ -	\$ 8,000	\$ 7,312	\$ -	\$ -
<u>471</u>	<u>29,546</u>	<u> </u>	<u> </u>	<u>151,609</u>	<u>11,031</u>
<u>\$ 471</u>	<u>\$ 29,546</u>	<u>\$ 8,000</u>	<u>\$ 7,312</u>	<u>\$ 151,609</u>	<u>\$ 11,031</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>471</u>	<u>29,546</u>	<u> </u>	<u> </u>	<u>151,609</u>	<u>11,031</u>
<u>\$ 471</u>	<u>\$ 29,546</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 151,609</u>	<u>\$ 11,031</u>
\$ -	\$ -	\$ 8,000	\$ -	\$ -	\$ -
<u> </u>	<u> </u>	<u>\$ 8,000</u>	<u> </u>	<u> </u>	<u> </u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
\$ -	\$ -	\$ -	\$ 7,312	\$ -	\$ -
<u> </u>	<u> </u>	<u> </u>	<u>7,312</u>	<u> </u>	<u> </u>
<u>\$ 471</u>	<u>\$ 29,546</u>	<u>\$ 8,000</u>	<u>\$ 7,312</u>	<u>\$ 151,609</u>	<u>\$ 11,031</u>

Cobre Consolidated School District No. 2
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET (concluded)
June 30, 2018

	Special Revenue Funds			
	Medicaid	Dual Credit	School Health	English Language
Cash and investments	\$ 410,358	\$ -	\$ 62,559	\$ -
Inventory				
Property taxes receivable				
Interfund receivable				
Due from other governments	<u>13,515</u>	<u>4,392</u>	<u></u>	<u>237</u>
Total assets	<u>\$ 423,873</u>	<u>\$ 4,392</u>	<u>\$ 62,559</u>	<u>\$ 237</u>
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Interfund payable		<u>4,392</u>		<u>237</u>
Total liabilities	<u>\$ -</u>	<u>\$ 4,392</u>	<u>\$ -</u>	<u>\$ 237</u>
Deferred Inflows of Resources				
Unavailable revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total deferred inflows of resources	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance:				
Nonspendable:				
Inventories	\$ -	\$ -	\$ -	\$ -
Restricted for:				
Education			62,559	
Social services	423,873			
Food service				
Debt service				
Unassigned				
Total fund balances	<u>\$ 423,873</u>	<u>\$ -</u>	<u>\$ 62,559</u>	<u>\$ -</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 423,873</u>	<u>\$ 4,392</u>	<u>\$ 62,559</u>	<u>\$ 237</u>

The accompanying notes are an integral part of these financial statements.

Special Revenue Funds					
<u>Recruitment</u>	<u>Day Care</u>	<u>Energy Efficiency</u>	<u>Truancy Prevention</u>	<u>GO Bond Library</u>	<u>Elementary Breakfast</u>
\$ -	\$ 86,911	\$ 18,628	\$ -	\$ -	\$ -
<u>1,040</u>			<u>26,480</u>	<u>9,704</u>	<u>1,668</u>
<u>\$ 1,040</u>	<u>\$ 86,911</u>	<u>\$ 18,628</u>	<u>\$ 26,480</u>	<u>\$ 9,704</u>	<u>\$ 1,668</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>1,040</u>			<u>26,480</u>	<u>9,704</u>	<u>1,668</u>
<u>\$ 1,040</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,480</u>	<u>\$ 9,704</u>	<u>\$ 1,668</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	86,911	18,628			
<u>\$ -</u>	<u>\$ 86,911</u>	<u>\$ 18,628</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ 1,040</u>	<u>\$ 86,911</u>	<u>\$ 18,628</u>	<u>\$ 26,480</u>	<u>\$ 9,704</u>	<u>\$ 1,668</u>

Cobre Consolidated School District No. 2
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET (concluded)
June 30, 2018

	<u>Special Revenue Fund</u>	<u>Capital Project Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
	<u>Kindergarten 3+</u>	<u>NM Highway Department</u>	<u>ED Tech Debt Service</u>	
Cash and investments	\$ -	\$ -	\$ 4,836	\$ 691,256
Inventory				8,642
Property taxes receivable			5,687	5,687
Interfund receivable				-
Due from other governments	<u>79,481</u>			<u>423,321</u>
 Total assets	 <u><u>\$ 79,481</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ 10,523</u></u>	 <u><u>\$ 1,128,906</u></u>
 Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Interfund payable	<u>79,481</u>			<u>406,037</u>
 Total liabilities	 <u><u>\$ 79,481</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ 406,037</u></u>
 Deferred Inflows of Resources				
Unavailable revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,657</u>	<u>\$ 41,485</u>
 Total deferred inflows of resources	 <u><u>\$ -</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ 5,657</u></u>	 <u><u>\$ 41,485</u></u>
 Fund balance:				
Nonspendable:				
Inventories	\$ -	\$ -	\$ -	\$ 8,642
Restricted for:				
Education				168,098
Social services				423,873
Food service				75,905
Debt service			4,866	4,866
Unassigned				-
 Total fund balances	 <u><u>\$ -</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ 4,866</u></u>	 <u><u>\$ 681,384</u></u>
 Total liabilities, deferred inflows of resources, and fund balances	 <u><u>\$ 79,481</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ 10,523</u></u>	 <u><u>\$ 1,128,906</u></u>

