

State of New Mexico

# EUNICE MUNICIPAL SCHOOLS



FOR YEAR ENDED JUNE 30, 2018

ANNUAL FINANCIAL REPORT

*"Provide high quality, challenging educational  
experiences in a safe environment"*

**RICE & ASSOCIATES**

CERTIFIED PUBLIC ACCOUNTANTS

STATE OF NEW MEXICO  
EUNICE PUBLIC SCHOOLS  
AUDIT REPORT  
For The Year Ended June 30, 2018  
(with Auditor's Report Thereon)

STATE OF NEW MEXICO  
EUNICE PUBLIC SCHOOLS  
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STATE OF NEW MEXICO  
Eunice Public Schools  
Official Roster  
Year Ended June 30, 2018

Board of Education

<u>Name</u>	<u>Title</u>
Mr. Kenny Reed	President
Mr. Johnny Gaskins	Vice-President
Mr. Matt Coy	Secretary
Ms. Ashley Davis	Member
Mr. David Gallegos	Member

School Officials

Mr. Dwain Haynes	Superintendent
Ms. Cynthia Simms	Business Manager

# Rice and Associates, C.P.A.

AUDITING  
BOOKKEEPING  
(505) 292-8275

CERTIFIED PUBLIC ACCOUNTANTS  
11805 Menaul NE  
Albuquerque, NM 87112

TAX PLANNING  
TAX PREPARATION  
FAX (505) 294-8904

## INDEPENDENT AUDITOR'S REPORT

Mr. Wayne Johnson  
New Mexico State Auditor  
and  
Board of Education  
Eunice Public Schools  
Eunice, New Mexico

### Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, and the budgetary comparisons for the General, Title I, IDEA-B Entitlement and IRB PILT Funds of the Eunice Public Schools, as of and for the year ended June 30, 2018, and the related notes to the financial statements which collectively comprise the Eunice Public Schools basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Eunice Public Schools non-major governmental and fiduciary 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. We did not audit the 2017 Schedule of Employer Allocations and Pension Amounts of the State of New Mexico Educational Retirement Board (ERB), the administrator of the cost sharing pension plan for the School District. The schedules and statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the School District, is based solely on the report of the other auditors. Also, we did not audit the 2017 Schedule of Employers Proportionate Share of the Net OPEB Liability of the State of New Mexico Retiree Health Care Authority (RHCA), the administrator of the cost sharing other post-employment benefits (OPEB) plan for the School District. The schedules and statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the School District, is based solely on the report of the other auditors.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

#### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Eunice Public Schools, as of June 30, 2018, and the respective changes in financial position and where applicable, cash flows thereof, and the respective budgetary comparisons for the General, Title I, IDEA-B Entitlement and IRB PIIT Funds for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each non-major governmental and fiduciary funds of the Eunice Public Schools, as of June 30, 2018, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Emphasis of Matter

##### *Adoption of New Accounting Pronouncement*

As discussed in Note 13 to the financial statements, effective July 1, 2017, the School District adopted Governmental Accounting Standards Board Statement (GASB) No 75 *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions*. Our opinions are not modified with respect to this matter.

#### Other Matters

##### *Required Supplementary Information*

Management has omitted the MD&A which is required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements is required by GASB 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 Schedules I and II and the notes to the Required Supplementary Information and also Schedules III and IV 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge 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 Eunice Public Schools financial statements, the combining and the individual fund financial statements, and the budgetary comparisons. The Schedule of Cash Receipts and Disbursements - All Funds by School District Classification required by Section 2.2.2 NMAC is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Cash Receipts and Disbursements - All Funds by School District Classification is the responsibility of management and were derived from and relates 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 basis 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 Cash Receipts, Disbursements - All Funds by School District Classification fairly states, 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 November 8, 2018 on our consideration of the Eunice Public Schools 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 Eunice Public Schools internal control over financial reporting and compliance.

*Price & Associates, LLP*

Albuquerque, New Mexico  
November 8, 2018

**FINANCIAL STATEMENTS**

STATE OF NEW MEXICO  
EUNICE PUBLIC SCHOOLS  
Statement of Net Position  
June 30, 2018

Statement 1  
Page 1 of 2

	Governmental Activities
<b>ASSETS</b>	
Current assets	
Cash	\$ 17,345,258
Investments	4,079,688
Accounts receivable	852,578
Due from grantor	138,222
Inventory	4,688
Total current assets	22,420,434
Non-current assets	
Land (non-depreciable)	1,699,396
Capital assets (depreciable)	78,205,821
Less accumulated depreciation	(28,760,121)
Total non-current assets	51,145,096
Total assets	73,565,530
<b>Deferred outflows of resources</b>	
Deferred outflows of resources related to pension	5,659,675
Deferred outflows of resources related to OPEB	81,328
Total deferred outflows of resources	5,741,003
<b>Total assets and deferred outflows of resources</b>	<b>\$ 79,306,533</b>

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

STATE OF NEW MEXICO  
 EUNICE PUBLIC SCHOOLS  
 Statement of Net Position  
 June 30, 2018

