

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOLS
ANNUAL FINANCIAL REPORT
JUNE 30, 2018



INTRODUCTORY SECTION

ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2018
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**OFFICIAL ROSTER
JUNE 30, 2018**

<u>Name</u>		<u>Title</u>
	<u>Board of Education</u>	
Levi Pesata		President
Phillip Salazar		Vice President
LaVonnda James		Secretary
Darlene Gomez		Member
Wesley Vigil		Member
	<u>School Officials</u>	
Pamela Montoya		Superintendent
Carole Gomez		Business Manager

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Wayne Johnson
New Mexico State Auditor
The Office of Management and Budget
To the Board of Education
Dulce Independent Schools
Dulce, 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 funds and major special revenue funds of Dulce Independent Schools, New Mexico, as of and for the year ended June 30, 2018, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 these financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is the express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk 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 Dulce Independent Schools, New Mexico, as of June 30, 2018, and the respective changes in financial position thereof and the respective budgetary comparisons for the general funds 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 Supplemental Information

Accounting principles generally accepted in the United States of America also require that the Schedule of Proportionate Share of the Net Pension Liability and Schedule of Contributions on page 42 and the Schedule of Proportionate Share of the Net OPEB Liability and Schedule of Contributions on page 43 be represented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is


required by the *Governmental Accounting Standard 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 sufficient evidence to express an opinion or provide any assurance. Our opinion on the basic financial statements is not affected by this missing information.

Management has omitted *Management's Discussion and Analysis* that accounting principles generally accepted in the United States of America requires 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 Government Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the basic financial statements and the combining and individual fund financial statements and budgetary comparisons. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code Federal regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the financial statements. The additional schedules listed as "Other Supplemental Information" in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is 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 15, 2018 on our consideration of Dulce Independent Schools, New Mexico's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



McCabe CPA Group, LLC

Albuquerque, New Mexico
November 15, 2018

**BASIC
FINANCIAL STATEMENTS**

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOLS
STATEMENT OF NET POSITION
JUNE 30, 2018

Exhibit A-1
(Page 1 of 2)

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 9,488,065
Receivables (net of allowance for uncollectibles)	1,398,551
Inventory	1,779
Total current assets	<u>10,888,395</u>
Noncurrent assets	
Capital assets (net of accumulated depreciation):	
Construction in progress	-
Land and land improvements	1,231,203
Buildings and building improvements	79,920,993
Furniture, fixtures and equipment	2,553,215
Less: accumulated depreciation	<u>(29,912,680)</u>
Total noncurrent assets	<u>53,792,731</u>
Deferred outflows of resources	
Deferred outflows for net pension liability	6,078,106
Deferred outflows for OPEB	96,662
Total deferred outflow of resources	<u>6,174,768</u>
Total assets and deferred outflow of resources	<u>70,855,894</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOLS
STATEMENT OF NET POSITION
JUNE 30, 2018

Exhibit A-1
(Page 2 of 2)

	<u>Governmental Activities</u>
LIABILITIES AND NET POSITION	
Accounts payable	\$ 119,002
Accrued payroll liabilities	96,770
Accrued compensated absences	11,324
Accrued interest	319,633
Unearned revenue	352,046
Current portion of capital lease payable	12,939
Current portion of long-term debt	3,990,000
Total current liabilities	<u>4,901,714</u>
Noncurrent liabilities	
Compensated absences	137,879
Capital Lease Payable	15,097
Bonds due in more than one year	13,795,000
Net Pension Liability	20,194,283
Net OPEB Liability	5,516,406
Total noncurrent liabilities	<u>39,658,665</u>
Deferred inflows of resources	
Deferred property taxes	113,887
Deferred inflows for net pension liability	454,477
Deferred inflows for OPEB	1,255,520
Total deferred inflows of resources	<u>1,823,884</u>
Total liabilities and deferred inflows of resources	46,384,263
Net Position	
Net investment in capital assets, net of related debt	35,979,695
Restricted for:	
Debt service	5,391,869
Capital projects	1,273,223
Unrestricted	<u>(18,173,156)</u>
Total net position	<u>24,471,631</u>
Total liabilities and net position	<u><u>\$ 70,855,894</u></u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOLS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Service</u>
Primary Government		
Governmental activities:		
Instruction	\$ 5,429,485	\$ 36,557
Support services:		
Students	3,854,298	-
Instruction	124,635	-
General Administration	589,994	-
School Administration	467,557	-
Other Support Services	-	-
Central Services	357,300	-
Operation & Maintenance of Plant	2,786,335	178,621
Student Transportation	198,365	-
Food Services Operation	476,595	5,398
Community Services	-	-
Depreciation and amortization - unallocated	2,221,600	-
Interest on long-term debt	792,258	-
Total Primary Government	\$ 17,298,422	\$ 220,576

The accompanying notes are an integral part of these financial statements

Program Revenues			Net (Expenses) Revenues and Changes in Net position
Operating Grants and Contributions	Capital Grants and Contributions		
\$ 5,886,082	\$ -	\$	493,154
290,366	-		(3,563,932)
22,184	-		(102,451)
-	-		(589,994)
-	-		(467,557)
-	-		-
-	-		(357,300)
-	98,720		(2,508,994)
165,169	-		(33,196)
432,043	-		(39,154)
-	-		-
-	-		(2,221,600)
-	-		(792,258)
<u>\$ 6,795,844</u>	<u>\$ 98,720</u>		(10,183,282)

General Revenues:

Property taxes:	
Levied for general purposes	\$ 37,950
Levied for debt service	1,359,119
Levied for capital projects	157,942
Oil & Gas Tax Revenue	4,894,783
State Equalization Guarantee	3,494,963
Unrestricted investment earnings	-
Depreciation of disposed assets	-
Miscellaneous	24,560
	<u>9,969,317</u>
Total general revenues	
	<u>9,969,317</u>
Change in net position	(213,965)
Net position - beginning	31,237,428
Restatement	(6,551,832)
Net position - beginning (restated)	<u>24,685,596</u>
Net position - ending	<u>\$ 24,471,631</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	Operational Fund			
	General 11000	Teacherage 12000	Transportation 13000	Instructional Materials 14000
ASSETS				
<i>Current Assets</i>				
Cash and temporary investments	\$ 1,513,714	\$ 355,363	\$ 2,199	\$ 332
Accounts receivable				
Taxes	6,139	-	-	-
Due from other governments	666,078	-	-	-
Interfund receivables	192,575	-	-	-
Other	14,800	-	-	-
Inventory	-	-	-	-
<i>Total assets</i>	<u>2,393,306</u>	<u>355,363</u>	<u>2,199</u>	<u>332</u>
LIABILITIES AND FUND BALANCES				
<i>Current Liabilities:</i>				
Accounts payable	82,557	4,041	-	-
Accrued payroll liabilities	75,691	835	1,279	-
Interfund payables	-	-	-	-
Deferred revenue - property taxes	5,482	-	-	-
Deferred revenue - other	-	-	-	-
<i>Total liabilities</i>	<u>163,730</u>	<u>4,876</u>	<u>1,279</u>	<u>-</u>
<i>Fund balances</i>				
Fund Balance:				
Nonspendable	-	-	-	-
Restricted	-	350,487	920	332
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	2,229,576	-	-	-
<i>Total fund balance</i>	<u>2,229,576</u>	<u>350,487</u>	<u>920</u>	<u>332</u>
<i>Total liabilities and fund balance</i>	<u>\$ 2,393,306</u>	<u>\$ 355,363</u>	<u>\$ 2,199</u>	<u>\$ 332</u>

The accompanying notes are an integral part of these financial statements

Debt Service 41000	Other Governmental Funds	Total Governmental Funds
\$ 5,367,891	\$ 2,248,566	\$ 9,488,065
117,832	17,485	141,456
-	439,302	1,105,380
-	-	192,575
-	136,915	151,715
-	1,779	1,779
<u>5,485,723</u>	<u>2,844,047</u>	<u>11,080,970</u>
-	32,404	119,002
-	18,965	96,770
-	192,575	192,575
93,854	14,551	113,887
-	352,046	352,046
<u>93,854</u>	<u>610,541</u>	<u>874,280</u>
-	1,779	1,779
-	2,235,988	2,587,727
-	-	-
-	-	-
<u>5,391,869</u>	<u>(4,261)</u>	<u>7,617,184</u>
<u>5,391,869</u>	<u>2,233,506</u>	<u>10,206,690</u>
<u>\$ 5,485,723</u>	<u>\$ 2,844,047</u>	<u>\$ 11,080,970</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOLS
GOVERNMENTAL FUNDS

Exhibit B-1
 (Page 2 of 2)

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2018

	Governmental Funds
Amounts reported for governmental activities in the statement of net position are different because:	
Fund balances - total governmental funds	\$ 10,206,690
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	53,792,731
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds:	
Delinquent property taxes not collected within sixty days after year end are not considered "available" revenues and are considered to be deferred revenue in the fund financial statements, but are considered revenue in the Statement of Activities	-
Long-term liabilities, including bonds payable, compensated absences, and pension liability are not due and payable in the current period and therefore are not reported in the funds:	
General obligation bonds	(17,785,000)
Capital leases payable	(28,036)
Accrued compensated absences	(149,203)
Accrued interest	(319,633)
Pension:	
Deferred outflows for net pension liability	6,078,106
Deferred inflows for net pension liability	(454,477)
Net Pension Liability	(20,194,283)
OPEB:	
Deferred outflows for OPEB	96,662
Deferred inflows for OPEB	(1,255,520)
Net OPEB Liability	(5,516,406)
	-
Net Position -total Governmental Activities	\$ 24,471,631

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Operational Fund			Instructional
	General 11000	Teachergage 12000	Transportation 13000	Materials 14000
<i>Revenues:</i>				
Property taxes	\$ 37,950	\$ -	\$ -	\$ -
State grants	3,513,771	-	165,169	21,743
Federal grants	4,218,477	-	-	-
Oil & Gas Tax	112,382	-	-	-
Charges for services	513	178,621	-	-
Miscellaneous	24,560	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>7,907,653</u>	<u>178,621</u>	<u>165,169</u>	<u>21,743</u>
<i>Expenditures:</i>				
Current:				
Instruction	3,570,321	-	-	21,631
Support Services				
Students	806,516	-	-	-
Instruction	117,815	-	-	-
General Administration	556,237	-	-	-
School Administration	467,557	-	-	-
Central Services	356,466	-	-	-
Operation & Maintenance of Plant	1,660,380	145,577	-	-
Student Transportation	-	-	176,429	-
Other Support Services	-	-	-	-
Food Services Operations	-	-	-	-
Community Service	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Bond issuance costs	-	-	-	-
Debt service reserve	-	-	-	-
<i>Total expenditures</i>	<u>7,535,292</u>	<u>145,577</u>	<u>176,429</u>	<u>21,631</u>
<i>Excess (deficiency) of revenues</i>				
<i>over (under) expenditures</i>	<u>372,361</u>	<u>33,044</u>	<u>(11,260)</u>	<u>112</u>
 <i>Net changes in fund balances</i>	 <u>372,361</u>	 <u>33,044</u>	 <u>(11,260)</u>	 <u>112</u>
<i>Fund balances - beginning of year</i>	<u>1,857,215</u>	<u>317,443</u>	<u>12,180</u>	<u>220</u>
<i>Fund balances - end of year</i>	<u>\$ 2,229,576</u>	<u>\$ 350,487</u>	<u>\$ 920</u>	<u>\$ 332</u>

The accompanying notes are an integral part of these financial statements

Debt Service 41000	Other Governmental Funds	Total Governmental Funds
\$ 1,359,119	\$ 607,412	\$ 2,004,481
-	276,941	3,977,624
-	2,193,426	6,411,903
4,332,931	-	4,445,313
-	41,442	220,576
-	-	24,560
-	-	-
<u>5,692,050</u>	<u>3,119,221</u>	<u>17,084,457</u>
-	1,096,966	4,688,918
-	408,168	1,214,684
-	2,358	120,173
13,393	20,364	589,994
-	-	467,557
-	834	357,300
-	348	1,806,305
-	-	176,429
-	-	-
-	476,595	476,595
-	-	-
-	977,193	977,193
4,115,000	-	4,115,000
848,792	-	848,792
-	-	-
-	-	-
<u>4,977,185</u>	<u>2,982,826</u>	<u>15,838,940</u>
<u>714,865</u>	<u>136,395</u>	<u>1,245,517</u>
<u>714,865</u>	<u>136,395</u>	<u>1,245,517</u>
<u>4,677,004</u>	<u>2,097,111</u>	<u>8,961,173</u>
<u>\$ 5,391,869</u>	<u>\$ 2,233,506</u>	<u>\$ 10,206,690</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOLS
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

	Governmental Funds
Amounts reported for governmental activities in the statement of activities are different because:	
Net change in fund balances - total governmental funds	\$ 1,245,517
Capital Outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which depreciation exceeds capital outlays for the period.	
Depreciation expense	(2,268,954)
Capital Outlay	123,765
Loss on disposal of capital assets	-
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	
Change in deferred revenue related to the property taxes receivable	-
The issuance of long-term debt (e.g., bonds, notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities:	
Change in pension liability and expense	(3,311,436)
Change in OPEB liability and expense	(122,656)
Decrease in accrued interest payable	56,534
Increase in accrued compensated absences	(64,674)
Principal payments on capital leases	12,939
Principal payments on bonds	4,115,000
Change in Net Position-total Governmental Activities	\$ (213,965)

