

**STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2018

**STATE OF NEW MEXICO
 ESPAÑOLA PUBLIC SCHOOL DISTRICT**

Table of Contents
 June 30, 2018

	<u>PAGE</u>
Director of Officials.....	1
Independent Auditors' Report.....	2-5
 BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Position.....	6
Statement of Activities.....	7
 Governmental Funds Financial Statements:	
Balance Sheet.....	8
Reconciliation of the Balance Sheet Governmental Funds To the Statement of Net Position.....	9
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	10
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds To the Statement of Activities.....	11
Statement of Revenues, Expenditures and Changes in Cash Balance – Budget (Non-GAAP Budgetary Basis) and Actual On Budgetary Basis With Reconciliation to GAAP:	
Operational Fund.....	12
Pupil Transportation Fund	13
Instructional Materials Fund	14
Title I IASA Fund	15
Entitlement IDEA-B Fund	16
21 st Century Fund.....	17
 Fiduciary Financial Statement:	
Statement of Fiduciary Asserts and Liabilities	18
 Notes to the Financial Statements:	
Notes to the Financial Statements.....	19-54

**STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT**

Table of Contents
June 30, 2018

	<u>PAGE</u>
Supplementary Information	
Nonmajor Governmental Funds:	
Nonmajor Governmental Funds Description	55-60
Combining Balance Sheet	61-67
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	68-74
Supporting Schedules:	
Schedule of Changes in Assets and Liabilities – Agency Funds	75
Schedule of Pledged Collateral	76
Schedule of Cash and Temporary Investment Accounts	77
Cash Reconciliation	78-86
Required Supplementary Information	
Schedule of Española Public School District Proportionate Share of the Net Pension Liability Educational Retirement Board (ERB) Plan Last Ten Fiscal Years	87
Schedule of Española Public School District Contributions – Educational Retirement Board (ERB) Plan Last Ten Fiscal Years	88
Schedule of Española Public School District Proportionate Share of the Net OPEB Liability Retiree Health Care Act (RHCA) Plan Last Ten Fiscal Years.....	89
Schedule of Española Public School District Contributions – Retiree Health Care Act (RHCA) Plan Last Ten Fiscal Years.....	90
Notes to Required Supplementary Information.....	91
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 <i>Government Auditing Standards</i>	92-93

**STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT**

Table of Contents
June 30, 2018

	<u>PAGE</u>
Federal Financial Assistance	
Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by Uniform Guidance	94-95
Schedule of Expenditures of Federal Awards	96
Notes to the Schedule of Expenditures of Federal Awards	97
Schedule of Findings and Questioned Costs	98-134
Exit Conference and Financial Statement Preparation	135

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
Directory of Officials
June 30, 2018

BOARD OF EDUCATION

Ruben Archuleta	President
Yolanda M. Salazar.....	Vice-President
Gilbert A. Serrano	Secretary
Matthew Paña	Member
Pablo E. Luján.....	Member

SCHOOL OFFICIALS

Bobbie Gutierrez.....	Superintendent
Daniel O. Romero	Chief Financial and Operations Officer
Maria Fidalgo	PED Appointed Licensed Business Official

Ed Fierro, CPA • Rose Fierro, CPA527 Brown Road • Las Cruces, NM 88005
Bus: (575) 525-0313 • Fax: (575) 525-9708
www.fierrocpa.comIndependent Auditors' Report

Brian S. Colón, State Auditor
and
Board of Education
Española Public School District
Española, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of the Española Public School District (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the District's nonmajor governmental funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2018, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Unmodified
General Fund	Qualified
Title I IASA Fund	Qualified
Entitlement IDEA-B Fund	Qualified
21st Century Fund	Qualified
Debt Service Fund	Qualified
Aggregate Remaining Fund Information	Qualified
Educational Technology Fund	Adverse
General Fund Budgetary Comparison	Unmodified
Title I IASA Fund Budgetary Comparison	Unmodified
Entitlement IDEA-B Fund Budgetary Comparison	Unmodified
21st Century Fund Budgetary Comparison	Unmodified

Basis for Adverse Opinion on Educational Technology Fund

Within the Educational Technology Fund, the School District has reported \$334,358 as general administration expenditures. Those expenditures are misclassified and should be reported as retirement of debt, as either principal or interest.

Basis for Qualified Opinion on the General Fund, Title I IASA Fund, Entitlement IDEA-B Fund, 21st Century Fund, Debt Service Fund, and the Aggregate Remaining Fund Information

The School District has reported cash in the amount of \$8,154,077 within the governmental funds and \$648,847 within the fiduciary assets and liabilities, for a total of \$8,802,924. The reconciled cash at June 30, 2018, is \$8,129,769. The School District has overstated cash by \$673,155. We were unable to determine the proper allocation of pooled cash.

Adverse Opinion

In our opinion, because of the significance of the matter described in the *Basis for Adverse Opinion on Education Technology Fund* paragraph, the financial statements of the Educational Technology Fund do not present fairly as of June 30, 2018 or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Qualified Opinions

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion on the General Fund, Title I IASA Fund, Entitlement IDEA-B Fund, 21st Century Fund, Debt Service Fund, and the Aggregate Remaining Fund Information* paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Española Public School District, as of June 30, 2018, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the District, as of June 30, 2018, and the respective changes in financial position thereof and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require the schedule of the District's proportionate share of the net pension and other post-employment benefit liabilities and the schedule of the District's contributions on pages eighty-seven through ninety to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the District's basic financial statements and the combining and individual fund financial statements. The schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the other schedules required by Section 2.2.2 of NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards and supporting schedules required by Section 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and other schedules required by Section 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Fierro + Fierro, P.A.

Fierro & Fierro, P.A.
Las Cruces, New Mexico

February 25, 2019

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities
Assets	
Current assets:	
Cash	\$ 8,154,077
Property taxes receivables	334,722
Intergovernmental receivables	2,240,436
Inventory	85,564
Total current assets	10,814,799
Noncurrent assets:	
Land	4,861,879
Other capital assets, net of depreciation	60,506,516
Total noncurrent assets	65,368,395
Total assets	76,183,194
Deferred Outflows of Resources	
Pension related	26,140,796
OPEB related	401,500
Total deferred outflows of resources	26,542,296
Liabilities	
Current liabilities:	
Accounts payable	705,400
Accrued interest payable	105,090
Unearned revenues	297,275
Current maturities of:	
Bonds payable	2,250,000
Compensated absences	111,006
Total current liabilities	3,468,771
Noncurrent liabilities:	
Bonds payable	21,000,000
Compensated absences	197,624
Net pension liability	77,198,596
Net OPEB liability	16,406,469
Total noncurrent liabilities	114,802,689
Total liabilities	118,271,460
Deferred Inflows of Resources	
Pension related	1,917,637
OPEB related	3,734,073
Total deferred inflows of resources	5,651,710
Net Position	
Net investment in capital assets	42,118,395
Restricted for:	
Transportation	20,333
Instructional materials	55,750
Special revenue	2,110,911
Capital projects	420,969
Debt service	3,673,634
Unrestricted	(69,597,672)
Total net position	\$ (21,197,680)

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

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants And Contribtuions	
Primary Government:				
Governmental activities:				
Current:				
Instruction	\$ 25,136,200	\$ 198,122	\$ 6,865,293	\$ (18,072,785)
Support services:				
Students	6,183,784	-	-	(6,183,784)
Instruction	832,832	-	83,196	(749,636)
General administration	1,897,930	-	-	(1,897,930)
School administration	2,536,618	-	-	(2,536,618)
Central services	1,511,482	-	-	(1,511,482)
Operation of plant	10,132,991	-	1,502,148	(8,630,843)
Student transportation	2,065,472	-	-	(2,065,472)
Other	99,299	-	-	(99,299)
Operation services:				
Food	2,355,278	2,095,182	252,908	(7,188)
Interest on long-term debt	678,509	-	-	(678,509)
Total primary government	<u>\$ 53,430,395</u>	<u>\$ 2,293,304</u>	<u>\$ 8,703,545</u>	(42,433,546)
General Revenues:				
Property taxes:				
Levied for general purposes				108,484
Levied for capital projects				954,451
Levied for debt service				3,499,456
State equalization guarantee				29,265,247
Interest income				20,108
Donations				3,062
Insurance recoveries				16,457
Total general revenues				<u>33,867,265</u>
Change in net position				(8,566,281)
Net position, beginning of year				5,513,259
Restatement				<u>(18,144,658)</u>
Net position, beginning of year, restated				<u>(12,631,399)</u>
Net position, end of year				<u>\$ (21,197,680)</u>

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

GOVERNMENTAL FUND FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
 ESPAÑOLA PUBLIC SCHOOL DISTRICT
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 JUNE 30, 2018**

	General Fund								
	Operational Fund	Pupil Transportation Fund	Instructional Materials Fund	Title I IASA Fund	Entitlement IDEA-B Fund	21st Century Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>									
Cash	\$ 1,039,442	\$ 20,467	\$ 55,750	\$ -	\$ -	\$ -	\$ 3,285,789	\$ 3,752,629	\$ 8,154,077
Receivables, net	9,508	-	-	611,506	373,537	389,877	282,749	907,981	2,575,158
Inventory	62,348	-	-	-	-	-	-	23,216	85,564
Due from other funds	2,261,199	-	-	-	-	-	-	-	2,261,199
Total assets	\$ 3,372,497	\$ 20,467	\$ 55,750	\$ 611,506	\$ 373,537	\$ 389,877	\$ 3,568,538	\$ 4,683,826	\$ 13,075,998
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>									
Liabilities:									
Accounts payable	\$ 428,601	\$ 134	\$ -	\$ 1,639	\$ 5,042	\$ -	\$ -	\$ 269,984	\$ 705,400
Unearned revenues	9,508	-	-	-	-	-	282,749	362,277	654,534
Due to other funds	-	-	-	609,867	359,317	389,877	-	902,138	2,261,199
Total liabilities	438,109	134	-	611,506	364,359	389,877	282,749	1,534,399	3,621,133
Fund Balances:									
Nonspendable:									
Inventory	62,348	-	-	-	-	-	-	23,216	85,564
Reserved for:									
Transportation	-	20,333	-	-	-	-	-	-	20,333
Instructional materials	-	-	55,750	-	-	-	-	-	55,750
Special revenue funds	-	-	-	-	9,178	-	-	2,078,517	2,087,695
Capital project funds	-	-	-	-	-	-	-	659,849	659,849
Debt service funds	-	-	-	-	-	-	3,285,789	387,845	3,673,634
Unassigned	2,872,040	-	-	-	-	-	-	-	2,872,040
Total fund balances	2,934,388	20,333	55,750	-	9,178	-	3,285,789	3,149,427	9,454,865
Total liabilities, deferred inflows of resources and fund balances	\$ 3,372,497	\$ 20,467	\$ 55,750	\$ 611,506	\$ 373,537	\$ 389,877	\$ 3,568,538	\$ 4,683,826	\$ 13,075,998

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

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

Total fund balance governmental funds (page eight)	\$ 9,454,865
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	65,368,395
Delinquent property taxes not collected within sixty days after year end are not considered "available" revenues and are considered to be unearned revenue in the fund financial statements, but are considered revenue in the statement of activities.	357,259
Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:	
Deferred outflows of resources related to pension	26,140,796
Deferred inflows of resources related to pension	<u>(1,917,637)</u>
Deferred outflows of resources related to pensions, net	24,223,159
Deferred outflows and inflows or resources related to OPEB are applicable to future periods and, therefore, are not reported in the funds:	
Deferred outflows of resources related to OPEB	401,500
Deferred inflows of resources related to OPEB	<u>(3,734,073)</u>
Deferred inflows of resources related to OPEB, net	(3,332,573)
Certain liabilities, including accrued compensated absences, bonds payable, lease purchase notes, net pension liability and net OPEB liability, are not due and payable in the current period and, therefore, are not reported in the funds:	
Accrued compensated absences	(308,630)
Accrued interest payable	(105,090)
General obligation bonds	(23,250,000)
Net pension liability	(77,198,596)
Net OPEB liability	<u>(16,406,469)</u>
Net position of governmental activities (page six)	<u>\$ (21,197,680)</u>

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

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund								Total Governmental Funds
	Operational Fund	Pupil Transportation Fund	Instructional Materials Fund	Title I IASA Fund	Entitlement IDEA-B Fund	21st Century Fund	Debt Service Fund	Other Governmental Funds	
Revenues:									
Property taxes	\$ 108,484	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,151,579	\$ 1,302,328	\$ 4,562,391
Intergovernmental:									
Federal	650,560	-	-	1,521,429	894,758	823,160	-	3,721,509	7,611,416
State	29,425,696	1,502,148	113,548	-	-	-	-	1,270,386	32,311,778
Charges for services	150	-	-	-	-	-	-	111,249	111,399
Interest	8,064	-	-	-	-	-	-	12,044	20,108
Miscellaneous	240,407	-	-	-	-	-	-	6,615	247,022
Total revenues	30,433,361	1,502,148	113,548	1,521,429	894,758	823,160	3,151,579	6,424,131	44,864,114
Expenditures:									
Current:									
Instruction	15,519,025	-	128,996	1,307,170	553,898	687,540	-	1,478,537	19,675,166
Support services:									
Students	4,009,673	-	-	142,620	177,128	-	-	727,888	5,057,309
Instruction	511,670	-	-	-	52,562	-	-	83,381	647,613
General administration	1,166,420	-	-	66,157	37,690	34,617	31,604	481,059	1,817,547
School administration	1,752,642	-	-	5,482	-	93,403	-	1,598	1,853,125
Central services	1,158,065	-	-	-	(15)	7,600	-	65,948	1,231,598
Operation of plant	5,582,718	-	-	-	1,919	-	-	923,572	6,508,209
Student transportation	83,365	1,502,282	-	-	69,422	-	-	48,976	1,704,045
Other	99,299	-	-	-	-	-	-	-	99,299
Operation services:									
Food	1,728	-	-	-	-	-	-	2,135,661	2,137,389
Capital outlay	-	-	-	-	-	-	-	2,622,241	2,622,241
Debt service:									
Principal	-	-	-	-	-	-	3,200,000	-	3,200,000
Interest and other charges	-	-	-	-	-	-	668,169	-	668,169
Total expenditures	29,884,605	1,502,282	128,996	1,521,429	892,604	823,160	3,899,773	8,568,861	47,221,710
Net change in fund balance	548,756	(134)	(15,448)	-	2,154	-	(748,194)	(2,144,730)	(2,357,596)
Fund balance, beginning of year	2,385,632	20,467	71,198	-	7,024	-	4,033,983	3,960,196	10,478,500
Restatement	-	-	-	-	-	-	-	1,333,961	1,333,961
Fund balance, beginning of year, restated	2,385,632	20,467	71,198	-	7,024	-	4,033,983	5,294,157	11,812,461
Fund balance, end of year	<u>\$ 2,934,388</u>	<u>\$ 20,333</u>	<u>\$ 55,750</u>	<u>\$ -</u>	<u>\$ 9,178</u>	<u>\$ -</u>	<u>\$ 3,285,789</u>	<u>\$ 3,149,427</u>	<u>\$ 9,454,865</u>

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

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
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

Amounts reported governmental funds are different from the statement of activities because:

Net change in fund balances total governmental funds (page ten)	\$ (2,357,596)
<p>Capital outlay to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which depreciation exceeds capital outlay for the period.</p>	
Capital outlay	2,622,241
Depreciation expense	(3,222,953)
<p>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 position:</p>	
(Increase) in accrued interest payable	(10,340)
Decrease in accrued compensated absences	10,794
Principal payments on bonds	3,200,000
Change in net pension liability and the related deferred outflows and deferred inflows of resources related to pensions	(8,557,661)
Change in net OPEB liability and the related deferred outflows and deferred inflows of resources related to OPEB	<u>(250,766)</u>
Net change in net position - governmental activities (page seven)	<u><u>\$ (8,566,281)</u></u>

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

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
OPERATIONAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance With Final Budget Over (Under)
	Original	Final				
Revenues:						
Property taxes	\$ 108,873	\$ 108,873	\$ 108,484	\$ -	\$ 108,484	\$ (389)
Intergovernmental:						
Federal	86,872	636,163	650,560	-	650,560	14,397
State	28,969,697	29,419,593	29,425,696	-	29,425,696	6,103
Charges of services	2,000	2,000	150	-	150	(1,850)
Interest	38,193	38,193	8,064	-	8,064	(30,129)
Miscellaneous	54,281	54,281	240,407	-	240,407	186,126
Total revenues	29,259,916	30,259,103	30,433,361	-	30,433,361	174,258
Expenditures:						
Current:						
Instruction	16,622,054	16,622,054	15,573,236	(54,211)	15,519,025	1,048,818
Support services:						
Students	4,115,750	4,115,750	4,024,204	(14,531)	4,009,673	91,546
Instruction	968,130	968,130	501,019	10,651	511,670	467,111
General administration	997,630	1,288,421	1,120,464	45,956	1,166,420	167,957
School administration	1,963,082	1,758,397	1,759,052	(6,410)	1,752,642	(655)
Central services	1,066,424	1,274,224	1,138,395	19,670	1,158,065	135,829
Operations of plant	5,035,525	5,281,591	5,338,994	243,724	5,582,718	(57,403)
Student transportation	83,386	117,386	83,821	(456)	83,365	33,565
Other	-	-	99,843	(544)	99,299	(99,843)
Operation services:						
Food	-	-	1,737	(9)	1,728	(1,737)
Total expenditures	30,851,981	31,425,953	29,640,765	243,840	29,884,605	1,785,188
Net change	(1,592,065)	(1,166,850)	792,596	\$ 243,840	\$ 548,756	1,959,446
Cash balance, beginning of year	801,564	801,564	801,564			-
Cash repaid from other funds	-	-	1,706,481			1,706,481
Cash advanced to other funds	-	-	(2,261,199)			(2,261,199)
Cash balance, end of year	\$ (790,501)	\$ (365,286)	\$ 1,039,442			\$ 1,404,728

Explanation of Differences:

Change in prepaid expenses	\$ (700)
Change in accounts payable	(243,140)
	<u>\$ (243,840)</u>

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

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
PUPIL TRANSPORTATION FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual on Budgetary Basis</u>	<u>Budget to GAAP Differences</u>	<u>Actual on GAAP Basis</u>	<u>Budgetary Basis Variance With Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>				
Revenues:						
Intergovernmental:						
State	\$ 1,393,890	\$ 1,502,148	\$ 1,502,148	\$ -	\$ 1,502,148	\$ -
Expenditures:						
Current:						
Support services:						
Student transportation	<u>1,393,890</u>	<u>1,502,148</u>	<u>1,502,148</u>	<u>(134)</u>	<u>1,502,282</u>	<u>-</u>
Net change	-	-	-	<u>\$ (134)</u>	<u>\$ (134)</u>	-
Cash balance, beginning of year	-	-	-			-
Cash repaid from other funds	<u>-</u>	<u>-</u>	<u>20,333</u>			<u>(20,333)</u>
Cash balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,333</u>			<u>\$ (20,333)</u>
Explanation of Differences:						
Change in receivables				<u>\$ (134)</u>		

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

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
INSTRUCTIONAL MATERIALS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance With Final Budget Over (Under)
	Original	Final				
Revenues:						
Intergovernmental:						
State	\$ 160,841	\$ 160,841	\$ 113,548	\$ -	\$ 113,548	\$ (47,293)
Expenditures:						
Current:						
Instruction	160,841	160,841	129,082	(86)	128,996	31,759
Net change	-	-	(15,534)	<u>(86)</u>	<u>(15,448)</u>	(15,534)
Cash balance, beginning of year	64,284	64,284	64,284			-
Cash repaid from other funds	-	-	7,000			7,000
Cash balance, end of year	<u>\$ 64,284</u>	<u>\$ 64,284</u>	<u>\$ 55,750</u>			<u>\$ (8,534)</u>

Explanation of Differences:
Change in accounts payable

\$ (86)

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

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
TITLE I IASA FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance With Final Budget Over (Under)
	Original	Final				
Revenues:						
Intergovernmental:						
Federal	\$ 1,710,393	\$ 2,218,795	\$ 1,400,575	\$ 120,854	\$ 1,521,429	\$ (818,220)
Expenditures:						
Current:						
Instruction	1,035,168	1,785,168	1,373,290	(66,120)	1,307,170	411,878
Support services:						
Students	590,139	326,541	144,132	(1,512)	142,620	182,409
General administration	75,086	97,086	66,858	(701)	66,157	30,228
School administration	-	-	5,540	(58)	5,482	(5,540)
Operations of plant	10,000	10,000	-	-	-	10,000
Total expenditures	1,710,393	2,218,795	1,589,820	(68,391)	1,521,429	628,975
Net change	-	-	(189,245)	\$ 52,463	\$ -	(189,245)
Cash balance, beginning of year	-	-	-			-
Cash advanced from other funds	-	-	189,245			189,245
Cash balance, end of year	\$ -	\$ -	\$ -			\$ -
Explanation of Differences:						
Change in receivables				\$ 120,854		
Change in accounts payable				(68,391)		
				\$ 52,463		

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

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
ENTITLEMENT IDEA-B FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance With Final Budget Over (Under)
	Original	Final				
Revenues:						
Intergovernmental:						
Federal	\$ 899,124	\$ 1,494,785	\$ 793,665	\$ 101,093	\$ 894,758	\$ (701,120)
Expenditures:						
Current:						
Instruction	455,509	775,789	558,389	(4,491)	553,898	217,400
Support services:						
Students	366,129	476,129	173,481	3,647	177,128	302,648
Instruction	8,000	71,600	52,988	(426)	52,562	18,612
General administration	64,491	60,472	37,996	(306)	37,690	22,476
School administration	1,995	1,995	-	-	-	1,995
Central services	-	-	-	(15)	(15)	-
Operations of plant	1,000	6,000	1,919	-	1,919	4,081
Student transportation	2,000	102,800	69,985	-	69,422	32,815
Total expenditures	<u>899,124</u>	<u>1,494,785</u>	<u>894,758</u>	<u>(1,591)</u>	<u>892,604</u>	<u>600,027</u>
Net change	-	-	(101,093)	<u>\$ 99,502</u>	<u>\$ 2,154</u>	(101,093)
Cash balance, beginning of year	-	-	-			-
Cash advanced from other funds	-	-	101,093			101,093
Cash balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>			<u>\$ -</u>
Explanation of Differences:						
Change in receivables				\$ 101,093		
Change in accounts payable				(1,591)		
				<u>\$ 99,502</u>		

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

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
21ST CENTURY FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance With Final Budget Over (Under)
	Original	Final				
Revenues:						
Intergovernmental:						
Federal	\$ -	\$ 873,107	\$ 900,551	\$ (77,391)	\$ 823,160	\$ 27,444
Expenditures:						
Current:						
Instruction	-	707,260	687,540	-	687,540	19,720
Support services:						
Instruction	-	402	-	-	-	402
General administration	-	36,716	34,617	-	34,617	2,099
School administration	-	120,171	93,403	-	93,403	26,768
Central services	-	7,858	7,600	-	7,600	258
Operation services:						
Community	-	700	-	-	-	700
Total expenditures	-	873,107	823,160	-	823,160	49,947
Net change	-	-	77,391	<u>\$ (77,391)</u>	<u>\$ -</u>	77,391
Cash balance, beginning of year	-	-	-			-
Cash repaid to other funds	-	-	(77,391)			(77,391)
Cash balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>			<u>\$ -</u>
Explanation of Differences:						
Change in receivables				<u>\$ (77,391)</u>		

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

FIDUCIARY FINANCIAL STATEMENT

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2018

	<u>Agency Fund</u>
Assets:	
Cash	<u>\$ 648,847</u>
Liabilities:	
Deposits held for others	<u>\$ 648,847</u>

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

NOTES TO THE FINANCIAL STATEMENTS

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Española Public School District (District) was created under the provision of Chapter 22 Article 5, Paragraph 4, New Mexico State Statutes 1978 to provide public education for the children within the District. The school board is authorized to establish policies and regulations for its own government consistent with the laws of the state of New Mexico and the regulations of the state board of education, and the legislative finance committee. The board selects a superintendent who administers the District.

The 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 the District's management, who is responsible for their integrity and objectivity. 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 Standard Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements have incorporated all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) statements and interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on accounting procedures that do not conflict with or contradict GASB pronouncements. The more significant of the District's accounting policies are described below.

A. Reporting Entity

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statements No. 61. Blended component units, although legally separate entities, are in substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The basic-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 criterion 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. Based upon the application of these criteria, the District has no component unit and is not a component unit of another government agency.

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) 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 students 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 statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions*. Property taxes are recognized as revenues in the year for which the taxes are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 sixty days of the end of the current fiscal period.

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting

C. and Financial Statement Presentation (continued)

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 and interest associated with the current fiscal period are all considered to be susceptible to accrual and 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.

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

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

Under the requirements of GASB Statement No. 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 may include funds that were not required to be presented as major but were at the discretion of management:

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting

C. and Financial Statement Presentation (continued)

Major Funds

The *operational fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are provided by District school tax levy, state equalization and earnings from investments. Expenditures include all costs associated with the daily operations of the schools except for those items included in other funds.

The *transportation fund* is used to account for the state equalization, received from the Public Education Department (PED), which is used to pay for the costs associated with transporting school age children. This is considered by PED to be a sub-fund of the general fund.