Cobre Consolidated School District No. 2
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For The Fiscal Year Ended June 30, 2018

	Special Revenue Funds				
	Cafeteria	Athletics	Title I	Entitlement	Preschool
Revenues:					
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Fees and charges	18,212	36,358			
State aid	18,174				
Federal aid	839,909		368,394	372,530	22,147
Earnings on investments	32	8			
Miscellaneous		800			
Total revenues	\$ 876,327	\$ 37,166	\$ 368,394	\$ 372,530	\$ 22,147
Expenditures:					
Current:					
Instruction	\$ -	\$ 57,031	\$ 266,669	\$ 249,940	\$ 22,147
Support services - Students			491	66,229	
Support services - Instruction					
General administration			96,519	56,361	
School administration			1,715		
Operation of plant					
Food services	913,403				
Transportation			3,000		
Other support services					
Debt service:					
Principle					
Interest					
Capital outlay					
Total expenditures	\$ 913,403	\$ 57,031	\$ 368,394	\$ 372,530	\$ 22,147
Revenues over (under) expenditures	\$ (37,076)	\$ (19,865)	\$ -	\$ -	\$ -
Other financing sources (uses):					
Transfer in					
Net change in fund balance	\$ (37,076)	\$ (19,865)	\$ -	\$ -	\$ -
Fund balance, July 1, 2017	114,311	19,865			
Fund balance, June 30, 2018	<u>\$ 77,235</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

Special Revenue Funds

Teacher Training	Grads Plus	Child and Adult Food	Reads to Lead	Rural Schools
\$ -	\$ -	\$ -	\$ -	\$ -
55,633		5,917	519,662	11,031
<u>\$ 55,633</u>	<u>\$ -</u>	<u>\$ 5,917</u>	<u>\$ 519,662</u>	<u>\$ 11,031</u>
\$ 31,177 830	\$ -	\$ -	\$ 514,516	\$ 11,031
4,915 18,711		1,837	5,146	
<u>\$ 55,633</u>	<u>\$ -</u>	<u>\$ 1,837</u>	<u>\$ 519,662</u>	<u>\$ 11,031</u>
\$ -	\$ -	\$ 4,080	\$ -	\$ -
\$ -	\$ -	\$ 4,080	\$ -	\$ -
		3,232		
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,312</u>	<u>\$ -</u>	<u>\$ -</u>

Cobre Consolidated School District No. 2
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (continued)
For The Fiscal Year Ended June 30, 2018

	Special Revenue Funds			
	Medicaid	Dual Credit	School Health	English Language
Revenues:				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Fees and charges				
State aid		4,392		
Federal aid	385,743			12,094
Earnings on investments				
Miscellaneous				
Total revenues	<u>\$ 385,743</u>	<u>\$ 4,392</u>	<u>\$ -</u>	<u>\$ 12,094</u>
Expenditures:				
Current:				
Instruction	\$ 38,951	\$ 4,392	\$ -	\$ 11,857
Support services - Students	271,358			
Support services - Instruction				237
General administration				
School administration				
Operation of plant				
Food services				
Transportation				
Other support services				
Debt service:				
Principle				
Interest				
Capital outlay				
Total expenditures	<u>\$ 310,309</u>	<u>\$ 4,392</u>	<u>\$ -</u>	<u>\$ 12,094</u>
Revenues over (under) expenditures	\$ 75,434	\$ -	\$ -	\$ -
Other financing sources (uses):				
Transfer in				
Net change in fund balance	\$ 75,434	\$ -	\$ -	\$ -
Fund balance, July 1, 2017	<u>348,439</u>		<u>62,559</u>	
Fund balance, June 30, 2018	<u><u>\$ 423,873</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 62,559</u></u>	<u><u>\$ -</u></u>

The accompanying notes are an integral part of these financial statements.