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOLS
GENERAL FUND

Exhibit C-1

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDING JUNE 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
<i>Revenues:</i>				
Property taxes	\$ 40,146	\$ 40,146	\$ 37,343	\$ (2,803)
Oil & Gas Taxes	104,901	104,901	119,416	14,515
State grants	4,054,618	4,054,618	3,513,771	(540,847)
Federal grants	2,714,530	2,714,530	3,552,399	837,869
Miscellaneous	16,068	16,068	10,273	(5,795)
Interest	-	-	-	-
<i>Total revenues</i>	<u>6,930,263</u>	<u>6,930,263</u>	<u>7,233,202</u>	<u>302,939</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	4,167,628	4,059,653	3,481,986	577,667
Support Services				
Students	794,178	884,558	704,285	180,273
Instruction	171,815	171,815	117,815	54,000
General Administration	598,145	666,245	558,163	108,082
School Administration	333,712	448,587	466,994	(18,407)
Central Services	382,898	369,398	356,184	13,214
Operation & Maintenance of Plant	1,572,041	1,765,541	1,605,779	159,762
Student Transportation	-	-	-	-
Other Support Services	9,939	9,939	-	9,939
Food Services Operations	-	-	-	-
Community Services	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>8,030,356</u>	<u>8,375,736</u>	<u>7,291,206</u>	<u>1,084,530</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(1,100,093)</u>	<u>(1,445,473)</u>	<u>(58,004)</u>	<u>1,387,469</u>
<i>Other financing sources (uses):</i>				
Designated cash	1,100,093	1,445,473	-	(1,445,473)
Operating transfers	-	-	-	-
Proceeds from bond issues	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>1,100,093</u>	<u>1,445,473</u>	<u>-</u>	<u>(1,445,473)</u>
<i>Net changes in fund balances</i>	<u>-</u>	<u>-</u>	<u>(58,004)</u>	<u>(58,004)</u>
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>1,764,293</u>	<u>1,764,293</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,706,289</u>	<u>\$ 1,706,289</u>
<i>Reconciliation to GAAP Basis:</i>				
Adjustments to revenues			674,451	
Adjustments to expenditures			(244,086)	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>\$ 372,361</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOLS
TEACHERAGE FUND

Exhibit C-2

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
 FOR THE YEAR ENDING JUNE 30, 2018

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
<i>Revenues:</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	-	-	-	-
Federal grants	-	-	-	-
Miscellaneous	169,748	169,748	178,621	8,873
Interest	-	-	-	-
<i>Total revenues</i>	<u>169,748</u>	<u>169,748</u>	<u>178,621</u>	<u>8,873</u>
<i>Expenditures:</i>				
Current:				
Instruction	-	-	-	-
Support Services				
Students	-	-	-	-
Instruction	-	-	-	-
General Administration	-	-	-	-
School Administration	-	-	-	-
Central Services	-	-	-	-
Operation & Maintenance of Plant	309,879	314,879	184,016	130,863
Student Transportation	-	-	-	-
Other Support Services	-	-	-	-
Food Services Operations	-	-	-	-
Community Services	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>309,879</u>	<u>314,879</u>	<u>184,016</u>	<u>130,863</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(140,131)</u>	<u>(145,131)</u>	<u>(5,395)</u>	<u>139,736</u>
<i>Other financing sources (uses):</i>				
Designated cash	140,131	145,131	-	(145,131)
Operating transfers	-	-	-	-
Proceeds from bond issues	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>140,131</u>	<u>145,131</u>	<u>-</u>	<u>(145,131)</u>
<i>Net changes in fund balances</i>	<u>-</u>	<u>-</u>	<u>(5,395)</u>	<u>(5,395)</u>
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>360,758</u>	<u>360,758</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 355,363</u>	<u>\$ 355,363</u>
<i>Reconciliation to GAAP Basis:</i>				
Adjustments to revenues			-	
Adjustments to expenditures			38,439	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>\$ 33,044</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOLS
TRANSPORTATION FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDING JUNE 30, 2018

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
<i>Revenues:</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	171,259	171,259	171,259	-
Federal grants	-	-	-	-
Miscellaneous	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>171,259</u>	<u>171,259</u>	<u>171,259</u>	<u>-</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	-	-	-	-
Support Services				
Students	-	-	-	-
Instruction	-	-	-	-
General Administration	-	-	-	-
School Administration	-	-	-	-
Central Services	-	-	-	-
Operation & Maintenance of Plant	-	-	-	-
Student Transportation	171,259	177,349	176,429	920
Other Support Services	-	-	-	-
Food Services Operations	-	-	-	-
Community Services	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>171,259</u>	<u>177,349</u>	<u>176,429</u>	<u>920</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>(6,090)</u>	<u>(5,170)</u>	<u>920</u>
<i>Other financing sources (uses):</i>				
Designated cash	-	6,090	-	(6,090)
Operating transfers	-	-	-	-
Proceeds from bond issues	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>6,090</u>	<u>-</u>	<u>(6,090)</u>
<i>Net changes in fund balances</i>	<u>-</u>	<u>-</u>	<u>(5,170)</u>	<u>(5,170)</u>
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>7,369</u>	<u>7,369</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,199</u>	<u>\$ 2,199</u>
<i>Reconciliation to GAAP Basis:</i>				
Adjustments to revenues			(6,090)	
Adjustments to expenditures			-	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>\$ (11,260)</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOLS
INSTRUCTIONAL MATERIALS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDING JUNE 30, 2018

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
<i>Revenues:</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	21,903	21,743	21,743	-
Federal grants	-	-	-	-
Miscellaneous	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>21,903</u>	<u>21,743</u>	<u>21,743</u>	<u>-</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	21,903	21,743	21,631	112
Support Services				
Students	-	-	-	-
Instruction	-	-	-	-
General Administration	-	-	-	-
School Administration	-	-	-	-
Central Services	-	-	-	-
Operation & Maintenance of Plant	-	-	-	-
Student Transportation	-	-	-	-
Other Support Services	-	-	-	-
Food Services Operations	-	-	-	-
Community Services	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>21,903</u>	<u>21,743</u>	<u>21,631</u>	<u>112</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>-</u>	<u>112</u>	<u>112</u>
<i>Other financing sources (uses):</i>				
Designated cash	-	-	-	-
Operating transfers	-	-	-	-
Proceeds from bond issues	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net changes in fund balances</i>	<u>-</u>	<u>-</u>	<u>112</u>	<u>112</u>
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>220</u>	<u>220</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 332</u>	<u>\$ 332</u>
<i>Reconciliation to GAAP Basis:</i>				
Adjustments to revenues			-	
Adjustments to expenditures			-	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>\$ 112</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOLS
AGENCY FUNDS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2018

Exhibit D-1

	<u>Agency Funds</u>
ASSETS	
<i>Current Assets</i>	
Cash	<u>\$ 125,646</u>
<i>Total assets</i>	<u><u>125,646</u></u>
 LIABILITIES	
<i>Current Liabilities</i>	
Deposits held in trust for others	<u>125,646</u>
<i>Total liabilities</i>	<u><u>\$ 125,646</u></u>

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

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1. Summary of Significant Accounting Policies

The Dulce Independent School District No. 21 (District) has been in existence since the early nineteen hundreds, and is currently operating under the provisions of the Public School District Code, Chapter 22, of the New Mexico Statutes Annotated, 1978 Compilation. The District is a special purpose government corporation governed by an elected five-member Board of Education. The Board of Education is the basic level of government, which has oversight responsibility and control over all activities related to the public elementary and secondary school education within its jurisdiction. The Districts operates with a local board of education-superintendent form of government and provides a supervised program of instruction. The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities.

This summary of significant accounting policies of the District is presented to assist in the understanding of the District's financial statements. The financial statements and notes are the representation of Dulce Independent School's management that is responsible for the financial statements. The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting financial reporting principles.

During the year ended June 30, 2018, the District adopted GASB Statements No. 72, *Fair Value Measurement and Application*, No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, No. 79, *Certain External Investment Pools and Pool Participants*, and a portion of No 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. GASB Statements Nos. 72, 76, and 79, as well as the implemented portion of Statement No. 73, are required to be implemented for the fiscal year ending June 30, 2018.

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position.

GASB Statement No. 73 establishes accounting and financial reporting standards for defined benefit pensions and defined contribution pensions that are not provided to employees of state and local government employers and are not within the scope of Statement 68. A portion of this pronouncement is effective for June 30, 2018 year end and a portion is effective for June 30, 2018 year end. Effective for June 30, 2018 are the amendments for Statement No.s 67 and 68 and assets accumulated for pensions not administered as trusts. The amendments of this pronouncement clarifies application of certain provisions of GASB 67 and 68 with regards to the following issues: (1) Information that is required to be presented as notes to the 10-year schedules of RSI about investment-related factors that significantly affect trends in reported amounts; (2) Accounting and financial reporting for separately financed specific liabilities of individual employers and nonemployer contributing entities for defined benefit pensions; and (3) Timing of employer recognition of revenue for the support of nonemployer contributing entities not in a special funding situation.

In addition, effective for June 30, 2018 year ends, the requirements of this Statement extend the approach to accounting and financial reporting established in Statement 68 to all pensions, with modifications as necessary to reflect that, for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities.

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1. Summary of Significant Accounting Policies (continued)

The objective of GASB Statement No. 77 is to provide financial statement users with essential information about the nature and magnitude of the reduction in tax revenues through tax abatement programs in order to better assess (a) whether current year revenues were sufficient to pay for current year services, (b) compliance with financial-related legal or contractual requirements, (c) where a government's financial resources come from and how it uses them and (d) financial position and economic condition and how they have changed over time. The pronouncement is effective as of June 30, 2018. The District is a recipient of property tax revenues assessed, calculated and collected by San Miguel County. The County is responsible and makes the determination of all individual tax abatements, if any; therefore, the District's current and future revenues that may be affected by any such abatement agreements entered by the County. The District has made sufficient attempts to obtain abatement information required by GASB 77 entered by the County. As of June 30, 2018, the District is not aware of tax abatement entered by the County which would have a financial effect on the property tax revenue received and due the District.

GASB Statement No. 79 addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool for measuring all of its investments at amortized cost for financial reporting purposes. Professional judgement is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant. This Statement will enhance comparability of financial statements among governments by establishing specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement. Those criteria will provide for qualifying external investment pools and participants in those pools with consistent application of an amortized cost-based measurement for financial reporting purposes. That measurement approximates fair value and mirrors the operations of external investment pools that transact with participants at a stable net asset value per share.

GASB Statement No. 82 objective is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information; (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and; (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

A. Reporting Entity

GASB Statement No. 82 objective is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information; (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and; (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1. Summary of Significant Accounting Policies (continued)

A. Reporting Entity (continued)

The basis, but not the only criterion for including a potential component unit within the reporting entity, is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criteria used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Given the criteria, there are no component units to the primary government recognized.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities and changes in net position) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the fiduciary fund financial statement. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are billed. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

GASB No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB No. 65, *Items Previously Reported as Assets and Liabilities*, amend GASB No. 34, *Basic Financial Statements – and Management's Discussion and Analysis for State and Local Governments*, to incorporate deferred outflows of resources and deferred inflows of resources in the financial reporting model.

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1. Summary of Significant Accounting Policies - (Continued)

C. Measurement focus, basis of accounting, and financial statement presentation – (continued)

Deferred outflows of resources – a consumption of net position by the government that is applicable to a future reporting period. It has a positive effect on net position, similar to assets.

Deferred inflows of resources – an acquisition of net position by the government that is applicable to a future reporting period. It has a negative effect on net position, similar to liabilities.

Net position – the residual of the net effects of assets, deferred outflows of resources, liabilities, and deferred inflows of resources.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales and use taxes are classified as derived tax revenues and are recognized as revenue when the underlying exchange takes place and the revenues are measurable and available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Ad valorem taxes (property taxes), and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met and the susceptible to accrual criteria have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

The *agency funds* are custodial in nature (assets equal liabilities) and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the District holds for others in an agency capacity.

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

The *General Fund* is the primary operating fund of the District, and accounts for all financial resources, except those required to be accounted for in other funds.

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

The *Debt Service Funds* account for the services of long-term debt not being financed by proprietary or nonexpendable trust funds.

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1. Summary of Significant Accounting Policies - (Continued)

C. *Measurement focus, basis of accounting, and financial statement presentation - (continued)*

The *Capital Projects Funds* account for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

Under the requirements of GASB #34, the District is required to present certain of its governmental funds as major funds based upon certain criteria. The major funds presented in the fund financial statements include the following (in addition to the General Fund), which include funds that were not required to be presented as major but were at the discretion of management:

Operational Funds:

The *Teacherage Fund* accounts for revenues and expenditures associated with district owned multi-bedroom housing units rented to District employed teachers or other employees. Funding authorized by NMAC 6.20.2 of the New Mexico Department of Education. This fund is considered by PED to be a sub-fund of the General Fund.

The *Transportation Fund* accounts for State Equalization – Transportation funds authorized by Section 22-8-26, NMSA, 1978 designated for the costs of transporting school-age children who are students within the District. This fund is considered by PED to be a sub-fund of the General Fund.

The *Instructional Materials Fund* accounts for Funding designated for instructional materials purchases as authorized by Sections 22-15-1 through 22-15-14, NMSA, 1978 for the purposes of purchasing instructional materials (books, manuals, periodicals, etc.) used in the education of students. This is considered by PED to be a sub-fund of the General Fund.

The *Debt Service Fund* is used to account for the accumulation of resources for the payment of General Long-Term Debt principal and interest.

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1. Summary of Significant Accounting Policies - (Continued)

C. Measurement focus, basis of accounting, and financial statement presentation - (continued)

Additionally, the government reports the following fund types:

The fiduciary funds account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. The fiduciary funds are for student activities.