The *instructional materials fund* is used to account for the monies received from the Public Education Department (PED) 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 *Title I IASA fund* is used to account for the objectives to provide supplemental educational opportunity for academically disadvantaged children in the area of residing. Campuses are identified for program participation by the percentage of students on free or reduced price lunches. Any school with a free and reduced price lunch percentage that is equal to or greater than the total district percentage becomes eligible for program participation. Any student whose test scores fall below District established criteria and who is attending a Title I campus is eligible to receive Title I services. Poverty is the criteria that identify a campus; educational need determines the students to be served. Federal revenues accounted for in this fund are allocated to the District through the New Mexico Department of Education. Authority for creation of this fund is Part A of Chapter I of Title I of Elementary and Secondary Education Act (ESEA) of 1965, as amended, Public Law 103-383.

The *Entitlement IDEA-B fund* is used 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 is 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.

The 21st Century *fund* is used to account for a program funded by a federal grant 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 twelfth grade focusing on the neighborhood and the community as a classroom. Funding is authorized by the Elementary and Secondary Education Act of 1965 (ESEA), as amended, Title IV, Part B.

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
ESPAÑOLA PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting
C. and Financial Statement Presentation (continued)

Additionally, the government reports the following fund types:

Fiduciary Funds

The *fiduciary funds* are purely custodial (assets and liabilities), and do not involve measurement of results of operations. These funds account for assets held by the District in a trustee

Agency Funds

Agency funds are used to account for assets that the government holds for others in an agency capacity. These agency funds are as follows:

The *school activity funds* account for assets held by the District as an agent for the individual schools and school organizations.

The *clearing agency fund* accounts for assets held by the District before they are remitted to other entities such as withholdings including pension, retiree health care, and others.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Program revenues included in the statement of activities derive directly from the program itself or from parties outside the District's taxpayer or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the District's general revenues.

Private-sector standards of accounting and financial reporting under FASB and AICPA guidance are now included in GASB guidance by GASB 62.

Program revenues are categorized as (a) charges for services, which include revenues collected for cafeteria fees and lost books, etc., (b) program-specific grants, which include revenues received from state and federal sources such as Title I and IDEA-B to be used as specified within each program grant agreement, and (c) program-specific capital grants and contributions, which include revenues from the state resources such as SB-9 and HB-33 funding to be used for capital projects. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and other items not properly included among program revenues.

The District reports all direct expenses by function in the statement of activities. Direct expenses are those that are clearly identifiable with a function. The District does not currently employ indirect cost allocation systems.

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting

C. and Financial Statement Presentation (continued)

Depreciation expense is specifically identified by function and is included in the direct expense of each function, except for that portion of depreciation that is identified as unallocated on the statement of activities.

Interest on long-term debt is considered an indirect expense and is reported separately on the statement of activities.

D. Assets, Liabilities and Net Position or Equity

1. Cash and 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.

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

Money market investments and participating interest-earning investment contracts that have a remaining maturity at the time of purchase of one year or less, and are held by governments other than external investment pools should be measured at amortized cost as provided in paragraph 9 of GASB No. 72. The District's demand deposits and short-term investments with original maturities of three months or less from the date of acquisition are reported at amortized cost per GASB statement No. 72. The state treasurer's investment pool operates in accordance with appropriate state laws and regulations.

2. Receivables and Payables

Interfund activity is reported as either loans or 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 expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related costs as a reimbursement. All other interfund transactions are treated as transfers.

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

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

2. Receivables and Payables (continued)

The District receives monthly income from a tax levy in Rio Arriba and Santa Fe Counties. 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 and Santa Fe county treasurers 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, and 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.

3. 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.

4. 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 material listed in the State Board of Education *state adopted instructional material* list, while fifty percent of each allocation is available for purchases directly from vendors, for which the school district receives cash drawdowns, or transfer to the fifty percent account for requisition of material from the adopted list. The school districts are allowed to carry forward unused textbook credits from year to year.

5. Inventory

Inventory is valued at lower of cost (first-in, first-out) or market. Inventory is the general and food services funds consists of expendable supplies held for consumption and related supplies. The cost is recorded as expenditure at the time individual inventory items are purchased. The reported inventories are equally offset by a fund balance reserve, which indicates that they do not constitute *available spendable resources* even though they are a component of net position.

6. 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 (amount not rounded) and an estimated useful life in excess of one year.

**STATE OF NEW MEXICO
 ESPAÑOLA PUBLIC SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

6. Capital Assets (continued)

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Pursuant to the implementation of GASB Statement No. 34, the historical cost if purchased or constructed. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets, (retroactive to 1979) are to be included as part of the governmental capital assets reported in the government-wide statements. Donated capital assets received prior to June 15, 2015, are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015, are recorded at acquisition value. Information technology equipment, including software, is being capitalized and included in furniture, fixtures, and equipment in accordance with NMAC 2.20.1.9 C (5).

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. Library books are not capitalized. 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:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	40
Land improvements	20
Furniture, fixtures, and equipment	3-10
Vehicles	10

Capital expenditures made on the District's building construction projects by the NM Public School Facilities Authority have been recorded as a revenue and expenditure in the fund financial statements, and have been included as capital assets in the District's government-wide financial statements.

7. Unearned Revenues/Noncurrent Taxes

Accounting principles generally accepted in the United States of America require that grant revenue be recognized at the time the related expense is made if the expenditure of funds is the prime factor for determining eligibility for reimbursement; therefore, amounts received and not expended in the special revenue funds are shown as unearned revenues.

Amounts receivable from the property taxes levied for the current year that are not considered to be "available" under the current financial resources measurement focus are reported as unearned revenues in the governmental fund financial statements.

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

8. Deferred Inflows/Outflows of Resources

GASB 63 amended previous guidance on unearned revenues in the government-wide financial statements to include deferred outflow of resources, which is the consumption of net assets by the government that is applicable to a future reporting period and deferred inflow of resources, which is acquisition of net assets by the government that is applicable to a future reporting period.

9. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources are reported in the government-wide statement of net position.

10. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond issuance costs are reflected as a current period expense per GASB 65.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the period the bonds are issued. 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 services expenditures.

11. 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 14.

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

Net Investment in Capital Assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

11. Net Position or Fund Equity (continued)

Restricted – 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. Enabling legislation authorizes the government to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. The restricted component consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted – All other net positions that do not meet the definition of restricted or net investment in capital assets.

The District's policy is to apply restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

12. Pensions

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

13. Postemployment Benefits Other than Pensions (OPEB)

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

14. Reclassifications

Certain amounts presented in prior year data have been reclassified in order to be consistent with the current year's presentation.

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

15. 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.

16. 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 financial statements include management's estimate of the useful lives of capital assets.

E. Revenues

1. 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 a 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 director of public school finance. The District received \$29,265,247 in state equalization guarantee distributions during the year ended June 30, 2018.

2. Tax Revenues

The District receives mill levy and ad-valorem tax revenues primarily for debt service and capital outlay purposes. Tax revenues are recognized when they are in the hands of the collecting agency. The District records only the portion of the taxes considered to be measurable and available on a modified accrual basis. The District recognized \$4,562,391 in tax revenues during the year ended June 30, 2018.

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Revenues (continued)

2. Tax Revenues (continued)

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.

Property taxes attach an enforceable lien on property as of January 1. Tax notices are sent to property owners by November 1st of each year to be paid in whole or in two installments by November 10th and April 10th of each year. Rio Arriba County and Santa Fe County collect county, city, and school taxes and distribute them to each fund once per month except in June when the taxes are distributed twice to close out the fiscal year.

3. 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 12 attending public school within the school district. The District received \$1,502,148 in transportation distributions during the year ended June 30, 2018.

4. 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's *State Adopted Instructional Material* list, while the other fifty percent of each allocation is available for purchases directly from vendors. Allocations received from the state for the year ended June 30, 2018 totaled \$113,548.

5. Public School Capital Outlay

Under the provisions of Chapter 22, Article 24, a public school capital outlay fund was created. The monies may be used only for capital expenditures deemed by the public school capital outlay council necessary for an adequate educational program, and the capital outlay expenditures are limited to the purchase, or construction of temporary or permanent classrooms.

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

- a. A critical need exist requiring action;

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Revenues (continued)

5. Public School Capital Outlay (continued)

- b. The residents of the school districts have provided all available resources to the District to meet its capital outlay requirements;
- c. The school district has used its resources in a prudent manner;
- d. The District is in a county or counties that 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
- e. 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.

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.

6. 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.

7. Public School Capital Outlay

The public school capital outlay fund was created under the provisions of Chapter 22, Article 24, NMSA 1978.

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Revenues (continued)

7. Public School Capital Outlay (continued)

The money in the fund may be used for: capital expenditures deemed by the public school capital outlay council to be necessary for an adequate education program per Section 22-24-4 (B); core administrative function of the public school facilities authority and for project management expense 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).

8. 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.

The District also receives revenues from the federal department that are unrestricted to expenditures for special purposes. These revenues are reported in the operational fund.

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.

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. Because the budget process in the state of New Mexico requires that the beginning cash balance be appropriated in the budget of the subsequent fiscal year, such appropriated balance is legally restricted and; therefore, presented as a designated portion of the fund balance.

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

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

Budgetary Information (continued)

The school district follows these procedures in establishing the budgetary data reflected in the financial statements:

- In April or May, the local school board submits to the District Budget Planning Unit (DBPU) of the New Mexico Public Education Department 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 (PED) by the District shall contain headings and details as described by law and have been approved by the Public Education Department.
- 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 that fixes the estimated budget for the school district for the ensuing fiscal year.
- The school board meeting, while not intended for the general public, is open for the general public unless a closed meeting has been called.
- 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.
- 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.
- 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.
- Budget change requests are processed in accordance with 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.
- Legal budget control for expenditures is by function.
- Appropriations lapse at fiscal year end. Funds unused during the fiscal year may be carried over into the next fiscal year by budgeting those in the subsequent fiscal year's budget. The budget of the District has been amended during the current fiscal year in accordance with these procedures. The budget schedules included in the accompanying financial statements reflect the approved budget and amendment thereto.
- 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 fund.

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

Budgetary Information (continued)

- Budgets for the general, special revenue, capital projects, and debt service funds are adopted on a basis not consistent with generally accepted accounting principles (GAAP). Encumbrances are treated the same way for GAAP purposes and for budget purposes.

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 Administrative Code 6.2.2.9 prohibits the District from exceeding budgetary control at the function level.

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.

The District is required to balance its budgets each year. Accordingly, amounts in excess or deficient are presented as changes in cash designated for expenditures, not as an excess or deficiency of revenues over expenditures.

3. CASH AND TEMPORARY INVESTMENTS

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 U.S. 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 collateral deposited as security or by bond given by the financial institution.

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 U.S. treasury bills of the same maturity on the day of deposit.

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

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

3. CASH AND TEMPORARY INVESTMENTS (continued)

The collateral pledged is listed as supporting schedules within this report. 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 (FDIC), 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.

Primary Government

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 District 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, \$10,509,010 of the District’s deposits of \$10,764,411 was exposed to custodial credit risk. As of June 30, 2018, the carrying amount of these deposits was \$8,129,769.

New Mexico 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 at least one half of the amount on deposit with the institution. 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.

	Century Bank	Wells Fargo Bank
Total amounts of deposits	\$ 10,759,010	\$ 5,401
Less FDIC coverage	(250,000)	(5,401)
Uninsured public funds	10,509,010	-
Pledged collateral held by pledging bank’s agent, but not in the District’s name	(7,407,502)	-
Uninsured and uncollateralized funds	\$ 3,101,508	\$ -
Total pledged collateral	\$ 7,407,502	\$ -
50% pledged collateral requirement per State Statute	5,254,505	-
Pledged collateral over (under) the requirement	\$ 2,152,997	\$ -

**STATE OF NEW MEXICO
 ESPAÑOLA PUBLIC SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2018**

3. CASH AND TEMPORARY INVESTMENTS (continued)

Reconciliation of Cash

Statement of Net Position:	
Cash	\$ 8,154,047
Statement of Fiduciary Assets and Liabilities	648,847
Total cash reported on financial statements	\$ 8,802,894

At June 30, 2018, the District's reconciled bank balance reflected a total of \$8,129,769; however, the District's financial statements reflected a cash balance of \$8,802,924, which is a variance of \$673,155.

4. INVENTORY

Inventory is valued at the lower of cost (first-in, first-out) or market. Inventory consists of expendable supplies held for consumption. The cost is recorded as expenditure at the time individual inventory items are purchased. The reported inventories are equally offset by a fund balance reserve that indicates that they do not constitute available spendable resources even though they are a component of net current assets.

Inventories at June 30, 2018, consisted of the following:

Operational Fund	\$ 62,348
Food Service Fund	23,216
	\$ 85,564

5. RECEIVABLES

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

	General Fund	Title I IASA Fund	Entitlement IDEA-B Fund	21st Century Fund	Debt Service Fund	Non-Major Funds	Total
Property taxes	\$ 9,508	\$ -	\$ -	\$ -	\$ 282,749	\$ 42,465	\$ 334,722
Intergovernmental	-	611,506	373,537	389,877	-	865,516	2,240,436
Total receivables	\$ 9,508	\$ 611,506	\$ 373,537	\$ 389,877	\$ 282,749	\$ 907,981	\$ 2,575,158

The above receivables are deemed 100% collectible. In accordance with GASB statement no. 33, property tax receivables should be presented net of unearned revenues on the governmental fund financial statements.

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

6. INTERFUND RECEIVABLES, PAYABLE, AND TRANSFERS

The District records temporary interfund receivable and payables to enable the funds to operate until grant monies are received. The composition of interfund balances as of June 30, 2018, is as follows:

<u>Governmental Activities</u>	Interfund Receivables	Interfund Payables
Major Funds:	\$ -	\$ -
General Fund	2,261,199	-
Title I IASA Fund	-	609,867
Entitlement IDEA-B Fund	-	359,317
21st Century Fund	-	389,877
Non-Major Funds	-	902,138
Total	\$ 2,261,199	\$ 2,261,199

All interfund balances are to be paid within one year.

7. CAPITAL ASSETS

A summary of capital assets and changes occurring during the year ended June 30, 2018, as follows. Land and construction in progress are not subject to depreciation.

	Balance 06/30/17	Adjustments	Additions	Deletions	Balance 06/30/18
Capital assets, not being depreciated:					
Land	\$ 4,861,879	\$ -	\$ -	\$ -	\$ 4,861,879
Construction in progress	767,581	(767,581)	-	-	-
Total capital assets, not being depreciated	5,629,460	(767,581)	-	-	4,861,879
Capital assets, being depreciated:					
Land improvements	7,335,919	-	344,175	-	7,680,094
Buildings and building improvements	132,751,088	767,581	1,961,193	(1,336,287)	134,143,575
Equipment and vehicles	5,007,727	-	316,873	-	5,324,600
Total capital assets, being depreciated	145,094,734	767,581	2,622,241	(1,336,287)	147,148,269
Less accumulated depreciation for:					
Land and land improvements	(2,497,687)	19,031	(432,705)	-	(2,911,361)
Buildings and building improvements	(78,541,922)	8,040	(2,491,237)	1,336,287	(79,688,832)
Equipment and vehicles	(3,725,135)	(17,414)	(299,011)	-	(4,041,560)
Total accumulated depreciation	(84,764,744)	9,657	(3,222,953)	1,336,287	(86,641,753)
Total capital assets, being depreciated, net	60,329,990	777,238	(600,712)	-	60,506,516
Total capital assets, net	\$ 65,959,450	\$ 9,657	\$ (600,712)	\$ -	\$ 65,368,395

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

7. CAPITAL ASSETS (continued)

Española Public School District – Depreciation expense for the year ended June 30, 2018, in the amount of \$3,222,953 was charged to the following functions:

Instruction	\$	46,457
Support services - students		3,759
Support services - instruction		3,926
Support services - general administration		1,036
Operation of plant		3,034,225
Student transportation		129,907
Operation services - food		3,643
		\$ 3,222,953

8. 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 06/30/17	Additions	Deletions	Balance 06/30/18	Amounts Due Within One Year
Bonds payable	\$ 26,450,000	\$ -	\$ (3,200,000)	\$ 23,250,000	\$ 2,250,000
Compensated absences	319,424	226,307	(237,101)	308,630	111,006
Total	\$ 26,769,424	\$ 226,307	\$ (3,437,101)	\$ 23,558,630	\$ 2,361,006

General Obligation Bond

The District had the following general obligation bond series outstanding during the fiscal year ending June 30, 2018:

Series	Maturity Date	Original Amount	Interest Rate	Balance
2011A	9/1/2024	9,900,000	3-3.25%	\$ 9,585,000
2013	3/1/2028	9,800,000	2-2.25%	7,915,000
2014	3/1/2028	8,300,000	2.86%	5,750,000
				\$ 23,250,000

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

8. LONG-TERM DEBT (continued)

The annual requirements to amortize all bonds as of June 30, 2018, including interest payments, are as follows:

	Principal	Interest	Total
2019	\$ 2,250,000	\$ 592,774	\$ 2,842,774
2020	2,310,000	530,002	2,840,002
2021	2,375,000	465,526	2,840,526
2022	2,445,000	399,153	2,844,153
2023	2,515,000	329,048	2,844,048
2024-2028	11,355,000	606,582	11,961,582
	\$ 23,250,000	\$ 2,923,085	\$ 26,173,085

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

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 decreased \$10,794 over the prior year accrual.

Operating Leases

The District leases office equipment under short-term cancelable operating leases. Rental cost for the year ended June 30, 2018, was \$124,493.

9. RISK MANAGEMENT

The District is a member of the New Mexico Public Schools Insurance Authority (NMPSIA). The Authority was created to provide comprehensive core insurance programs by expanding the pool of subscribers to maximize cost containment opportunities for required insurance coverage. The District pays an annual premium to the NMPSIA based on claim experience and the status of the pool. The Risk Management Program includes workers compensation, general and automobile liability, automobile physical damage, and property and crime coverage. Also included under the risk management program are boiler, machinery and student accident insurance.

The NMPSIA provides coverage for up to a maximum of \$750,000,000 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.

**STATE OF NEW MEXICO
 ESPAÑOLA PUBLIC SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2018**

9. RISK MANAGEMENT (continued)

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.

10. OTHER REQUESTED INDIVIDUAL FUND DISCLOSURES

Excess of expenditures over appropriations by fund and function. The following fund exceeded approved budgetary authority for the year ended June 30, 2018:

Fund	Function	Total
Major Funds:		
Operational	School administration	\$ 655
	Operations of plant	57,403
	Other student services	99,843
	Food	1,737
Title I IASA	School administration	5,540
Non-Major Funds:		
Teacher/Principal Training & Recruiting	Students	11,213
Title XIX Medicaid 3 to 21 Years	Instruction	185
	School administration	309
Ed. Technology Equipment Act	Capital outlay	9,142
Educational Technology Fund	General administration	57

11. PENSION PLAN – EDUCATION RETIREMENT BOARD (ERB)

General Information about the Pension Plan

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

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

The Plan is a pension trust fund of the state of New Mexico. The ERA assigns the authority to establish and amend benefit provisions to a seven-member board of trustees (Board); the state legislature has the authority to set or amend contribution rates and other terms of the Plan. NMERB is self-funded through investment income and educational employer contributions.

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

11. RETIREMENT PLAN - EDUCATIONAL RETIREMENT BOARD (continued)

General Information about the Pension Plan (continued)

Plan Description (continued) – The Plan does not receive general fund appropriations from the state of New Mexico. All accumulated assets are held by the Plan in trust to pay benefits, including refunds of contributions as defined in the terms of the Plan. Eligibility for membership in the Plan is a condition of employment, as defined Section 22-11-2, NMSA 1978. Employees of public schools, universities, colleges, junior colleges, technical-vocational institutions, state special schools, charter schools, and state agencies providing an educational program, who are employed more than 25% of a full-time equivalency, are required to be members of the Plan, unless specifically excluded.

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

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

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

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

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

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

- the member's minimum age is 55, and has earned 30 or more years of service credit. Those who retire earlier than age 55, but with 30 years of earned service credit will have a reduction in benefits to the actuarial equivalent of retiring at age 55.
- the member's minimum age and earned service credit add up to the sum of 80 or more. Those who retire under the age of 65, and who have fewer than 30 years of earned service credit will receive reduced retirement benefits.

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

11. RETIREMENT PLAN - EDUCATIONAL RETIREMENT BOARD (continued)

General Information about the Pension Plan (continued)

Summary of Plan Provisions for Retirement Eligibility (continued) –

- the member's age is 67, and has earned 5 or more years of service credit.

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

Benefit Options – The Plan has three benefit options available:

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

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

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

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

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

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

**STATE OF NEW MEXICO
 ESPAÑOLA PUBLIC SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2018**

11. RETIREMENT PLAN - EDUCATIONAL RETIREMENT BOARD (continued)

General Information about the Pension Plan (continued)

Cost of Living Adjustment (COLA) (continued) –

- Tier 2 membership is comprised of employees who became members after July 1, 2010, but prior to July 1, 2013.
- Tier 3 membership is comprised of employees who became members on or after July 1, 2013.

As of July 1, 2013, for current and future retirees the COLA 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 1.5%. Once the funding is greater than 90%, the COLA reductions will decrease. The retirees with benefits at or below the median and with 25 or more years of service credit will have a 5% COLA reduction; their average COLA will be 1.7%.

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

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

Contributions - For the fiscal year ended June 30, 2018 and 2017, educational employers contributed to the Plan based on the following rate schedule:

Fiscal Year	Date Range	Wage Category	Member Rate	Employer Rate	Combined Rate	Increase Over Prior Year
2018	7-1-17 to 6-30-18	Over \$20K	10.70%	13.90%	24.60%	0.00%
2018	7-1-17 to 6-30-18	\$20K or less	7.90%	13.90%	21.80%	0.00%
2017	7-1-16 to 6-30-17	Over \$20K	10.70%	13.90%	24.60%	0.00%
2017	7-1-16 to 6-30-17	\$20K or less	7.90%	13.90%	21.80%	0.00%

The contribution requirements are established in state statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the New Mexico Legislature. For the fiscal years ended June 30, 2018 and 2017, the District paid employee and employer contributions of \$2,749,691 and \$2,074,464, which equal the amount of the required contributions for each fiscal year.

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

11. RETIREMENT PLAN - EDUCATIONAL RETIREMENT BOARD (continued)

General Information about the Pension Plan (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2018, the District reported a liability of \$77,198,596 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2017, using generally accepted actuarial principles. The roll-forward incorporates the impact of the new assumptions adopted by the Board on April 21, 2017. There were no other significant events of changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2017. Therefore, the employer's portion was established as of the measurement date of June 30, 2017.

The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating educational institutions, actuarially determined. At June 30, 2017, the District's proportion was 0.69464%, which was an increase of 0.01304% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$11,350,423. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 138,579	\$ 1,189,317
Change of assumptions	22,535,787	-
Net difference between projected and actual earnings on pension plan investments	-	10,590
Changes in proportion and differences between contributions and proportionate share of contributions	639,967	717,730
Employer contributions subsequent to the measurement date	<u>2,826,463</u>	<u>-</u>
Total	<u>\$ 26,140,796</u>	<u>\$ 1,917,637</u>

\$2,826,463 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 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:

**STATE OF NEW MEXICO
 ESPAÑOLA PUBLIC SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2018**

11. RETIREMENT PLAN - EDUCATIONAL RETIREMENT BOARD (continued)

General Information about the Pension Plan (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued) –

Year ended June 30:

2018	\$ 7,839,876
2019	8,792,520
2020	5,399,971
2021	(635,672)
2022	-
Thereafter	-

Actuarial Assumptions – The total pension liability in the June 30, 2017 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%										
Salary increases	3.25% composed of 2.50% inflation, plus a 0.755 productivity increase rate, plus a step-rate promotional increase for members with less than 10 years of service.										
Investment rate of return	7.25% compounded annually, net of expenses. This is made up of a 2.50% inflation rate and a 4.75% real rate of return.										
Average of Expected Remaining Service Lives	<table border="0" style="margin-left: 20px;"> <tr> <td style="text-align: right;">Fiscal Year</td> <td style="text-align: center;"><u>2017</u></td> <td style="text-align: center;"><u>2016</u></td> <td style="text-align: center;"><u>2015</u></td> <td style="text-align: center;"><u>2014</u></td> </tr> <tr> <td style="text-align: right;">Service life in years</td> <td style="text-align: center;">3.35</td> <td style="text-align: center;">3.77</td> <td style="text-align: center;">3.92</td> <td style="text-align: center;">3.88</td> </tr> </table>	Fiscal Year	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	Service life in years	3.35	3.77	3.92	3.88
Fiscal Year	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>							
Service life in years	3.35	3.77	3.92	3.88							
Mortality	<p>Healthy males : Based on RP-2000 Combined Mortality Table with White Collar adjustments, not set back. Generational mortality improvements with Scale BB from the table's base year of 2000.</p> <p>Healthy females : Based on GRS Southwest Region Teacher Mortality Table, set back one year. Generational mortality improvements in accordance with Scale BB from the table's base year of 2012.</p> <p>Disabled males : RP-2000 Disabled Mortality Table for males, set back three years, projected to 2016 with Scale BB.</p> <p>Disabled females : RP-2000 Disabled Mortality Table for females, no set back, projected to 2016 with Scale BB.</p> <p>Active members : RP-2000 Employee Mortality Tables, with males set back two years and scaled at 80%, and females set back five years and scaled at 70%. Static mortality improvement from the table's base year of 2000 to the year 2016 in accordance with Scale BB. No future improvement was assumed for pre-retirement mortality.</p>										
Retirement Age	Experience-based table rates based on age and service, adopted by the Board on June 12, 2015, in conjunction with the six-year experience study for the period ended June 30, 2014.										
Cost-of-living increases	1.90% per year, compounded annually.										
Payroll growth	3.00% per year (with no allowance for membership growth).										