Special Revenue funds

<u>School Recruitment</u>	<u>Day Care</u>	<u>Energy Efficiency</u>	<u>Truancy Prevention</u>	<u>GO Bond Library</u>	<u>Elementary Breakfast</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1,040	23,483		51,980	10,309	18,174
	29,937				
<u>\$ 1,040</u>	<u>\$ 53,420</u>	<u>\$ -</u>	<u>\$ 51,980</u>	<u>\$ 10,309</u>	<u>\$ 18,174</u>
\$ -	\$ 45,083	\$ -	\$ -	\$ -	\$ -
1,040			51,980	10,309	
					18,174
	18,697				
<u>\$ 1,040</u>	<u>\$ 63,780</u>	<u>\$ -</u>	<u>\$ 51,980</u>	<u>\$ 10,309</u>	<u>\$ 18,174</u>
\$ -	\$ (10,360)	\$ -	\$ -	\$ -	\$ -
\$ -	\$ (10,360)	\$ -	\$ -	\$ -	\$ -
	97,271	18,628			
<u>\$ -</u>	<u>\$ 86,911</u>	<u>\$ 18,628</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Cobre Consolidated School District No. 2
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (concluded)

For The Fiscal Year Ended June 30, 2018

	Special Revenue Fund <u>Kindergarten 3+</u>	Capital Project Fund <u>NM Highway Department</u>	Debt Service Funds <u>Ed Tech Debt Service</u>	<u>Total</u>
Revenues:				
Property Taxes	\$ -	\$ -	\$ 117	\$ 117
Fees and charges				78,053
State aid	229,515	16,221		869,467
Federal aid				2,103,335
Earnings on investments				40
Miscellaneous				800
	<u>\$ 229,515</u>	<u>\$ 16,221</u>	<u>\$ 117</u>	<u>\$ 3,051,812</u>
Total revenues				
Expenditures:				
Current:				
Instruction	\$ 193,566	\$ -	\$ -	\$ 1,446,360
Support services - Students	827			392,755
Support services - Instruction				12,383
General administration	5,526		1	168,468
School administration	16,767			37,193
Operation of plant	529			529
Food services				931,577
Transportation	12,300			15,300
Other support services				18,697
Debt service:				
Principle				-
Interest				-
Capital outlay		16,221		16,221
	<u>\$ 229,515</u>	<u>\$ 16,221</u>	<u>\$ 1</u>	<u>\$ 3,039,483</u>
Total expenditures				
Revenues over (under) expenditures	\$ -	\$ -	\$ 116	\$ 12,329
Other financing sources (uses):				
Transfer in				-
Net change in fund balance	\$ -	\$ -	\$ 116	\$ 12,329
Fund balance, July 1, 2017			4,750	669,055
Fund balance, June 30, 2018	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,866</u>	<u>\$ 681,384</u>

The accompanying notes are an integral part of these financial statements.

Cobre Consolidated School District No. 2
GENERAL FUND
COMBINING BALANCE SHEET
June 30, 2018

	Operational	Transportation	Instructional Materials
Assets			
Cash and investments	\$ -	\$ -	\$ -
Accounts receivable	136,012		
Taxes receivable	22,449		
Due from other governments			
Interfund receivable	359,958		9,625
Total assets	\$ 518,419	\$ -	\$ 9,625
 Liabilities			
Accounts payable	\$ 35,990	\$ -	\$ -
Interfund payable			
Total liabilities	\$ 35,990	\$ -	\$ -
 Deferred Inflows of Resources			
Unavailable revenue	\$ 134,324	\$ -	\$ -
Total deferred inflows of resources	\$ 134,324	\$ -	\$ -
 Fund balance:			
Unassigned	\$ 348,105	\$ -	\$ -
Assigned			9,625
Total fund balances	\$ 348,105	\$ -	\$ 9,625
Total liabilities, deferred inflows of resources, and fund balances	\$ 518,419	\$ -	\$ 9,625

The accompanying notes are an integral part of these financial statements.

<u>Non - Instructional Support</u>	<u>Total</u>
\$ -	\$ -
	136,012
	22,449
	-
<u>127,066</u>	<u>496,649</u>
<u>\$ 127,066</u>	<u>\$ 655,110</u>
\$ -	\$ 35,990
	-
<u>\$ -</u>	<u>\$ 35,990</u>
<u>\$ -</u>	<u>\$ 134,324</u>
<u>\$ -</u>	<u>\$ 134,324</u>
\$ 127,066	\$ 475,171
	9,625
<u>\$ 127,066</u>	<u>\$ 484,796</u>
<u>\$ 127,066</u>	<u>\$ 655,110</u>

Cobre Consolidated School District No. 2
GENERAL FUND
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For The Fiscal Year Ended June 30, 2018