D. Assets, Liabilities and Net Position or Equity

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

State statutes authorize the District to invest in Certificates of Deposit, obligations of the U.S. Government, and the State Treasurer's Investment Pool.

Restricted Assets: The Debt Service Fund is used to report resources set aside as restricted to make up potential future deficiencies in the revenue bond current debt service account.

Receivables and Payables: Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables 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 reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

The District receives monthly income from a tax levy in Rio Arriba County. The funds are collected by the County Treasurer and are remitted to the School District the following month. Under the modified accrual method of accounting, the amount remitted by the Rio Arriba County Treasurer in July and August 2018 is considered 'measurable and available' and, accordingly, is recorded as revenue during the year ended June 30, 2018.

Certain Special Revenue funds are administered on a reimbursement method of funding; other funds are operated on a cash advance method of funding. The funds incurred the cost and submitted the necessary request for reimbursement or advance, respectively.

Prepaid Items: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Inventory: The District accounts for its inventories under the consumption method, reporting inventories purchased as an asset. The recognition of the expenditures is deferred until the period in which the inventories are actually consumed. Inventory in the Cafeteria Fund consists of U.S.D.A. commodities and other purchased food and non-food supplies. The cost of purchased food is recorded as an expenditure at the time individual inventory items are consumed.

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1. Summary of Significant Accounting Policies - (Continued)

D. Assets, Liabilities and Net Position or Equity – (continued)

Capital Assets: Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Information Technology Equipment, including software, is being capitalized and included in furniture and equipment in accordance with NMAC 2.20.1.9 C (5). Capital expenditures made by the NM Public Schools Facilities Authority are appropriately included in the District’s capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. The District expenses the cost of library books when purchased because their estimated useful life is less than one year.

Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest was included as part of the cost of capital assets under construction during the year ended June 30, 2018.

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

Buildings/building improvements	20-50 years
Equipment, Vehicles, Information Technology Equipment, Software & Library Books	3-15 years

Deferred Revenues: There are two types of deferred revenue. Under both the accrual and modified accrual basis of accounting, revenue may be recognized only when it is earned. If assets are recognized in connection with a transaction before the earnings process is complete, those assets must be offset by a corresponding liability for deferred revenue (commonly referred to as unearned revenue). The other type of deferred revenue is “unavailable revenue.” Under the modified accrual basis of accounting, it is not enough that revenue has been earned if it is to be recognized as revenue of the current period. It must also be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period). If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be off-set by a corresponding liability for deferred revenue.

Compensated Absences: After a non-certified employee has been with the District for a period of at least six months, the employee is entitled to a one-week paid vacation; when employed twelve months, the employee is entitled to a two week paid vacation accumulative to no more than 20 contract days. Vacation is to be scheduled at an appropriate time and approved by the supervisor. If an employee is discharged because of lack of work, and through no fault of the employee, the employee shall receive commensurate vacation pay.

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

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

1. The employees’ right to receive compensation is attributable to services already rendered.

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 1. Summary of Significant Accounting Policies - (Continued)

D. Assets, Liabilities and Net Position or Equity - (continued)

2. It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement

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

Long-term Obligations: In the government-wide fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. For fund financial reporting, bond premiums and discounts, as well as issuance costs, are recognized in the period the bonds are issued.

In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expenses, information about the Fiduciary Net Position of the New Mexico Educational Retirement Board (ERB) and additions to/ deductions from ERB's Fiduciary Net Position have been determined 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 fair value.

Net Position or Fund Equity: Governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The detail of which is presented in Note 16.

In the government-wide financial statements, fund equity is classified as net position and is displayed in three components:

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.

Restricted Net Position: Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation. Descriptions for the related restrictions for net position is restricted for "debt service or capital projects."

Unrestricted Net Position: All other net position that does not meet the definition of "restricted" or "invested in capital assets, net of related debt."

The Government-Wide Statement of Net Position reports \$6,665,092 of restricted net position of which \$1,273,223 is restricted by enabling legislation.

E. Revenues

Reclassifications: Certain amounts included in the financial statements have been reclassified to conform to the current year presentation.

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOLS
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NOTE 1. Summary of Significant Accounting Policies - (Continued)

E. Revenues – (continued)

Interfund Transactions: Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund from expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates affecting the District's financials include management's estimate of the useful lives of capital assets.

State Equalization Guarantee: School districts in the State of New Mexico receive a 'state equalization guarantee distribution' which is defined as "that amount of money distributed to each school district to insure that the school district's operating revenue, including its local and federal revenues as defined (in Chapter 22, Section 825, NMSA 1978) is at least equal to the school district's program cost.

A school district's program costs are determined through the use of various formulas using 'program units' which take into consideration 1) early childhood education; 2) basic education; 3) special education; 4) bilingual-multicultural education; 5) size, etc. Payment is made from the public school fund under the authority of the Director of Public School Finance. The District received \$3,494,963 in state equalization guarantee distributions during the year ended June 30, 2018.

Tax Revenues: The District receives mill levy and ad-valorem tax revenues primarily for debt service and capital outlay purposes. Property taxes are assessed on January 1 of each year and are payable in two equal installments, on November 10th of the year in which the tax bill is prepared and April 10th of the following year with the levies becoming delinquent 30 days (one month) thereafter. In the government-wide financial statements, the District recognizes property tax revenues in the period for which they are levied, net of estimated refunds and uncollectible amounts. The District records only the portion of the taxes considered to be 'measurable' and 'available' in the government fund financial statements. Descriptions of the individual debt service and capital outlay funds contained in these financial statements include information regarding the authority for the collection and use of these taxes.

In the financial statements, the mill levy and ad-valorem taxes are broken out into two types: property taxes – residential and commercial and property taxes – oil and gas. Amounts collected from residential and commercial property taxes at June 30, 2018 were \$1,564,393.

Transportation Distribution: School districts in the State of New Mexico receive student transportation distributions. The transportation distribution is allocated to each school district in accordance with formulas developed by the State Transportation Director and the Director of Public School Finance. The funds shall be used only for the purpose of making payments to each school district for the to-and-from school transportation costs of students in grades K through twelve attending public school within the school district. The District received \$165,169 in transportation distributions during the year ended June 30, 2018.

Instructional Materials: The New Mexico Public Education Department (PED) receives federal material leasing funds from which it makes annual allocations to the various school districts for the purchase of educational materials. Of each allocation, fifty percent is restricted to the requisition of materials listed in the State Board of Education "State Adopted Instructional Material" list, while fifty percent of each

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOLS
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JUNE 30, 2018

NOTE 1. Summary of Significant Accounting Policies - (Continued)

E. Revenues – (continued)

allocation is available for purchases directly from vendors. Allocations received from the State for the year ended June 30, 2018 totaled \$21,743.

SB-9 State Match: The Director shall distribute to any school district that has imposed a tax under the Public School Capital Improvements Act (22-25-1 to 22-25-10 NMSA 1978) an amount from the public school capital improvements fund that is equal to the amount by which the revenue estimated to be received from the imposed tax as specified in Subsection B of Section 22-25-3 NMSA 1978, assuming a one hundred percent collection rate, is less than an amount calculated by multiplying the product obtained by the rate imposed in the District under the Public School Capital Improvements Act. The distribution shall be made by December 1, of each year that the tax is imposed in accordance with Section 22-25-3 NMSA 1978. Provided, however, in the event that sufficient funds are not available in the public school capital improvement funds to make the state distribution provided for in this section, the dollar per program unit figure shall be reduced as necessary. The District received \$18,250 in state SB-9 matching during the year ended June 30, 2018.

Public School Capital Outlay: Under the provisions of Chapter 22, Article 24, NMSA 1978. The money in the fund may be used only for capital expenditures deemed by the public school capital outlay council necessary for an adequate educational program per Section 22-24-4.

The council shall approve an application for grant assistance from the fund when the council determines that:

1. A critical need exists requiring action;
2. The residents of the school districts have provided all available resources to the district to meet its capital outlay requirements;
3. The school district has used its resources in a prudent manner;
4. The District is in a county or counties which have participated in the reappraisal program and the reappraised values are on the tax rolls, or will be used for the tax year 1979 as certified by the property tax division; and
5. The school district has provided insurance for buildings of the school district in accordance with the provisions of Section 13-5-3 NMSA 1978.

The council shall consider all applications for assistance from the fund and after public hearing shall either approve or deny the application. Applications for grant assistance shall only be accepted by the council after a district has complied with the provisions of this section. The council shall list all applications in order of priority and all allocations shall be made on a priority basis.(B); core administrative functions of the public school facilities authority and for project management expenses upon approval of the council per Section 22-24-4(G); and for the purpose of demolishing abandoned school district facilities, upon application by a school district to the council, per Section 22-24-4(L).

Money in the fund shall be disbursed by warrant of the Department of Finance and Administration on vouchers signed by the Secretary of Finance and Administration following certification by the council that the application has been approved.

During the year ended June 30, 2018, the District received no special capital outlay funds.

Federal Grants: The District receives revenues from various Federal departments (both direct and indirect), which are legally restricted to expenditures for specific purposes. These programs are reported as Special Revenue Funds. Each program operated under its own budget, which has been approved by the Federal Department or the flow through agency (usually the New Mexico Department of Education). The various budgets are approved by the Local School Board and the New Mexico Public Education Department.

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOLS
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NOTE 1. Summary of Significant Accounting Policies - (Continued)

E. Revenues – (continued)

The District also receives reimbursement under the National School Lunch and Breakfast Programs for its food services operations, and the distributions of commodities through the New Mexico Human Services Department. The District received \$34,210 in commodities for the year ended June 30, 2018

NOTE 2. Stewardship, Compliance and Accountability

Budgetary Information

Budgets for the General, Special Revenue, Capital Projects, and Debt Service Funds are prepared by management and are approved by the local Board of Education and the School Budget and Planning Unit of the Public Education Department. Auxiliary student activity accounts are not budgeted. Public School Capital Outlay Council expenditures in the Public School Capital Outlay fund are not budgeted at the District level, so there is no budgetary comparison presented.

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. The budget process in the State of New Mexico requires that the ending cash balance be appropriated in the budget of the subsequent fiscal year.

Actual expenditures may not exceed the budget at the function level. 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 School Finance Division.

The School District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. 1. In April or May, the local school board submits to the District Budget Planning Unit (DBPU) of the New Mexico Public Education Department (100%) a proposed operating budget for the ensuing fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them. All budgets submitted to the State of New Mexico Public Education Department.
2. In May or June of each year, the proposed “operating” budget will be reviewed and approved by the DBPU and certified and approved by the local school board at a public hearing of which notice has been published by the local school board which fixes the estimated budget for the school district for the ensuing fiscal year.
3. The school board meeting, while not intended for the general public, is open for the general public unless a closed meeting has been called.
4. The “operating” budget will be used by the District until they have been notified that the budget has been approved by the DBPU and the local school board. The budget shall be integrated formally into the accounting system. Encumbrances shall be used as an element of control and shall be integrated into the budget system.
5. The District shall make corrections, revisions and amendments to the estimated budgets fixed by the local school board to recognize actual cash balances and carryover funds, if any. These adjustments shall be reviewed and approved by the DBPU.
6. The superintendent is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the school board and the State of New Mexico Public Education Department.
7. Budget change requests are processed in accordance with Supplement 1 (Budget Preparation and Maintenance) of the Manual of Procedures Public School Accounting and Budgeting. Such changes are initiated by the school district and approved by the DBPU.
8. Legal budget control for expenditures is by function.

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2. Stewardship, Compliance and Accountability – (continued)

Budgetary Information – (continued)

9. Appropriations lapse at fiscal year end. Funds unused during the fiscal year may be carried over into the next fiscal year by budgeting those in the subsequent fiscal year's budget. The budget schedules included in the accompanying financial statements reflect the approved budget and amendments thereto.
10. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds.

The Board of Education may approve amendments to the appropriated budget, which are required when a change is made affecting budgeted ending fund balance. New Mexico state law prohibits a Governmental Agency from exceeding an individual line item.

The accompanying Statements of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual present comparisons of the legally adopted budget with actual data on a budgetary basis.

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of resultant basis, perspective, equity, and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2018, is presented on each funds' Statement of Revenue, Expenditures and Changes in Fund Balance – Budget (non-GAAP Budgetary Basis) and Actual.

NOTE 3. Cash and Cash Equivalents

State statutes authorize the investment of District funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the District properly followed State investment requirements as of June 30, 2018.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the District. Deposits may be made to the extent that they are insured by an agency of the United States or by collateralized as required by the statute.

The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

Excess of funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico.

According to the Federal Deposit Insurance Corporation, public unit deposits are funds owned by the public unit. Time deposits, savings deposits and interest bearing NOW accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution. Additionally, until December 31, 2018, all deposits in non-interest bearing transaction accounts (such as non-interest bearing checking accounts) at participating institutions are fully guaranteed, regardless of dollar amount.

NM State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the District for a least one half of the amount on deposit with the

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 3. Cash and Cash Equivalents – (continued)

institution in excess of federal deposit insurance. The schedule listed below will meet the State of New Mexico, Office of the State Auditor’s requirements in reporting the insured portion of the deposits.

	Wells Fargo Bank	Totals
Amounts of Deposits	\$ 10,153,053	\$ 10,153,053
FDIC Coverage	250,000.00	250,000
Total uninsured public funds	\$ 9,903,053.00	\$ 9,903,053.00
Pledged collateral held by pledging bank's trust department or agent but no in agency's name	(5,965,096)	(5,965,096)
Uninsured and uncollateralized	3,937,957.29	3,937,957
Collateral requirement (50%)	\$ 4,951,527	\$ 4,951,527
Pledged Securities	5,965,096	5,965,096
(Over) under collateralized	\$ (1,013,569)	\$ (1,013,569)

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk, other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). At June 30, 2018, \$9,903,053 of the District’s bank balance of \$10,153,053 was exposed to custodial credit risk. \$4,951,527 was uninsured and collateralized by collateral held by the pledging bank’s trust department, not in the District’s name.