**STATE OF NEW MEXICO
 ESPAÑOLA PUBLIC SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2018**

11. RETIREMENT PLAN - EDUCATIONAL RETIREMENT BOARD (continued)

General Information about the Pension Plan (continued)

Actuarial Assumptions (continued) –

Contribution accumulation	The accumulated member account balance with interest is estimated at the valuation date by assuming that member contributions increased 5.50% per year for all years prior to the valuation date. Contributions are credited with 4.00% interest, compounded annually, applicable to the account balances in the past as well as the future.
Disability incidence	Approved rates applied to eligible members with at least 10 years of service.

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

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

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

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Equities	33%	
Fixed income	26%	
Alternatives	40%	
Cash	1%	
Total	100%	7.25%

Discount Rate - A single discount rate of 5.90% was used to measure the total pension liability as of June 30, 2017. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.25%, and a municipal bond rate of 3.56%, net of expense. 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.

**STATE OF NEW MEXICO
 ESPAÑOLA PUBLIC SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2018**

11. RETIREMENT PLAN - EDUCATIONAL RETIREMENT BOARD (continued)

General Information about the Pension Plan (continued)

Discount Rate (continued) – The projection of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made to the current statutory levels.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following 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 4.90%	Current Discount Rate 5.90%	1% Increase 6.90%
District's proportionate share of the net pension liability	\$ 100,493,374	\$ 77,198,596	\$ 58,157,010

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued NMERB's financial reports. The reports can be found on NMERB's website at https://www.nmerb.org/Annual_reports.html.

12. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Plan Description – Employees of the District are provided with OPEB through the Retiree Health Care Fund (Fund) – a cost-sharing multiple-employer defined benefit OPEB plan administered by the New Mexico Retiree Health Care Authority (NMRHCA). NMRHCA was formed February 13, 1990, under the New Mexico Retiree Health Care Act (Act) of New Mexico Statutes Annotated, as amended (NMSA 1978), to administer the Fund under Section 10-7C-1-19 NMSA 1978. The Fund was created to provide comprehensive group health insurance coverage for individuals (and their spouses, dependents and surviving spouses) who have retired or will retire from public service in New Mexico. NMRHCA is an independent agency of the state of New Mexico. The funds administered by NMRHCA are considered part to the state of New Mexico financial reporting entity and are OPEB trust funds of the state of New Mexico. NMRHCA's financial information is included with the financial presentation of the state of New Mexico.

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
ESPAÑOLA PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

12. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

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

Plan Membership:	
Current retirees and surviving spouses	51,208
Inactive and eligible for deferred benefit	11,478
Current active members	97,349
	<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	48,756
	<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 \$401,500 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 \$16,406,469 for its proportionate share of the 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 30, 2017. At June 30, 2017, the District’s proportion was 0.36204 percent.

For the year ended June 30, 2018, the District recognized OPEB expense of \$652,268. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

**STATE OF NEW MEXICO
 ESPAÑOLA PUBLIC SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2018**

12. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued) –

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 629,593
Changes of assumptions	-	2,868,462
Differences between actual and projected earnings on OPEB plan investments	-	236,018
Contributions made after the measurement date	401,500	-
	\$ 401,500	\$ 3,734,073

Deferred outflows of resources totaling \$401,500 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ended June 30:	
2019	\$ (793,890)
2020	(793,890)
2021	(793,890)
2022	(793,890)
2023	(558,513)
	\$ (3,734,073)

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

Valuation date	June 30, 2017
Actuarial cost method	Entry age normal, level percent of pay, calculated on individual employee basis
Asset valuation method	Market value of assets
Actuarial assumptions:	
Inflation	2.50% for ERB; 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
Healthcare 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

**STATE OF NEW MEXICO
 ESPAÑOLA PUBLIC SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2018**

12. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

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

Asset Class	Long-Term Rate of Return
U.S. core fixed income	4.1%
U.S. equity - large cap	9.10%
Non U.S. - emerging markets	12.2%
Non U.S. - developed equities	9.8%
Private equity	13.8%
Credit and structured finance	7.3%
Real estate	6.9%
Absolute return	6.1%
U.S. equity - small/mid cap	9.1%

Discount Rate – The discount rate used to measure the Fund’s total OPEB liability is 3.81% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the Fund’s fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2028. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2029. Beyond 2029, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Thus, 3.81% is the blended discount rate.

Sensitivity of the Net 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:

1% Decrease (2.81%)	Current Discount (3.81%)	1% Increase (4.81%)
\$ 19,900,791	\$ 16,406,469	\$ 13,664,859

STATE OF NEW MEXICO
 ESPAÑOLA PUBLIC SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2018

12. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates (continued) –

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

1% Decrease	Current Trend Rates	1% Increase
\$ 13,954,832	\$ 16,406,469	\$ 18,318,140

OPEB Plan Fiduciary Net Position – Detailed information about the OPEB plan's fiduciary net position is available in NMRHCA's audited financial statements for the year ended June 30, 2017.

Payable Changes in the Net OPEB Liability – At June 30, 2018, the District reported all outstanding contributions due to NMRHCA for the year ended June 30, 2018 have been paid.

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 that may be disallowed by the grantor cannot be determined at this time, although the District 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.

14. 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.

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

14. GOVERNMENTAL FUND BALANCE (continued)

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

Non-spendable – 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.

Fund balances at June 30, 2018 are as follows:

	Operational Fund	Pupil Transportation Fund	Instructional Materials Fund	Entitlement IDEA-B Fund	Debt Service Fund	Other Governmental Funds	Total
Fund Balances							
Nonspendable:							
Inventory	\$ 62,348	\$ -	\$ -	\$ -	\$ -	\$ 23,216	\$ 85,564
Restricted for:							
Transportation	-	20,333	-	-	-	-	20,333
Instructional materials	-	-	55,750	-	-	-	55,750
Special revenue	-	-	-	9,178	-	2,078,517	2,087,695
Capital projects	-	-	-	-	-	659,849	659,849
Debt service	-	-	-	-	3,285,789	387,845	3,673,634
Unassigned	2,872,040	-	-	-	-	-	2,872,040
Total fund balances	<u>\$ 2,934,388</u>	<u>\$ 20,333</u>	<u>\$ 55,750</u>	<u>\$ 9,178</u>	<u>\$ 3,285,789</u>	<u>\$ 3,149,427</u>	<u>\$ 9,454,865</u>

**STATE OF NEW MEXICO
 ESPAÑOLA PUBLIC SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2018**

15. RESTATEMENT OF NET POSITION

During the fiscal year ended June 30, 2018, the District determined that changes to the beginning of year net position and fund balances were necessary. A description and the effect of the changes are as follows:

	<u>Government- Wide</u>		<u>Individual Funds</u>
	<u>Governmental Activities</u>		
Government-Wide Financial Statements			
Implementation of GASB 75.	\$ 19,488,276		
Capital assets were overstated.	(9,657)		
<i>Non-Major Funds (Special Revenue Funds)</i>			
Alcohol Abuse Reduction Fund			
The intergovernmental receivables were overstated as previously reported.	22,358	\$	<u>22,358</u>
Dual Credit Instructional Materials Fund			
The fund balance was overstated as previous reported.	(9,254)	\$	<u>(9,254)</u>
2008 GO Bond Student Library Fund			
Interfund payables were overstated as previously reported.	(2,074)	\$	<u>(2,074)</u>
2012 GO Bond Student Library SB-66			
The deferred revenues were overstated as previously reported.	(37,618)		
Interfund payables were overstated as previously reported.	(24)		
	<u>(37,642)</u>	\$	<u>(37,642)</u>
NM Reads to Lead K-3 Fund			
The deferred revenues were overstated as previously reported.	(79,520)	\$	<u>(79,520)</u>
Truancy Initiative Fund			
The deferred revenues were overstated as previously reported.	(34,152)		
Interfund payables were overstated as previously reported.	(92,052)		
	<u>(126,204)</u>	\$	<u>(126,204)</u>
Libraries GO Bonds Law of 2004 Fund			
Interfund payables were overstated as previously reported.	(196)	\$	<u>(196)</u>
Pre-K Initiative Fund			
The deferred revenues were overstated as previously reported.	(159,954)		
Interfund payables were overstated as previously reported.	(155,663)		
	<u>(315,617)</u>	\$	<u>(315,617)</u>
Beginning Teacher Mentoring Fund			
The fund balance was understated as previous reported.	6,756	\$	<u>6,756</u>
Summer Enrichment Fund			
Interfund payables were overstated as previously reported.	(7,238)	\$	<u>(7,238)</u>
Kindergarten Three Plus Fund			
Interfund payables were overstated as previously reported.	7,862	\$	<u>7,862</u>
2013-2014 Bus Purchase Fund			
The deferred revenues were overstated as previously reported.	(93,554)	\$	<u>(93,554)</u>
NM Grown Fresh Fruits & Vegetables Fund			
Interfund payables were overstated as previously reported.	(245)	\$	<u>(245)</u>
Teachers Hard to Staff Fund			
The deferred revenues were overstated as previously reported.	(24,767)	\$	<u>(24,767)</u>

**STATE OF NEW MEXICO
 ESPAÑOLA PUBLIC SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2018**

15. RESTATEMENT OF NET POSITION (continued)

	Government- Wide		Individual Funds
	Governmental Activities		
<i>Non-Major Funds (Capital Project Funds)</i>			
Public School Capital Outlay Fund			
Interfund payables were overstated as previously reported.	(19,456)	\$	(19,456)
			(19,456)
Special Capital Outlay State Fund			
Interfund payables were overstated as previously reported.	(70,417)	\$	(70,417)
			(70,417)
SB-9 Local Fund			
Interfund payables were overstated as previously reported.	(184,900)	\$	(184,900)
			(184,900)
Ed. Tech. Bond Series Sept. 2007 Fund			
Interfund payables were overstated as previously reported.	(399,853)	\$	(399,853)
	(399,853)		(399,853)
Total Government-Wide Financial Statements	\$ 18,144,658		

16. TAX ABATEMENT

Tax abatement agreements are reductions in tax revenues that result from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promise to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments. Presently, the Española Public School District has no tax abatement agreements.

SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
NONMAJOR GOVERNMENTAL FUNDS DESCRIPTION
JUNE 30, 2018

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 Services – To account for the cost of operating a student food program and is financed with federal grants and fees paid by program users.

Athletics - 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.

Activity Transportation – To account for budgeted revenues and expenditures that relate to student activities other than athletics.

Preschool IDEA-B – 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.

TITLE II IASA (Math/Science) – IDEA grant requires each state to ensure that a free appropriate public education (FAPE) is available to all eligible children with disabilities to provide benefits available to, children with disabilities who are enrolled by their parents in private schools, including religious schools, when the provision of FAPE is not at issue. In IDEA, these children are often referred to as “parentally placed private school children” with disabilities, and the benefits available to them differ from the benefits for children with disabilities in public schools.

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

English Language Acquisition – To provide funds to improve the educational performance of limited English proficient students by assisting the children to learn English and meet state academic content standards.

Teacher/Principal Training and Recruiting – 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.

Safe and Drug Free Schools and Community – To establish a local program of alcohol and drug abuse education and prevention coordinated with related community efforts and resources.

Rural and Low Income Schools – To account for a grant with the purpose of providing financial assistance to rural districts to carry out activities to help improve the quality of teaching and learning in their schools. Authorized by Elementary and Secondary Education Act of 1965 (ESEA), Title VI, Part B, as amended.

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
NONMAJOR GOVERNMENTAL FUNDS DESCRIPTION
JUNE 30, 2018

SPECIAL REVENUE FUNDS (continued)

Carl D. Perkins – The objective of this grant is to provide secondary educational institutions the opportunity to develop, implement, and operate programs using different models of curricula that integrate vocational and academic learning. Funds are acquired from federal sources through the New Mexico Department of Education. Authority for creation of this fund is Carl D. Perkins Vocational and Applied Technology Education Act of 1990, as amended, Public Law 105-332.

Carl D. Perkins Secondary PY Obligation – The secondary prior year obligation portion of Carl D. Perkins funds. The objective is to provide secondary education institutions the opportunity to develop, implement, and operate programs using different models of curricula that integrate vocation and academic learning. The purpose of Perkins is to provide individuals with the academic and technical skills needed to succeed in a knowledge and skills based economy. Perkins supports career and technical education that prepares its students both for post-secondary education and the careers of their choice.

Carl D. Perkins Secondary – Redistribution – The redistribution unused portion of Carl D. Perkins funds. The objective is to provide secondary education institutions the opportunity to develop, implement, and operate programs using different models of curricula that integrate vocation and academic learning. The purpose of Perkins is to provide individuals with the academic and technical skills needed to succeed in a knowledge and skills based economy. Perkins supports career and technical education that prepares its students both for post-secondary education and the careers of their choice.

Title I Federal Stimulus – To provide supplemental educational opportunity for academically disadvantaged children in the area of residing. Campuses are identified for program participation by the percentage of students on free or reduced price lunches. Any school with a free and reduced price lunch percentage that is equal to or greater than the total district percentage becomes eligible for program participation. Any student whose test scores fall below District established criteria and who is attending a Title I campus, is eligible to receive Title I services. Poverty is the criteria that identify a campus; educational need determines the students to be served. Federal revenues accounted for in this fund are allocated to the District through the New Mexico Department of Education. Authority for creation of this fund is a Part A of Chapter I of Title I of Elementary and Secondary Education Act (ESEA) of 1965, as amended, Public Law 103-383.

ARRA IDEA-B – To account for a program funded by a federal grant to assist the school in providing free appropriate public education to all handicapped children. Funding authorized by the American Recovery and Reinvestment Act of 2009. The fund was created by the authority of federal grant provisions.

ARRA IDEA-B Preschool – The American Recovery and Reinvestment Act of 2009 (ARRA), Public Law 111-5, appropriates significant new funding for programs under Parts B and C of the Individuals with Disabilities Education Act (IDEA). Part B of the IDEA provides funds to state educational agencies (SEAs) and through them to local educational agencies (LEAs) to help them ensure that children with disabilities, including children aged three through five, have access to a free appropriate public education to meet each child's unique needs, and prepare each child for further education, employment and independent living.

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
NONMAJOR GOVERNMENTAL FUNDS DESCRIPTION
JUNE 30, 2018

SPECIAL REVENUE FUNDS (continued)

Title I – School Improvement Federal Stimulus – School Improvement Grants (SIG), authorized under section 1003(g) of Title I of the Elementary and Secondary Education Act of 1965 (Title I or ESEA), are grants, through state education agencies (SEA), to local educational agencies (LEA), for use in Title I schools identified for improvement, corrective action, or restructuring. Districts or LEAs must demonstrate the greatest need for the funds and the strongest commitment to use the funds to provide adequate resources in order to raise substantially the achievement of their students so as to enable the schools to make adequate yearly programs (AYP) and exit in needs of improvement status. School improvement grant funds are to be focused in these areas depending on the capacity of the District.

Grant to Reduce Alcohol Abuse – Includes project success specialists and community advocacy to reduce underage drinking, along with student wellness action teams and mental health services.

Impact Aid - Special Education – To account for funding of a federal program to provide financial assistance to local educational agencies (LEAs), 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.

Impact Aid – Indian Education – To account for funding of a federal program to provide financial assistance to local educational agencies (LEAs), 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.

Title XIX Medicaid 3 to 21 Years – To account for a program providing school-based screening, diagnostic services and other related health services, and administrative activities in conformance with the approved Medicaid State Plan in order to improve health and developmental outcomes for children.

Child and Adult Food Program – To account for the activities of a program to provide for healthier schools by providing a health center at the schools. Funding is from the New Mexico Department of Health.

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
NONMAJOR GOVERNMENTAL FUNDS DESCRIPTION
JUNE 30, 2018

SPECIAL REVENUE FUNDS (continued)

Indian Education Formula Grant – To account for a program funded by a federal grant to develop and carry out supplementary elementary and secondary school programs designed to meet the special educational and culturally related academic needs of Indian children, for example to: (1) improve academic performance; (2) reduce school dropout rates and improve attendance; and (3) integrate the value of cultural education into the school curriculum for Indian children. Funding authorized by Indian Education Act of 1988, Title V, Part C, Subpart 1, as amended, Public Law 100-297 and 93-638, 25 U.S.C. 2601-2606.

Enlace – UNM – The ENLACE Statewide Collaborative focuses on student access and success, family and community engagement, leadership and professional development, and policy development. We provide coaching, mentoring, and tutoring to increase retention and to promote graduation at elementary, middle, and high schools. We are also involved in a variety of student success initiatives to increase retention and to promote graduation in higher education.

LANL Foundation – Educational enrichment grant received from Los Alamos National Laboratory.

PNM Foundation, Inc. – To account for a grant received from Public Services Company of New Mexico for an educational project.

Dual Credit Instructional Materials – To purchase college textbooks for students who dual enroll in college credited courses while still attending high school.

2008 GO Bond Student Library Fund – Funds used to purchase library books and library supplies for all school sites.

2012 GO Bond Student Library SB-66 – Statute specifies that the funds are available to acquire library books, equipment and library resources for public school libraries.

NM Reads to Lead K3 – Grants to provide an overarching goal of increasing student achievement in grades K-3 to ensure that all students are proficient in reading before entering fourth grade.

Recruitment Support – To account for state resources for teacher recruitment.

Incentives for School Improvement Act – To account for monies received from the Award for High Improving Schools provided by the state of New Mexico, for the purpose of identifying special needs at awarded locations and to purchase items to improve those schools.

Truancy Initiative PED – To hire three truancy and dropout prevention coaches.

Libraries GO BONDS Laws of 2004 – Funds used to purchase library books and library supplies for all school sites.

Pre-K Initiative – To account for monies received from the state of New Mexico to be used to provide direct services to 20 four-year-old children in pre-Kindergarten programs at Mariposa Elementary and Tome Elementary.

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
NONMAJOR GOVERNMENTAL FUNDS DESCRIPTION
JUNE 30, 2018

SPECIAL REVENUE FUNDS (continued)

Beginning Teacher Mentoring Program – The objective of this program is to provide beginning teachers an effective transition into the teaching profession, retain capable teachers, improve the achievement of students, and improve the overall success of the school. Funding is provided by the New Mexico Board of Education. Authority for creation of this fund is NMSA 22-2-8-10.

Breakfast for Elementary Students – 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.

AP Expansion (Summer Enrichment) – To undertake work and activities and pedagogy that target and support the alignment and expansion of Advanced Placement Education, to improve student and teacher learning and training.

Kindergarten – Three Plus – 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.

2013-2014 Bus Purchase – The objective of this program is bus replacement for to and from school transportation for students.

NM Grown Fresh Fruits & Vegetables – Appropriations through the General Appropriations Act to distribute funding to school districts for the purchase of New Mexico fresh grown fruits and vegetables for school meal programs.

Teachers Hard to Staff – To account for funds provided by the New Mexico Public Education Department to assist with the recruitment and retention of teachers in “hard to staff” content areas.

GO Library Book Fund – The intent of these funds were to purchase school library books.

Suicide Prevention – This initiative will focus on promoting suicide prevention as a core component to healthcare services and promoting and implementing effective clinical and professional practices to assess and treat individuals at risk for suicidal behaviors.

Private Direct Grants – To account for various private direct grants allocated to the school district.

School Based Health Clinics – To account for funds administered by the Department of Health and the county of Doña Ana in support of providing primary care and mental health service on school campus.

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:

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
NONMAJOR GOVERNMENTAL FUNDS DESCRIPTION
JUNE 30, 2018

CAPITAL PROJECTS FUNDS (continued)

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:

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

Public School Capital Outlay – To account for critical capital outlay funds and other special capital outlay funds received from the state of New Mexico. The funds are restricted for the purposes outlined in the applicable legislation under which the funds were approved. This generally includes construction of new schools or improvements to existing schools.

Special Capital Outlay – Local – To account revenues that are derived from local sources such as the sale of a building.

Special Capital Outlay – State – To account for special appropriations monies received from the state of New Mexico under Chapter 4, Laws of 1996 for the purpose of upgrading the Española Public School District's facilities.

Capital Improvement SB-9 – To account for erecting, remodeling, making additional 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 1979).

Educational Technology Equipment Act – To account for purchases of computer equipment and computer software. The authority for the creation of this fund is the Federal Property and Administrative Services Act of 1949, Ch. 288, 63 Stat 377, and the National Defense Authorization Act for the Fiscal Year 1996, Public Law 104-106.

Educational Technology Bond – Series Sept. 2007 – To account for bond proceeds and any income earned thereon. The proceeds are restricted for the purpose of making additions to and furnishing of school buildings, or purchasing or improving school grounds or any combination thereof, as approved by the voters of the District.

DEBT SERVICE FUNDS

Deferred Sick Leave – To accumulate funds to reimburse employees who do not use all of their accumulated sick leave. Funding authority is the State of New Mexico Public Education Department.

Educational Technology – To accumulate resources for payment of principle and interest due on educational technology bonds. Financing is provided by a special tax levy approved by the voters of the schools and assessed by the county assessor, collected, and remitted to the schools by the county treasurer.

**STATE OF NEW MEXICO
 ESPAÑOLA PUBLIC SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 OTHER GOVERNMENTAL FUNDS
 JUNE 30, 2018**

	Special Revenue Funds								
	Food Service	Athletics	Activity Transportation	Preschool IDEA-B	Title II	Results Plan IDEA-B	Title III English Language Acquisition	Teacher/Prin. Training & Recruiting	Safe & Drug Free Schools & Community
ASSETS									
Cash	\$ 853,719	\$ 722	\$ 858	\$ -	\$ 12,788	\$ -	\$ 76,886	\$ -	\$ 1,841
Receivables, net	-	-	-	5,216	5,077	16,178	5,045	241,287	-
Inventory	23,216	-	-	-	-	-	-	-	-
Total assets	<u>\$ 876,935</u>	<u>\$ 722</u>	<u>\$ 858</u>	<u>\$ 5,216</u>	<u>\$ 17,865</u>	<u>\$ 16,178</u>	<u>\$ 81,931</u>	<u>\$ 241,287</u>	<u>\$ 1,841</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ 582	\$ 253	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unearned revenues	-	-	-	-	17,865	-	-	-	1,841
Due to other funds	-	-	-	5,216	-	16,178	81,931	241,287	-
Total liabilities	582	253	-	5,216	17,865	16,178	81,931	241,287	1,841
Fund Balances:									
Nonspendable:									
Inventory	23,216	-	-	-	-	-	-	-	-
Reserved for:									
Special revenue funds	853,137	469	858	-	-	-	-	-	-
Capital project funds	-	-	-	-	-	-	-	-	-
Debt service funds	-	-	-	-	-	-	-	-	-
Total fund balances	<u>876,353</u>	<u>469</u>	<u>858</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 876,935</u>	<u>\$ 722</u>	<u>\$ 858</u>	<u>\$ 5,216</u>	<u>\$ 17,865</u>	<u>\$ 16,178</u>	<u>\$ 81,931</u>	<u>\$ 241,287</u>	<u>\$ 1,841</u>

**STATE OF NEW MEXICO
 ESPAÑOLA PUBLIC SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 OTHER GOVERNMENTAL FUNDS
 JUNE 30, 2018**

		Special Revenue Funds								
		Rural & Low Income	Carl D. Perkins Special Project	Carl D. Perkins Secondary PY Obligation	Carl D. Perkins Secondary Redistribution	Title I Federal Stimulus	ARRA IDEA-B	ARRA IDEA-B Preschool	Title I School Improvement Federal Stimulus	Alcohol Abuse Reduction
ASSETS										
Cash	\$ 94,100	\$ -	\$ -	\$ -	\$ 44,960	\$ 5,395	\$ 4,400	\$ 2,995	\$ -	
Receivables, net	3,497	57,957	-	11,057	-	-	-	-	-	
Inventory	-	-	-	-	-	-	-	-	-	
Total assets	<u>\$ 97,597</u>	<u>\$ 57,957</u>	<u>\$ -</u>	<u>\$ 11,057</u>	<u>\$ 44,960</u>	<u>\$ 5,395</u>	<u>\$ 4,400</u>	<u>\$ 2,995</u>	<u>\$ -</u>	
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES										
Liabilities:										
Accounts payable	\$ 3,608	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Unearned revenues	93,989	-	-	-	44,960	5,395	4,400	2,995	-	
Due to other funds	-	48,804	-	11,057	-	-	-	-	-	
Total liabilities	97,597	48,804	-	11,057	44,960	5,395	4,400	2,995	-	
Fund Balances:										
Nonspendable:										
Inventory	-	-	-	-	-	-	-	-	-	
Reserved for:										
Special revenue funds	-	9,153	-	-	-	-	-	-	-	
Capital project funds	-	-	-	-	-	-	-	-	-	
Debt service funds	-	-	-	-	-	-	-	-	-	
Total fund balances	-	9,153	-	-	-	-	-	-	-	
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 97,597</u>	<u>\$ 57,957</u>	<u>\$ -</u>	<u>\$ 11,057</u>	<u>\$ 44,960</u>	<u>\$ 5,395</u>	<u>\$ 4,400</u>	<u>\$ 2,995</u>	<u>\$ -</u>	

**STATE OF NEW MEXICO
 ESPAÑOLA PUBLIC SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 OTHER GOVERNMENTAL FUNDS
 JUNE 30, 2018**