	<u>Operational</u>	<u>Transportation</u>	<u>Instructional Materials</u>
Revenues:			
Property taxes	\$ 95,677	\$ -	\$ -
Fees and charges	3,670		
State aid	11,933,212	714,111	37,125
Federal aid	142,420		
Earnings on investments	723		
Miscellaneous	28,495		
	<u> </u>	<u> </u>	<u> </u>
Total revenues	<u>\$ 12,204,197</u>	<u>\$ 714,111</u>	<u>\$ 37,125</u>
Expenditures:			
Current:			
Instruction	\$ 6,151,715	\$ -	\$ 34,623
Support services - Students	1,345,749		
Support services - Instruction	514,020		
General administration	689,717		
School administration	755,683		
Central services	352,328		
Operation of plant	2,056,254		
Transportation	31,144	714,111	
Food services			
Other support services			
Capital outlay			
	<u> </u>	<u> </u>	<u> </u>
Total expenditures	<u>\$ 11,896,610</u>	<u>\$ 714,111</u>	<u>\$ 34,623</u>
Revenues over (under) expenditures	\$ 307,587	\$ -	\$ 2,502
Other financing sources:			
Loan proceeds			
Operating transfers in (out)			
	<u> </u>	<u> </u>	<u> </u>
Net change in fund balance	\$ 307,587	\$ -	\$ 2,502
Fund balance, July 1, 2017	<u>40,518</u>	<u>-</u>	<u>7,123</u>
Fund balance, June 30, 2018	<u>\$ 348,105</u>	<u>\$ -</u>	<u>\$ 9,625</u>

The accompanying notes are an integral part of these financial statements.

<u>Non-Instructional Support</u>	<u>Total</u>
\$ -	\$ 95,677
	3,670
	12,684,448
	142,420
	723
<u>83,755</u>	<u>112,250</u>
<u>\$ 83,755</u>	<u>\$ 13,039,188</u>
	\$ 6,186,338
	1,345,749
	514,020
	689,717
	755,683
	352,328
	2,056,254
	745,255
	-
92,466	92,466
	-
<u>\$ 92,466</u>	<u>\$ 12,737,810</u>
\$ (8,711)	\$ 301,378
	-
	-
<u>\$ (8,711)</u>	<u>\$ 301,378</u>
<u>135,777</u>	<u>183,418</u>
<u>\$ 127,066</u>	<u>\$ 484,796</u>

Cobre Consolidated School District No. 2
GENERAL FUND/OPERATIONAL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Federal sources	\$ 35,000	\$ 35,000	\$ 126,767	\$ 91,767
State sources	11,929,388	11,929,388	11,929,600	212
Local sources	216,624	216,624	125,156	(91,468)
Interest income	721	721	723	2
Total revenues	\$ 12,181,733	\$ 12,181,733	\$ 12,182,246	\$ 513
Expenditures:				
Current:				
Instruction	\$ 5,824,042	\$ 5,824,042	\$ 6,160,619	\$ (336,577)
Support services - Students	1,579,160	1,579,160	1,345,749	233,411
Support services - Instruction	521,605	521,605	507,200	14,405
General administration	670,272	670,272	684,186	(13,914)
School administration	793,916	793,916	755,683	38,233
Central services	342,214	342,214	352,328	(10,114)
Operation of plant	2,292,435	2,292,435	2,032,615	259,820
Pupil transportation	36,300	36,300	31,143	5,157
Other support services	171,789	171,789	-	171,789
Capital outlay	-	-	-	-
Total expenditures	\$ 12,231,733	\$ 12,231,733	\$ 11,869,523	\$ 362,210
Net change in fund balance	\$ (50,000)	\$ (50,000)	\$ 312,723	\$ 362,723
Fund balance, July 1, 2017	38,331	38,331	38,331	-
Fund balance, June 30, 2018	<u>\$ (11,669)</u>	<u>\$ (11,669)</u>	<u>\$ 351,054</u>	<u>\$ 362,723</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis				\$ 307,587
Revenue accruals (net)				(87,331)
Expenditure accruals (net)				<u>92,467</u>
Net change in fund balance, NON-GAAP budgetary basis				<u>\$ 312,723</u>

The accompanying notes are an integral part of these financial statements

Cobre Consolidated School District No. 2
GENERAL FUND/TRANSPORTATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
State sources	\$ 693,684	\$ 714,111	\$ 714,111	\$ -
Expenditures:				
Current:				
Pupil transportation	<u>693,684</u>	<u>714,111</u>	<u>714,111</u>	<u>-</u>
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance, July 1, 2017	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30, 2018	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			-	
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u><u>\$ -</u></u>	

The accompanying notes are an integral part of these financial statements.