NOTE 4. Receivables

Receivables as of June 30, 2018, are as follows:

	General	Bond Building	Capital Improv HB-33	Debt Service	Total Nonmajor Funds	Total
Property Taxes	\$ 6,139	\$ -	\$ 17,485	\$117,832	\$ -	\$ 141,456
Intergovernmental-grants	666,078	-	-	-	439,302	1,105,380
Other	14,800	-	-	-	136,915	151,715
Total	\$687,017	\$ -	\$ 17,485	\$117,832	\$576,217	\$1,398,551

The above receivables are deemed 100% collectible. In accordance with GASB No. 33, property tax receivables are presented net of deferred revenues in the governmental balance sheet. The District recorded deferred revenue for property taxes in the amount of \$113,887.

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DULCE INDEPENDENT SCHOOLS
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JUNE 30, 2018

NOTE 5. Interfund Receivables, Payables, and Transfers

“Interfund balances” have primarily been recorded when funds overdraw their share of pooled cash when the District is waiting for grant reimbursements. Interfund balances due to overdrawn cash balances by fund are equal to the amounts of funds with negative cash. The composition of interfund balances at June 30, 2018 is as follows:

	Interfund Receivables	Interfund Payables
Major Funds:		
General	\$ 192,575	\$ -
Nonmajor Funds:		
Special Revenue Funds	-	192,575
Total Governmental Activities	\$ 192,575	\$ 192,575

All interfund balances are expected to be repaid within one year.

NOTE 6. Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2018 follows. Land is not subject to depreciation.

	Balance June 30, 2017	Additions	Adjustments Transfers	Deletions	Balance June 30, 2018
Capital Assets not being depreciated					
Land	\$ 70,141	\$ -	\$ -	\$ -	\$ 70,141
Governmental Assets Used in Governmental Activities					
Land improvements	1,161,062	-	-	-	1,161,062
Buildings and building improvements	79,920,993	-	-	-	79,920,993
Furniture, fixtures & equipment	2,445,676	123,765	-	16,226	2,553,215
Total Capital Assets, being depreciated	\$ 83,527,731	\$ 123,765	\$ -	\$ 16,226	\$ 83,635,270
Less Accumulated Depreciation for:					
Land	\$ -	\$ -	\$ -	\$ -	\$ -
Land improvements	571,636	56,786	-	-	628,422
Buildings and building improvements	25,322,112	2,055,064	(543,776)	-	26,833,400
Furniture, fixtures & equipment	1,766,204	157,104	543,776	(16,226)	2,450,858
Construction in Progress	-	-	-	-	-
Total Accumulated Depreciation	27,659,952	2,268,954	-	(16,226)	29,912,680
Total Capital Assets being depreciated	55,867,779	(2,145,189)	-	-	53,722,590
Governmental activities capital assets, net	\$ 55,937,920	\$ (2,145,189)	\$ -	\$ -	\$ 53,792,731

Depreciation expense for the year ended June 30, 2018 was charged to governmental activities as follows:

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DULCE INDEPENDENT SCHOOLS
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Instruction	\$	5,180
Support Services - Instruction		4,462
Operations & Maintenance of Plant		15,776
Transportation		21,936
Depreciation - unallocated		2,221,600
Total Depreciation	\$	2,268,954

NOTE 7. Long-term Debt

During the year ended June 30, 2018 the following changes occurred in the liabilities reported in the government-wide statement of net position:

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018	Due Within One Year
General Obligation Bonds \$	21,900,000	\$ -	\$ 4,115,000	\$ 17,785,000	\$ 3,990,000
Capital Lease	40,975	-	12,939	28,036	12,939
Compensated Absences	84,529	132,281	67,607	149,203	11,324
Total	\$ 22,025,504	\$ 132,281	\$ 4,195,546	\$ 17,962,239	\$ 4,014,263

The general obligation bond is a direct obligation and pledges the full faith and credit of the District. The bonds were issued with varying terms (2.25-5.00%) with principal maturing each year. The general obligation bonds as of June 30, 2018 was for governmental activities.

The annual requirements to amortize the General Obligation Bonds as of June 30, 2018, including interest payments are as follows:

Fiscal Year Ending June, 30	Principal	Interest	Total Debt Service
2019	3,990,000	694,487	4,684,487
2020	3,630,000	537,788	4,167,788
2021	1,265,000	381,300	1,646,300
2022	3,900,000	278,000	4,178,000
2023	4,000,000	120,000	4,120,000
Thereafter	1,000,000	20,000	1,020,000
Totals	\$ 17,785,000	\$ 2,031,575	\$ 19,816,575

In prior years, the general fund was typically used to liquidate long-term liabilities other than debt.

Compensated Absences – Administrative employees of the District are able to accrue a limited amount of vacation and other compensatory time during the year. During fiscal year June 30, 2018, compensated absences increased \$64,674 over the prior year accrual. See Note 1 for more details.

Operating Leases – The District leases office equipment, including copy machines and postage meter machines, under short-term cancelable operating leases.

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOLS
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JUNE 30, 2018

NOTE 8. Deferred Revenue

In accordance with the terms of the various grant agreements within the Special Revenue Funds, revenues received in excess of expenditures carry over to the subsequent years, unless such excess revenues are requested to be returned to the grantor.

NOTE 9. Risk Management

The NMPSIA provides coverage for up to a maximum of \$500,000,000 for each property damage claim with a \$750 deductible to each building. General liability coverage is afforded to all employees, volunteers and school board members and the limit is subject to the NMSA Tort Claims Act on a per occurrence basis. The automobile and property liability limit is subject to the provisions of the Tort Claims Act. The crime limit is \$250,000 per occurrence for Faithful Performance. A limit of \$250,000 applies to Depositor’s Forgery, Credit Card Forgery and Money Orders. A limit of \$100,000 applies to Money and Security, which includes a \$750 deductible.

In case the NMPSIA’s assets are not sufficient to meet its liability claims, the agreement provides that subscribers, including the District, cannot be assessed additional premiums to cover the shortfall. As of June 30, 2018, there have been no claims that have exceeded insurance coverage.

NOTE 10. Other Required Individual Fund Disclosures

Generally accepted accounting principles require disclosures as part of the Combined Statements of certain information concerning individual funds including:

- A.** Deficit fund balance of individual funds. The following funds reported a deficit fund balance at June 30, 2018:

IDEA-B Entitlement	136
21st Century Community	3,290
IDEA-B Plan Results	1
IDEA-B Federal Stimulus	<u>834</u>
 Total Nonmajor Funds	 <u><u>\$ 4,261</u></u>

- B.** Excess of expenditures over appropriations. There were no funds which exceeded approved budgetary authority for the year ended June 30, 2018.

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 11. Pension Plan – Educational Retirement Board

Plan description. ERB was created by the state's Educational 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. The eligibility for a member who either becomes a new member on or after July 1, 2010, 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.

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

STATE OF NEW MEXICO
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JUNE 30, 2018

NOTE 11. ERB Pension Plan (Continued)

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.

The member, upon retirement, has three options as to how receive the benefit.

Option A – If the member elects option A there is no reduction to the monthly benefit other than any “Rule of 75” deduction or any community property or child support reductions. There will be no continuing benefit to a beneficiary or estate upon the retiree's death, except the balance, if any, of member contributions. Those contributions are usually exhausted in the first three to four years of retirement.

Option B – If the member elects Option B, the monthly benefit is reduced to provide for a 100% survivor's benefit. The reduced benefit is payable during the life of the member and upon the retiree's death, the same benefit is paid to the beneficiary for his or her lifetime. The named beneficiary may not be changed after the effective date of retirement since the amount of the option is calculated using both the age of the member and the beneficiary. If the beneficiary predeceases the member, the member's benefit will be adjusted by returning to Option A benefit amount. The IRS prohibits the selection of Option B for a non-spouse beneficiary more than 10 years younger than the member.

Option C – If the member elects Option C, the monthly benefit is reduced to provide a 50% survivor's benefit. The benefit is payable during the life of the member and upon the retiree's death, one half of the member's benefit is paid to the beneficiary for his or her lifetime. Here again, the named beneficiary may not be changed after the effective date of retirement. If the beneficiary predeceases the member, the member's benefit will be adjusted by returning to Option A benefit amount.

Under the provisions of Option B and Option C coverage, the beneficiary must be a person, and only one beneficiary may be named. The term beneficiary means a person having an insurable interest in the life of the member.

Contributions. The contribution requirements of defined benefit plan members and the District are established in state statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. For the fiscal year ended June 30, 2016 employers contributed 13.90% of employees' gross annual salary to the Plan. Employees earning \$20,000 or less contributed 7.90% and employees earning more than \$20,000 contributed 10.70% of their gross annual salary. For fiscal year ended June 30, 2018 employers contributed 13.90%, and employees earning \$20,000 or less continued to contribute 7.90% 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 District were \$671,805 for the year ended June 30, 2018.

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 11. ERB Pension Plan (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The total ERB pension liability, net pension liability, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2017. 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 District reported a liability of \$20,194,283 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 .18171 percent, which was a decrease of .00192% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$3,311,149. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual	36,251	311,112
Changes of assumptions	5,895,108	-
Net difference between projected and actual earnings on pension plan investments	-	2,770
Changes in proportion and differences between District contributions and proportionate share of contributions	146,747	140,595
District's contribution subsequent to the measurement date	-	-
Total	\$ 6,078,106	\$ 454,477

\$6,078,106 reported as deferred outflows of resources related to pensions resulting from the District 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	
2018	2,200,675
2019	2,220,488
2020	1,348,750
2021	(166,285)
2022	-
Total	\$ 5,603,628

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 11. ERB Pension Plan (Continued)

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, 2017. 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. The liabilities reflect the impact of Senate Bill 115, signed into law March 29, 2013, and new assumptions adopted by the Board of Trustees on June 12, 2015 in conjunction with the six-year experience study period ended June 30, 2014. 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 10.10% during the fiscal year ending June 30, 2015 and 10.7% thereafter.
2. Members hired after June 30, 2015 will have an actuarially reduced retirement benefit if they retire before age 55 and their COLA will be deferred until age 67.
3. COLAs for most retirees are reduced until ERB attains a 100% funded status.
4. These assumptions were adopted by ERB on June 14, 2016 in conjunction with the six-year experience study period ending June 30, 2016.

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
Amortization Method:	Level Percentage of Payroll
Remaining Period:	Amortized – closed 30 years from June 30, 2012 to June 30, 2043
Asset Valuation Method:	5 year smoothed market for funding valuation
Inflation:	3.00%
Salary Increases:	Composition: 3% inflation, plus .75% productivity increase rate, plus step rate promotional increases for members with less than 10 years of service
Investment Rate of Return:	7.75%
Retirement Age:	Experience based table of age and service rates
Mortality:	70% of RP-2000 Combined Mortality Table with White Collar Adjustment projected to 2015 using Scale AA (one year setback for females)

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. The following schedule shows the asset allocation policy adopted on August 26, 2016 as well as the prior allocation targets:

<u>Asset Class</u>	<u>2017</u> <u>Long-term Expected</u> <u>Real Rate of Return</u>	<u>2016</u> <u>Long-term Expected</u> <u>Real Rate of Return</u>
Cash	1.00%	1.00%
Opportunistic Credit	18.0%	20.0%
Core Bonds	6.00%	2.00%
Emerging Market Debt	2.00%	0.75%
Large Cap Equities	16.0%	18.0%
Small/Mid Cap	3.00%	2.00%
International Equities (Developed)	5.00%	5.00%
International Equities (Emerging Markets)	9.00%	10.00%
Real Estate/REITS	7.00%	7.00%
Private Equity	13.0%	11.0%
Real Assets	8.00%	8.00%
Global Asset Allocation	4.00%	5.00%
Risk Parity	3.00%	5.00%
Other	5.00%	0.00%

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 11. ERB Pension Plan (Continued)

Discount rate: A single discount rate of 5.90% was used to measure the total ERB pension liability as of June 30, 2017. This discount rate was based on the expected rate of return on pension plan investments of 7.25% and municipal bond rate of 3.56%. Based on the stated assumptions and the projection of cash flows, the Plan’s fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2053. As a result, the long term expected rate of return on pension plan investments was applied to projected benefit payments through the 2053 fiscal year, and the municipal bond rate was applied to all benefit payments after that date.

The following table presents the District’s proportionate share of the net pension liability calculated using the discount rate of 5.90 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.90 percent) or 1-percentage-point higher (6.90 percent) than the current rate.

	1% Decrease to (4.90%)	Current Discount Rate (5.90%)	1% Increase to (6.90%)
District's proportionate share of net pension liability	\$ 26,287,935	\$ 20,194,283	\$ 15,213,219

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 June 30, 2017, 2016 and 2015 which are publicly available at www.nmerb.org.

Payables to the pension plan. At June 30, 2018 the District had no outstanding amount of contributions to the pension plan and therefore, had no payables to report as of June 30, 2018.

NOTE 12. Post-Employment Benefits – State Retiree Health Care Plan

Plan description. Employees of the District are provided with OPEB through the Retiree Health Care Fund (the Fund) – a cost-sharing multiple-employer defined benefit OPEB plan administered by the New Mexico Retiree Health Care Authority (NMHRCA). NMHRCA 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 Fund under Section 10-7CV-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.