		Special Revenue Funds								
		Title VIII Impact Aid Special Education	Impact Aid Indian Education	Title XIX Medicaid 3 to 21 Years	Child & Adult Food	Title VII Indian Education EASIE Grant	Enlace UNM	LANL Foundation	PNM Foundation	Dual Credit Instructional Materials
ASSETS										
Cash	\$ 8,890	\$ -	\$ 1,028,711	\$ 114,767	\$ 56,511	\$ 942	\$ 643	\$ 52	\$ -	
Receivables, net	-	-	-	-	-	-	-	-	1,523	
Inventory	-	-	-	-	-	-	-	-	-	
Total assets	<u>\$ 8,890</u>	<u>\$ -</u>	<u>\$ 1,028,711</u>	<u>\$ 114,767</u>	<u>\$ 56,511</u>	<u>\$ 942</u>	<u>\$ 643</u>	<u>\$ 52</u>	<u>\$ 1,523</u>	
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES										
Liabilities:										
Accounts payable	\$ -	\$ -	\$ 944	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Unearned revenues	8,890	-	-	53,035	56,511	-	638	-	-	
Due to other funds	-	-	-	-	-	-	-	-	1,523	
Total liabilities	8,890	-	944	53,035	56,511	-	638	-	1,523	
Fund Balances:										
Nonspendable:										
Inventory	-	-	-	-	-	-	-	-	-	
Reserved for:										
Special revenue funds	-	-	1,027,767	61,732	-	942	5	52	-	
Capital project funds	-	-	-	-	-	-	-	-	-	
Debt service funds	-	-	-	-	-	-	-	-	-	
Total fund balances	-	-	1,027,767	61,732	-	942	5	52	-	
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 8,890</u>	<u>\$ -</u>	<u>\$ 1,028,711</u>	<u>\$ 114,767</u>	<u>\$ 56,511</u>	<u>\$ 942</u>	<u>\$ 643</u>	<u>\$ 52</u>	<u>\$ 1,523</u>	

**STATE OF NEW MEXICO
 ESPAÑOLA PUBLIC SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 OTHER GOVERNMENTAL FUNDS
 JUNE 30, 2018**

	Special Revenue Funds								
	2008 GO Bond Student Library	2012 GO Bond Student Library SB-66	NM Reads to Lead K-3	Recruitment Support	Incentive for School IMPR ACT PED	Truancy Initiative	Libraries GO Bonds Laws of 2004	Pre-K Initiative	Beginning Teacher Mentoring Program
ASSETS									
Cash	\$ -	\$ -	\$ -	\$ -	\$ 10,101	\$ -	\$ -	\$ -	\$ 6,756
Receivables, net	-	-	129,886	10,851	-	92,393	-	230,165	-
Inventory	-	-	-	-	-	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 129,886</u>	<u>\$ 10,851</u>	<u>\$ 10,101</u>	<u>\$ 92,393</u>	<u>\$ -</u>	<u>\$ 230,165</u>	<u>\$ 6,756</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unearned revenues	-	-	-	-	-	-	-	-	6,756
Due to other funds	-	-	129,886	10,851	-	92,393	-	230,165	-
Total liabilities	-	-	129,886	10,851	-	92,393	-	230,165	6,756
Fund Balances:									
Nonspendable:									
Inventory	-	-	-	-	-	-	-	-	-
Reserved for:									
Special revenue funds	-	-	-	-	10,101	-	-	-	-
Capital project funds	-	-	-	-	-	-	-	-	-
Debt service funds	-	-	-	-	-	-	-	-	-
Total fund balances	-	-	-	-	10,101	-	-	-	-
Total liabilities, deferred inflows of resources and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 129,886</u>	<u>\$ 10,851</u>	<u>\$ 10,101</u>	<u>\$ 92,393</u>	<u>\$ -</u>	<u>\$ 230,165</u>	<u>\$ 6,756</u>

**STATE OF NEW MEXICO
 ESPAÑOLA PUBLIC SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 OTHER GOVERNMENTAL FUNDS
 JUNE 30, 2018**

Special Revenue Funds

	Breakfast for Elementary Students	Summer Enrichment	Kindergarten Three Plus	2013-2014 Bus Purchase	NM Grown Fresh Fruits & Vegetables	Teachers Hard to Staff	GO Library Books	Suicide Prevention	Private Direct Grants
ASSETS									
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,713	\$ 3,618	\$ 47,949
Receivables, net	14,326	-	-	-	-	18,521	-	-	-
Inventory	-	-	-	-	-	-	-	-	-
Total assets	<u>\$ 14,326</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,521</u>	<u>\$ 12,713</u>	<u>\$ 3,618</u>	<u>\$ 47,949</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unearned revenues	-	-	-	-	-	-	-	-	-
Due to other funds	14,326	-	-	-	-	18,521	-	-	-
Total liabilities	14,326	-	-	-	-	18,521	-	-	-
Fund Balances:									
Nonspendable:									
Inventory	-	-	-	-	-	-	-	-	-
Reserved for:									
Special revenue funds	-	-	-	-	-	-	12,713	3,618	47,949
Capital project funds	-	-	-	-	-	-	-	-	-
Debt service funds	-	-	-	-	-	-	-	-	-
Total fund balances	-	-	-	-	-	-	12,713	3,618	47,949
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 14,326</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,521</u>	<u>\$ 12,713</u>	<u>\$ 3,618</u>	<u>\$ 47,949</u>

**STATE OF NEW MEXICO
 ESPAÑOLA PUBLIC SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 OTHER GOVERNMENTAL FUNDS
 JUNE 30, 2018**

	Special Revenue Funds		Capital Project Funds						
	School Based Health Center	Total Special Revenue Funds	Bond Building	Public School Capital Outlay	Special Capital Outlay Local	Special Capital Outlay State	Capital Improvements SB-9	SB-9 Local	Technology Equipment Act
ASSETS									
Cash	\$ 50,021	\$ 2,440,338	\$ 104,341	\$ -	\$ -	\$ -	\$ 262,991	\$ 195,955	\$ 361,159
Receivables, net	-	842,979	-	-	-	-	42,465	-	-
Inventory	-	23,216	-	-	-	-	-	-	-
Total assets	<u>\$ 50,021</u>	<u>\$ 3,306,533</u>	<u>\$ 104,341</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 305,456</u>	<u>\$ 195,955</u>	<u>\$ 361,159</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ -	\$ 5,387	\$ 17,365	\$ -	\$ -	\$ -	\$ 221,515	\$ 25,717	\$ -
Unearned revenues	-	297,275	-	-	-	-	42,465	-	-
Due to other funds	-	902,138	-	-	-	-	-	-	-
Total liabilities	-	1,204,800	17,365	-	-	-	263,980	25,717	-
Fund Balances:									
Nonspendable:									
Inventory	-	23,216	-	-	-	-	-	-	-
Reserved for:									
Special revenue funds	50,021	2,078,517	-	-	-	-	-	-	-
Capital project funds	-	-	86,976	-	-	-	41,476	170,238	361,159
Debt services funds	-	-	-	-	-	-	-	-	-
Total fund balances	<u>50,021</u>	<u>2,101,733</u>	<u>86,976</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,476</u>	<u>170,238</u>	<u>361,159</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 50,021</u>	<u>\$ 3,306,533</u>	<u>\$ 104,341</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 305,456</u>	<u>\$ 195,955</u>	<u>\$ 361,159</u>

**STATE OF NEW MEXICO
 ESPAÑOLA PUBLIC SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 OTHER GOVERNMENTAL FUNDS
 JUNE 30, 2018**

	Capital Project Funds		Debt Service Funds			Total Other Governmental Funds
	Education Technology Bond Series Sept. 2007	Total Capital Project Funds	Deferred Sick Leave	Educational Technology	Total Debt Service Funds	
ASSETS						
Cash	\$ -	\$ 924,446	\$ 3,989	\$ 383,856	\$ 387,845	\$ 3,752,629
Receivables, net	-	42,465	-	22,537	22,537	907,981
Inventory	-	-	-	-	-	23,216
Total assets	<u>\$ -</u>	<u>\$ 966,911</u>	<u>\$ 3,989</u>	<u>\$ 406,393</u>	<u>\$ 410,382</u>	<u>\$ 4,683,826</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ -	\$ 264,597	\$ -	\$ -	\$ -	\$ 269,984
Unearned revenues	-	42,465	-	22,537	22,537	362,277
Due to other funds	-	-	-	-	-	902,138
Total liabilities	-	307,062	-	22,537	22,537	1,534,399
Fund Balances:						
Nonspendable:						
Inventory	-	-	-	-	-	23,216
Reserved for:						
Special revenue funds	-	-	-	-	-	2,078,517
Capital project funds	-	659,849	-	-	-	659,849
Debt service funds	-	-	3,989	383,856	387,845	387,845
Total fund balances	-	659,849	3,989	383,856	387,845	3,149,427
Total liabilities, deferred inflows of resources and fund balances	<u>\$ -</u>	<u>\$ 966,911</u>	<u>\$ 3,989</u>	<u>\$ 406,393</u>	<u>\$ 410,382</u>	<u>\$ 4,683,826</u>

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

Special Revenue Funds

	Food Service	Athletics	Activity Transportation	Preschool IDEA-B	Title II	Results Plan IDEA-B	Title III English Language Acquisition	Teacher/Prin. Training & Recruiting	Safe & Drug Free Schools & Community
Revenues:									
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental:									
Federal	2,063,710	-	-	5,216	5,077	52,723	13,409	310,368	-
State	-	-	-	-	-	-	-	-	-
Charges for services	31,472	79,777	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-
Total revenues	<u>2,095,182</u>	<u>79,777</u>	<u>-</u>	<u>5,216</u>	<u>5,077</u>	<u>52,723</u>	<u>13,409</u>	<u>310,368</u>	<u>-</u>
Expenditures:									
Current:									
Instruction	-	82,892	-	5,216	5,077	52,723	12,034	286,085	-
Support services:									
Students	-	-	-	-	-	-	811	13,213	-
Instruction	-	-	-	-	-	-	-	-	-
General administration	-	-	-	-	-	-	564	10,080	-
School administration	-	-	-	-	-	-	-	990	-
Central services	-	-	-	-	-	-	-	-	-
Operation of plant	-	-	-	-	-	-	-	-	-
Student transportation	-	-	-	-	-	-	-	-	-
Operation services:									
Food	1,936,485	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-
Total expenditures	<u>1,936,485</u>	<u>82,892</u>	<u>-</u>	<u>5,216</u>	<u>5,077</u>	<u>52,723</u>	<u>13,409</u>	<u>310,368</u>	<u>-</u>
Net changes in fund balance	158,697	(3,115)	-	-	-	-	-	-	-
Fund balances, beginning of year	717,656	3,584	858	-	-	-	-	-	-
Restatement	-	-	-	-	-	-	-	-	-
Fund balances, beginning of year, restated	<u>717,656</u>	<u>3,584</u>	<u>858</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ 876,353</u>	<u>\$ 469</u>	<u>\$ 858</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES – OTHER GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018

	Special Revenue Funds								
	Rural & Low Income	Carl D. Perkins Special Project	Carl D. Perkins Secondary PY Obligation	Carl D. Perkins Secondary Redistribution	Title I Federal Stimulus	ARRA IDEA-B	ARRA IDEA-B Preschool	Title I School Improvement Federal Stimulus	Alcohol Abuse Reduction
Revenues:									
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental:									
Federal	41,449	57,957	8,931	16,464	-	-	-	-	-
State	-	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-
Total revenues	41,449	57,957	8,931	16,464	-	-	-	-	-
Expenditures:									
Current:									
Instruction	39,985	46,230	8,931	16,227	-	-	-	-	-
Support services:									
Students	-	-	-	-	-	-	-	-	-
Instruction	-	-	-	-	-	-	-	-	-
General administration	1,464	2,275	-	237	-	-	-	-	-
School administration	-	299	-	-	-	-	-	-	-
Central services	-	-	-	-	-	-	-	-	-
Operation of plant	-	-	-	-	-	-	-	-	-
Student transportation	-	-	-	-	-	-	-	-	-
Operation services:									
Food	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-
Total expenditures	41,449	48,804	8,931	16,464	-	-	-	-	-
Net changes in fund balance	-	9,153	-	-	-	-	-	-	-
Fund balances, beginning of year	-	-	-	-	-	-	-	-	22,358
Restatement	-	-	-	-	-	-	-	-	(22,358)
Fund balances, beginning of year, restated	-	-	-	-	-	-	-	-	-
Fund balances, end of year	\$ -	\$ 9,153	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

Special Revenue Funds

	Title VIII Impact Aid Special Education	Impact Aid Indian Education	Title XIX Medicaid 3 to 21 Years	Child & Adult Food	Title VII Indian Education EASIE Grant	Enlace UNM	LANL Foundation	PNM Foundation	Dual Credit Instructional Materials
Revenues:									
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental:									
Federal	650	60,945	876,985	205,586	2,039	-	-	-	-
State	-	-	-	-	-	-	-	-	1,523
Charges for services	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	2,115	-	-
Total revenues	650	60,945	876,985	205,586	2,039	-	2,115	-	1,523
Expenditures:									
Current:									
Instruction	650	-	61,845	-	-	-	2,115	-	1,523
Support services:									
Students	-	-	410,353	-	-	-	-	-	-
Instruction	-	60,945	185	-	2,039	-	-	-	-
General administration	-	-	-	-	-	-	-	-	-
School administration	-	-	309	-	-	-	-	-	-
Central services	-	-	65,948	-	-	-	-	-	-
Operation of plant	-	-	-	-	-	-	-	-	-
Student transportation	-	-	-	-	-	-	-	-	-
Operation services:									
Food	-	-	-	143,854	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-
Total expenditures	650	60,945	538,640	143,854	2,039	-	2,115	-	1,523
Net changes in fund balance	-	-	338,345	61,732	-	-	-	-	-
Fund balances, beginning of year	-	-	689,422	-	-	942	5	52	(9,254)
Restatement	-	-	-	-	-	-	-	-	9,254
Fund balances, beginning of year, restated	-	-	689,422	-	-	942	5	52	-
Fund balances, end of year	\$ -	\$ -	\$ 1,027,767	\$ 61,732	\$ -	\$ 942	\$ 5	\$ 52	\$ -

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Special Revenue Funds								
	2008 GO Bond Student Library	2012 GO Bond Student Library SB-66	NM Reads to Lead K-3	Recruitment Support	Incentive for School IMPR ACT PED	Truancy Initiative	Libraries GO Bonds Law of 2004	Pre-K Initiative	Beginning Teacher Mentoring Program
Revenues:									
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental:									
Federal	-	-	-	-	-	-	-	-	-
State	-	20,212	144,137	10,851	-	296,550	-	347,245	-
Charges for services	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-
Total revenues	-	20,212	144,137	10,851	-	296,550	-	347,245	-
Expenditures:									
Current:									
Instruction	-	-	144,137	10,851	-	-	-	289,308	-
Support services:									
Students	-	-	-	-	-	296,550	-	6,961	-
Instruction	-	20,212	-	-	-	-	-	-	-
General administration	-	-	-	-	-	-	-	2,000	-
School administration	-	-	-	-	-	-	-	-	-
Central services	-	-	-	-	-	-	-	-	-
Operation of plant	-	-	-	-	-	-	-	-	-
Student transportation	-	-	-	-	-	-	-	48,976	-
Operation services:									
Food	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-
Total expenditures	-	20,212	144,137	10,851	-	296,550	-	347,245	-
Net changes in fund balance	-	-	-	-	-	-	-	-	-
Fund balances, beginning of year	(2,074)	(37,642)	(79,520)	-	10,101	(126,204)	(196)	(315,617)	6,756
Restatement	2,074	37,642	79,520	-	-	126,204	196	315,617	(6,756)
Fund balances, beginning of year, restated	-	-	-	-	10,101	-	-	-	-
Fund balances, end of year	\$ -	\$ -	\$ -	\$ -	\$ 10,101	\$ -	\$ -	\$ -	\$ -

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES – OTHER GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018

Special Revenue Funds

	Breakfast for Elementary Students	Summer Enrichment	Kindergarten Three Plus	2013-2014 Bus Purchase	NM Grown Fresh Fruits & Vegetables	Teachers Hard to Staff	GO Library Books	Suicide Prevention	Private Direct Grants
Revenues:									
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental:									
Federal	-	-	-	-	-	-	-	-	-
State	47,322	-	365,504	-	-	37,042	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	4,500
Total revenues	47,322	-	365,504	-	-	37,042	-	-	4,500
Expenditures:									
Current:									
Instruction	-	-	365,504	-	-	37,042	-	-	10,162
Support services:									
Students	-	-	-	-	-	-	-	-	-
Instruction	-	-	-	-	-	-	-	-	-
General administration	-	-	-	-	-	-	-	-	-
School administration	-	-	-	-	-	-	-	-	-
Central services	-	-	-	-	-	-	-	-	-
Operation of plant	-	-	-	-	-	-	-	-	-
Student transportation	-	-	-	-	-	-	-	-	-
Operation services:									
Food	47,322	-	-	-	-	-	-	-	8,000
Capital outlay	-	-	-	-	-	-	-	-	-
Total expenditures	47,322	-	365,504	-	-	37,042	-	-	18,162
Net changes in fund balance	-	-	-	-	-	-	-	-	(13,662)
Fund balances, beginning of year	-	(7,238)	7,862	(93,554)	(245)	(24,767)	12,713	3,618	61,611
Restatement	-	7,238	(7,862)	93,554	245	24,767	-	-	-
Fund balances, beginning of year, restated	-	-	-	-	-	-	12,713	3,618	61,611
Fund balances, end of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,713	\$ 3,618	\$ 47,949

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Special Revenue Funds		Capital Project Funds						
	School Based Health Center	Total Special Revenue Funds	Bond Building	Public School Public School Capital Outlay	Special Capital Outlay Local	Special Capital Outlay State	Capital Improvements SB-9	SB-9 Local	Technology Equipment Act
Revenues:									
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 954,451	\$ -
Intergovernmental:									
Federal	-	3,721,509	-	-	-	-	-	-	-
State	-	1,270,386	-	-	-	-	-	-	-
Charges for services	-	111,249	-	-	-	-	-	-	-
Interest	-	-	12,044	-	-	-	-	-	-
Miscellaneous	-	6,615	-	-	-	-	-	-	-
Total revenues	-	5,109,759	12,044	-	-	-	-	954,451	-
Expenditures:									
Current:									
Instruction	-	1,478,537	-	-	-	-	-	-	-
Support services:									
Students	-	727,888	-	-	-	-	-	-	-
Instruction	-	83,381	-	-	-	-	-	-	-
General administration	-	16,620	111,712	-	-	-	-	9,327	9,142
School administration	-	1,598	-	-	-	-	-	-	-
Central services	-	65,948	-	-	-	-	-	-	-
Operation of plant	-	-	104,787	-	-	-	221,515	597,270	-
Student transportation	-	48,976	-	-	-	-	-	-	-
Operation services:									
Food	-	2,135,661	-	-	-	-	-	-	-
Capital outlay	-	-	1,594,674	-	849,951	-	-	177,616	-
Total expenditures	-	4,558,609	1,811,173	-	849,951	-	221,515	784,213	9,142
Net changes in fund balance	-	551,150	(1,799,129)	-	(849,951)	-	(221,515)	170,238	(9,142)
Fund balances, beginning of year	50,021	891,248	1,886,105	(19,456)	849,951	(70,417)	262,991	(184,900)	370,301
Restatement	-	659,335	-	19,456	-	70,417	-	184,900	-
Fund balances, beginning of year, restated	50,021	1,550,583	1,886,105	-	849,951	-	262,991	-	370,301
Fund balances, end of year	\$ 50,021	\$ 2,101,733	\$ 86,976	\$ -	\$ -	\$ -	\$ 41,476	\$ 170,238	\$ 361,159

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Capital Project Funds		Debt Service Funds			Total Other Governmental Funds
	Education Technology Bond Series Sept. 2007	Total Capital Project Funds	Deferred Sick Leave	Educational Technology	Total Debt Service Funds	
Revenues:						
Property taxes	\$ -	\$ 954,451	\$ -	\$ 347,877	\$ 347,877	\$ 1,302,328
Intergovernmental:						
Federal	-	-	-	-	-	3,721,509
State	-	-	-	-	-	1,270,386
Charges for services	-	-	-	-	-	111,249
Interest	-	12,044	-	-	-	12,044
Miscellaneous	-	-	-	-	-	6,615
Total revenues	-	966,495	-	347,877	347,877	6,424,131
Expenditures:						
Current:						
Instruction	-	-	-	-	-	1,478,537
Support services:						
Students	-	-	-	-	-	727,888
Instruction	-	-	-	-	-	83,381
General administration	-	130,181	-	334,258	334,258	481,059
School administration	-	-	-	-	-	1,598
Central services	-	-	-	-	-	65,948
Operation of plant	-	923,572	-	-	-	923,572
Student transportation	-	-	-	-	-	48,976
Operation services:						
Food	-	-	-	-	-	2,135,661
Capital outlay	-	2,622,241	-	-	-	2,622,241
Total expenditures	-	3,675,994	-	334,258	334,258	8,568,861
Net changes in fund balance	-	(2,709,499)	-	13,619	13,619	(2,144,730)
Fund balances, beginning of year	(399,853)	2,694,722	3,989	370,237	374,226	3,960,196
Restatement	399,853	674,626	-	-	-	1,333,961
Fund balances, beginning of year, restated	-	3,369,348	3,989	370,237	374,226	5,294,157
Fund balances, end of year	\$ -	\$ 659,849	\$ 3,989	\$ 383,856	\$ 387,845	\$ 3,149,427

SUPPORTING SCHEDULES

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES – AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Balance 06/30/17	Restatements	Additions	Deletions	Balance 06/30/18
ASSETS					
Abiquiu Elementary	\$ 67,229	\$ (56,664)	\$ 19,742	\$ (16,060)	\$ 14,247
Alcalde Elementary	19,078	-	29,421	(36,548)	11,951
Chimayo Elementary	15,234	-	19,101	(14,302)	20,033
Dixon Elementary	5,612	-	7,538	(4,902)	8,248
Española Elementary	38,265	(38,265)	-	-	-
Fairview Elementary	25,919	2,653	61,492	(53,276)	36,788
Hernandez Elementary	7,096	-	12,317	(9,990)	9,423
James H. Rodriguez Elementary	-	37,157	34,798	(25,890)	46,065
Los Niños Elementary	1,439	-	8,252	(8,577)	1,114
Mountain View Elementary	293	-	-	-	293
San Juan Elementary	6,733	7,725	50,258	(47,320)	17,396
Sombrillo Elementary	14,006	-	11,038	(12,109)	12,935
Verlarde Elementary	2,583	955	8,227	(7,839)	3,926
Carlos F. Vigil Middle School	29,890	7,091	41,986	(25,892)	53,075
Española Valley High School	231,521	17,357	142,116	(166,321)	224,673
Clearing account - agency funds	106,999	23,837	212,169	(154,325)	188,680
Charter activity	1,846	(1,846)	-	-	-
Total	\$ 573,743	\$ -	\$ 658,455	\$ (583,351)	\$ 648,847
LIABILITIES					
Abiquiu Elementary	\$ 67,229	\$ (56,664)	\$ 19,742	\$ (16,060)	\$ 14,247
Alcalde Elementary	19,078	-	29,421	(36,548)	11,951
Chimayo Elementary	15,234	-	19,101	(14,302)	20,033
Dixon Elementary	5,612	-	7,538	(4,902)	8,248
Española Elementary	38,265	(38,265)	-	-	-
Fairview Elementary	25,919	2,653	61,492	(53,276)	36,788
Hernandez Elementary	7,096	-	12,317	(9,990)	9,423
James H. Rodriguez Elementary	-	37,157	34,798	(25,890)	46,065
Los Niños Elementary	1,439	-	8,252	(8,577)	1,114
Mountain View Elementary	293	-	-	-	293
San Juan Elementary	6,733	7,725	50,258	(47,320)	17,396
Sombrillo Elementary	14,006	-	11,038	(12,109)	12,935
Verlarde Elementary	2,583	955	8,227	(7,839)	3,926
Carlos F. Vigil Middle School	29,890	7,091	41,986	(25,892)	53,075
Española Valley High School	231,521	17,357	142,116	(166,321)	224,673
Clearing account - agency funds	106,999	23,837	212,169	(154,325)	188,680
Charter activity	1,846	(1,846)	-	-	-
Total	\$ 573,743	\$ -	\$ 658,455	\$ (583,351)	\$ 648,847

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

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
SCHEDULE OF PLEDGED COLLATERAL
JUNE 30, 2018

Century Bank
 PO Box 1507
 Santa Fe, New Mexico 87504-1507

Security	CUSIP	Maturity	Market Value
Zuni N Mex Pub Sch Dist Teacher	98981RAJ6	08/01/20	\$ 129,481
McKinley Cnty N Mex GRT Rev	581615DG3	06/01/21	147,701
Albuquerque N Mex Mun Sch Dist	013595TV5	08/01/22	557,825
Los Alamos NM Pub Sch Dist	5422NCZ7	08/01/23	354,101
New Mexico St Educational Assistance	647110EP6	12/01/23	464,755
Las Vegas NM Gross Receipts Tax	51778TCB3	06/01/29	437,499
University Utah Univ Revs	915183XU6	08/01/34	1,154,910
Indiana St Fin Auth Wastewater	45505MFB7	10/01/35	1,137,250
Livingston LA Utility Revenue	538685BH0	08/01/36	459,591
El Paso Tex Water & Sewer Rev	283822ND2	03/01/37	1,539,199
Laredo Tex Waterworks Swr Sys Rev	517039TU7	03/01/41	1,025,190
			<u>\$ 7,407,502</u>

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

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
SCHEDULE OF CASH AND TEMPORARY INVESTMENT ACCOUNTS
JUNE 30, 2018

Financial Institution/ Account Description	Type of Account	Financial Institution Balance	Reconciling Items	Reconciled Balance
Century Bank 322 Riverside Drive Española, NM 87532				
Operational account	Checking	\$ 10,759,010	\$ (3,012,838)	\$ 7,746,172
Bond 2011 Account	Checking	394,913	(18,261)	376,652
		<u>\$ 11,153,923</u>	<u>\$ (3,031,099)</u>	<u>\$ 8,122,824</u>
Wells Fargo Bank, N.A. 645 N. Riverside Drive Española, NM 87532				
Flexible Spending Account	Checking	<u>\$ 5,401</u>	<u>\$ 1,544</u>	<u>\$ 6,945</u>