Cobre Consolidated School District No. 2
GENERAL FUND/INSTRUCTIONAL MATERIALS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
State sources	\$ 33,703	\$ 33,703	\$ 37,125	\$ 3,422
Expenditures:				
Current:				
Instruction	\$ 33,703	\$ 40,826	\$ 34,623	\$ 6,203
Support services - Instruction				-
Total expenditures	\$ 33,703	\$ 40,826	\$ 34,623	\$ 6,203
Net change in fund balance	\$ -	\$ (7,123)	\$ 2,502	\$ 9,625
Fund balance, July 1, 2017		7,123	7,123	-
Fund balance, June 30, 2018	\$ -	\$ -	\$ 9,625	\$ 9,625
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ 2,502	
Revenue accruals (net)			-	
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			\$ 2,502	

The accompanying notes are an integral part of these financial statements.

Cobre Consolidated School District No. 2
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Fiscal Year Ended June 30, 2018

	<u>Balance</u> <u>July 1, 2017</u>	<u>Receipts</u>	<u>Disburse-</u> <u>ments</u>	<u>Balance</u> <u>June 30, 2018</u>
Assets				
Cash and investments:				
Cobre High School	\$ 98,917	\$ 208,744	\$ (220,045)	\$ 87,616
Snell Middle School	25,070	37,860	(32,311)	30,619
Bayard Elementary	18,528	11,681	(18,178)	12,031
Central Elementary	6,307	11,393	(12,129)	5,571
Hurley Elementary	1,482	8,462	(4,118)	5,826
San Lorenzo	500	14,725	(5,820)	9,405
All Students	<u>36,518</u>	<u>12,813</u>	<u>(12,295)</u>	<u>37,036</u>
 Total assets	 <u>\$ 187,322</u>	 <u>\$ 305,678</u>	 <u>\$ (304,896)</u>	 <u>\$ 188,104</u>
 Liabilities				
Deposits held for others:				
Cobre High School	\$ 98,917	\$ 208,744	\$ (220,045)	\$ 87,616
Snell Middle School	25,070	37,860	(32,311)	30,619
Bayard Elementary	18,528	11,681	(18,178)	12,031
Central Elementary	6,307	11,393	(12,129)	5,571
Hurley Elementary	1,482	8,462	(4,118)	5,826
San Lorenzo	500	14,725	(5,820)	9,405
All Students	<u>36,518</u>	<u>12,813</u>	<u>(12,295)</u>	<u>37,036</u>
 Total liabilities	 <u>\$ 187,322</u>	 <u>\$ 305,678</u>	 <u>\$ (304,896)</u>	 <u>\$ 188,104</u>

Cobre Consolidated School District No. 2
SCHEDULE OF DEPOSITORY COLLATERAL
June 30, 2018

	First American Bank	NMFA	Total
Checking and CD's	\$ 5,585,744	\$ 2,035,096	\$ 5,585,744
Total on deposit	\$ 5,585,744	\$ 2,035,096	\$ 5,585,744
Less: FDIC insurance	(250,000)	N/A	(250,000)
Total uninsured public funds	\$ 5,335,744	\$ -	\$ 5,335,744
50% collateralization requirement (Section 6-10-17 NMSA)	2,667,872		2,667,872
Pledged Securities:			
FHLB Clovis Muni 189414KF1 8/1/25	\$ 334,890		\$ 334,890
FHLB FHLMC 3128MC6M2 5/1/26	171,338		171,338
Ruidoso, NM 781338HQ4 8/1/20	405,544		405,544
Gadsden, NM 362550MF9 8/15/22	1,002,290		1,002,290
FHLB San Juan 798359KQ7 8/1/28	357,010		357,010
FHLB Gallup McKinley 364010RR1 5/1/26	508,065		508,065
Bernalillo, NM 085279PK7 8/1/19	50,097		50,097
Total pledged securities	\$ 2,829,234		\$ 2,829,234
Pledged securities over (under) requirement	\$ 161,362		\$ 161,362

Securities pledged by First American Bank are held by the Federal Home Loan Bank in Dallas, TX. Safekeeping receipts are held by the District.

Cobre Consolidated School District No. 2
SCHEDULE OF INDIVIDUAL DEPOSIT ACCOUNTS AND INVESTMENTS
 June 30, 2018

	<u>Type of Account</u>	<u>Bank Balance</u>	<u>Reconciled Balance</u>
<u>First American Bank</u>			
Operational	Checking	\$ 558,368	\$ 351,054
Cafeteria	Checking	94,335	64,824
Payroll	Checking	1,784,280	9,205
Debt Service	Checking	1,695,678	1,695,678
SB-9	Checking	677,271	611,761
Bond Building	Checking	2,292	2,292
Special Projects	Checking	352,736	792,069
Athletics	Checking	600	-
Activity	Checking	420,185	397,340
NMFA	Cash on deposit	<u>2,035,096</u>	<u>2,035,096</u>
 Total First American Bank		 <u>\$ 7,620,841</u>	 <u>\$ 5,959,319</u>
 Total cash and investments		 <u><u>\$ 7,620,841</u></u>	 <u><u>\$ 5,959,319</u></u>
 Audit adjustment for amounts recorded as outstanding deposits but not received until July, 2018			 <u>(1,002,174)</u>
 Cash balance per audit report			 <u><u>\$ 4,957,145</u></u>