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

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

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 12. Post-Employment Benefits – State Retiree Health Care Plan (continued)

Employees covered by benefit terms – At June 30, 2017, the Fund’s measurement date, the following employees were covered by the benefit terms:

Plans membership	
Current retirees and surviving spouses	51,208
Inactive and eligible for deferred benefit	11,478
Current active members	<u>97,379</u>
	<u>160,035</u>
Active membership	
State general	19,593
State police and corrections	1,886
Municipal general	21,004
Municipal police	3,820
Municipal FTRE	2,290
Educational Retirement Board	<u>48,756</u>
	<u>97,349</u>

Contributions – Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee’s salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer’s participation in the Fund. Contributions to the Fund from the District were \$96,662 for the year ended June 30, 2018.

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

At June 30, 2018, the District reported a liability of \$5,516,406 for its proportionate share of net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District’s proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 20, 2017. At June 30, 2017, the District’s proportion was 0.12173 percent.

For the year ended June 30, 2018, the District recognized OPEB expense of \$219,315. At June 30, 2018 the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 211,690
Changes of assumptions	-	964,473
Net difference between projected and actual	-	79,357
Changes in proportion and differences between the District's contributions and proportionate share of contributions	-	-
District's contributions subsequent to the measurement	<u>96,662</u>	-
Total	<u>\$ 96,662</u>	<u>\$ 1,255,520</u>

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 12. Post-Employment Benefits – State Retiree Health Care Plan (continued)

Deferred outflows of resources totaling \$96,662 represent District contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30,		
2019	\$	(266,933)
2020		(266,933)
2021		(266,933)
2022		(266,933)
2023		(187,788)
Total	\$	<u>(1,255,520)</u>

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

Valuation Date	June 30, 2018
Actuarial cost method	Entry age normal, lever percent of pay, calculated on individual employee basis
Asset valuation method	Market value of assets
Actuarial assumptions:	
Inflation	2.50% for ERB, 2.25% for PERA
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

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 inflation and subtraction expected investment expenses and a risk margin. The target allocation and projected arithmetic real rated of return for each major asset class, after deduction inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumptions.

The best estimates for the long-term expected rate of return is summarized as follows:

Asset Class	Long-term Real Rate of Return
U.S. core fixed income	4.10%
U.S. equity – large cap	9.10%
Non U.S. emerging markets	12.2%
Non U.S. developed equities	9.80%
Private equity	13.8%
Credit and structured finance	7.30%
Real estate	6.90%
Absolute return	6.10%
U.S. equity – small/mid cap	9.10%

Discount Rate. The discount rate used to measure the Fund’s total OPEB liability is 3.81% as of June 30, 2018. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 12. Post-Employment Benefits – State Retiree Health Care Plan (continued)

intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plans 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 OPEB liability to changes in the discount rate and healthcare cost trend rates. 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 a discount rate that is 1-percentage-point lower (2.81 percent) or 1-percentage-point higher (4.81 percent) than the current discount rate:

Fiscal Year <u>Ending June 30,</u>	<u>1% Decrease (2.81%)</u>	<u>Current Discount Rate (3.81%)</u>	<u>1% Increase (4.81%)</u>
District’s proportionate share of the net pension liability	\$ 6,691,314	\$ 5,516,406	\$ 4,594,584

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

Payable Changes in the Net OPEB Liability. At June 30, 2018, the District did not report a payable for outstanding contributions due to NMRHCA for the year ended June 30, 2018.

NOTE 13. Contingent Liabilities

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

The District is involved in various claims and lawsuits arising in the normal course of business. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the District’s legal counsel that resolution of these matters will not have a material adverse effect on the financial condition of the District.

NOTE 14. Subsequent Accounting Standard Pronouncements

In November 2016, GASB Statement No. 83 *Certain Asset Retirement Obligations*, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2018. Earlier application is encouraged. The District is still evaluating how this pronouncement will affect the financial statements.

In June 2017, GASB Statement No. 87 *Leases*, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2019. Earlier application is encouraged. The District is still evaluating how this pronouncement will affect the financial statements.

In April 2018, GASB Statement No. 88 *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2018. Earlier application is encouraged. The District is still evaluating how this pronouncement will affect the financial statements.

In June 2018, GASB Statement No. 89 *Accounting for Interest Cost Incurred before the End of a Construction Period*, was issued. Effective Date: The provisions of this Statement are effective for financial statements for

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 14. Subsequent Accounting Standard Pronouncements – (continued)

periods beginning after December 15, 2019. Earlier application is encouraged. The District is still evaluating how this pronouncement will affect the financial statements.

In August 2018, GASB Statement No. 90 *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2018. Earlier application is encouraged. The District is still evaluating how this pronouncement will affect the financial statements.

NOTE 15. Restatement of Net Position

Beginning balances required adjustment related to the Retiree Health Care Plan which was recorded as a result of GASB 75 implementation. As a result, an adjustment totaling \$6,551,832 relating to the District was required to restate prior year beginning net position for the Government-wide financial statements.

NOTE 16. Governmental Fund Balance

Fund Balance: In the fund financial statements, governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Some governments may not have policies or procedures that are comparable to those policies that underlie the classifications and therefore would not report amounts in all possible fund balance classifications.

In the governmental financial statements, fund balance is classified and is displayed in five components:

Nonspendable: Consists of amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted: Consists of amounts that are restricted to specific purposes as a result of a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

Committed: Consist of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action (for example, legislation, resolution, ordinance) it employed to previously commit those amounts.

Assigned: Consist of amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed by (a) the governing body itself or (b) a body (a budget or finance committee, for example) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.

Unassigned: Represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

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DULCE INDEPENDENT SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

	Operational Fund				Debt Service Fund	Other Funds
	General Fund	Teacherage Fund	Transporation Fund	Instructional Materials Fund		
Fund Balances:						
Nonspendable						
Inventory	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,779
Restricted						
Teacher Housing	-	350,487	-	-	-	-
Student Transportation	-	-	920	-	-	-
Student Instruction	-	-	-	332	-	926,123
Capital Projects	-	-	-	-	-	1,273,223
Debt Service	-	-	-	-	5,391,869	-
Food Service	-	-	-	-	-	-
Student Support						36,642
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	2,229,576	-	-	-	-	(4,261)
Total fund balance	\$2,229,576	\$ 350,487	\$ 920	\$ 332	\$5,391,869	\$2,233,506

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOLS
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
OF ERB
Educational Retirement Board (ERB) Plan
Last 10 Fiscal Years*
JUNE 30, 2018

	2018	2017	2016	2015
Proportion of the net pension liability	0.10374%	0.18363%	0.18522%	0.17531%
Proportionate share of the net pension liability	20,194,283	13,214,811	11,997,193	10,002,708
Covered-employee payroll	5,853,593	5,174,842	5,057,099	4,832,089
Proportionate share of the net pension liability (asset) as a percentage of it's covered-employee payroll	344.99%	255.37%	237.23%	207.01%
Plan fiduciary net position as a percentage of the total pension liability	52.95%	61.58%	63.97%	66.54%

*These schedules are intended to present 10 years of trending history. However, until a full 10-year trend is compiled, the District present information for those years for which information is available.

SCHEDULE OF DISTRICT'S CONTRIBUTIONS
Educational Retirement Board (ERB) Plan

Last 10 Fiscal Years**

Contractually required contribution	671,805	719,303	729,027	730,534
Contributions in relation to the contractually required contribution	671,805	719,303	729,027	730,534
Contribution deficiency (excess)	-	-	-	-
County's covered-employee payroll	5,853,593	5,174,842	5,057,099	4,832,089
Contributions as a percentage of covered-employee payroll	11.48%	13.90%	14.42%	15.12%

** These schedules are intended to present 10 years of trending history. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Changes of 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 presented to the Board of Trustees on June 12, 2015, ERB impemented the following changes in assumption for fiscal years 2016. 1) valuation assumptions that changed based on this study: a) Lower wage inflation from 3.75% to 3.00%, b) Investment return will change from 7.75% to 7.25%, c) Minor changes to demographic assumptions, d) Discount rate changed to 5.90% with lower and hier sensitivity rates established at 4.90% and 6.90%, e) members hired after 6/30/2013 will have reduced retirement benefit if they retire befor age 55 and their COLA deferred until age 67, f) COLAs for most retirees reduced until NMERB attains 100% funded status, g) assumed full COLA paid in future years, h) rate of return on pension plan investments to be determined annually

2) Assumptions that were not changed: a) Inflation will remain at 3.00%

See also the Note IV (B) Actuarial Assumptions of the financial statement disclosure on the Pension Plan

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOLS
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
OF RHCA
Retiree Health Care (RHCA) Plan
Last 10 Fiscal Years*
JUNE 30, 2018

	2018
Proportion of the net pension liability	0.121730%
Proportionate share of the net pension liability	5,516,406
Covered-employee payroll	5,070,843
Proportionate share of the net pension liability (asset) as a percentage of it's covered-employee payroll	108.79%
Plan fiduciary net position as a percentage of the total pension liability	11.34%

*These schedules are intended to present 10 years of trending history. However, until a full 10-year trend is compiled, the District present information for those years for which information is available.

SCHEDULE OF DISTRICT'S CONTRIBUTIONS
Retiree Health Care (RHCA) Plan

Last 10 Fiscal Years**

Contractually required contribution	386,550
Contributions in relation to the contractually required contribution	194,005
Contribution deficiency (excess)	192,545
County's covered-employee payroll	5,070,843
Contributions as a percentage of covered-employee payroll	3.83%

** These schedules are intended to present 10 years of trending history. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Changes of benefit terms. In the June 30, 2017 actuarial valuation, there was a change of benefit terms as 2017 was the initial valuation.

Changes of Assumptions. In the June 30, 2017 actuarial valuation, the expectation of life after disability was adjusted to more closely reflect actual experience. Additional changes of assumptions may occur after the initial 2017 valuation.

NONMAJOR GOVERNMENTAL FUNDS

NON MAJOR FUNDS

SPECIAL REVENUE FUNDS

The Special Revenue Funds are used to account for Federal, State and Local funded grants. These grants are awarded to the District with the purpose of accomplishing specific educational tasks. Grants accounted for in the Special Revenue Funds include:

Food Service (21000) – This fund is used to account for the cost of operating a student breakfast, lunch, snack bar and summer lunch program and is financed with federal grants and fees paid by program users

Athletics (22000) – This fund is used to account for fees generated at athletic activities throughout the School District. The gate receipts are obtained from the general public and are expended in this fund. The authority for creation of this fund is 6.20.2 NMAC.

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

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

Preschool IDEA-B (24109) – The objective of the Assistance to States for the Education of Handicapped Children Program is to assist in providing free, appropriate public education to all handicapped children from ages three to five. Federal revenues accounted for in this fund are allocated to the District through the New Mexico Department of Children, Youth and Families. Authority for creation of this fund is Public Law 105-17.

Fresh Fruits & Vegetables USDA (24118) – To assist States, through cash grants, in providing free fresh fruits and vegetables to school children in designated participating schools beginning in school year 2004/2005. Authorized by National School Lunch Act, as amended, 42 U.S.C. 1769.

21st Century Community Living Centers (24119) – To account for federal funds utilized to expand an after school, weekend and summer program. The program is designed to integrate the visual and performing arts with literacy, life skills and physical activity for kindergarten to 12th grade focusing on the neighborhood and the community as a classroom.

IDEA-B Results Plan (24132) – Funding supports school improvement through the implementation of the evidence-based practices identified in Results Driven Accountability professional development, and may be used for professional development, technology, and equipment, materials and supplies, and direct services as outlines in the approved Request for Information.

English Language Acquisition (24153) – To ensure that limited English proficient children (LEP) and youth, including immigrant children and youth, attain English proficiency and meet the same standard as all children and youth are expected to meet; to provide assistance to Native American, Native Hawaiian, Native American Pacific Islander, and Alaskan native children with certain modifications related to unique status of native American language under Federal Law; to develop to the extent possible, the native language skills of such children. The fund

NON MAJOR FUNDS

is authorized through the Elementary and Secondary Education Act (ESEA), as amended, Title III, Part A, Sections 3101, 3129.

Teacher / Principal Training & Recruiting (24154) – To improve the skills of teachers and the quality of instruction in mathematics and science, and also to increase the accessibility of such instruction to all students.

Rural and Low Income Schools (24160) – To account for funds used to provide financial assistance to rural districts to carry out activities to 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.

Reading First (24167) – The purpose of this grant is to ensure that all children can read at grade level or above by the end of third grade. The Reading First program is authorized by Title, I, Part B, Subpart 1 of the Elementary and Secondary Education Act of 1965, as amended by the No Child Left behind Act of 2001 (20 USC 6361 et seq.).

Carl D. Perkins (24171) – To provide federal funds to expand and improve vocational education programs and to provide equal access in vocational education to special needs populations. Authority for creation of this fund is Carl D. Perkins Vocational and Applied Technology Education Act of 1998, as amended, Public Law 105-332.

Impact Aid (25145-Special Education and 25147-Indian Education) – To account for funding of a Federal program to provide financial assistance to local educational agencies (LEA's) where enrollments or availability of revenue are adversely affected by Federal activities, i.e. where the tax base of a district is reduced through the Federal acquisition of real property (Section 2), or where there are a significant number of children who reside on Federal (including Indian) lands and/or children whose parents are employed on Federal property or in the Uniformed Services (Section 3(a) and 3(b)): where there is a significant decrease (Section 3(c)) or a sudden and substantial increase (Section 4) in school enrollment as the result of Federal activities; to provide disaster assistance for reduced or increased operating costs (Section 7(a)), for replacing or repairing damaged or destroyed supplies, equipment, and books, and for repairing minor damage to facilities. Funding authorized by Public Law 81-874.