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

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
CASH RECONCILIATION
JUNE 30, 2018

	<u>Operational</u>	<u>Pupil Transportation</u>	<u>Instructional Materials</u>	<u>Food Service</u>	<u>Athletics</u>	<u>Activity Transportation</u>	<u>Title I IASA</u>
Cash, June 30, 2017	\$ 801,564	\$ -	\$ 64,284	\$ 422,046	\$ 6,851	\$ 858	\$ -
Add:							
2017-2018 revenues	<u>30,433,361</u>	<u>1,502,148</u>	<u>113,548</u>	<u>2,095,182</u>	<u>79,777</u>	<u>-</u>	<u>1,400,575</u>
Total cash available	31,234,925	1,502,148	177,832	2,517,228	86,628	858	1,400,575
Less:							
2017-2018 expenditures	29,640,765	1,502,148	129,082	1,959,119	85,906	-	1,589,820
Permanent cash transfer	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses	29,640,765	1,502,148	129,082	1,959,119	85,906	-	1,589,820
Other adjustments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Reconciled cash balance	1,594,160	-	48,750	558,109	722	858	(189,245)
Total outstanding loans	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash, June 30, 2018	1,594,160	-	48,750	558,109	722	858	(189,245)
Add/Less:							
Due to/from due to pooled cash	<u>(554,718)</u>	<u>20,467</u>	<u>7,000</u>	<u>295,610</u>	<u>-</u>	<u>-</u>	<u>189,245</u>
Cash, per financial statement	<u>\$ 1,039,442</u>	<u>\$ 20,467</u>	<u>\$ 55,750</u>	<u>\$ 853,719</u>	<u>\$ 722</u>	<u>\$ 858</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
CASH RECONCILIATION
JUNE 30, 2018

	Entitlement IDEA-B	Preschool IDEA-B	Title II	21st Century	Results Plan IDEA-B	English Language Acquisition	Teacher/Prin. Training & Recruiting
Cash, June 30, 2017	\$ -	\$ 2,055	\$ 20,919	\$ -	\$ -	\$ -	\$ -
Add:							
2017-2018 revenues	793,665	-	-	900,551	41,298	51,852	107,837
Total cash available	793,665	2,055	20,919	900,551	41,298	51,852	107,837
Less:							
2017-2018 expenditures	894,758	5,216	5,077	823,160	52,723	13,409	310,368
Permanent cash transfer	-	-	-	-	-	-	-
Total expenses	894,758	5,216	5,077	823,160	52,723	13,409	310,368
Other adjustments	-	-	-	-	-	-	-
Reconciled cash balance	(101,093)	(3,161)	15,842	77,391	(11,425)	38,443	(202,531)
Total outstanding loans	-	-	-	-	-	-	-
Cash, June 30, 2018	(101,093)	(3,161)	15,842	77,391	(11,425)	38,443	(202,531)
Add/Less:							
Due to/from due to pooled cash	101,093	3,161	(3,054)	(77,391)	11,425	38,443	202,531
Cash, per financial statement	\$ -	\$ -	\$ 12,788	\$ -	\$ -	\$ 76,886	\$ -

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

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
CASH RECONCILIATION
JUNE 30, 2018

	Safe & Drug Free Schools & Community	Rural & Low Income	Carl D.Perkins Special Project	Carl D.Perkins Special Sec. PY Obligation	Carl D.Perkins Secondary Redistribution	Title I Federal Stimulus	ARRA IDEA-B
Cash, June 30, 2017	\$ 1,841	\$ 88,543	\$ -	\$ -	\$ 869	\$ 44,960	\$ -
Add:							
2017-2018 revenues	-	44,697	40,422	8,931	5,407	-	-
Total cash available	1,841	133,240	40,422	8,931	6,276	44,960	-
Less:							
2017-2018 expenditures	-	39,142	57,957	8,931	16,464	-	-
Permanent cash transfer	-	-	-	-	-	-	-
Total expenses	-	39,142	57,957	8,931	16,464	-	-
Other adjustments	-	-	-	-	-	-	-
Reconciled cash balance	1,841	94,098	(17,535)	-	(10,188)	44,960	-
Total outstanding loans	-	-	-	-	-	-	-
Cash, June 30, 2018	1,841	94,098	(17,535)	-	(10,188)	44,960	-
Add/Less:							
Due to/from due to pooled cash	-	2	17,535	-	10,188	-	5,395
Cash, per financial statement	<u>\$ 1,841</u>	<u>\$ 94,100</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,960</u>	<u>\$ 5,395</u>

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

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
CASH RECONCILIATION
JUNE 30, 2018

	ARRA IDEA-B Preschool	Title I Sch. Imp. Fed. Stimulus	Alcohol Abuse Reduction	Title VIII Impact Aid Sp. Ed.	Impact Aid Indian Education	Title XIX Medicaid 3 to 21 Years	Child & Adult Food
Cash, June 30, 2017	\$ 214	\$ 2,995	\$ -	\$ -	\$ 36,551	\$ 695,502	\$ 107,120
Add:							
2017-2018 revenues	-	-	-	9,540	24,394	876,985	174,720
Total cash available	214	2,995	-	9,540	60,945	1,572,487	281,840
Less:							
2017-2018 expenditures	-	-	-	650	60,945	537,696	167,073
Permanent cash transfer	-	-	-	-	-	-	-
Total expenses	-	-	-	650	60,945	537,696	167,073
Other adjustments	-	-	-	-	-	-	-
Reconciled cash balance	214	2,995	-	8,890	-	1,034,791	114,767
Total outstanding loans	-	-	-	-	-	-	-
Cash, June 30, 2018	214	2,995	-	8,890	-	1,034,791	114,767
Add/Less:							
Due to/from due to pooled cash	4,186	-	-	-	-	(6,080)	-
Cash, per financial statement	<u>\$ 4,400</u>	<u>\$ 2,995</u>	<u>\$ -</u>	<u>\$ 8,890</u>	<u>\$ -</u>	<u>\$ 1,028,711</u>	<u>\$ 114,767</u>

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

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
CASH RECONCILIATION
JUNE 30, 2018

	Title VII Indian Education EASIE Grant	Enlace UNM	LANL Foundation	PNM Foundation	Dual Credit Instructional Materials	2008 GO Bond Student Library	2012 GO Bond Student Library SB-66
Cash, June 30, 2017	\$ 4,080	\$ 642	\$ 256	\$ 52	\$ -	\$ -	\$ -
Add:							
2017-2018 revenues	54,468	-	2,500	-	-	-	20,212
Total cash available	58,548	642	2,756	52	-	-	20,212
Less:							
2017-2018 expenditures	2,039	-	2,115	-	1,523	-	20,212
Permanent cash transfer	-	-	-	-	-	-	-
Total expenses	2,039	-	2,115	-	1,523	-	20,212
Other adjustments	-	-	-	-	-	-	-
Reconciled cash balance	56,509	642	641	52	(1,523)	-	-
Total outstanding loans	-	-	-	-	-	-	-
Cash, June 30, 2018	56,509	642	641	52	(1,523)	-	-
Add/Less:							
Due to/from due to pooled cash	2	300	2	-	1,523	-	-
Cash, per financial statement	<u>\$ 56,511</u>	<u>\$ 942</u>	<u>\$ 643</u>	<u>\$ 52</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
CASH RECONCILIATION
JUNE 30, 2018

	NM Reads to Lead K-3	Recruitment Support	Incentive for School IMPR ACT PED	Truancy Initiative	Libraries GO Bonds Law of 2004	Pre-K Initiative	Beginning Teacher Mentoring Prog.
Cash, June 30, 2017	\$ -	\$ -	\$ 10,101	\$ -	\$ -	\$ -	\$ 6,756
Add:							
2017-2018 revenues	14,251	-	-	296,209	-	327,807	-
Total cash available	14,251	-	10,101	296,209	-	327,807	6,756
Less:							
2017-2018 expenditures	144,137	10,851	-	296,550	-	347,245	-
Permanent cash transfer	-	-	-	-	-	-	-
Total expenses	144,137	10,851	-	296,550	-	347,245	-
Other adjustments	-	-	-	-	-	-	-
Reconciled cash balance	(129,886)	(10,851)	10,101	(341)	-	(19,438)	6,756
Total outstanding loans	-	-	-	-	-	-	-
Cash, June 30, 2018	(129,886)	(10,851)	10,101	(341)	-	(19,438)	6,756
Add/Less:							
Due to/from due to pooled cash	129,886	10,851	-	341	-	19,438	-
Cash, per financial statement	\$ -	\$ -	\$ 10,101	\$ -	\$ -	\$ -	\$ 6,756

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

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
CASH RECONCILIATION
JUNE 30, 2018

	Breakfast for Elementary Students	Summer Enrichment	Kindergarten Three Plus	2013-2014 Bus Purchase	NM Grown Fresh Fruits & Vegetables	Teachers Hard to Staff	GO Library Books
Cash, June 30, 2017	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,713
Add:							
2017-2018 revenues	32,996	-	365,504	-	5,995	18,521	-
Total cash available	32,996	-	365,504	-	5,995	18,521	12,713
Less:							
2017-2018 expenditures	47,322	-	365,504	-	-	37,042	-
Permanent cash transfer	-	-	-	-	-	-	-
Total expenses	47,322	-	365,504	-	-	37,042	-
Other adjustments	-	-	-	-	-	-	-
Reconciled cash balance	(14,326)	-	-	-	5,995	(18,521)	12,713
Total outstanding loans	-	-	-	-	-	-	-
Cash, June 30, 2018	(14,326)	-	-	-	5,995	(18,521)	12,713
Add/Less:							
Due to/from due to pooled cash	14,326	-	-	-	(5,995)	18,521	-
Cash, per financial statement	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,713

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

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
CASH RECONCILIATION
JUNE 30, 2018

	Suicide Prevention	Private Direct Grants	School Based Health Center	Bond Building	Public School Capital Outlay	Special Capital Outlay Local	Special Capital Outlay State
Cash, June 30, 2017	\$ 3,618	\$ 61,611	\$ 18,060	\$ 3,034,176	\$ -	\$ 849,951	\$ 19,657
Add:							
2017-2018 revenues	-	4,500	-	12,044	-	-	-
Total cash available	3,618	66,111	18,060	3,046,220	-	849,951	19,657
Less:							
2017-2018 expenditures	-	18,162	-	1,793,808	-	849,951	-
Permanent cash transfer	-	-	-	-	-	-	-
Total expenses	-	18,162	-	1,793,808	-	849,951	-
Other adjustments	-	-	-	-	-	-	-
Reconciled cash balance	3,618	47,949	18,060	1,252,412	-	-	19,657
Total outstanding loans	-	-	-	-	-	-	-
Cash, June 30, 2018	3,618	47,949	18,060	1,252,412	-	-	19,657
Add/Less:							
Due to/from due to pooled cash	-	-	31,961	(1,148,071)	-	-	(19,657)
Cash, per financial statement	<u>\$ 3,618</u>	<u>\$ 47,949</u>	<u>\$ 50,021</u>	<u>\$ 104,341</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
CASH RECONCILIATION
JUNE 30, 2018

	Capital Improvements SB-9	SB-9 Local	Ed. Technology Equipment Act	Ed. Tech. Bond Series Sept. 2007	Debt Service	Deferred Sick Leave	Educational Technology
Cash, June 30, 2017	\$ -	\$ 93,288	\$ -	\$ -	\$ 3,049,862	\$ 3,989	\$ 370,237
Add:							
2017-2018 revenues	-	954,451	-	-	3,151,579	-	347,877
Total cash available	-	1,047,739	-	-	6,201,441	3,989	718,114
Less:							
2017-2018 expenditures	-	769,452	9,142	-	3,899,773	-	334,258
Permanent cash transfer	-	-	-	-	-	-	-
Total expenses	-	769,452	9,142	-	3,899,773	-	334,258
Other adjustments	-	-	-	-	-	-	-
Reconciled cash balance	-	278,287	(9,142)	-	2,301,668	3,989	383,856
Total outstanding loans	-	-	-	-	-	-	-
Cash, June 30, 2018	-	278,287	(9,142)	-	2,301,668	3,989	383,856
Add/Less:							
Due to/from due to pooled cash	262,991	(82,322)	370,301	-	984,121	-	-
Cash, per financial statement	<u>\$ 262,991</u>	<u>\$ 195,965</u>	<u>\$ 361,159</u>	<u>\$ -</u>	<u>\$ 3,285,789</u>	<u>\$ 3,989</u>	<u>\$ 383,856</u>

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

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
SCHEDULE OF THE ESPAÑOLA PUBLIC SCHOOL DISTRICT
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
EDUCATIONAL RETIREMENT BOARD (ERB) PLAN
LAST TEN FISCAL YEARS*

	Fiscal Year	2018	2017	2016	2015
	Measurement Date	2017	2016	2015	2014
District's proportionate of the net pension liability (asset)		0.69464%	0.68140%	0.69293%	0.71799%
District's proportionate share of the net pension liability (asset)		\$ 77,198,596	\$ 49,036,498	\$ 44,882,921	\$ 40,966,568
District's covered-employee payroll		\$ 20,219,804	\$ 18,673,949	\$ 18,919,209	\$ 19,790,533
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll		381.80%	262.59%	237.23%	207.00%
Plan fiduciary net position as a percentage of the total pension liability		52.95%	61.58%	63.97%	66.54%

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

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
SCHEDULE OF ESPAÑOLA PUBLIC SCHOOL DISTRICT CONTRIBUTIONS
EDUCATIONAL RETIREMENT BOARD (ERB) PLAN
LAST TEN FISCAL YEARS *

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 2,792,762	\$ 2,783,391	\$ 2,705,111	\$ 2,739,207
Contributions in relation to the contractually required contribution	<u>2,792,762</u>	<u>2,783,391</u>	<u>2,705,111</u>	<u>2,739,207</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
 SCHEDULE OF ESPAÑOLA MUNICIPAL SCHOOL DISTRICT
 PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
 RETIREE HEALTH CARE ACT (RHCA) PLAN
 LAST TEN FISCAL YEARS *

	2018
District's proportionate of the net OPEB liability	0.36204%
District's proportionate share of the net OPEB liability	\$ 16,406,469
District's covered-employee payroll	\$ 15,081,310
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	108.79%
Plan fiduciary net position as a percentage of the total OPEB liability	11.34%

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District will present information for available years.

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
 SCHEDULE OF ESPAÑOLA MUNICIPAL SCHOOL DISTRICT CONTRIBUTIONS
 RETIREE HEALTH CARE ACT (RHCA) PLAN
 LAST TEN FISCAL YEARS *

	2018
Contractually required contribution	\$ 1,149,647
Contributions in relation to the contractually required contribution	576,995
Contribution deficiency (excess)	\$ 572,652
Employer's covered-employee payroll	\$ 15,081,310
Contributions as a percentage of covered-employee payroll	3.83%

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District will present information for available years.

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018

ERB PLAN

Changes in benefit provisions. There were no modifications to the benefit provisions that were reflected in the actuarial valuation as of June 30, 2017.

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

RHCA PLAN

Changes in benefit provisions. There were no modifications to the benefit provisions as this is the first year of adoption of the OPEB accounting standard.

Changes in assumptions and methods. There were no modifications to the assumption and methods as this is the first year of adoption of the OPEB accounting standard.

COMPLIANCE SECTION

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

Independent Auditors' Report

Brian S. Colón, State Auditor
and
Española Public School District
Española, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue funds, of the Española Public School District (District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and the combining and individual funds, presented as supplemental information, and have issued our report thereon dated February 25, 2019. Our report on the governmental funds was qualified due to the uncertainty of the amount of cash reflected within the financial statements. Our report on the Educational Technology Fund was an adverse opinion as the District improperly reported certain expenditures.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 have not been identified. However, as described in the accompany schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as items 2018-001 and 2018-002 to be material weaknesses.

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. We considered the deficiencies described in the accompanying schedule of findings and questioned costs as items 2016-005, 2016-007, 2018-002, 2018-003, 2018-004, 2018-005, and 2018-006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and questioned costs as items 2014-002, 2015-001, 2016-002, 2016-003, 2016-004, 2016-005, 2016-007, 2017-001, 2018-003, 2018-004, 2018-005, 2018-006, 2018-007, 2018-008, and 2018-009.

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Fierro + Fierro, P.A.

Fierro & Fierro, P.A.
Las Cruces, New Mexico

February 25, 2019

FEDERAL FINANCIAL ASSISTANCE

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www.fierrocpa.comReport on Compliance for Each Major Program and on
Internal Control Over Compliance Required by Uniform GuidanceIndependent Auditors' ReportBrian S. Colón, State Auditor
and
Española Public School District
Española, New Mexico**Report on compliance for Each Major Federal Program**

We have audited the Española Public School District's (District) compliance with the types of compliance requirements described in the *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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' 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 audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 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 identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance, which are described in the accompanying schedule of findings and questioned costs as items FA 2016-001, FA 2018-001, and FA 2018-002. Our opinion on each major federal program is not modified with respect to these matters.

The District's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Española Public School District 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 Española Public School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be a material weakness and significant deficiencies.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as FA 2018-001 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or 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. We consider the deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items FA 2016-001 and FA 2018-002, to be significant deficiencies.

The District's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.



Fierro & Fierro, P.A.
Certified Public Accountants

February 25, 2018

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor or Pass-Through Grantor/Program Title	Pass-through Number	Federal CFDA	Federal Expenditures
U.S. Department of Education			
<i>Pass-through State of New Mexico Department of Education:</i>			
Title I - IASA	24101	84.010	\$ 1,589,820
IDEA - B Entitlement	24106	84027A	894,758
IDEA - B Pre-School	24109	84.173A	5,215
Results Plan	24132	84.027A	52,723
IDEA - B Private School Share	24115	84.027	5,078
English Language Acquisition	24153	84.365A	13,408
Teacher/Principal Training & Recruiting	24154	84.367A	310,368
Rural & Low Income Schools	24160	84.358B	39,142
Carl D Perkins Secondary - Current	24174	84.048A	57,957
Carl D Perkins - Unliquidated Encumbrances	24175	84.048A	8,931
Carl D Perkins - Redistribution	24176	84.048A	16,464
21st Century Community Learning Centers	24119	84.287C	823,159
Subtotal - Pass through NM Education Department			3,817,023
<i>Direct U.S. Department of Education</i>			
Impact Aid Special Education	25145	84.041	650
Impact Aid Indian Education	25147	84.041	60,945
Indian Education Formula Grant	25184	84.060A	2,040
Subtotal - Direct U.S. Department of Education			63,635
Total U.S. Department of Education			3,880,658
U.S. Department of Health & Human Services			
<i>Pass-through State of NM Department of Health and Human Services</i>			
Title XIX Medicaid 3/21 Years	25153	93.778	537,696
U.S. Department of Agriculture			
<i>Direct U.S. Department of Agriculture</i>			
Child and Adult Food Program	25171	10.558	167,073
<i>Pass-through State of NM Department of Education</i>			
School Lunch Program	21000	10.555	1,959,121
Total U.S. Department of Agriculture			2,126,194
Total Expenditures of Federal Awards			\$ 6,544,548

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Española Public School 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 Title 2 U.S. *Code of Federal regulations (CFR) Part 200, Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

Sub-Recipients

The District did not provide any federal awards to sub-recipients during the year.

Indirect Cost Rate

The District used the federal indirect cost rate that was mandated by the New Mexico Public Education Department for the year ended June 30, 2018.

Reconciliation of Schedule of Expenditures of Federal Awards to Financial Statements

Total federal awards expended per schedule of expenditures of federal awards	\$ 6,544,548
Total expenditures funded by other sources	<u>40,677,162</u>
Total expenditures	<u><u>\$ 47,221,710</u></u>

**STATE OF NEW MEXICO
 ESPAÑOLA PUBLIC SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2018**

SECTION I – SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditors' report issued: Multiple

Internal control over financial reporting:

- Material weakness (es) identified? X Yes No
- Significant deficiency (ies) identified? X Yes None reported
- Noncompliance material to financial statements noted X Yes No

Federal Awards

Internal control over major programs:

- Material weakness (es) identified? X Yes No
- Significant deficiency (ies) identified? X Yes None reported

Type of auditors' report issued on
 Compliance with major programs: Unmodified

- Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a)? X Yes No

Program tested as major programs include:

Program	CFDA No.
National School Lunch Program	10.555
Twenty-First Century Community Learning Centers	84.287

- The threshold for distinguishing Types A and B programs was \$750,000.
- Auditee qualified as low-risk auditee? Yes X No

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

SECTION II – FINDINGS – FINANCIAL STATEMENTS

Item 2014-002 – Other Non-Compliance - Procurement Violations

Statement of Condition – During our testing of the School District’s adherence to the New Mexico Procurement Code, we discovered the following violations:

- Five of the six request for proposals tested were missing documentation to support that the School District has verified that the vendor had not been suspended or debarred.
- Three of the six request for proposals did not maintain an original certified copy of the advertisement from the newspaper.
- There was one request for proposal in which the vendor/bidder was required to sign a contract with their proposal. There were twelve separate vendors who were awarded contracts. Eleven of the vendors signed the contract with the proposal; one vendor did not. The one vendor was awarded the contract nonetheless.

The nature of the violations have changed from the prior year, nonetheless the finding is repeated. The School District appointed a new Certified Procurement Officer who has been active in implementing new procurement procedures.

Criteria – The Procurement Code, Sections 13-1-28 through 13-1-199 NMSA 1978, is aimed at providing a fair and equitable public procurement process and maximizing the purchasing value of public funds. Specifically, Section 13-1-102 NMSA 1978 states that all procurement shall be by competitive sealed bid except for procurements via competitive sealed proposals; small purchases; sole source; emergency procurements; existing procurements; and antipoverty program businesses. Section 13-1-125 NMSA 1978 states that procurements requirements shall not be artificially divided so as to constitute a small purchase.

The New Mexico Administrative Code Section 1.4-1-50 states, *“that a state agency may procure services, construction or items of tangible personal property having a value not exceeding twenty thousand dollars (\$20,000) by issuing a direct purchase order to a contractor based upon the best obtainable price and in accordance with any procedures or processes set forth by the state purchasing agent.”* Further, Section 1.4.1-51 states, *“insofar as it is practical for small purchases of nonprofessional services, construction or items of tangible personal property having a value exceeding twenty (\$20,000) but not exceeding sixty thousand dollars (\$60,000), and in accordance with any procedures or processes set forth by the state purchasing agent, no fewer than three businesses shall by solicited via written requests containing the specifications for the procurement to submit written quotations that are recorded and placed in the procurement file. If three written quotes cannot be obtained, the agency shall document the reasons and include the document in the procurement file.”*

Pursuant to Section 13-1-158 NMSA 1978, no warrant, check or other negotiable instrument shall be issued in payment for any purchase of services, construction or items of tangible personal property unless the central purchasing office or the using agency certifies that the services, construction or items of tangible personal property have been received and meet specifications or unless prepayment is permitted under Section 13-1-98 NMSA 1978 by exclusion of the purchase from the Procurement Code.

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2014-002 – Other Non-Compliance - Procurement Violations (continued)

Criteria (continued) – Pursuant to Section 13-1-95.2 NMSA 1978, state agencies and most public bodies are required to designate a Certified Procurement Officer (CPO) who is certified by the General Services Department. The CPO is responsible for the control of procurement of items of tangible personal property, services or construction.

Effect – Any person, firm, or corporation that knowingly and willfully violates any provision of the Procurement Code is subject to civil penalty of not more than one thousand dollars (\$1,000) for each procurement in violation of any provision of the Procurement Code (Sections 13-1-28 to 13-1-199 NMSA 1978). If the School District is circumventing procurement rules, the risk of fraud, waste, and abuse is increased. Further, because the School District has not properly retained original documents, they are in violation of the Public Records Act. Violations may lead to civil penalties.

Cause - Employees charged with the responsibility to adhere to the procurement process failed in their assigned tasks. Upper management failed to incorporate procedures to ensure compliance with New Mexico State Statutes and the Administrative Code.

Recommendation – We recommend that the School District officials expedite the establishment of procedures and controls that will provide assurance of compliance with the Procurement Code and the Administrative Code. The procedures should include provisions for the retention of the required documentation, and for periodic review of the procurement records. Further, training should be provided to the School District staff that participates in the procurement process.

Views of Responsible Officials and Planned Corrective Actions – *Corrective Action:* School District officials have been working on establishing procedures and controls that will provide a complete understanding and total assurance of compliance with the Procurement Code. The School District has also been working closely and will continue to work closely with the Chief Procurement Officer to ensure compliance with procurement procedures. *Due Date of Completion:* June 30, 2019. *Responsible Party:* Management and the Chief Procurement Officer.

Item 2015-001 – Other Non-Compliance – Cash Disbursements

Statement of Condition – During our testing of sixty cash disbursements of the School District, we noted the following deviations:

- There were five instances, totaling \$1,817.40, where the purchase order was created after the goods or services had been received or rendered.
- There was one instance in which purchase orders for food vendors could not be issued, due to the lack of vendor W-9 form in the accounting system. The goods purchased were student meals provided when traveling to the eastern part of New Mexico on a school field trip. A check in the amount of \$2,195.00 was issued to a staff member, who accompanied the students, on April 28, 2018. The meals were purchased from May 15 through May 19, 2018. The unspent cash balance of \$512.88 was returned to the school on May 21, 2018.

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2015-001 – Other Non-Compliance – Cash Disbursements (continued)

Statement of Condition (continued) –

- While testing the use of numerical sequence of checks, the District could not provide an explanation for two missing payroll checks that may or may not have been issued in April 2018. The two checks had not cleared the bank and were not listed as outstanding as of June 30, 2018, and were not specifically identified as voided.