Cobre Consolidated School District No. 2
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
ALL FUNDS BY SCHOOL DISTRICT CLASSIFICATION
For The Fiscal Year Ended June 30, 2018

	<u>Operational</u>	<u>Transportation</u>	<u>Instructional Materials</u>	<u>Food Services</u>	<u>Athletics</u>
Total cash and investments as of July 1, 2017	\$ 38,331	\$ -	\$ 7,123	\$ 105,100	\$ 19,865
Add: Current year receipts	12,182,246	714,111	37,125	803,013	37,167
Less: Current year expenditures	<u>(11,869,523)</u>	<u>(714,111)</u>	<u>(34,623)</u>	<u>(843,290)</u>	<u>(57,032)</u>
Total cash and investments as of June 30, 2018	<u>\$ 351,054</u>	<u>\$ -</u>	<u>\$ 9,625</u>	<u>\$ 64,823</u>	<u>\$ -</u>

Cobre Consolidated School District No. 2
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS (continued)
ALL FUNDS BY SCHOOL DISTRICT CLASSIFICATION
For The Fiscal Year Ended June 30, 2018

	<u>Agency</u>	<u>Federal Flowthrough</u>	<u>Federal Direct</u>	<u>State Flowthrough</u>
Total cash and investments as of July 1, 2017	\$ -	\$ 208,991	\$ 326,674	\$ -
Add: Current year receipts		835,143	474,278	1,391,539
Less: Current year expenditures		<u>(841,828)</u>	<u>(357,229)</u>	<u>(1,391,638)</u>
Total cash and investments as of June 30, 2018	<u>\$ -</u>	<u>\$ 202,306</u>	<u>\$ 443,723</u>	<u>\$ (99)</u>

Cobre Consolidated School District No. 2
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS (continued)
ALL FUNDS BY SCHOOL DISTRICT CLASSIFICATION
For The Fiscal Year Ended June 30, 2018

	<u>Local or State Fund</u>	<u>Bond Building</u>	<u>Special Capital Outlay State</u>	<u>SB-9</u>	<u>Energy Efficiency</u>
Total cash and investments as of July 1, 2017	\$ 62,559	\$ 2,290	\$ -	\$ 645,580	\$ 18,628
Add: Current year receipts		3,519,513	193,881	538,681	
Less: Current year expenditures		(1,484,416)	(193,881)	(572,499)	
Total cash and investments as of June 30, 2018	<u>\$ 62,559</u>	<u>\$ 2,037,387</u>	<u>\$ -</u>	<u>\$ 611,762</u>	<u>\$ 18,628</u>

Cobre Consolidated School District No. 2
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS (continued)
ALL FUNDS BY SCHOOL DISTRICT CLASSIFICATION
For The Fiscal Year Ended June 30, 2018

	<u>Ed Tech Debt Service</u>	<u>PSCOC 20%</u>	<u>Debt Service</u>	<u>Ed Tech Equipment</u>
Total cash and investments as of July 1, 2017	\$ 4,712	\$ 55,192	\$ 1,227,244	\$ -
Add: Current year receipts	125	234	1,747,048	
Less: Current year expenditures	<u>(1)</u>	<u></u>	<u>(1,283,449)</u>	<u></u>
Total cash and investments as of June 30, 2018	<u>\$ 4,836</u>	<u>\$ 55,426</u>	<u>\$ 1,690,843</u>	<u>\$ -</u>

Cobre Consolidated School District No. 2
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS (concluded)
ALL FUNDS BY SCHOOL DISTRICT CLASSIFICATION
For The Fiscal Year Ended June 30, 2018

	State Direct	Total
Total cash and investments as of July 1, 2017	\$ -	\$ 2,722,289
Add: Current year receipts		22,474,104
Less: Current year expenditures		(19,643,520)
Total cash and investments as of June 30, 2018	\$ -	\$ 5,552,873
Audit adjustments:		
Amounts reported as outstanding deposits by the District, but not received until July, 2018		(1,002,174)
Activity cash balances not on PED report		397,340
Payroll bank account reconciled cash balance		9,106
Cash balance per audit report.		\$ 4,957,145

Cobre Consolidated School District No. 2
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Fiscal Year Ended June 30, 2018