Dual Credit Instructional Materials (27103) – To provide instructional materials to be used for the dual credit course approved by Higher Education Department and through a college/university for which the District has an approved agreement.

Library GO Bonds 2012 (27107) – The Funds to be used for library books and library resources for public school libraries statewide. Senate Bill 66, Laws of 2012, 2nd Session, Chapter 54, Section 10.B(3).

IDEA-B Federal Stimulus (27128) – Grant for special education and related services to students with disabilities who are parentally placed in private elementary and secondary schools located in the school district served by LEA.

Breakfast for Elementary Students (27155) – The 2005 Legislative General Appropriations Act allocated \$475,000 to implement Breakfast in the Classroom for elementary schools in need of improvement based on 2004-2005 AYP designation.

Kindergarten - Three Plus (27166) –the funding is part of a pilot project for Kindergarten through third grade students at both Ann Parish Elementary and Desert View Elementary. Funds used for teachers, educational assistants, nurses, an academic coach, and PE coach at both schools.

NON MAJOR FUNDS

K3 4&5 Pilot (27198) –Funds to public school districts to incentivize teacher in rural areas. Authority for the creation of the fund is the New Mexico Public Education Department.

Industrial Art (27512) – To account for the revenues and expenditures from a state grant to fund an industrial art program. The fund was created by state grant provisions.

Medicaid (28144) – To assist schools in offering key health and health-related services that are designed to integrate and maintain active learning in Medicaid-eligible children with disabilities and special health care needs.

CAPITAL PROJECTS FUNDS

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. The District has the following separate funds classified as Capital Projects Funds:

Special Capital Outlay – Federal (31500) – To maintain school facilities owned by the Department of Education and operated by the Board of Education agencies and transfer these facilities to local agencies where appropriate. These funds are authorized by the Elementary and Secondary Education Act of 1965, Title VIII, Section 8008 as amended.

Capital Improvement – HB-33 (31600) – To maintain school facilities owned by the Department of Education and operated by the Board of Education agencies and transfer these facilities to local agencies where appropriate. These funds are authorized by the Elementary and Secondary Education Act of 1965, Title VIII, Section 8008 as amended.

SB-9(31701) - To account for erecting, remodeling, making additions to and furnishing of school buildings, or purchasing or improving school grounds or any combination thereof as identified by the local school board. Financing is provided by the State of New Mexico's State Equalization Matching and a special tax levy as authorized by the Public School District Capital Improvements Act (22-25-1 to 22-25-10 NMSA 1978).

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2018

	SPECIAL REVENUE			
	Food Service 21000	Athletics 22000	Title I IASA 24101	Entitlement IDEA-B 24106
ASSETS				
<i>Current Assets</i>				
Cash and temporary investments	\$ 346,439	\$ 36,642	\$ -	\$ -
Accounts receivable				
Taxes	-	-	-	-
Due from other governments	-	-	64,230	-
Interfund receivables	-	-	-	-
Other	18,436	-	-	29,559
Inventory	1,779	-	-	-
	<u>366,654</u>	<u>36,642</u>	<u>64,230</u>	<u>29,559</u>
<i>Total assets</i>				
	<u>366,654</u>	<u>36,642</u>	<u>64,230</u>	<u>29,559</u>
LIABILITIES AND FUND BALANCES				
<i>Current Liabilities:</i>				
Accounts payable	6,051	-	243	-
Accrued payroll liabilities	2,620	-	1,929	1,603
Accrued compensated absences	-	-	-	-
Interfund payables	-	-	62,058	28,092
Deferred revenue - property taxes	-	-	-	-
Deferred revenue - other	-	-	-	-
	<u>8,671</u>	<u>-</u>	<u>64,230</u>	<u>29,695</u>
<i>Total liabilities</i>				
	<u>8,671</u>	<u>-</u>	<u>64,230</u>	<u>29,695</u>
<i>Fund Balance:</i>				
Fund Balance:				
Nonspendable	1,779	-	-	-
Restricted	356,204	36,642	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	(136)
	<u>357,983</u>	<u>36,642</u>	<u>-</u>	<u>(136)</u>
<i>Total fund balance</i>				
	<u>357,983</u>	<u>36,642</u>	<u>-</u>	<u>(136)</u>
<i>Total liabilities and fund balance</i>	<u>\$ 366,654</u>	<u>\$ 36,642</u>	<u>\$ 64,230</u>	<u>\$ 29,559</u>

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

SPECIAL REVENUE				
Preschool IDEA-B 24109	Fresh Fruits & Vegetables 24118	21st Century Community Learning Centers 24119	IDEA-B Plan Results 24132	English Language Acquisition 24153
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	4,772	-	7,093	-
-	-	-	-	-
-	-	-	-	-
-	4,772	-	7,093	-
-	-	-	-	-
-	-	-	-	-
-	4,772	3,290	7,094	-
-	-	-	-	-
-	4,772	3,290	7,094	-
-	-	-	-	-
-	-	-	-	-
-	-	(3,290)	(1)	-
-	-	(3,290)	(1)	-
\$ -	\$ 4,772	\$ -	\$ 7,093	\$ -

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

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2018

	SPECIAL REVENUE			
	Teacher/Principal Training & Recruiting 24154	Rural and Low Income Schools 24160	Reading First 24167	Carl D. Perkins Special Projects 24171
ASSETS				
<i>Current Assets</i>				
Cash and temporary investments	\$ -	\$ -	\$ -	\$ -
Accounts receivable				
Taxes	-	-	-	-
Due from other governments	9,481	7,386	-	30,000
Interfund receivables	-	-	-	-
Other	-	-	-	-
Inventory	-	-	-	-
<i>Total assets</i>	<u>9,481</u>	<u>7,386</u>	<u>-</u>	<u>30,000</u>
LIABILITIES AND FUND BALANCES				
<i>Current Liabilities:</i>				
Accounts payable	2,950	-	-	-
Accrued payroll liabilities	350	-	-	-
Accrued compensated absences	-	-	-	-
Interfund payables	6,181	6,614	-	30,000
Deferred revenue - property taxes	-	-	-	-
Deferred revenue - other	-	-	-	-
<i>Total liabilities</i>	<u>9,481</u>	<u>6,614</u>	<u>-</u>	<u>30,000</u>
<i>Fund Balance:</i>				
Fund Balance:				
Nonspendable	-	-	-	-
Restricted	-	772	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
<i>Total fund balance</i>	<u>-</u>	<u>772</u>	<u>-</u>	<u>-</u>
<i>Total liabilities and fund balance</i>	<u>\$ 9,481</u>	<u>\$ 7,386</u>	<u>\$ -</u>	<u>\$ 30,000</u>

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

SPECIAL REVENUE					
Impact Aid Special Education 25145	Impact Aid Indian Education 25147	Dual Credit Inst. Materials 27103	2012 GO Bonds - Student Library Fund (SB66) 27107	Entitlement IDEA-B Federal Stimulus 27128	Breakfast for Elementary Students 27155
\$ 21,844	\$ 422,447	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
94,173	166,518	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>116,017</u>	<u>588,965</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
1,096	9,448	-	-	-	-
-	-	-	-	-	-
-	-	-	-	834	-
-	-	-	-	-	-
-	352,046	-	-	-	-
<u>1,096</u>	<u>361,494</u>	<u>-</u>	<u>-</u>	<u>834</u>	<u>-</u>
-	-	-	-	-	-
114,921	227,471	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	(834)	-
<u>114,921</u>	<u>227,471</u>	<u>-</u>	<u>-</u>	<u>(834)</u>	<u>-</u>
\$ 116,017	\$ 588,965	\$ -	\$ -	\$ -	\$ -

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

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2018

	SPECIAL REVENUE			
	Kindergarten Three Plus 27166	K3 Plus 4 & 5 Pilot 27198	Industrial Arts Career Tech & Voc Ed Training 27512	Medicaid HSD 28144
ASSETS				
<i>Current Assets</i>				
Cash and temporary investments	\$ -	\$ -	\$ -	\$ 202,211
Accounts receivable				
Taxes	-	-	-	-
Due from other governments	42,533	13,116	-	-
Interfund receivables	-	-	-	-
Other	-	-	-	13,207
Inventory	-	-	-	-
<i>Total assets</i>	<u>42,533</u>	<u>13,116</u>	<u>-</u>	<u>215,418</u>
LIABILITIES AND FUND BALANCES				
<i>Current Liabilities:</i>				
Accounts payable	-	-	-	-
Accrued payroll liabilities	-	-	-	672
Accrued compensated absences	-	-	-	-
Interfund payables	30,524	13,116	-	-
Deferred revenue - property taxes	-	-	-	-
Deferred revenue - other	-	-	-	-
<i>Total liabilities</i>	<u>30,524</u>	<u>13,116</u>	<u>-</u>	<u>672</u>
<i>Fund Balance:</i>				
Fund Balance:				
Nonspendable	-	-	-	-
Restricted	12,009	-	-	214,746
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
<i>Total fund balance</i>	<u>12,009</u>	<u>-</u>	<u>-</u>	<u>214,746</u>
<i>Total liabilities and fund balance</i>	<u>\$ 42,533</u>	<u>\$ 13,116</u>	<u>\$ -</u>	<u>\$ 215,418</u>

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

CAPITAL PROJECTS			
Special Capital Outlay Federal 31500	Capital Improvement HB-33 31600	Capital Improvements SB-9 31701	Totals
\$ 162,123	\$ 770,127	\$ 286,733	\$ 2,248,566
-	83	17,402	17,485
-	-	-	439,302
-	-	-	-
75,713	-	-	136,915
-	-	-	1,779
<u>237,836</u>	<u>770,210</u>	<u>304,135</u>	<u>2,844,047</u>
-	468	22,692	32,404
-	1,247	-	18,965
-	-	-	-
-	-	-	192,575
-	-	14,551	14,551
-	-	-	352,046
-	1,715	37,243	610,541
-	-	-	1,779
237,836	768,495	266,892	2,235,988
-	-	-	-
-	-	-	-
-	-	-	(4,261)
<u>237,836</u>	<u>768,495</u>	<u>266,892</u>	<u>2,233,506</u>
<u>\$ 237,836</u>	<u>\$ 770,210</u>	<u>\$ 304,135</u>	<u>\$ 2,844,047</u>

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

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDING JUNE 30 , 2018

	SPECIAL REVENUE			
	Food Service 21000	Athletics 22000	Title I IASA 24101	Entitlement IDEA-B 24106
<i>Revenues:</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	5,398	36,044	-	-
State grants	-	-	-	-
Federal grants	432,043	-	233,241	143,358
Miscellaneous	-	-	-	-
Interest	-	-	-	-
<i>Total Revenues</i>	437,441	36,044	233,241	143,358
<i>Expenditures:</i>				
Current:				
Instruction	-	36,170	200,116	136,988
Support Services				
Students	-	-	22,772	-
Instruction	-	-	-	-
General Administration	-	-	10,353	6,370
School Administration	-	-	-	-
Central Services	-	-	-	-
Operation & Maintenance of Plant	-	-	-	-
Student Transportation	-	-	-	-
Other Support Services	-	-	-	-
Food Services Operations	439,372	-	-	-
Community Service	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total Expenditures</i>	439,372	36,170	233,241	143,358
<i>Excess (deficiency) of revenues over (under) expenditures</i>	(1,931)	(126)	-	-
 <i>Other financing sources (uses):</i>				
Operating transfers	-	-	-	-
<i>Total other financing sources (uses)</i>	-	-	-	-
 <i>Net changes in fund balance</i>	(1,931)	(126)	-	-
<i>Fund balances - beginning of year</i>	359,914	36,768	-	(136)
<i>Fund balances - end of year</i>	\$ 357,983	\$ 36,642	\$ -	\$ (136)

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

SPECIAL REVENUE

Preschool IDEA-B 24109	Fresh Fruits & Vegetables 24118	21st Century Community Learning Centers 24119	IDEA-B Plan Results 24132	English Language Acquisition 24153
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
5,057	17,127	-	16,570	9,069
-	-	-	-	-
-	-	-	-	-
<u>5,057</u>	<u>17,127</u>	<u>-</u>	<u>16,570</u>	<u>9,069</u>
5,057	-	-	16,570	8,666
-	-	-	-	-
-	-	-	-	-
-	-	-	-	403
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	17,127	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>5,057</u>	<u>17,127</u>	<u>-</u>	<u>16,570</u>	<u>9,069</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	(3,290)	(1)	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,290)</u>	<u>\$ (1)</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDING JUNE 30 , 2018

	SPECIAL REVENUE			
	Teacher/Principal Training & Recruiting 24154	Rural and Low Income Schools 24160	Reading First 24167	Carl D. Perkins Special Projects 24171
<i>Revenues:</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
State grants	-	-	-	-
Federal grants	33,419	7,387	-	30,000
Miscellaneous	-	-	-	-
Interest	-	-	-	-
<i>Total Revenues</i>	<u>33,419</u>	<u>7,387</u>	<u>-</u>	<u>30,000</u>
<i>Expenditures:</i>				
Current:				
Instruction	8,449	7,059	-	30,000
Support Services				
Students	23,616	-	-	-
Instruction	-	-	-	-
General Administration	1,354	328	-	-
School Administration	-	-	-	-
Central Services	-	-	-	-
Operation & Maintenance of Plant	-	-	-	-
Student Transportation	-	-	-	-
Other Support Services	-	-	-	-
Food Services Operations	-	-	-	-
Community Service	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total Expenditures</i>	<u>33,419</u>	<u>7,387</u>	<u>-</u>	<u>30,000</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses):</i>	-	-	-	-
Operating transfers	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net changes in fund balance</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>772</u>	<u>-</u>	<u>-</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ 772</u>	<u>\$ -</u>	<u>\$ -</u>