This is a repeated finding that has been modified. The new procedures, if fully implemented, were not always followed.

Criteria – The School District is expected to conform to the rules and regulations they have adopted relating to internal controls as per NMSA 1978, Section 6-6-3. The School District has established policies and procedures regarding the retention of documentation, and the process concerning cash disbursements. One of the accounting procedures established is that purchase orders must be completed prior to the acquisition of goods and services. This procedure ensures that sufficient budgetary authority (adequate funds) is available for the proposed purchase. The District also maintains a control procedure to account for all checks un-used, used and voided.

Effect – Noncompliance with the School District's policies and procedures could allow unauthorized transactions performed on the behalf of the School District. By completing the purchase order after the item has been purchased defeats the internal control procedures established by the School District. It allows for the override of established management controls. This could cause misappropriation of the School District's assets. The lack of full accountability of all checks issued could lead to undetected abuse and/or fraud. This could cause an inability for oversight agencies to identify misappropriation of funds.

Cause – The School District requires that purchase orders are created prior to the purchase of goods or services provided. Because of poor planning and foresight, the School District failed to ensure that all items purchased by the School District, during the fiscal year, had followed the required sequence of events related to the disbursements of goods and services.

Recommendation – We recommend the School District's management review established rules and procedures regarding cash disbursements, and update their accounting policies and procedures as necessary. Strong enforcement of said procedures, with appropriate disciplinary consequences, should be considered.

Views of Responsible Officials and Planned Corrective Actions – *Corrective Action:* The School District's Business Office Management will review and established rules and procedures regarding cash disbursements and update their accounting policies and procedures as necessary. Business Office Management will also continue training responsible staff on policies and procedures. The importance of proper and corresponding documentation is continually stressed and emphasized. *Due Date of Completion:* June 30, 2019. *Responsible Parties:* Business Manager, Chief Procurement Officer, Accounts Payable Supervisor, and Payroll Specialist Lead.

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2016-002 – Other Non-Compliance – Cash Receipts and Deposits

Statement of Condition – During the course of the audit, we performed tests of cash receipts collected and deposited by the various schools and the central office. Our sample size was forty deposits, which contained various types of receipts such as: athletics gate receipts, fundraiser, and miscellaneous revenues. Our testing revealed the following discrepancies:

- We noted sixteen instances where money was collected and not deposited within a twenty-four hour period. The exceptions were composed of the following:
 - Nine instances of athletic receipts totaling \$3,556; gate sales of \$184, candy sales of \$1,142, concession sales of \$403, transportation trips of \$1,198, and other sales of \$629.
 - Three instances of fundraiser revenue totaling \$1,884; enchilada dinner of \$100; yearbook sales of \$312; and t-shirt sales of \$1,472.
 - Four instances of miscellaneous revenue totaling \$7,152.

The instances of not depositing receipts on a timely basis are very similar to the prior year finding that has been modified and repeated. The School District failed to improve their procedures for depositing cash receipts in a timely manner.

In addition to the delays in depositing receipts within a twenty-four hour period, we were unable to ascertain when the supporting documents and deposit information were delivered to the business manager. School District personnel did not indicate when the information was submitted to the business manager and receipted by the business manager, and vice-versa, ensuring timely entry into the original books of records.

Criteria – Section 6.20.2.14A of the New Mexico Administrative Code states, “*School districts shall establish and maintain a cash management program to safeguard cash and provide prompt and accurate reporting that adheres to cash management requirements of the Office of Management and Budget (OMB) Circular A-102, and applicable state and federal laws and regulations.*”

Section 6.20.2.14C of the New Mexico Administrative Code states, “*Money received and receipted shall be deposited in the bank within twenty-four (24) hours or one banking day. If the distance to the bank is considerable, or the cash collection is limited to small amounts and or low volume and it is impractical to meet the twenty-four hour/one banking day requirement, the local board may request approval from the department for an alternative plan. The bank deposit slip shall have the numbers from applicable receipts entered on it or attached as a reference.*”

Effect – By not depositing money within twenty-four hours of receipt, the money could be lost, stolen or misappropriated. Further, by not issuing a receipt for each cash transaction, at the time of the deposit, could allow unintentional or intentional errors to occur, and not be detected and fully reconciled in a proper manner, or on a timely basis. Finally, without the additional documentation between the School District and the business manager, it is difficult to determine the timeliness of the recording and posting of cash receipts.

**STATE OF NEW MEXICO
 ESPAÑOLA PUBLIC SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2018**

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2016-002 – Other Non-Compliance – Cash Receipts and Deposits (continued)

Cause – The School District’s finance department failed to implement the necessary policies and procedures to ensure all aspects of the New Mexico Administrative Code was being followed, in respect to cash receipts. Management failed to evaluate their procedures in order to determine if an alternative plan may assist in correcting the violation.

Recommendation – We recommend the School District’s finance department review the necessary sections of the New Mexico Administrative Code, in respect to cash control standards. Further, we recommend that the School District’s finance department modify and improve their policies and procedures concerning all money received and deposited by documenting with a date stamp the date received, date deposited, and date remitted to the business manager for posting to the account records. Finally, we recommend the School District provide adequate training for all key employees once the appropriate changes to accounting procedures have been implemented. Periodic reviews should be performed of the cash receipt documentation to ensure that the procedures are operating effectively.

Views of Responsible Officials and Planned Corrective Actions – Corrective Action: Management agrees with the auditor’s recommendation on the School District’s Finance Department reviewing the necessary sections of the New Mexico Administrative Code in respect to cash control standards. The School District will work closely with the Finance Department to ensure policies and procedures concerning money received and deposited are modified to include documenting all deposits with date stamp, the date, date received, date deposited, and date remitted to the Business Office for posting to account records. The necessary training on procedure updated will be provided by the District to Business Office Employees. Lastly, Management will ensure periodic reviewed of cash receipt documentation are performed to ensure compliance with policies and procedures. *Due Date of Completion:* Immediately. *Responsible Parties:* Business Manager, Procurement Financial Specialist, and Office Managers.

Item 2016-003 – Material Non-Compliance – Legal Compliance with Budget

Statement of Condition – During our testing of the School District’s statutory budgetary requirements, we noted the following:

In the following funds, the School District had actual expenditures exceed budgetary authority at the function level:

Fund	Function	Budgetary Authority	Actual Expenditures	Budgetary Deficit
Operational	School administration	\$ 1,758,397	\$ 1,759,052	\$ (655)
	Operations of plant	5,281,591	5,338,994	(57,403)
	Other student services	-	99,843	(99,843)
	Food	-	1,737	(1,737)
Title I IASA	School administration	-	5,540	(5,540)
Teacher/Principal Training & Recruiting	Students	2,000	13,213	(11,213)
Title XIX Medicaid 3 to 21 Years	Instruction	-	185	(185)
	School administration	-	309	(309)
Ed. Technology Equipment Act	Capital outlay	-	9,142	(9,142)
Educational Technology Fund	General administration	3,349	3,406	(57)

**STATE OF NEW MEXICO
 ESPAÑOLA PUBLIC SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2018**

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2016-003 – Material Non-Compliance – Legal Compliance with Budget (continued)

Statement of Condition (continued) –

In the following funds, the School District had budgeted expenditures in excess of budgeted revenue and beginning cash, thus budgeting a negative cash balance:

Fund	Budget Level	Beginning Cash Balance	Budgeted Revenues	Budgeted Expenditures	Ending (Deficit) Cash Balance
Operational	Original	\$ 801,564	\$ 29,259,916	\$ 30,851,981	\$ (790,501)
	Final	801,564	30,259,103	31,425,953	(365,286)
Bond Building	Original	3,034,176	15,000	3,145,597	(96,421)
	Final	3,034,176	15,000	3,145,597	(96,421)
Debt Service	Original	3,049,862	3,868,168	6,928,150	(10,120)
	Final	3,049,862	3,868,168	6,928,150	(10,120)
LANL Foundation	Original	256	-	2,389	(2,133)
	Final	256	2,500	4,869	(2,113)

This is a repeated finding that has been modified. The School District failed to make improvements in their procedures when compared to the prior year.

Criteria – Sections 6-3-1 through 6-3-25 NMSA 1978 prohibit school districts from making expenditures without budgetary authority. Additionally, the school districts are not allowed to budget a deficit cash balance, in the original or final budgets, within any fund. Anticipated ending cash cannot be less than zero.

Effect – Noncompliance with New Mexico State Statutes subjects officials and employees to penalties and fines required by state statutes. State Statutes also make public officials liable for expenditures beyond budgetary authority.

Cause – The School District’s accounting staff, including the contracted business manager, failed to ensure that all funds had sufficient cash to pay for all necessary expenditures. Further, the School District’s accounting staff, including the contracted business manager, failed to monitor the budget during the fiscal year to ensure compliance with the School District’s authorized budget authority.

Recommendation – We recommend the accounting staff verifies proper budget authority has been established prior to expending funds. Additionally, we recommend the accounting staff ensures anticipated end of year cash balances, both on the original and final budgets, are equal to or greater than zero.

Views of Responsible Officials and Planned Corrective Actions – *Corrective Action:* Management will work closely with Business Office Staff to ensure proper budget authority has been established prior to expending funds. This includes ensuring that the anticipated end of year cash balances both on the original and final budgets, are equal to or greater than zero. *Due Date of Completion:* June 30, 2019. *Responsible Parties:* Management, Business Manager, and the Finance & Budget Specialist.

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2016-004 – Other Non-Compliance – Late Submission of Audit Report

Statement of Condition – The audit report for the fiscal year ended June 30, 2018, was required to be submitted to the New Mexico State Auditor’s office by November 15, 2018. The audit report was delivered on April 4, 2019. This finding was first reported during the fiscal year ended June 30, 2016, and has been modified to reflect the current condition. The District has failed to implement procedures to submit their audit report by the required date.

Criteria – New Mexico State Statutes Section 12-6-12 requires the state auditor to promulgate reasonable regulations necessary to carry out the duties of the office. New Mexico Administrative Code Title 2, Chapter 2, Part 2, *Audits of Governmental Entities Requirements for Contracting and Conducting Audits of Agencies* and Audit Rule 2018, requires that the School District submit its audit report by November 15th following the end of each fiscal year at June 30th.

Effect – Delays in submission of the audit report affect the reporting of financial information to other state agencies and local governments.

Cause – Currently, the School District does not have an employee serving in the role of business manager; however, the School District has contracted with a vendor to provide such services. The vendor began their duties on July 1, 2018. When the vendor began their assignment, there were additional tasks required to bring the accounting records current. For example, the reconciling of bank accounts was not completed until the middle of September 2018. During the on-site audit fieldwork, the School District was slow in responding to the auditing firm’s requests for information. The auditing firm had to make repeated requests for information, which delayed the progress of the audit fieldwork.

During the month of October 2018, the auditing firm discovered the School District had obtained financing from the New Mexico Finance Authority (NMFA) for the purchase of technology equipment. The purchase of equipment began in September 2013, and continued during the current fiscal year. The auditing firm also discovered the financial activity was not recorded on the original books of entry, or the financial statements of the District. A meeting was held between the superintendent, chief financial/operations officer, the contracted business manager, and the auditing firm to discuss the error. The School District informed the auditing firm they would correct their accounting records, including their capital asset subsidiary records. The School District and the auditing firm communicated with the State Auditor’s office, informing them of the errors noted and the course of action to correct the deficiencies.

During the week of January 7, 2019, the School District and the auditing firm discussed the status of the audit. At the time, the superintendent made the decision to move forward with the audit and not correct the errors in their financial records and reports regarding the NMFA loan activity. Many adjusting entries were necessary to remove other errors within the financial statements. After all corrections were completed, the auditing firm presented the School District with a draft copy of the audit report on March 1, 2019. During March 2019, the School District reviewed the audit report and prepared their responses to the audit findings.

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2016-004 – Other Non-Compliance – Late Submission of Audit Report (continued)

Recommendation – We recommend the School District set a goal of having the records ready for audit by September 15th of each fiscal year. If that goal is accomplished, the auditors would have sufficient time to complete the audit by the state auditor required completion date of November 15th.

Views of Responsible Officials and Planned Corrective Actions – *Corrective Action:* We do not agree with this finding. All requested documents were provided timely to the external auditors. It was brought to our attention that NMFA payments had not been recorded in the month of October and required substantial research to be performed due to the amount of time that had passed related to NMFA payments. Due to the timing of the external audit being performed so close to the New Mexico State Auditor deadline, there was not reasonable time to research and correct the information requested by the external auditors. In the future, the School District will request that the external auditors perform their fieldwork early and not so close to the deadline. This will allow the school district adequate time to provide responses and requested documentation timely and sure the timely submission of the audit. The School District will set a goal of having the records ready for audit, therefore the auditors would have sufficient time to complete the audit by the state auditor required completion date of November 15th. This finding should be resolved by November 15, 2019. *Due Date of Completion:* June 30, 2019. *Responsible Parties:* Management and the Business Manager.

Auditing Firm’s Response – The School District has the responsibility to prepare its financial statements in accordance with generally accepted accounting principles. Currently, the School District does not employ an individual who has the skill, knowledge, or experience to prepare such statements. The School District has contracted with an organization to fill the role of the business manager. The contractor does possess the necessary skill, knowledge and experience; however, the contractor did not discover the error relating to the NMFA loan activity. While the statement regarding the discovery of the error late in the audit process is correct, nevertheless it was discovered, and the School District has the responsibility to correct the error. Once the error was discovered, the contracted business manager did not assist the School District in correcting the error. The contracted business manager simply gave general instructions to School District employees to resolve the matter. School District employees retrieved the missing financial activity from NMFA and created a worksheet detailing such activity. In early January 2019, the superintendent, desiring to move the process forward, made the decision to present financial statements without the loan activity and capital asset purchases, and the associated depreciation expense.

Additionally, the auditing firm discovered other errors within many individual funds that needed correcting. The auditing firm expended many additional hours in order to correct obvious errors in financial reporting in the previous year. If the contracted business manager corrected these errors timely after the end of the fiscal year, the audit process would have proceeded faster, and with fewer difficulties.

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2016-005 – Significant Deficiency and Material Non-Compliance – Capital Assets

Statement of Condition – During our testing of the capital assets subsidiary records including the observation of assets on hand, we discovered the following deviations:

- The School District has established procedures to expedite the inventory of capital assets on hand. The central administrative office sent each school and department the current listing of assets purchased and assigned to them. The personnel in the various locations were assigned the responsibility of verifying the assets on hand, and report any discrepancies to the central office.

Discussions with the capital asset manager revealed that some of the individual schools and departments did not give the procedure a high priority, ensuring that accurate observations were obtained. From our observation, we were able to ascertain that some schools and departments did not comply with the required procedures to reconcile the capital asset listing with assets on hand, and in working condition.

- As part of our audit testing in determining the accuracy of the capital assets records, we selected twenty-five assets to observe, with a cost of \$677,048. Our selection contained two transportation buses, vehicles, and heavy equipment with a cost of \$551,918; and other equipment with a cost of \$125,130. Seven pieces of equipment, with a cost of \$69,228 could not be located. We discovered one selected piece of equipment, with a cost of \$5,630, was no longer in working condition and had been removed from operations.
- During our observation of capital assets, we discovered that many locations maintained a storage area for capital assets no longer in use. Those assets remained on the capital assets subsidiary ledgers, thereby overstating capital assets.
- Our observation within the technology department location revealed many pieces of equipment no longer utilized by the District; however, those items remain on the subsidiary records.

This is a repeated finding that has been modified. The School District did not make improvements to rectify the deficiency.

Criteria – The New Mexico State Administrative Code, Title 6, Chapter 20, Part 2, *Primary and Secondary Education Governing Budgeting and Accounting for New Mexico Public Schools and School Districts*, section 6.20.2.22C states, “Property control system: Assets of a long-term character which are intended to continue to be held or used, such as land (including acquisition and improvements to grounds) buildings (including initial, acquisition, improvements, remodeling, additions, and replacement), furniture, machinery and equipment shall be acquired and accounted for through the development and implementation of a complete property control system which shall be adopted by the local board and in accordance with GAAP (generally accepted accounting principles). General services department (GSD) rules, the state Procurement Code, and any other applicable state and federal requirements.

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

*Item 2016-005 – Significant Deficiency and Material
Non-Compliance – Capital Assets (continued)*

Criteria (continued) –

New Mexico State Statutes Section 12-6-10 directs the General Services Department to promulgate regulations to state agencies for the accounting and control of fixed assets owned by government agencies. The New Mexico State Administrative Code, Title 2, Chapter 20, Part 1, *Accounting and Control of Fixed Assets of State Government, Accounting for Acquisitions and Establishing Controls* issued by the General Services Department, requires that the School District implement a systematic and well documented system for accounting of capital assets. The information to be recorded and maintained must include, at a minimum, the following:

- 1) Agency name.
- 2) Fixed asset number.
- 3) A description using words meaningful for identification.
- 4) Location.
- 5) Manufacturer's name.
- 6) Model number or model name.
- 7) Serial number or vehicle identification number.
- 8) Estimated useful life.
- 9) Date acquired.
- 10) Cost.
- 11) Fund and organization that purchased the asset.

The accounting system must be capable of generating lists of capital assets in sequences useful for managing them. The system must track all transactions, including acquisitions, depreciation, improvements, and dispositions. The system must generate all necessary accounting entries to the School District's general ledger.

Further, according to Administrative Code, Title 2, Public Finance, Chapter 20, *Accounting by Governmental Entities, Part 1, Accounting and Control of Fixed Assets of State Government, Accounting for Acquisitions and Establishing Controls, 2.20-1.16, Annual Inventory*, the School District shall conduct a physical inventory of its capital assets consisting of those costs of \$5,000 or more, under the control of the School District. The inventory should be accurate and complete.

Effect – Noncompliance with established policies and procedures by the District's personnel affects the accuracy of capital assets subsidiary records, causing overstatement or understatement of assets owned by the District. Noncompliance could affect future funding for capital outlay. Noncompliance with required accounting requirements provides further justification for the New Mexico Public Education Department to maintain control of the financial activities of the School District.

Cause – Some of the personnel in the various locations did not properly identify obsolete equipment, which should be identified as such within the subsidiary records. Further, some employees did not take an adequate inventory of assets assigned to various locations. The School District has not undertaken the effort to dispose of equipment, as allowed by state statutes and the New Mexico Public Education Department regulations.

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

*Item 2016-005 – Significant Deficiency and Material
Non-Compliance – Capital Assets (continued)*

Recommendation – The School District has maintained capital assets subsidiary records that provide detailed historical information. The capital assets accountant within the central administrative offices has done an excellent job identifying new capital additions; however, the central office relies on the employees within the various schools and departments to accurately update the inventory sheets. We recommend upper management stress to principals, assistant principals, and department heads the importance of reporting accurate information. We also recommend the central office perform tests of the inventory sheets completed by the various locations, for the purpose of verifying accuracy of capital asset observations. If the School District removes unused or impaired assets from the capital asset subsidiary records, a listing of these assets must still be maintained, until they have been sold or discarded. Finally, we recommend the School District dispose of any unused equipment in compliance with state statutes and New Mexico Public Education Department regulations.

Views of Responsible Officials and Planned Corrective Actions – *Corrective Action:* Central Office will work closely with all departments to ensure that department heads are properly keeping records of all capital assets. Additionally, central office will perform tests of the inventory sheets completed by the various locations for the purpose of verifying accuracy of capital asset observations. Finally, the District will ensure those capital assets that are unused will be disposed of in compliance with state statutes and New Mexico Public Education Department regulations. *Due Date of Completion:* June 30, 2019. *Responsible Parties:* Management, Business Manager, Department Heads, and Capital Assets Manager.

*Item 2016-007 – Significant Deficiency -
Other Non-Compliance – Late Payment of Payroll Taxes*

Statement of Condition – The School District did not remit federal employment taxes for two separate payroll quarters as required by the federal government. On September 10, 2018, the School District received a notice from the United States Department of Treasury, Internal Revenue Service (IRS), assessing a penalty in the amount of \$24,660.09 for failing to remit payroll taxes due for the quarter ended June 30, 2018. The School District failed to remit payroll taxes in the amount of \$378,686.05 due to the IRS on June 18, 2018. The District remitted payment on June 29, 2018. For the same quarter, the School District failed to remit \$114,515.71 on July 2, 2018. That payment was remitted on July 11, 2018.

On October 1, 2018, the IRS issued a notice stating that payroll deposits for the quarter ended March 31, 2018, were not made on a timely basis. The IRS assessed a failure to make a proper federal tax deposit penalty of \$7,143.11. The IRS also charged a failure to pay penalty of \$32.08 and interest in the amount of \$23.62.

This finding has been repeated since 2016 and has been modified to reflect the current deficiencies. While the School District made improvements towards correcting the finding when compared to prior years, the problem still exists.

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2016-007 – Significant Deficiency - Other
Non-Compliance – Late Payment of Payroll Taxes (continued)

Criteria – The IRS has issued Publication 15, titled Circular E Employer’s Tax Guide that provides detailed explanation regarding the submission of payroll taxes to the federal government. In particular, the publication explains the calculation of Social Security, Medicare, and the federal income taxes, collection and subsequent transmittal to the IRS. The School District is expected to adopt internal control policies and procedures to safeguard the assets of the School District.

Effect – In many instances, and for various reasons, both commercial and governmental organizations struggle to remit payroll taxes on a timely basis. One such reason is the entity struggles financially. As a result, various organizations pay a heavy price for not complying. In the School District’s situation the concern is not financial, as the District has sufficient funds to remit payment on a timely basis. The remittance of \$31,858.90 for these type of penalties is a waste of public funds that could be used in classrooms or administration throughout the School District.

Cause – The contracted vendor providing services as the business manager failed to comply with her contractual obligations by managing the payroll deposits. According to her contract, she was required to provide federal and state payroll tax deposit management. The School District personnel failed to remit the payroll taxes timely, and the business manager failed to verify the compliance with federal rules and regulations.

Recommendation – We recommend proper internal control procedures be established to prevent this situation from occurring in the future. Personnel responsible for the remittance of payroll taxes should be properly trained and supervised. Procedures should be established requiring the submission of the taxes within a day or two of each payroll to ensure compliance with IRS Publication 15.

Views of Responsible Officials and Planned Corrective Actions – *Corrective Action:* The School District is currently working on establishing proper internal control procedures requiring submission of taxes prior to payroll to ensure compliance with IRS Publication 15, and to prevent this situation from occurring in the future. The School District has assigned trained personnel the responsibility of remitting payroll taxes. The School District will continue to train and supervise all personnel responsible for remitting payroll taxes as deemed necessary. *Due Date of Completion:* June 30, 2019. *Responsible Parties:* Management, Business Manager, Procurement Financial Specialist, and Office Managers.

Item 2017-001 – Other Non-Compliance – Form 941 Employer’s Quarterly Federal Tax Return

Statement of Condition – The employer quarterly federal tax return Form 941 for the quarter ending September 30, 2017, was due October 31, 2017. The form was filed on November 8, 2017, the day it was signed by the business manager. This finding was reported in the previous fiscal year, and is repeated as the non-compliance existed in the current fiscal year.

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

*Item 2017-001 – Other Non-Compliance –
Form 941 Employer’s Quarterly Federal Tax Return (continued)*

Criteria – The Internal Revenue Service requires employers to file their quarterly Form 941 employer’s quarterly federal tax return by the end of the month following the end of the quarter.

Effect – For each month or partial month you are late filing Form 941, the IRS imposes a 5 percent penalty, with a maximum penalty of 25 percent. This penalty is a percentage of the unpaid tax due with the return. The IRS also adds on a 0.5 percent tax for each month or partial month you pay the tax late.

Cause – There was an oversight in the controls that were established to ensure compliance with federal regulations.

Recommendation – We recommend the School District management establish procedures to ensure compliance with Internal Revenue Service regulations. These procedures should include at the minimum, communication between the School District and the business manager.

Views of Responsible Officials and Planned Corrective Actions – *Corrective Action:* The Business Office has implemented policies and procedures to ensure compliance with Internal Revenue Service Regulations. Form 941s are prepared and reviewed timely to ensure proper submission to the Internal Revenue Service. The School District will work closely with Business Manager to strengthen communication between the School District and the Business Manager. *Due Date of Completion:* Immediately. *Responsible Parties:* Business Manager and Payroll Specialist.

Item 2018-001 – Material Weakness – Accounting Activity and Accounting System

Statement of Condition – During the fiscal year, the following deficiencies regarding the School District’s accounting activity were noted

- The School District recorded cash totaling \$8,154,077 on the Statement of Net Position, and cash totaling \$648,847 on the Statement of Fiduciary Assets & Liabilities, for a cash total of \$8,802,924; however, the School District’s bank reconciliations, at June 30, 2018, indicated cash totaled \$8,129,769, which is a variance of \$673,155.
- At June 30, 2018, the School District had seventeen funds with a positive cash balance, totaling \$230,946; with no revenues or expenditures during the fiscal year. The cash balance was a carryforward from the previous fiscal year. While performing the monthly bank reconciliation, the School District failed to review their accounting records to determine if money could be transferred from one of the seventeen funds to the Operational Fund, resulting in the closure of any of the seventeen funds.
- At June 30, 2018, the School District had eleven funds that had a negative cash balance, totaling \$96,270, and no revenues or expenditures during the fiscal year. The negative cash balance was a carryforward from the previous fiscal year. While performing the monthly bank reconciliation, the School District failed to review their accounting records to determine what action was necessary to close the funds.