<u>Federal Grantor/Pass-through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Passed Through to Subrecipients</u>	<u>Federal Expenditures</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Passed through N.M. Department of Education:				
Title I Grants to Lea's	84.010	24.101	\$ -	\$ 368,394
Special Education Cluster:				
Special Education- Grants to States	84.027	24.106	\$ -	\$ 372,530
Special Education-Preschool Grants	84.173	24.109		22,147
Total Special Education Cluster			\$ -	\$ 394,677
Teacher Quality State Grants	84.367	24.154	\$ -	\$ 55,633
Rural Education	84.358	24.160		11,031
English Language Acquisition	84.365	24.153		12,094
Total U.S. Department of Education			\$ -	\$ 841,829
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
Direct:				
Child Care and Development	93.596	N/A	\$ -	\$ 29,937
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Direct Programs:				
Schools and Roads-Grants to States	10.665	N/A	\$ -	\$ 112,357
Child and Adult Food	10.558	N/A		1,837
Passed through N.M. Department of Education:				
Child Nutrition Cluster:				
National School Lunch Program	10.555	N/A	\$ -	\$ 594,433
Summer Food Service Program For Children	10.559	N/A		19,586
School Breakfast Program	10.553	N/A		225,891
Total Child Nutrition Cluster			\$ -	\$ 839,910
Total U.S. Department of Agriculture			\$ -	\$ 954,104
Total expenditures of federal awards			\$ -	\$ 1,825,870

See the accompanying notes to the Schedule of Expenditures of Federal Awards.

Cobre Consolidated School District No. 2
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2018

Note 1 Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Cobre Consolidated School District No. 2, under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Cobre Consolidated School District No. 2, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Cobre Consolidated School District No. 2.

Note 2 Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following cost principles contained in the Uniform Guidance.

Note 3 Non-Monetary Assistance

Non-monetary assistance is reported in the schedule at the fair market value of the USDA commodities received. The District received \$51,371 in food commodities during the 2017-2018 fiscal year.

Note 4 Indirect Costs

The District has elected not to use the de Minimis indirect cost rate as allowed under the Uniform Guidance.

Cobre Consolidated School District No. 2
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2018

Current Status

Findings – Financial Statement Audit

2016-003 Audit report not filed by State Auditor Deadline	Resolved
2017-001 Activity bank receipts not deposited timely	Repeated
2017-002 Improper purchase of high grade fuel	Resolved
2017-003 Missing personnel information	Resolved

Findings and Questioned Costs – Major Federal Award Programs

None



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REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

INDEPENDENT AUDITOR'S REPORT

Wayne Johnson, State Auditor
And
Board of Education
Cobre Consolidated School District No. 2
Bayard, New Mexico

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, and the budgetary comparisons for the general and major special revenue funds of Cobre Consolidated School District No. 2 as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Cobre Consolidated School District No. 2's basic financial statements, and have issued our report thereon dated November 12, 2018.

Internal Control Over financial Reporting

In planning and performing our audit of the financial statements, we considered Cobre Consolidated School District No. 2'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 Cobre Consolidated School District No. 2'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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cobre Consolidated School District No. 2'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings and questioned costs as items 2018-001 through 2018-003.

Cobre Consolidated School District No. 2's Responses to Findings

Cobre Consolidated School District No. 2's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's responses were not subject 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 result 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. Accordingly, this communication is not suitable for any other purpose.

Stone, McGee & Co., CPAs

Silver City, New Mexico
November 12, 2018

Stone, McGee & Co.
Certified Public Accountants

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**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

INDEPENDENT AUDITOR'S REPORT

Wayne Johnson, State Auditor
And
Board of Education
Cobre Consolidated School District No. 2
Bayard, New Mexico

Report on Compliance for Each Major Federal Program

We have audited Cobre Consolidated School District No. 2's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Cobre Consolidated School District No. 2's major federal programs for the year ended June 30, 2018. Cobre Consolidated School District No. 2'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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Cobre Consolidated School District No. 2's major federal programs based on our audit of the types of compliance requirements referred to above. 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 of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (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 referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Cobre Consolidated School District No. 2'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 Cobre Consolidated School District No. 2's compliance.

Opinion on Each Major Federal Program

In our opinion, Cobre Consolidated School District No. 2 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, 2018.

Report on Internal Control over Compliance

Management of Cobre Consolidated School District No. 2 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Cobre Consolidated School District No. 2'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 Cobre Consolidated School District No. 2'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 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.

Stone, McGee & Co., CPAs

Silver City, New Mexico
November 12, 2018

Stone, McGee & Co.
Certified Public Accountants

Cobre Consolidated School District No. 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2018

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Cobre Consolidated School District No. 2 were prepared in accordance with Generally Accepted Accounting Principles.
2. No significant deficiencies relating to the audit of the financial statements are reported in the *Independent Auditor's 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*.
3. No instances of noncompliance material to the financial statements of Cobre Consolidated School District No. 2, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs are reported in the *Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance*.
5. The auditor's report on compliance for the major federal award programs for Cobre Consolidated School District No. 2 expresses an unmodified opinion on all major programs.
6. No audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a) were noted during the audit.
7. The programs tested as major programs included: The Child Nutrition Cluster, consisting of the National School Lunch Program, CFDA No. 10.555, Summer Food Service Program for Children, CFDA No. 10.559, and School Breakfast Program, CFDA No. 10.553.
8. The threshold for distinguishing types A and B programs was \$750,000.
9. Cobre Consolidated School District No. 2 is a low-risk auditee.