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

SPECIAL REVENUE

Impact Aid Special Education 25145	Impact Aid Indian Education 25147	Dual Credit Inst. Materials 27103	2012 GO Bonds - Student Library Fund (SB66) 27107	Entitlement IDEA-B Federal Stimulus 27128	Breakfast for Elementary Students 27155
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	626	2,358	-	20,096
158,051	1,027,634	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>158,051</u>	<u>1,027,634</u>	<u>626</u>	<u>2,358</u>	<u>-</u>	<u>20,096</u>
10,960	545,301	626	-	-	-
32,220	254,862	-	-	-	-
-	-	-	2,358	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	834	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	20,096
-	-	-	-	-	-
-	-	-	-	-	-
<u>43,180</u>	<u>800,163</u>	<u>626</u>	<u>2,358</u>	<u>834</u>	<u>20,096</u>
<u>114,871</u>	<u>227,471</u>	<u>-</u>	<u>-</u>	<u>(834)</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>114,871</u>	<u>227,471</u>	<u>-</u>	<u>-</u>	<u>(834)</u>	<u>-</u>
<u>50</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 114,921</u>	<u>\$ 227,471</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (834)</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDING JUNE 30 , 2018

	SPECIAL REVENUE			
	Kindergarten	K3 Plus	Industrial Arts	Medicaid
	Three Plus 27166	4 & 5 Pilot 27198	Career Tech & Voc Ed Training 27512	HSD 28144
<i>Revenues:</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
State grants	83,111	13,116	-	139,384
Federal grants	-	-	-	-
Miscellaneous	-	-	-	-
Interest	-	-	-	-
<i>Total Revenues</i>	<u>83,111</u>	<u>13,116</u>	<u>-</u>	<u>139,384</u>
<i>Expenditures:</i>				
Current:				
Instruction	76,678	13,116	-	1,210
Support Services				
Students	3,985	-	-	70,713
Instruction	-	-	-	-
General Administration	-	-	-	-
School Administration	-	-	-	-
Central Services	-	-	-	-
Operation & Maintenance of Plant	348	-	-	-
Student Transportation	-	-	-	-
Other Support Services	-	-	-	-
Food Services Operations	-	-	-	-
Community Service	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total Expenditures</i>	<u>81,011</u>	<u>13,116</u>	<u>-</u>	<u>71,923</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>2,100</u>	<u>-</u>	<u>-</u>	<u>67,461</u>
<i>Other financing sources (uses):</i>	-	-	-	-
Operating transfers	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net changes in fund balance</i>	<u>2,100</u>	<u>-</u>	<u>-</u>	<u>67,461</u>
<i>Fund balances - beginning of year</i>	<u>9,909</u>	<u>-</u>	<u>-</u>	<u>147,285</u>
<i>Fund balances - end of year</i>	<u>\$ 12,009</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 214,746</u>

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

CAPITAL PROJECTS			
Special Capital Outlay Federal 31500	Capital Improvement HB-33 31600	Capital Improvements SB-9 31701	Total
\$ -	\$ 246	\$ 607,166	\$ 607,412
-	-	-	41,442
-	-	18,250	276,941
80,470	-	-	2,193,426
-	-	-	-
-	-	-	-
<u>80,470</u>	<u>246</u>	<u>625,416</u>	<u>3,119,221</u>
-	-	-	1,096,966
-	-	-	408,168
-	-	-	2,358
-	3	1,553	20,364
-	-	-	-
-	-	-	834
-	-	-	348
-	-	-	-
-	-	-	-
-	-	-	476,595
-	-	-	-
-	172,459	804,734	977,193
-	-	-	-
-	-	-	-
<u>-</u>	<u>172,462</u>	<u>806,287</u>	<u>2,982,826</u>
<u>80,470</u>	<u>(172,216)</u>	<u>(180,871)</u>	<u>136,395</u>
-	-	-	-
-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>80,470</u>	<u>(172,216)</u>	<u>(180,871)</u>	<u>136,395</u>
<u>157,366</u>	<u>940,711</u>	<u>447,763</u>	<u>2,097,111</u>
<u>\$ 237,836</u>	<u>\$ 768,495</u>	<u>\$ 266,892</u>	<u>\$ 2,233,506</u>

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

SUPPORTING SCHEDULES

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOLS
AGENCY FUNDS
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2018

Schedule I

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
Class of 2016	1,651	0	1,651	-
Class of 2017	381	0	46	335
Class of 2018	2,575	1,175	3,400	350
Class of 2019	4,632	2,325	2,776	4,180
Class of 2020	1,485	2,179	0	3,664
Class of 2021	0	722	0	722
Athletic Scholarship	13,398	97	597	12,898
Band Club	483	0	0	483
ROTC	1,504	8,537	8,146	1,895
Anime	542	633	388	787
MS Student Council	5,211	10,434	4,715	10,930
Vocational Fund	3,728	1,590	1,572	3,746
HS Library	4,375	162	0	4,537
HS Cheerleaders	204	0	0	204
HS Student Council	2,778	2,699	3,932	1,545
Elementary Activity	2,822	380	989	2,213
Elem Library	11,460	11,129	9,404	13,186
Native American Club	0	140	140	-
Elementary Sports	11,246	7,841	6,632	12,455
HS Activity	3,150	0	679	2,470
HS Yearbook	2,805	590	1,218	2,177
HS Sports	36,734	38,437	40,314	34,857
MS Sports	2,189	4,031	3,012	3,209
HS Robotics	0	1,727	530	1,197
District 2AAA	4,804	8,268	7,916	5,156
Ski Fund	1,271	0	0	1,271
MS CloseUp	781	400	0	1,181
Total All Schools	\$ 120,209	\$ 103,493	\$ 98,057	\$ 125,646

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

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOLS
SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY
FOR PUBLIC FUNDS
JUNE 30, 2018

Schedule II

<u>Name of Depository</u>	<u>Description of Pledged Collateral</u>	<u>Market Value June 30, 2018</u>	<u>Name and Location of Safekeeper</u>
Wells Fargo Bank	FNMA FNMS CUSIP #3140F3N87 2.5%, Due 05/31/2031	\$ 5,965,096	BNY Mellon
Total Wells Fargo Bank		<u>\$ 5,965,096</u>	

The accompanying notes are and integral part of these financial statements

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOLS
SCHEDULE OF CASH AND TEMPORARY INVESTMENT ACCOUNTS
JUNE 30, 2018

Schedule III

<u>Bank Account Type</u>	<u>Wells Fargo Bank</u>	<u>Totals</u>
Checking - General Account	\$ 10,026,463	\$ 10,026,463
Checking - Activity	126,591	126,591
	<hr/>	<hr/>
Total On Deposit	10,153,053	10,153,053
Reconciling Items	<u>(413,696)</u>	<u>(413,696)</u>
Reconciled Balance June 30, 2018	<u>\$ 9,739,357</u>	<u>\$ 9,739,357</u>
Less: Fiduciary Funds Cash		<u>(125,646)</u>
Cash per Government-wide Financial Statements		<u>\$ 9,613,711</u>

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

STATE OF NEW MEXICO
DULDE INDEPENDENT SCHOOLS
CASH RECONCILIATION
June 30, 2018

	Operational Account 11000	Teachergage Account 12000	Transportation Account 13000	Instructional Materials 14000	Food Services Account 21000
Cash, June 30, 2017	\$ 1,872,461	\$ 354,836	\$ 12,181	\$ 220	\$ 364,340
Add:					
2017-18 revenues	7,233,202	178,621	171,259	21,743	439,524
Loans from other funds	-	-	-	-	-
Total cash available	9,105,663	533,457	183,440	21,963	803,864
Less:					
2017-18 expenditures	(7,291,206)	(184,016)	(176,429)	(21,631)	(439,526)
Other Adjustments	-	-	-	-	-
Transfers to/from other funds	-	-	(6,090)	(159)	-
Loans to other funds	(192,576)	-	-	-	-
Change due to held checks and and liabilities	99,916	3,905	1,279	-	2,620
Cash, June 30, 2018	<u>\$ 1,721,797</u>	<u>\$ 353,346</u>	<u>\$ 2,200</u>	<u>\$ 173</u>	<u>\$ 366,958</u>

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

Athletics Account 22000	Federal Flowthrough 24000	Federal Direct 25000	Local Grants 26000	State Flowthrough 27000
\$ 36,768	\$ (123,216)	\$ 352,046	\$ -	\$ (17,133)
36,044	463,268	924,994	-	90,700
-	-	-	-	-
72,812	340,052	1,277,040	-	73,567
(36,170)	(492,035)	(843,343)	-	(118,041)
-	-	-	-	-
-	-	-	-	-
-	148,102	-	-	44,474
-	3,881	10,544	-	-
<u>\$ 36,642</u>	<u>\$ -</u>	<u>\$ 444,241</u>	<u>\$ -</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO
DULDE INDEPENDENT SCHOOLS
CASH RECONCILIATION
June 30, 2018

	State Direct 28000	Local / State 29000	Bond Building 31100	Special Capital Outlay Federal 31500
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Cash, June 30, 2017	\$ 133,891	\$ -	\$ -	\$ 157,366
Add:				
2017-18 revenues	139,571	-	-	4,757
Loans from other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total cash available	273,462	-	-	162,123
Less:				
2017-18 expenditures	(71,923)	-	-	-
Other Adjustments	-	-	-	-
Transfers to other funds	(21,510)	-	-	-
Loans to other funds	-	-	-	-
Change due to held checks and and liabilities	<u>672</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash, June 30, 2018	<u><u>\$ 180,701</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 162,123</u></u>

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

Cap. Improv. HB 33 31600	Cap. Improv. SB 9 31700	Public School Capital Outlay 20% 32100	Debt Service Fund 41000	Total
\$ 942,571	\$ 432,854	\$ -	\$ 4,302,794	\$ 8,821,979
375	651,267	-	6,042,282	16,397,607
-	-	-	-	-
942,946	1,084,121	-	10,345,076	25,219,586
(174,066)	(797,388)	-	(4,977,185)	(15,622,959)
-	-	-	-	-
-	-	-	-	(27,759)
-	-	-	-	-
1,247	-	-	-	124,064
<u>\$ 770,127</u>	<u>\$ 286,733</u>	<u>\$ -</u>	<u>\$ 5,367,891</u>	<u>\$ 9,692,932</u>

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

COMPLIANCE SECTION



**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***

Wayne Johnson
New Mexico State Auditor
The Office of Management and Budget
To the Board of Education
Dulce Independent Schools
Dulce, New Mexico

We have audited, 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, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general funds and major special revenue funds, of the Dulce Independent Schools, New Mexico (the “District”), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Dulce Independent Schools basic financial statements and have issued our report thereon dated November 15, 2018.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs, which we consider to significant deficiencies as items FS 2017-006 and FS 2017-007.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 item FS 2017-001.

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the agency's responses and, accordingly, we express no opinion on them.

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.

McCabe CPA Group, LLC

Albuquerque, New Mexico
November 15, 2018

FEDERAL FINANCIAL ASSISTANCE



REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH UNIFORM GUIDANCE

Wayne Johnson
New Mexico State Auditor
The Office of Management and Budget
To the Board of Education
Dulce Independent Schools
Dulce, New Mexico

Report on Compliance for Each Major Federal Program

We have audited Dulce Independent Schools (the District) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2018. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements 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 requirements of Title 2 U.S. Code of federal regulations 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and 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 the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control over Compliance

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

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

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

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

McCabe CPA Group, LLC

Albuquerque, New Mexico
November 15, 2018

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Schedule V
(Page 1 of 2)

Federal Grantor or Pass-Through Grantor / Program Title	Passthrough Number	Federal CFDA	Federal Expenditures
<i>Pass through programs</i>			
U.S. Department of Education			
<i>Passthrough State of New Mexico Department of Education</i>			
Title I	24101	84.010	233,241 *
IDEA B Entitlement	24106	84.027	143,358
IDEA B Preschool	24109	84.173	5,057
IDEA B NM Real Results Plan	24132	84.024	16,570
Fresh Fruits & Vegetables	24118	10.582	17,127
Title III English Language Acquisition	24153	84.365A	9,069
T-II Teacher/Principal Training	24154	84.367A	33,419
Rural and Low Income School	24160	84.358	7,387
Carl D Perkins Special Projects (PBL)	24171	84.048A	30,000
Subtotal Department of Education			495,228
 U.S. Department of Agriculture			
<i>Passthrough State of New Mexico Department of Education</i>			
Commodities Program	21000	10.555	31,167
National School Lunch Program	21000	10.555	400,876
Subtotal Department of Agriculture			432,043
<i>Subtotal - Passthrough State of New Mexico Department of Education</i>			927,271
 <i>Direct programs:</i>			
U.S. Department of Education			
<i>Impact Aid Operational</i>	11000	84.041	4,112,404 *
<i>Impact Aid Special Education</i>	25145	84.041	43,180 *
<i>Impact Aid Education</i>	25147	84.041	800,163 *
<i>Subtotal - Direct U.S. Department of Education</i>			4,955,747

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

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Schedule V
(Page 2 of 2)

Federal Grantor or Pass-Through Grantor / Program Title	Passthrough Number	Federal CFDA	Federal Expenditures
<i>Direct programs:</i>			
U.S. Department of Agriculture			
Forest Reserve	11000	10.672	106,073
<i>Subtotal - Direct U.S. Department of Agriculture</i>			106,073
<i>Subtotal - Direct programs</i>			5,061,820
Total Federal Financial Assistance			\$ 5,989,091

(1) Denotes Major Federal Financial Assistance Program *

Notes to Schedule of Expenditures of Federal Awards

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of the Dulce Schools (District) and is presented on the modified accrual basis of accounting, which is the same basis as was used to prepare the fund financial statements. The information in this Schedule is presented in accordance with the requirements of OMB Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

2. Subrecipients

The District did not provide any federal awards to subrecipients during the year.