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2018-001 – Material Weakness – Accounting Activity and Accounting System (continued)

Statement of Condition (continued) –

- The School District did not determine the property taxes receivable for the Operational, SB-9 Local, and Debt Service funds for the fiscal years ended June 30, 2018 and 2017. Santa Fe County and Rio Arriba County, reported uncollected receivables due to the School District at June 30, 2017, of \$266,071 and \$1,023,589, respectively. The amount reflected on the School District financial statements totaled \$357,259, a variance of \$932,401. Current year information received from Santa Fe County and Rio Arriba County, reflects a total of \$225,480 and \$1,342,493, respectively. The School District reflected the same property taxes receivable balance at the end of the fiscal year as the beginning balance. The year-end variance is \$1,210,714.
- In September 2014, the School District entered into a loan agreement with the New Mexico Finance Authority (NMFA), in the amount of \$1,600,000. The loan proceeds were to be used to upgrade various technology equipment throughout the School District. For vendors to be paid, the School District completed and submitted payment request vouchers, including the vendor's invoice(s) and all supplement information to the NMFA to process and submit payment directly to the vendors. For the fiscal year ended June 30, 2018, the School District expended \$141,383.10, and never recorded those payments within their accounting records.
- Between September 2014 and June 30, 2018, the School District expended \$1,257,475.59 from the loan proceeds received by NMFA. In preparation for the School District's annual audit, the School District failed to review and determine if any of the amounts expended were for equipment that met the requirements to be classified as a capital asset, and depreciated over its useful life.
- The School District failed to record the NMFA loan as debt on their audited financial statements for the fiscal year ended June 30, 2015. Further, the School District failed to accurately record the principal and interest debt payments properly on their financial statements. Between September 2015 and June 30, 2018, the School District has made annual principal and interest debt payments totaling \$955,000. These payments were classified within the Education Technology Fund as support services – general administration function, and not as debt service.
- For the fiscal year ended June 30, 2017, the School District recorded intergovernmental receivables totaling \$1,620,819 within sixteen individual funds. During the review of the School District's intergovernmental receivables for the fiscal year ended June 30, 2018, it was discovered seven of the sixteen funds had receivables of \$64,921 that were not received during the current fiscal year. Since June 30, 2011, these seven funds reflected receivables that had not been collected and have been removed as of June 30, 2018. Further, for the fiscal year ended June 30, 2017, three funds had receivables that were overstated by \$290,725; two funds had receivables that were understated by \$53,710; and three funds under reported receivables totaling \$311,832.

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2018-001 – Material Weakness – Accounting Activity and Accounting System (continued)

Statement of Condition (continued) –

- The use and recording of interfund receivables and payables within the School District's accounting records is inconsistent and incorrect. For example, the audited financial statements for June 30, 2017 indicated eighteen funds reflected an interfund liability, along with a deficit fund balance as the only financial amounts on the balance sheet.
- Key elements of the financial statements were not prepared by the School District. As an example, the contracted business manager refused to prepare or assist the auditing firm with the net pension liability, net OPEB liability and deferred inflows and outflows of resources calculation needed for the fiscal year ended June 30, 2018 financial statements.
- The School District had numerous posting errors between funds as recorded in the accounting records.

Criteria – Auditing standards adopted in the United States of America in particular AU Section 325 Communicating Internal Control Related Matters Identified in an Audit, paragraph .03 states the following: *“Internal control is a process – effected by those charged with governance, management, and other personnel – designed to provide reasonable assurance about the achievement of the entity’s objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with laws and regulations. Internal control over safeguarding of assets against unauthorized acquisition, use, or disposition may include control relating to financial reporting and operations objectives.”*

Appropriate internal controls over financial reporting include the ability to understand the key components financial statements in accordance with GAAP. Underlining this premise is the requirement that the School District will maintain the accounting records in such a manner as to allow the preparation of financial statements. For example, the reconciliation of the capital assets between the general ledger and subsidiary ledgers provides assurance of proper accountability and reduces that chance of a material misstatement. Finally, appropriate internal controls would include establishing a general ledger system that maintains financial date in such a matter that reliable financial reports can be generated.

The School District must not rely on the auditing firm to convert their cash basis accounting records to accrual basis, in order to present financial statements in accordance with generally accepted accounting principles.

Effect – Since the School District business manager and personnel failed to reconcile or prepare key components of the financial statements, there is an increased risk that a misstatement of the School District's financial statements that is more than inconsequential will not be prevented or detected. Further, since the School District's accounting staff lacks the proper knowledge or training regarding some aspects of the conditions noted such as the reconciliation of capital assets there is more than a remote possibility that a material misstatement of the financial statements will not be prevented or detected.

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2018-001 – Material Weakness – Accounting Activity and Accounting System (continued)

Cause – The School District’s business manager and finance department staff maintain cash basis accounting records, and failed to recognize all the key components of the financial statements that are prepared on the economic resources measurement focus, which includes the accrual basis of accounting, and the current financial resources measurement focus that includes the modified accrual basis of accounting. The business manager failed to recognize errors in the June 30, 2017 financial statements.

Recommendation – We recommend the contracted business manager and the School District’s finance department perform a comprehensive review of the School District’s accounting records. The School District should place an emphasis with the current contracted business manager to address all items noted within the statement of condition no later than the end of the current fiscal year. These issues should be reviewed, addressed or resolved prior to the end of the current fiscal year.

Finally, we recommend the School District’s contracted business manager, with the assistance of the finance department, begin preparing for the annual fiscal audit prior to the end of the fiscal year. The School District must be able to present financial statements that are ready for audit, with the necessary backup documentation for all key components, prior to the auditing firm’s arrival onsite.

Views of Responsible Officials and Planned Corrective Actions – *Corrective Action:* We do not agree with the Cause stated above related to this finding. The previous business manager is the individual responsible for the fiscal oversight of the School District. We also do not agree that the business manager “refused to prepare or assist with the net pension liability” as this is not true. This statement is inaccurate and communication regarding this was not provided by the external auditors. Additionally, findings were not provided to the District timely with adequate time to investigate or respond. The Finance Department will begin preparing for the annual budget prior to the end of the fiscal year. This includes having backup documentation for all key components readily available for review prior to the auditor’s arrival on site. The current Business Manager will review and reconcile the general ledger accounts and ensure the district is reporting accounting information correctly and accurately. *Due Date of Completion:* Immediately. *Responsible Parties:* Management and Business Manager.

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2018-001 – Material Weakness – Accounting Activity and Accounting System (continued)

Auditing Firm’s Response – The School District has the responsibility to prepare their financial statements. This requirement goes beyond maintaining the general ledger, on a cash basis, and issuing reports required by the New Mexico Public Education Department and other federal and state agencies. The current contracted business manager’s legal contract is silent regarding the requirement(s) to assist in the audit process. While not specifically a contractual requirement, the responsibility remains with the position of the business manager.

The current contracted business manager refused to prepare certain items necessary for the financial statements prepared in accordance with generally accepted accounting principles. When ask to prepare the net pension and OPEB liabilities and the associated deferred outflows and inflows of resources the response to the auditing firm was, “That is the job of the auditor.” That is an incorrect statement, as the responsibility lies with the District. Further, when the auditing firm asked for receivables at year-end, the business manager provided us with an incomplete list compelling the auditing firm to utilize the New Mexico Public Education Department Operating Budget Management System and to make the necessary changes to the District’s year-end receivables.

Item 2018-002 – Material Weakness – Suspension of Finance Authority

Statement of Condition – On November 17, 2016, Secretary of Education Hanna Skandera, informed the School Board that she was exercising the authority granted to her by state statutes to suspend the ability of the School Board to act as a board of finance. As a direct result of her action, the New Mexico Public Education Department (PED) took immediate control of all public school funds under the control of the School Board. Secretary Skandera informed the School Board that PED’s School Budget and Finance Bureau would monitor the school’s operations and review the practices of the School District, with the goal of installing increased degree of accountability, better financial controls, better management and oversight, adherence to generally accepted audit principles, and establish a strong internal control framework.

Secretary Skandera detailed many accounting deficiencies within the School District. The Secretary also referred to the fiscal year 2015 audit report, which indicated the School District had violated the procurement code and cash disbursement procedures.

On behalf of the School District, PED entered into contract with an individual to serve as the School District’s business manager on December 2, 2016. This individual served as the business manager from December 2, 2016 through June 30, 2018. PED, without input from the School District, selected this vendor to serve in the role of business manager. The executed business manager’s contract contained various provisions regarding the time to be physically present at the School District’s administrative offices to perform her duties. The contract allowed as few as one day per week to as many as three days per week. During this time, the School Board hired a superintendent and chief financial/operations officer to strengthen the upper management positions.

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2018-002 – Material Weakness – Suspension of Finance Authority (continued)

Statement of Condition (continued) – From November 17, 2016 through the present time, PED approves the expenditures of public school funds, by the School District, of any amount equal to \$1,000 or greater. Additionally, PED will assert its authority by making financial management decisions that impact the School District.

The School District failed to correct nine of the ten audit findings reported in the fiscal year 2017 audit report. In addition, there are eleven additional audit findings for the fiscal year 2018. The additional audit findings detail material weaknesses and significant deficiencies within the financial operations of the School District. For the fiscal year ended June 30, 2018, the auditors expressed multiple qualified opinions on the various financial statements and an adverse opinion on the Education Technology Fund financial statements. Improper accounting and reporting procedures contributed heavily to the opinions expressed by the auditors. The contracted business manager did not resolve prior years' audit findings during her engagement. She maintained current operations and addressed deficiencies in reporting financial activity to PED.

Effective July 1, 2018, PED on behalf of the School District, engaged another firm to serve as the School District's business manager. The newly hired firm has a larger support staff to fulfill the requirements of the business manager's contract. Once again, the School District did not have any input into the selection of the new vendor.

Criteria – Section 6.20.2.11A of the New Mexico Administrative Code states, *“Every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safe-guarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management’s authorization and recorded proper to permit the preparation of general purpose financial statements in accordance with GAAP, and that state and federal programs are managed in compliance with applicable laws and regulations. The internal control structure shall include written administrative controls (rules, procedures and practices, and policies that affect the organization) and accounting control (activity cycles, financial statement captions, accounting applications including computer systems) that are accordance with GAAP.”*

Section 6.20.2.11B (1) of the New Mexico Administrative Code states, *“School district management must ensure that protection of the public trust is a major focus when granting the authorization to execute business of the school district.”*

Secretary Skandera established certain criteria she would consider when evaluating the return of financial authority to the School Board. Those items are:

- The financial audit is submitted with an unmodified opinion and all prior year findings have been resolved.
- The School District employs or contracts with a level two licensed business manager.
- The School District's general ledger is reconciled to the audited balances and the PED's reports.

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2018-002 – Material Weakness – Suspension of Finance Authority (continued)

Criteria (continued) –

- All PED required monthly financial reports need to be submitted accurately and in a timely manner for a period of six months.
- Demonstrate that proper procurement policies are being adhered to for a period of six months.
- After identification of all potential financial mismanagement issues, provide PED with a list of corrective actions implemented since PED became the School District's board of finance.

Effect – PED's action to assume financial authority was taken with proper cause; however, the method to resolve the deficiencies noted by Secretary Skandera's letter dated November 17, 2016, failed to produce a satisfactory result. The School District continues to struggle in resolving the deficiencies noted in the previous years' audit reports. The present model of the contracted business manager not required to be on-site for the entire workweek, for a larger school district, is not providing the results intended by Secretary Skandera in resolving the deficiencies and returning financial authority back to the local school board.

Cause – The business manager's contract, approved by PED, allowed the previous business manager to be on-site less than full time. Given the requirements of the business office, the number of transactions occurring, and the size of the business office staff, that was an insufficient amount of time to complete the necessary duties and establish improvements to internal control procedures. The previous business manager placed the majority of her efforts on attempting to keep the financial operations current. PED allowed the situation to continue for a period of nineteen months before making a change in business managers. Although the business manager contracted with the School District, she understood that PED's School Budget and Finance Bureau would make the final decision. As a result, there was a loss of communication between PED, the business manager, the School District's superintendent, chief financial/operations officer, and the School Board.

Recommendation – We recommend the School District's superintendent and chief financial/operations officer meet with Karen Trujillo, PhD, Secretary of Education, and senior members of her staff to assess the present model in place regarding the School District's contracted business manager. The ultimate goal is to restore the financial operation back to the School District utilizing an efficient and effective economic solution.

We recommend a restructure of the present business manager's contract to require proper reporting to the superintendent and chief financial/operations officer, and attendance on-site throughout the workweek. Further, we recommend the School District become proactive by employing qualified personnel to fill key positions within the business office. Finally, we recommend the School District continue their efforts to educate and train current employees within the business office, so they are able to perform their duties accurately, correctly, and timely.

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2018-002 – Material Weakness – Suspension of Finance Authority (continued)

Views of Responsible Officials and Planned Corrective Actions – The circumstances the District has experienced since the Public Education Department’s (PED) suspension of the board of finance authority on November 17, 2016, under Sections 22-8-39 and 22-2-1 NM 1978, has proven difficult in managing the daily financial activities and operations of the District. The Superintendent has had a challenging time determining the extent of financial governance required to fill her responsibilities for running the day to day financial and operational concerns, along with student instruction, as PED maintains control of the District’s finances.

The model established under PED’s control has not generated any substantial improvements to date to address the specific items mandated by the PED Secretary, in the Notice of Suspension of Board of Finance Authority dated November 17, 2016 in order for the District to regain its board of finance authority. PED has selected two different vendors to fill the role of business manager, without any input from the Superintendent, and has exerted complete control over School District financial activities. On many occasions, the Superintendent has voiced her frustrations and concerns directly to PED’s Director of School Budget and Finance Analysis Bureau. Recently, the District communicated with the Director detailing specific concerns and issues, including the extent of work performed by the contracted business manager and his staff. That communication prompted the Director to do an unannounced site visit to the District’s Central Office to interview the business staff to validate the concerns and issues.

Corrective Action: The Superintendent and the Chief Financial/Operations Officer plan to schedule a meeting with the Secretary of Education, Dr. Karen Trujillo, and senior members of her staff to discuss the duties of the business manager and their contract. We desire input regarding solutions to move the District in a positive direction. We will discuss the terms and requirements detailed in the contract between the District and the current business manager, as we need support for specific financial functions that the District’s business services are unable to perform without a qualified business manager on staff. In the interim, the District has been advertising to fill the business manager position with a qualified individual and other key positions within the business services, in anticipation of regaining its board of finance authority. The work expected from the contracted business manager and his staff should focus on improving the internal control structure of the business functions, and not just performing routine day-to-day processing of transactions. The restructuring of the contract will assure that improvements and corrective actions are implemented within a reasonable time. *Due Date of Completion:* Unknown. *Responsible Parties:* Superintendent and the Chief Financial/Operations Officer.

Item 2018-003 – Significant Deficiency – Material Non-Compliance – New Mexico Finance Authority Loan

Statement of Condition – On September 26, 2014, the School District entered into a lease purchase arrangement with the New Mexico Finance Authority (NMFA) to purchase technology equipment. The agreement was entered into in accordance with the Education Technology Equipment Act defined by New Mexico State Statutes Sections 6-15A-1 through 6-15A-16. The lease purchase agreement allows the School District to expend up to \$1,600,000.

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

*Item 2018-003 – Significant Deficiency – Material
Non-Compliance – New Mexico Finance Authority Loan (continued)*

Statement of Condition (continued) – Prior to the current fiscal year, the School District had expended \$1,116,860.35. During the current fiscal year, the School District expended \$141,383.10 of the lease purchase agreement proceeds. When qualified purchases were identified by the School District, authorized employees would forward payment requests to NMFA. Those payment requests were processed, and payment was directly submitted to the vendors. For the current year, there was one instance where the School District was reimbursed by NMFA for expenditures paid by the School District. As a result, the School District did not record in their original books of entry any of the financial transactions regarding the lease purchase agreement. The School District did not capitalize any of the capital purchases. The School District did not add capital assets to their capital asset subsidiary records. The School District did not depreciate any of the capital assets. Budgets seeking budgetary authority were not prepared.

During the month of October 2018, we discovered the School District had not recorded the lease purchase activity within their accounting system or on historical audited financial statements. At that time, we requested the School District obtain copies of the invoices paid and correct their capital assets subsidiary records. School District personnel created a worksheet detailing the purchases; however, no further action has been taken. Rather than further delaying the current year audit, the School District has elected to omit the historical financial information including, but not limited to, the capital assets, depreciation expense, and the outstanding loan amount. The amount of capital assets purchased has not been determined.

As of June 30, 2018, the School District had failed to draw down a portion of the available lease purchase proceeds. The amount available to expend was \$358,168.76. The School District received an extension from NMFA to expend the funds by December 31, 2018, and the funds were expended. The remaining liability on the lease purchase agreement is \$325,000, which will be due on September 1, 2019. The School District has not budgeted the expenditure of funds.

Criteria – Section 6.20.2.8A of the New Mexico Administration Code states, “All school districts shall account for financial transactions ...” Section 6.20.2.9A states, “Every school district shall follow budget requirements stated in Sections 22-8-5 through 22-8-12, NMSA 1978, and procedures of the department in preparing, submitting, maintaining and reporting budgetary information. Budget control shall be at a function level. Over-expenditure of a function shall not be allowed.”

Section 6.20.2.11 states, “Every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safe-guarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management’s authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP, ...”

Section 6.20.2.13A states, “General Ledger: All school districts shall establish and maintain a general ledger in accordance with GAAP. The general ledger will be comprised of individual funds and account groups using the department’s uniform chart of accounts and shall be reconciled every fiscal year with department records.”

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

*Item 2018-003 – Significant Deficiency – Material
Non-Compliance – New Mexico Finance Authority Loan (continued)*

Criteria (continued) – Section 6.20.2.22C states the following, “*Property control system: Assets of a long-term character which are intended to continue to be held or used, such as land (including acquisition and improvements to grounds), buildings (including initial, acquisition, improvements, remodeling, additions and replacement), furniture, machinery and equipment shall be acquired and accounted for through the development and implementation of a complete property control system which shall be adopted by the local board and in accordance with GAAP.*”

Effect – The School District has understated capital assets purchased, along with the financial obligation due to the NMFA. The School District has understated non-capital expenditures associated with the loan. The School District has not recorded depreciation expense for assets that should be reflected in the capital assets subsidiary ledgers. The School District has not placed identification numbers on capital assets purchased. The School District has not inventoried capital assets purchased. The School District has not recorded interest and administration expenses associated with lease purchase agreement.

Cause – Since the inception of the agreement, payments for equipment purchases were paid directly by the NMFA. As such, the financial activity bypassed the School District accounting records. The accounting staff failed to properly record the transactions throughout the years. On November 17, 2016, the New Mexico Public Education Department assumed financial authority of the School District and contracted with vendors for the position of business manager. The contracted vendors failed to recognize the need to record the NMFA activity. The auditing firm performing the annual fiscal audits failed to detect the School District’s non-compliance with the various New Mexico Administration code sections that apply to this transaction.

Recommendation – We recommend the School District ascertain the proper accounting requirements related to the lease purchase agreement. All capital assets should be located and marked with identification numbers, as required by established procedures. The capital assets should be depreciated and adjustments made to the June 30, 2018 ending balances. In the future, the School District accounting personnel should analyze any loan agreements, and ensure compliance with such agreements, including recording financial activity that occurs beyond the checking accounts of the District.

Views of Responsible Officials and Planned Corrective Actions – *Corrective Action:* The Business Manager has been working closely with Business Office Staff to ensure all capital assets are documented with location and marked with identification numbers as required by established procedures. All assets purchased have been properly marked/tagged and accounted for. Business Office Management has been working closely with the Capital Assets Manager to insure all capital assets are depreciated in accordance with appropriate procedures. Additionally, the School District will insure that Business Office Management is analyzing all loan agreements and ensuring compliance with such agreements. *Due Date of Completion:* June 30, 2019. *Responsible Parties:* Management, Business Manager, Technology Director, and Capital Assets Manager.

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2018-004 – Significant Deficiency and Material Non-Compliance - Bank Reconciliations

Statement of Condition – The School District did not perform timely, monthly bank reconciliations throughout the fiscal year ended June 30, 2018. When audit procedures were applied to the June 2018 bank reconciliation, the auditors discovered a duplicate reimbursement in the amount of \$180.00. On June 14, 2018, the District erroneously issued a check to an employee who was not entitled to receipt of the funds. The employee entitled to the reimbursement did not receive her check, and she prepared an affidavit for a duplicate check. The duplicate check was issued on July 11, 2018. Both checks were presented to the bank, and both employees received payment. Within the bank reconciliation procedure, the School District reflected the original check as voided; however, the check was honored. When performing the audit procedures in the month of October 2018, the School District was unaware that a duplicate payment was made for the same expense.

Aside from taking the month-end cash bank balance, adding deposits in transit, and reducing the balance by outstanding checks to determine the adjusted bank balance, the School District needs to ensure the cash reflected in the general ledger can be reconciled to the adjusted bank balance. At June 30, 2018, the School District did not reconcile the adjusted bank balance with the general ledger. The books reflect \$673,155 more than the adjusted bank balance.

Criteria – Section 6.20.2.14K of the New Mexico Administrative Code states, “*All bank accounts shall be reconciled on a monthly basis. Reconciled bank statements are to be reviewed by the business manager and/or assistant superintendent for business administration. The bank statement, deposit slips, and canceled checks shall be made available to the district’s auditor during the annual audit.*”

Section 6.20.2.11 of the New Mexico Administrative Code states, “*Every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safe-guarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management’s authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP, and that state and federal programs are managed in compliance with applicable laws and regulations.*”

Effect – Not performing bank reconciliations on a timely basis could allow errors to occur within the accounting system, in particular to the general ledger, and not be detected on a timely basis. Pushing through the reconciliation procedures that contain numerous transactions because of time constraints, affords the preparer the desire to overlook some of the fine details.

Cause – During the fiscal year, the contracted business manager failed to comply with her contractual obligations by properly supervising the preparation of the bank reconciliations. Implicit in her contractual requirements, was to ensure the completion of the reconciliations on a timely basis. The bank reconciliation information is needed to prepare financial reports for the School Board, management and regulators. When a new firm began on July 1, 2018, in the role of business manager, they completed the delinquent bank reconciliations. The current contracted business manager failed to reconcile the adjusted bank balance with the amount of cash reflected on the general ledger in the various individual funds.

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

*Item 2018-004 – Significant Deficiency and Material
Non-Compliance - Bank Reconciliations (continued)*

Recommendation – We recommend the bank reconciliations be completed and presented to a member of upper management, such as the chief operations officer, for review by the fifteenth day following the end of the previous month. Further, we recommend the School District recover the duplicate payment incorrectly issued. In the future, when it is discovered that a check was issued in error, we recommend accounting personnel determine if the check has been honored by the School District's financial institution before issuing another check. This procedure can easily be performed with online banking. Additionally, the School District should inform the bank of the desire to stop payment on a check discovered to be issued in error if the original check(s) cannot be retrieved. Finally, the bank reconciliations should reconcile all variances between the accounting records and the bank statement.

Views of Responsible Officials and Planned Corrective Actions – *Corrective Action:* Business Office Management has implemented policies and procedures in the business office and has been working with management to ensure that bank reconciliations are being reconciled and reviewed by the fifteenth day following the end of the previous month. The School District has been working closely with the Business Manager to ensure that duplicate payments incorrectly issued are recovered on a timely basis. This includes contacting the bank to stop payment on a check if discovered that original check(s) cannot be retrieved. *Due Date of Completion:* Immediately. *Responsible Parties:* Business Manager, Accounts Payable Supervisor.

*Item 2018-005 – Significant Deficiency - Material
Non-Compliance – Education Retirement Act Wages and Contributions*

Statement of Condition – The School District recorded total salaries and wages of \$21,089,485.60 in the general ledger for the year ended June 30, 2018. The School District reported gross wages of \$20,219,803.81 to the New Mexico Education Retirement Board (ERB). The School District relies on their payroll program to prepare the monthly report submitted to the ERB. The School District does not have a process in which the system generated reports are reconciled to tie to the payroll journals to ensure 100% accurate reporting prior to final submittal. While there may be valid explanations for the variance of \$869,681.79 between the general ledger and reported amounts to ERB, the School District chose not to reconcile the differences throughout the fiscal year ended June 30, 2018. Our audit request for the reconciliation to be performed after year-end, by the vendor serving as business manager, was denied.

Criteria – The New Mexico Education Retirement Act (ERA) was enacted in 1957. The Act created the Education Employees Retirement Plan (Plan) and, to administer it, the ERB. The plan is a cost-sharing, multiple-employer pension plan established to provide retirement and disability benefits for certified teachers and other employees of the state's public schools, institutions of higher learning, and state agencies providing educational program. A public employer affiliated with ERA must deduct employee contributions each pay period from the employee's wages. These contributions are paid into the ERA member contribution fund.

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2018-005 – Significant Deficiency - Material

Non-Compliance – Education Retirement Act Wages and Contributions (continued)

Criteria (continued) – The employer also must pay employer contributions into the ERA employer's accumulation fund each pay period. The amount of employee contribution is a percentage of the employee's base salary as determined by the coverage plan provided by the current employer. Eligibility for membership in the Plan is a condition of employment, as defined in Section 22-11-2, NMSA 1978. Employees of public schools, universities, colleges, junior colleges, technical-vocational institutes, state special schools, charter schools, and state agencies providing an educational program, who are employed more than 25% of a full-time equivalency, are required to be members of the Plan, unless specifically excluded.

Effect – Without a full reconciliation of actual paid salaries and wages to the actual gross wages as reported to the ERB, there is no assurance that one hundred percent of payroll is reported to the ERB. Non-compliance with the regulations set forth by ERB could result in penalties imposed on the School District and responsible officials.

Cause – The School District places full reliance on the payroll system to generate accurate reports, and did not believe further reconciliation was needed. Having full confidence in the accounting software does not eliminate errors that occur when human resources operate the electronic data systems. The School District is assuming no keying errors have been made during the setup and throughout the year.