FINDINGS – FINANCIAL STATEMENT AUDIT

2018-001 (2017-001) Cash Depositing (Other Noncompliance)

Condition – In a test of 27 activity receipts, 5 instances were noted, totaling \$4,395, where the deposit was not made within one banking day.

The District implemented its plan to hold training sessions, and did hold them. However, changeover in personnel assigned to making the required deposits and changes in central office personnel led to this finding.

Criteria – The PED's Manual of Procedures requires that deposit of receipts be made within one banking day.

Effect – The District has not complied with the PED Manual of Procedures, and there is an increased risk of conversion without the necessity of collusion.

Cause – The District school secretaries are charged with collecting and depositing activity receipts, and have indicated that in some instances, they are too busy to prepare the deposit and get it to the bank within one banking day.

Recommendation – We recommend that the District hold training sessions with school personnel, including principals, to stress the importance of depositing funds within one banking day.

Agency Response – The Director of Finance and the Superintendent have already held training sessions, and will continue to do so. As of now, any deposit not made within one banking day must be approved by the principal, in writing, and the reason for the delay must be justified. The Director of Finance is charged with continuing monitoring of deposits.

2018-002 Expenditures in Excess of Budgetary Authority (Other Noncompliance)

Condition – The District incurred expenditures in excess of budgetary authority in the following funds and functions:

General (Operational) - Instruction	\$ 336,577
General Administration	13,914
Central Services	10,114
Pre-K Initiative Instruction	685
General Administration	8,053

Criteria – New Mexico Administrative Code 6.20.29 requires, in part, that expenditures not exceed budgetary authority. The function is the legal level of control for public schools.

Effect – The internal controls established by adherence to budgets has been compromised, and excess spending could result. In addition, New Mexico statutes have been violated.

Cause – The District did not make the necessary year-end budget adjustments to alleviate these over-expenditures.

Recommendation – We recommend that the District continue to emphasize its policy of making year-end adjustments to budgets to alleviate excess expenditures. Supervisory personnel should be involved in the year-end budgetary adjustment process.

Agency Response – The District continues to emphasize year-end budget adjustments. This was an unusual circumstance in which the District had personnel changeover in the Director of Finance position at year end, and budgetary adjustments were overlooked. In the future, the District has calendared the budget adjustment task and will make the necessary year-end adjustments. The Director of Finance is charged with budget adjustments, and it is anticipated that all adjustments will be made in the June 30, 2019 fiscal year.

2018-003 Cash Reporting (Other Noncompliance)

Condition – The District’s reconciled cash differed from the June 30, 2018, report to the New Mexico Public Education Department (PED) by \$9,106.

Criteria – The PED’s Manual of Procedures requires that the cash report submitted by the District agree to reconciled cash.

Effect – The District has not complied with the PED Manual of Procedures, and inaccurate reporting to PED could jeopardize funding at the appropriate level.

Cause – The District omitted the reconciled cash balance in the payroll clearing account. Although this clearing account should equal zero, transactions over the years has accumulated a cash balance in the account. The District reported the balance as zero in the cash report to PED.

Recommendation – We recommend that the District expand its internal control procedures to require the Director of Finance to review the PED report prior to submission, and ensure that the cash reported is in agreement with reconciled cash.

Agency Response – The District will adopt the recommendation starting with the next report. The Director of Finance will be tasked with adopting this recommendation.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS

None

OTHER – FINANCIAL STATEMENT PREPARATION

The financial statements were prepared by Stone, McGee & Co., C.P.A.’s, with substantial assistance from District personnel, who have acknowledged and accepted responsibility for the financial statements.

EXIT CONFERENCE

The contents of this report were discussed November 13, 2018. Present at this exit conference were:

<u>Name</u>	<u>Title</u>	<u>Affiliation</u>
Ralph Sepulveda	Board President	Cobre Consolidated Schools
Frank Cordova	Board Vice-President	Cobre Consolidated Schools
Robert Mendoza	Superintendent	Cobre Consolidated Schools
Teresa Holguin	Director of Finance	Cobre Consolidated Schools
Johnny Benavidez	Audit Committee Member	Cobre Consolidated schools
Robert Padilla	Audit Committee Member	Cobre Consolidated Schools
Mike Stone, CPA	Shareholder	Stone, McGee & Co., CPAs