3. Non Cash Federal Assistance

The District receives USDA Commodities for use in sponsoring the National School Lunch and Breakfast programs. The value of commodities received for the year ended June 30, 2018 was \$31,167 and is reported in the Schedule of Expenditures of Federal Awards under the Department of Agriculture Commodities program, CFDA number 10.550. Commodities are recorded as revenues and expenditures in the food service fund.

4. Indirect Cost Rate

The District has not elected to use the 10% de minimus indirect cost rate as allowed under the Uniform

Reconciliation of Schedule of Expenditures of Federal Awards to Financial Statements:

Total federal awards expended per Schedule of Expenditures of Federal Awards	\$ 5,989,091
Total expenditures funded by other sources	9,633,866
Total expenditures	15,622,957

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

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

Section I – Summary of Audit Results

Financial Statements:

1. Type of auditors’ report issued	Unmodified
2. Internal control over financial reporting:	
a. Material weakness identified?	No
b. Significant deficiencies identified?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards:

1. Internal control over major programs:	
a. Material weakness identified?	No
b. Significant deficiencies identified not considered to be material weaknesses?	No
c. Control deficiencies identified not considered to be significant deficiencies?	No
2. Type of auditors’ report issued on compliance for major programs	Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	No
4. Identification of major programs:	

CFDA Number	Federal Program
84.010	Title I
84.041	Impact Aid

5. Dollar threshold used to distinguish between type A and type B programs:	\$750,000
6. Auditee qualified as low-risk auditee?	Yes

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018

Section II – Financial Statement Findings

FS 2017-007 [2016-001] Noncompliance with Human Resource and Payroll Controls (Significant Deficiency) Repeated and Revised

Condition: During our payroll test work, we noted that three of twenty-six district employees did not have a signed contract or other terms of employment showing authorized wages for services. We also noted that three of twenty-six employee pay rates did not agree with authorized pay rate on file. Four of twenty-six employees did not have I-9s maintained in personnel files. During our review over internal controls related to payroll, we noted that the District requires the employees to input their leave into iVisions but there is no monitoring to ensure that leave is approved and input into the iVisions system to ensure accurate payroll reporting and payment. This system appears to be on an honor system and due to the lack of documentation for employee leave, we are unable to verify the accuracy of remaining leave and paid leave during the year under audit. The client made some progress with the prior year payroll issue by implementing a process to dock hours of pay for missed time that was approved by the supervisor. The client still needs to work on the controls over payroll and human resource functions to ensure proper monitoring of employment contracts, pay rates, and personnel files.

Criteria: NMAC 6.20.2.11 C-Internal Control structure standards: “An internal control structure is required to demonstrate the school district’s ability to record, process, summarize and report financial data consistent with the following financial statement assertions: 1) rights and ownership, 2) existence and occurrence, 3) valuation and allocations, 4) completeness, and 5) presentation and disclosure,” 6.20.2.14. C Cash Control Standards, and DIS Internal Control Policies “Payroll”, and DIS Board Policy Handbook 5.6.11 Employment Contracts.

Effect: Without proper documentation of terms of employment (either contract or agreed upon hourly rates) for employees, the District is at risk of making inaccurate or unauthorized payroll disbursements.

Cause: The Superintendent failed to ensure contract and/or other terms of employment were duly authorized. Payroll office failed to monitor employee wage rates. Human Resource office failed to update and maintain employee personnel files.

Auditor’s Recommendation: The District was encouraged to create a standardized checklist of procedures and documents required to employ personnel at the District. Standardization of personnel files was also recommended to the District. The District was encouraged to monitor wage rates monthly to ensure accurate wage rates are applied to hours worked by District employees.

Management’s Response: Beginning in FY 2018-19, the Superintendent has begun reviewing all contracts and comparing to the salary endorsements, before signing the contract. Payroll will not be processed unless a contract and salary endorsement is submitted to payroll for the employee. H/R has also implemented PAR forms to reflect any pay rate changes during the year. Missing I-9’s have been completed and filed accordingly. The H/R department will implement a check-off list for new hires, which will include all documents required for new hires. H/R will ensure that all required documents be filed immediately in the appropriate file.

The District’s current leave policy is as follows: building secretaries submit a summarized leave report along with time sheets at the end of a pay-cycle. The summarized leave report lists the employee’s name, date of absence and reason for absence. Included with the non-exempt employee’s leave report are the timesheets. The leave report is reviewed for any discrepancies that might have occurred and compared to the leave submitted in I-Visions.

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018

FS 2017-001 Noncompliance with NM Constitution, Article IX, regarding Indebtedness (Other Non-Compliance) Repeated

Condition: During our test work of long-term debt covenants and requirements, we noted that the District's debt exceeded 6% of its 2017 initial assessed property value per the NM Taxation and Revenue Department.

Criteria: NM Constitution, Article IX, section 11 states that a District's indebtedness may not exceed 6% of the assessed property value per NMTRD.

Effect: District is in violation of Article IX, section 11 regarding indebtedness limits. It also appears that the District could not acquire additional debt until the outstanding balance of debt is lower than 6% of the total assessed property value.

Cause: The cause was due to a reassessment by NMTRD resulting in a decline in assessed value from 2016 to 2017. The District acquired debt in previous years when the assessed property value was higher; and until this reassessment, the District had no issues with exceeding the state mandated debt limit of 6% of total assessed property value.

Auditor's Recommendation: The District is encouraged to consider its ability to make additional payments on debt to reduce the principal balance to an amount lower than the 6% of the total assessed property value per NMTRD.

Management's Response: The Business Manager will work with the District's Financial Advisor, George K. Baum & Company, to determine if the current Debt service cash is adequate to pay additional principal payments on the outstanding debt. This will occur during the 2018-19 fiscal year.

FS 2017-006 Noncompliance with School Board Policy (Significant Deficiency) Repeated and Revised

Condition: During the course of our audit, it was noted that there was a violation of School Board Policy Section 3.3, Superintendent of Schools, and Section 5.23, Promotion. On December 27, 2017, at a duly called Board of Directors meeting, the Board appointed then, Associate Superintendent/Director of Instruction, to Interim Superintendent. On March 20, 2018, at duly called Board of Education meeting, the Board appointed the Interim Superintendent to the position of Superintendent without a proper search for the most capable applicant for the position. The Board of Education did not notify District personnel of the Superintendent vacancy.

Criteria: School Board Policy Section 3.3 states, "In an effort to provide the most capable leadership for Dulce Independent Schools, the Board will engage in a district and/or national search for applicants for the position of Superintendent. The Board, at its discretion, may appoint a committee to screen applicants." School Board Policy Section 5.23, Promotion, states, "The School District shall encourage personal growth by following the policy of allowing staff members to receive first consideration for job assignment change. Personnel will be notified of existing vacancies. Promotion shall be contingent upon the applicant having met all requirements for proper certification."

Cause: The cause was due to the appointment of the Superintendent by the Board of Education without directing a proper search for the most capable candidate nor did the Board of Education notify personnel in the School District about the open Superintendent position.

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018

Effect: The District's Board of Education did not comply with School Board Policy Sections 3.3, Superintendent of Schools, and 5.23, Promotion.

Auditor's Recommendations: The Board of Education is encouraged to perform a district and/or nationwide search for a Superintendent of the District as stated in its School Board Policy. The Board of Education is encouraged to notify all personnel of existing vacancies.

Management Response: In moving forward, the District will advertise for all vacant positions, screen applicants and go through the interview process and make recommendations to the Superintendent. For a vacant Superintendent position, the District will follow procedures established by the Board of Education and District policy.

Section III – Federal Award Findings

None

Section IV – Prior Year Audit Findings

FS 2017-007 [2016-001] Noncompliance with Payroll Controls (Significant Deficiency) Repeated and Revised
FS 2017-001 Noncompliance with NM Constitution, Article IX, regarding Indebtedness (Other Matter) Repeated and Revised
FS 2017-002 Excess Expenditures over Budget (Control Deficiency) Resolved
FS 2017-003 Audit Committee does not comply with Section 22-8-12.3 (Significant Deficiency) Resolved
FS 2017-004 Trial Balance does not tie to Cash Reports (Significant Deficiency) – Resolved
FS 2017-005 Lack of Bid Documentation (Significant Deficiency) Resolved
FS 2017-006 Noncompliance with School Board Policy and NMSA 1978 (Significant Deficiency) Repeated and Revised

Section V – Other Disclosures

Auditor Prepared Financials

The financial statements presented in this report were prepared by the auditors, Griego Professional Services, LLC.

Exit Conference

The contents of this report were discussed on September 27, 2018. The following individuals were in attendance.

Dulce Independent Schools
Levi Pesata, Board President
LaVonna James, Board Secretary
Darlene Gomez, Board Member
Pamela Montoya, Superintendent
Carol Gomez, Business Manager

McCabe Group, LLC
Andrew Quintana, CPA

DULCE INDEPENDENT SCHOOLS

DISTRICT NO. 21
Administrative Offices
DULCE, NEW MEXICO 87528



Telephone (575) 759-3225
Fax (575) 759-3533
November 14, 2018

Post Office Box 547
113 Hawk Drive

The Dulce Independent School District (the "District") respectfully submits the following corrective action plan for the year ended June 30, 2018.

Name and address of independent public accounting firm:
McCabe CPA Group, LLC
4801 Lange Ave NE
Albuquerque, New Mexico 87109

The findings from the June 30, 2018 schedule of findings and questioned costs is discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS—FINANCIAL STATEMENT AUDIT

OTHER MATTERS/COMPLIANCE

FS 2016-001 Noncompliance with Payroll Controls (Significant Deficiency) Repeated and Revised

Condition: During our payroll test work, we noted that three of twenty-six district employees did not have a signed contract or other terms of employment showing authorized wages for services. We also noted that three of twenty-six employee pay rates did not agree with authorized pay rate on file. Four of twenty-six employees did not have I-9s maintained in personnel files. During our review over internal controls related to payroll, we noted that the District requires the employees to input their leave into iVisions but there is no monitoring to ensure that leave is approved and input into the iVisions system to ensure accurate payroll reporting and payment. This system appears to be on an honor system and due to the lack of documentation for employee leave, we are unable to verify the accuracy of remaining leave and paid leave during the year under audit. The client made some progress with the prior year payroll issue by implementing a process to dock hours of pay for missed time that was approved by the supervisor. The client still needs to work on the controls over payroll and human resource functions to ensure proper monitoring of employment contracts, pay rates, and personnel files.

Auditor's Recommendation: The District was encouraged to create a standardized checklist of procedures and documents required to employ personnel at the District. Standardization of personnel files was also recommended to the District. The District was encouraged to monitor wage rates monthly to ensure accurate wage rates are applied to hours worked by District employees. The District's current leave policy is as follows: building secretaries submit a summarized leave report along with time sheets at the end of a pay-cycle. The summarized leave report lists the employee's name, date of absence and reason for absence. Included with the non-exempt employee's leave report are the timesheets. The leave report is reviewed for any discrepancies that might have occurred and compared to the leave submitted in iVisions.

Corrective Action: Signed contracts have been confirmed for all District employees. A New Employee Checklist of procedures and documents is in place as a standardized document for new hires. Employment

contracts will always be reconciled to payroll pay rates for each new fiscal year and for all new employees or changes throughout the year. To ensure standardization of personnel files, a complete internal audit of these files will be completed by HR staff by the end of May 2019.

FS 2017-001 Noncompliance with NM Constitution, Article IX, regarding Indebtedness (Other Matter)
Repeated

Condition: During the year ended June 30, 2018, the District's financial institution did not maintained securities under their collateralization of deposits in accordance with State of New Mexico Statutes (NMSA 2.60.4.10 "Required Types of Collateral"). This results in under collateralization of deposits as of June 30, 2018. Non-compliance resulted in the District being \$6,278 under collateralized as of June 30, 2018.

Auditors' Recommendations: During our test work of long-term debt covenants and requirements, we noted that the District's debt exceeded 6% of its 2017 initial assessed property value per the NM Taxation and Revenue Department.

Corrective Action: The Business Manager will work with the District's Financial Advisor, George K. Baum & Company, to determine if the current Debt service cash is adequate to pay additional principal payments on the outstanding debt. This will occur during the 2018-19 fiscal year.

FS 2017-006 Noncompliance with School Board Policy (Significant Deficiency) Repeated and Revised

Condition: During the course of our audit, it was noted that there was a violation of School Board Policy Section 3.3, Superintendent of Schools, and Section 5.23, Promotion. On December 27, 2017, at a duly called Board of Directors meeting, the Board appointed then, Associate Superintendent/Director of Instruction, to Interim Superintendent. On March 20, 2018, at duly called Board of Education meeting, the Board appointed the Interim Superintendent to the position of Superintendent without a proper search for the most capable applicant for the position. The Board of Education did not notify District personnel of the Superintendent vacancy.

Auditor's Recommendation: The Board of Education is encouraged to perform a district and/or nationwide search for a Superintendent of the District as stated in its School Board Policy. The Board of Education is encouraged to notify all personnel of existing vacancies.

Corrective Action: In moving forward, the District will advertise for all vacant positions, screen applicants and go through the interview process and make recommendations to the Superintendent. For a vacant Superintendent position, the District will follow procedures established by the Board of Education and District policy.

If there are any questions regarding this plan, please call Carole Gomez at (575)-759-2909.

Sincerely yours,



Carole Gomez
Business Manager