The ERB has the requirement that all eligible employees are included in the reporting to them. Without a reconciliation explaining each non-eligible employee, the School District has no way to verify compliance.

Recommendation – We recommend the School District management establish procedures to ensure compliance with the ERA requirements. These procedures should include a monthly reconciliation of the School District's salaries and wages to gross payroll, as reported to the ERB. Any differences should be documented within the supporting payroll files.

Views of Responsible Officials and Planned Corrective Actions – *Corrective Action:* The Finance Department will ensure monthly reconciliations of the School District's salaries and wages to gross payroll as reported to the ERB. The Business Manager has implemented new policies and procedures to ensure the timely reconciliation of payroll liabilities. Payroll liabilities are now reconciled monthly and adjustments to employees and the general ledger are made as needed. Business Management is responsible for ensuring compliance with ERB requirements. *Due Date of Completion:* June 30, 2019. *Responsible Parties:* Business Manager, Procurement Financial Specialist, and Office Managers.

Item 2018-006 – Significant Deficiency – Material

Non-Compliance – Retiree Health Care Act Wages and Contributions

Statement of Condition – The School District recorded total salaries and wages of \$21,089,485.60 in the general ledger for the year ended June 30, 2018.

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2018-006 – Significant Deficiency – Material

Non-Compliance – Retiree Health Care Act Wages and Contributions (continued)

Statement of Condition (continued) – The School District reported gross payroll of \$20,075,038.92 to the New Mexico Retiree Health Care Authority (Authority). The School District relies on their payroll program to prepare the monthly report submitted to the Authority. The School District does not have a process in which the system generated reports are reconciled to the payroll journals to ensure 100% accurate reporting prior to final submittal. While there may be valid explanations for the difference of \$1,014,446.68 between the general ledger and reported amounts to the Authority, the School District chose not to reconcile the differences throughout the fiscal year ended June 30, 2018. Our audit request for the reconciliation to be performed after year-end, by the vendor serving as business manager, was denied.

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

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 purchased by funds flowing into the Retiree Health Care Fund, and by co-payments or out-of-pocket payments of eligible retirees.

Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% for 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 the actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer's participation in the Fund.

Effect – Without a full reconciliation of actual paid salaries and wages to the actual gross wages, as reported to the Authority, there is no assurance that one hundred percent of eligible payroll is reported to the Authority. Non-compliance with the regulations set forth by Authority could result in penalties imposed on the School District and responsible officials.

Cause – The School District places full reliance on the payroll system to generate accurate reports and did not believe further reconciliation was needed. Having full confidence in the accounting software does not eliminate errors that occur when human resources operate the electronic data systems. The School District is assuming no keying errors have been made during the setup and throughout the year.

The Authority has the requirement that all eligible employees are included in the reporting to them. Without a reconciliation explaining each non-eligible employee, the School District has no way to verify compliance.

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2018-006 – Significant Deficiency – Material

Non-Compliance – Retiree Health Care Act Wages and Contributions (continued)

Recommendation – We recommend the School District management establish procedures to ensure compliance with the Authority requirements. These procedures should include at the minimum, a monthly reconciliation of the School District’s salaries and wages to gross payroll as reported to the Authority. Any differences should be documented in the supporting payroll files.

Views of Responsible Officials and Planned Corrective Actions – *Corrective Action:* The District will ensure that reconciliations of the School District’s salaries and wages to gross payroll as reported to the Authority are completed on a monthly basis. Payroll liabilities are reconciled monthly with and adjustments to employees and the general ledger are made as needed. All differences will be documented in the supporting payroll files. *Due Date of Completion:* June 30, 2019. *Responsible Parties:* Management, Business Manager, Procurement Financial Specialist, and Office Managers.

*Item 2018-007 Other Non-Compliance – Miscalculation
of Social Security and Medicare Wages and Taxes*

Statement of Condition - During our test work of payroll transactions, we noted the following deviations:

- The School District is including the employee portion of New Mexico Retiree Health Care contribution, which is withheld from the employees’ net pay, as a Section 125 qualified benefit. This action affects the employees’ taxable Social Security and Medicare wages, and the amount of Social Security and Medicare taxes paid by the employee and matched by the employer. Our sample size was twenty-four employees of which we found nineteen such discrepancies.
- One employee appears to have Section 125 qualified benefits, but were not treated as such.
- One employee out of twenty-four employees tested did not have a W-4 form on file.
- One employee out of twenty-four employees tested did not have an I-9 form on file.

Criteria - NMSA 1978 Section 6-5-2, Internal Controls, states, “*that proper internal controls should be designed and employed to prevent accounting errors and violations of state and federal law and rules related to financial matters, including payroll.*”

The U.S. Congress created Internal Revenue Service (IRS) Code Section 125 in an effort to make benefit programs more affordable for employees. Section 125 is part of the IRS Code that allows employees to convert a taxable cash benefit (salary) into non-taxable benefits. Under a Section 125 program an employee may choose to pay for qualified benefit premiums before any taxes are deducted from the employee paychecks.

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

*Item 2018-007 Other Non-Compliance – Miscalculation
of Social Security and Medicare Wages and Taxes (continued)*

Criteria (continued) - More specifically, a Cafeteria Plan is a reimbursement plan governed by IRS Section 125 that allows employees to contribute a certain amount of their gross income to a designated account or accounts before taxes are calculated. These accounts can be for insurance premiums, medical expenses, and dependent daycare expenses, from which employees can be reimbursed throughout the plan year or claim period, as they incur the expenses. A Cafeteria Plan allows the employer to reduce employees' gross income, thereby reducing the amount the company pays in Federal Insurance Contributions Act (FICA or Social Security), and Federal Unemployment Tax Act (FUTA).

Cause – The School District, and their contracted business manager, misunderstood what is classified as a Section 125 qualified benefit.

Effect - Without periodic review of how payroll is calculated to ensure each element is calculated correctly, the School District is at risk of making inaccurate payroll disbursements. The effect of the discrepancies, as described above, is the employees' taxable social security and Medicare wages were underreported and the related Social Security and Medicare taxes, both the employee and employer contribution, were underreported.

Recommendation – We recommend the School District review the software settings associated with the New Mexico Retiree Health Care employee deduction within its payroll program. Adjustments should be made as soon as possible to ensure compliance with federal regulations. We also recommend that periodic reviews are conducted to ensure that employee deductions are coded correctly, and each personnel file contains all the proper withholding authorizations.

Views of Responsible Officials and Planned Corrective Actions – *Corrective Action:* The School District has been working closely with the Business Office Staff to ensure that all coding associated with New Mexico Retiree Health Care is reviewed within the payroll software. Business Office Staff will conduct reviews of employee deductions to ensure deductions are coded correctly and that each personnel file contains all proper withhold authorizations. Benefits are reviewed and reconciled monthly. Adjustments after review has been completed will be made as deemed necessary to ensure compliance with federal regulations. *Due Date of Completion:* June 30, 2019. *Responsible Parties:* Business Manager, Payroll Specialist Lead, and Payroll Specialist.

Item 2018-008 - Other Non-Compliance – Stale Checks

Statement of Condition – During our review of the School District's year-end bank reconciliations, it was discovered the School District has sixty-seven (67) stale checks, totaling \$146,424.55, on its outstanding check register. These stale checks have not been managed under the New Mexico escheat laws. The oldest check outstanding is dated May 15, 2015.

Criteria – Section 7-8A of the New Mexico State Statutes, the *Uniform Unclaimed Property Act (Act)* 1995, sets forth the processes and requirements of a holder of property (School District) to report to the administrator annually by November 1st for the prior period ending July 1st of that year. It also specifies the notification requirements to the property owner.

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2018-008 - Other Non-Compliance – Stale Checks (continued)

Criteria (continued) – The School District’s cash policy states all checks outstanding for greater than one year, from the date of issuance, shall be null and void. This information is also stated on each check issued by the School District.

Effect – The School District is in non-compliance with New Mexico State Statutes and their policy and procedures. Monies not claimed by vendors, employees or former employees of the School District must be transferred to the State in accordance with the Act. Unclaimed cash understates the District’s cash balances and current liabilities. Non-compliance with New Mexico State Statutes and the Administrative Code subjects the governing board and management to penalties and punishment defined by State statute.

Cause – The contracted business manager for the fiscal year ended June 30, 2018 was contractually required to supervise the bank reconciliation process. While the reconciliations were not all completed during the fiscal year, the completed reconciliations would have revealed the stale checks that were outstanding at year-end. The previous business manager failed to recognize the need to comply with Uniform Unclaimed Property Act. Further, the current contracted business manager engaged to assist the School District on July 1, 2018 failed to address the issue of stale checks.

Recommendation – We recommend the current business management staff review the outstanding check register as soon as possible to determine which checks meet the requirements of the Act in order to insure compliance. All stale outstanding checks should be voided, and the District’s bank reconciliations should be adjusted.

Views of Responsible Officials and Planned Corrective Actions – *Corrective Action:* The Business Office will review the outstanding check register as soon as possible to determine which checks meet the requirements of the Act in order to insure compliance. All stale outstanding checks will be voided and the District’s bank reconciliations will be adjusted. *Due Date of Completion:* June 30, 2019. *Responsible Parties:* Business Manager, Accounts Payable Supervisor.

Item 2018-009 – Other Non-Compliance - Per Diem and Mileage Act

Statement of Condition – In the previous audit report, the auditors noted travel authorization forms were not properly authorized, recorded, or classified. The exceptions were noted in audit finding 2015-001. This specific audit finding discusses the travel reimbursement deficiencies. The School District did not improve the prior year’s condition.

During the course of the fiscal year 2018 audit, we performed tests of travel and per diem expenditures for the purpose of determining compliance with New Mexico State Statutes and Administrative Rules, along with the School District’s established administrative procedures. Our sample size was twenty transactions, which were randomly selected throughout the fiscal year, and contained the following discrepancies:

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2018-009 – Other Non-Compliance - Per Diem and Mileage Act (continued)

Statement of Condition (continued) –

- There was one instance where an employee was not reimbursed \$36.00 for actual parking and tips, of which the receipts were provided. In lieu, the School District paid the employee \$24.00 (four days at \$6.00 per diem rate for no receipts for other expenses). The employee was underpaid by \$12.00.
- There was one instance in which an actual meal was denied for lack of a detailed receipt. However, two other employees, who ate at the same establishment and had a similar receipt that lacked detail, were reimbursed for their meals.
- There were eleven instances where the employee was not paid for partial day per diem, on the last day of travel, when overnight lodging was no longer required. The total amount under paid was \$236.
- There were eight instances where an employee was reimbursed for actual expenses on the last day of travel, when overnight lodging was no longer required. The total actual amounts were \$200.71. The total per diem amounts would have been \$222.00. Some employees were overpaid, and some were underpaid. The employees' net amount underpaid was \$21.29.
- There was one instance in which the room rate was \$225 before room taxes, for out of state travel, and a governing board approval was not obtained on the travel voucher prior to requesting reimbursement.
- There were six instances where the employees' supervisor failed to sign the travel authorization/reimbursement request form.
- There were seventeen instances where a member of the finance department failed to sign the travel authorization/reimbursement request form, indicating that the form was reviewed.
- There was one instance where a travel authorization/reimbursement form indicated a district vehicle was used; however, upon return from the trip, the employee was paid for mileage, in the amount of \$74.73.
- Sixteen employees attended a conference in Philadelphia, PA in July 2017. The departure and return times for all sixteen employees were identical on their travel authorization/reimbursement request form. The return flight was delayed in Chicago, and the employees returned to Albuquerque approximately fifteen hours after the time indicated on the travel authorization/reimbursement request forms. The School District approved additional travel and per diem for these employees, due to the delayed flight. However, during the testing of some of these trips, the departure and return times were changed, and were not the same. The Per Diem and Mileage Act was not applied correctly, for all employees in respect to the partial day per diem rates, when overnight lodging is no longer required.

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2018-009 – Other Non-Compliance - Per Diem and Mileage Act (continued)

Criteria – The New Mexico Department of Finance and Administration (DFA) has issued regulations in the form of Title 2, Chapter 42, Part 2, *Travel and Per Diem Regulations Governing the Per Diem and Mileage Act* of the New Mexico Administrative Code (NMAC). The rule was issued in accordance with Section 10-8-1 to 10-8-8 NMSA 1978.

Section 2.42.2.9B(1) of the Travel and Per Diem regulations states, “*Agencies, public officers or employees who incur lodging expenses in excess of \$215.00 per night must obtain the signature of the agency head or chairperson of the governing board on the travel voucher prior to requesting the reimbursement and on the encumbering document at the time of encumbering the expenditure.*”

Section 2.42.2.9C(5) of the Travel and Per Diem regulations states, “*On the last day of travel when overnight lodging is no longer required, partial day reimbursement shall be made. To calculate the number of hours in the partial day, begin with the time the traveler initially departed. Divide the number of hours traveled by 24. The hours remaining constitute the partial day which shall be reimbursed as follows:*

- 1 *For less than 2 hours, none;*
- 2 *For 2 hours, but less than 6 hours, \$12.00;*
- 3 *For 6 hours or more, but less than 12 hours, \$20.00;*
- 4 *For 12 hours or more, \$30.00.*
- 5 *No reimbursement for actual expenses will be granted in lieu of partial day per diem rates.”*

Section 2.42.2.12A(4) of the Travel and Per Diem regulations states, “*If more than \$6.00 per day or \$30.00 per trip is claimed, the entire amount of the reimbursement claim must be accompanied by receipts.*”

Effect – Non-compliance with the state of New Mexico Per Diem and Mileage Act subjects officials and employees to penalties as required by state statutes.

Cause – Management responded in the prior year’s audit report that staff had been trained on the requirements of travel and per diem. The results of our testing, indicates the staff does not have a working knowledge of the requirements of the Per Diem and Mileage Act. Further, the School District and the business management staff failed to consistently follow the requirements of the Mileage and per Diem Act.

Recommendation – We recommend the School District and business management staff review and receive additional training in respect to the Per Diem and Mileage Act. Further, we recommend the School District and business management staff review all travel reimbursement forms already completed during the current fiscal year to ensure compliance with the Per Diem & Mileage Act. Finally, the School District and business management staff needs to ensure that all necessary signatures are recorded on the travel authorization/reimbursement form.

Views of Responsible Officials and Planned Corrective Actions – *Corrective Action:* The School District and Business Management will work closely with all Business Office Staff to ensure staff reviews and receives additional training in respect to the Per Diem and Mileage Act.

**STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2018-009 – Other Non-Compliance - Per Diem and Mileage Act (continued)

Views of Responsible Officials and Planned Corrective Actions (continued) – Furthermore, the School District and Business Management will review all travel reimbursement forms already completed during the current fiscal year to ensure compliance with the Per Diem & Mileage Act. Finally, the School District and Business Management will ensure that all necessary reviews are completed and signatures are recorded on the travel authorization/reimbursement form. *Due Date of Completion:* June 30, 2019. *Responsible Parties:* Business Manager and Accounts Payable Supervisor.

**SECTION III – FEDERAL AWARDS AND QUESTIONED COSTS -
NATIONAL SCHOOL LUNCH PROGRAM – CFDA NO. 10.555 AND TWENTY-
FIRST CENTURY COMMUNITY LEARNING CENTERS – CFDA NO. 84.287**

Item FA 2016-001 – Significant Deficiency – Costs Allowable/Unallowable

Federal Program Information:

Federal agency: U.S. Department of Agriculture
Title: National School Lunch Program
CFDA Number: 10.555
Questioned Costs: \$346,811

Statement of Condition – During our testing of the School District’s major federal program expenditures, we discovered the following violations:

- Four instances where the purchase order was prepared and issued, for a specific vendor, after the invoice was received by the School District.
- One instance where the vendor invoice was not attached to the copy of the check. Further, there was no documented management approval to pay this vendor.

This finding is repeated as the School District made no significant progress in resolving this finding.

Criteria – As per 2 CFR 225, *Cost Principles for State, Local and Indian Tribal Governments*, states, “*The costs are allowable if they are incurred and necessary and reasonable for proper and efficient performance and administration of Federal awards, allocable to Federal awards under this provisions of this circular, authorized or not prohibited under state or local laws or regulations; conform to any limitations or exclusions set forth in these principles, federal laws, terms and conditions of the federal award, or other governing regulations as to types or amounts of cost items, consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit, except as otherwise provided for in this circular, be determined in accordance with generally accepted accounting principles, not be included as a cost or used to meet cost sharing or matching requirements of any other Federal award in either the current or prior period, except as specifically provided by Federal law or regulation, the net of all applicable credits, adequately documented and are reasonable.*”

**STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

**SECTION III – FEDERAL AWARDS AND QUESTIONED COSTS -
NATIONAL SCHOOL LUNCH PROGRAM – CFDA NO. 10.555 AND TWENTY-
FIRST CENTURY COMMUNITY LEARNING CENTERS – CFDA NO. 84.287**

Item FA 2016-001 – Significant Deficiency – Costs Allowable/Unallowable (continued)

Questioned Costs – \$346,811.

Effect – The School District is not in compliance with 2 CFR 255, which could result in the loss or delay of federal grant awards.

Cause – School District personnel failed to follow procedures to ensure compliance with federal regulations and guidelines.

Recommendation – We recommend that the School District officials expedite the development and implementation of stronger internal controls over its accounting of disbursements to ensure that all financial expenditures are properly processed and recorded. Additionally, we recommend that the School District implement procedures to make sure that employees adhere to the School District’s policies and procedures.

Views of Responsible Officials and Planned Corrective Actions – *Corrective Action:* The School District will review and update its current policies and procedures over disbursements to develop and implement stronger internal controls to ensure that all financial expenditures are properly process and recorded. The School District will also work closely with Business Office Management to implement procedures to ensure employees adhere to the School District’s policies and procedures. *Due Date of Completion:* Immediately. *Responsible Parties:* Management, Business Manager, Chief Procurement Officer, and the Accounts Payable Supervisor.

*Item FA 2018-001 – Material Weakness – Submission
of the Reporting Package to the Federal Government*

Federal Program Information:

Federal agency:	U.S. Department of Agriculture and U.S. Department of Education
Title:	National School Lunch Program and Twenty-First Century Community Learning Centers
CFDA Number:	10.555 and 84.287
Questioned Costs:	Unknown

Statement of Condition – The requirement for submitting the single audit reporting package for the fiscal year ended June 30, 2018, was no later than March 31, 2019. The audit report was completed and approved by the New Mexico State Auditor’s office after March 31, 2019. As a result the reporting package was not submitted to the federal government on a timely basis.

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

**SECTION III – FEDERAL AWARDS AND QUESTIONED COSTS -
NATIONAL SCHOOL LUNCH PROGRAM – CFDA NO. 10.555 AND TWENTY-
FIRST CENTURY COMMUNITY LEARNING CENTERS – CFDA NO. 84.287**

*Item FA 2018-001 – Material Weakness – Submission of the
Reporting Package to the Federal Government (continued)*

Criteria – The federal Office of Management and Budget (OMB) Circular No. A-133 Subpart C paragraph 320, and the federal Uniform Guidance 2 CFR 200.512(a) requires the audit package and the data collection form shall be submitted thirty (30) days after receipt of the auditor's report, or nine months after the end of the fiscal year.

Questioned Costs – Unknown.

Effect – Non-compliance with federal requirements, such as the submission of the single audit report and the data collection form, could jeopardize future School District funding from the federal government.

Cause – For several years, the School District has had difficulty maintaining their financial records in a complete and accurate manner, in order to complete their financial reporting requirements on a timely basis. A draft copy of the audit report was presented to the School District on March 1, 2019. The School District requested two weeks to review the financial statements and prepare responses to audit findings. After that process was completed the School District arranged a closed executive session with the School Board on April 3, 2019 to review the draft copy of the audit report. As of March 31, 2019, the audit report had not been submitted to the New Mexico State Auditor's office for their regulatory review of the report. The School District was not able to submit the single audit report and the data collection form to the federal government by the required date.

Recommendation – We recommend the School District devise a corrective action plan to meet their statutory requirements of submitting their audit report within four and one-half months to the New Mexico State Auditor's office for review and approval. If this occurs, the School District will be able to meet the requirements of OMB Circular A-133 and the Uniform Guidance.

Views of Responsible Officials and Planned Corrective Actions – *Corrective Action:* The School District will devise a corrective action plan to meet statutory requirements of submitting the audit report within four and one-half months to the New Mexico State Auditor Office for review and approval to meet the requirements of OMB Circular A-133 and the Uniform Guidance. *Due Date of Completion:* June 30, 2019. *Responsible Parties:* Management and the Business Manager.

**STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

**SECTION III – FEDERAL AWARDS AND QUESTIONED COSTS -
NATIONAL SCHOOL LUNCH PROGRAM – CFDA NO. 10.555 AND TWENTY-
FIRST CENTURY COMMUNITY LEARNING CENTERS – CFDA NO. 84.287 (continued)**

Item FA 2018-002 – Significant Deficiency – Costs Allowable/Unallowable

Federal Program Information:

Federal agency: U.S. Department of Education
Title: Twenty-First Century Community Learning Centers
CFDA Number: 84.287
Questioned Costs: \$26,869

Statement of Condition – During our testing of the School District’s major federal program expenditures, we discovered the following violations:

- Two instances where the School District paid the vendor in advance of performing the services documented in the vendor’s invoice.
- Two instances where the School District received invoices from a company and the School District cut the check, not to the company name listed on the invoice, but to the individual owner of the company.

Criteria – As per 2 CFR 225, *Cost Principles for State, Local and Indian Tribal Governments*, states, “*The costs are allowable if they are incurred and necessary and reasonable for proper and efficient performance and administration of Federal awards, allocable to Federal awards under this provisions of this circular, authorized or not prohibited under state or local laws or regulations; conform to any limitations or exclusions set forth in these principles, federal laws, terms and conditions of the federal award, or other governing regulations as to types or amounts of cost items, consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit, except as otherwise provided for in this circular, be determined in accordance with generally accepted accounting principles, not be included as a cost or used to meet cost sharing or matching requirements of any other Federal award in either the current or prior period, except as specifically provided by Federal law or regulation, the net of all applicable credits, adequately documented and are reasonable.*”

Questioned Costs – \$26,869.

Effect – The School District is not in compliance with 2 CFR 255, which could result in the loss or delay of federal grant awards.

Cause – School District personnel failed to follow procedures to ensure compliance with federal regulations and guidelines.

Recommendation – We recommend that the School District officials expedite the development and implementation of stronger internal controls over its accounting of disbursements to ensure that all financial expenditures are properly processed and recorded. Additionally, we recommend that the School District implement procedures to make sure that employees adhere to the School District’s policies and procedures.

**STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

**SECTION III – FEDERAL AWARDS AND QUESTIONED COSTS -
NATIONAL SCHOOL LUNCH PROGRAM – CFDA NO. 10.555 AND TWENTY-
FIRST CENTURY COMMUNITY LEARNING CENTERS – CFDA NO. 84.287 (continued)**

Item FA 2018-002 – Significant Deficiency – Costs Allowable/Unallowable (continued)

Views of Responsible Officials and Planned Corrective Actions – *Corrective Action:* The School District will review and update policies and procedures accordingly to develop and implement stronger internal controls over disbursements to ensure that all financial expenditures are properly processed and recorded. Finally, the School District will also work closely with Business Office Management to implement procedures to ensure employees adhere to the School District's policies and procedures. *Due Date of Completion:* Immediately. *Responsible Parties:* Management, Business Manager, Chief Procurement Officer, and the Accounts Payable Supervisor.

SECTION IV – PRIOR YEARS' AUDIT FINDINGS

Financial Statement Findings

Item 2014-002 – Compliance with Procurement Code – Bids – Repeated/Modified

Item 2015-001 – Internal Control over Cash Disbursements – Repeated/Modified

Item 2016-001 – Journal Entries – Resolved

Item 2016-002 – Internal Controls over Cash Receipts – Repeated/Modified

Item 2016-003 – Budgetary Compliance – Repeated/Modified

Item 2016-004 – Late Audit Report – Repeated/Modified

Item 2016-005 – Deficiency in Accounting for Capital Assets – Repeated/Modified

Item 2016-007 – Late Payment of Payroll Taxes – Repeated/Modified

Item 2017-001 – Payroll Tax Reports – Repeated/Modified

Federal Audit Findings

Item FA 2016-001 – Costs Allowable/Unallowable – Repeated/Modified.

**STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
EXIT CONFERENCE AND
PREPARATION OF FINANCIAL STATEMENTS
JUNE 30, 2018**

EXIT CONFERENCE

The audit report for the fiscal year ended June 30, 2018, was discussed during the exit conference held in Executive Session according to the Open Meetings Act on April 3, 2019. Present for the District were Ruben Archuleta, board president; Yolanda Martinez-Salazar, board vice president; Gilbert A. Serrano, board secretary; Pablo Luján, board member; Bobbie J. Gutierrez, superintendent; Denise Johnston, deputy superintendent; Daniel O. Romero, chief financial and operations officer; Bryan Runyan, contracted business manager/fiscal agent; Esther V. Romero, human resource manager and audit committee member; Patricia Romero, food service/warehouse manager and audit committee member; and Marlo R. Martínez, audit committee member. Also in attendance: Geno Zamora, ESP board counsel; and Natalie Cordova, New Mexico deputy state auditor. Present for the auditing firm was Ed Fierro, CPA.

FINANCIAL STATEMENT PREPARATION

The auditing firm prepared the financial statements of the Española Public School District for the fiscal year ended June 30, 2018. The contracted business manager, who is a licensed, certified public accountant and a New Mexico Public Education Department business manager, approved all proposed journal entries posted by the auditing firm and the financial statements presented within this audit report. The contracted business manager also approved all financial disclosures and supplemental financial information.