Statement 1  
 Page 2 of 2

**LIABILITIES**

Current liabilities	
Accounts payable	\$ 127,928
Accrued interest payable	738,707
Current portion of long-term liabilities	<u>5,410,000</u>
Total current liabilities	<u>6,276,635</u>
Long-term obligations:	
Net pension liability	16,200,102
OPEB liability	4,376,239
Compensated absences	35,320
Non-current portion of long-term liabilities	<u>20,190,000</u>
Total long-term liabilities	<u>40,801,661</u>
Total liabilities	<u>47,078,296</u>

**Deferred inflows of resources**

Deferred inflows of resources related to Net Pension Liability	251,800
Deferred inflows of resources related to OPEB liability	<u>996,021</u>
Total deferred inflows of resources	<u>1,247,821</u>

**NET POSITION**

Net investment in capital assets	25,545,096
Restricted for:	
Cafeteria fund (inventory)	4,688
Capital outlay	9,545,547
Debt service	7,474,624
State mandated reserves	13,164
Special grants	3,698,097
Unrestricted	<u>(15,300,800)</u>
Total net position	<u>30,980,416</u>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b><u>\$ 79,306,533</u></b>

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

STATE OF NEW MEXICO  
EUNICE PUBLIC SCHOOLS  
Statement of Activities  
Year Ended June 30, 2018

Statement 2

Functions/Programs	Program Revenues				Net (Expenses) Revenue and Changes Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>EXPENSES:</b>					
Governmental activities:					
Direct instruction	\$ 6,698,084	\$ 113,032	\$ 300,538	\$ 19,582	\$ (6,264,932)
Instructional support	4,502,040	30,800	3,589,274	-	(881,966)
Food services	348,813	67,705	292,126	-	11,018
Depreciation - unallocated	2,382,539	-	-	-	(2,382,539)
Interest on long-term obligations	<u>1,334,003</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,334,003)</u>
Total governmental activities	<u>15,265,479</u>	<u>211,537</u>	<u>4,181,938</u>	<u>19,582</u>	<u>(10,852,422)</u>
General revenues:					
Taxes					
Property taxes, levied for general purposes					73,308
Property taxes, levied for capital projects					314,043
Property taxes, levied for debt service					992,766
Property taxes, levied for HB-33					935,366
Oil and gas taxes, general purpose					282,310
Oil and gas taxes, capital projects					1,128,948
Oil and gas taxes, debt service					3,578,742
Oil and gas taxes, HB-33					3,361,759
Federal and State aid not restricted to specific purpose General - SEG					6,116,439
Interest and investment earnings					<u>67,861</u>
Sub-total, general revenues					<u>16,851,542</u>
Change in net position					<u>5,999,120</u>
Net position - beginning of year					38,519,605
Restatement					<u>(13,538,309)</u>
Net position - beginning of year - restated					<u>24,981,296</u>
<b>Net position - end of year</b>					<b><u>\$ 30,980,416</u></b>

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

STATE OF NEW MEXICO  
EUNICE PUBLIC SCHOOLS  
Balance Sheet - All Governmental Funds  
June 30, 2018

Statement 3

	General	Title I	IDEA-B Entitlement	IRB PILT	Local Capital Improvements SB-9	HB33	Debt Service	Other Governmental	Total
<b>ASSETS</b>									
Cash on deposit	\$ 1,604,080	\$ -	\$ -	\$ 3,122,883	\$ 3,989,048	\$ 5,077,346	\$ 3,136,240	\$ 415,661	\$ 17,345,258
Investments	-	-	-	-	2,040,430	2,039,258	-	-	4,079,688
Accounts receivable, collectible	31,237	-	-	-	114,929	343,028	363,384	-	852,578
Due from grantor	-	36,783	69,876	-	-	-	-	31,563	138,222
Due from other funds	138,222	-	-	-	-	-	-	-	138,222
Inventory, at cost	-	-	-	-	-	-	-	4,688	4,688
<b>Total assets</b>	<b>\$ 1,773,539</b>	<b>\$ 36,783</b>	<b>\$ 69,876</b>	<b>\$ 3,122,883</b>	<b>\$ 6,144,407</b>	<b>\$ 7,459,632</b>	<b>\$ 3,499,624</b>	<b>\$ 451,912</b>	<b>\$ 22,558,656</b>
<b>LIABILITIES</b>									
Due to other funds	\$ -	\$ 36,783	\$ 69,876	\$ -	\$ -	\$ -	\$ -	\$ 31,563	\$ 138,222
Accounts payable	40,560	-	-	-	71,266	12,227	-	3,875	127,928
<b>Total liabilities</b>	<b>40,560</b>	<b>36,783</b>	<b>69,876</b>	<b>-</b>	<b>71,266</b>	<b>12,227</b>	<b>-</b>	<b>35,438</b>	<b>266,150</b>
<b>FUND BALANCE</b>									
Nonspendable	-	-	-	-	-	-	-	4,688	4,688
Restricted for:									
Special revenue grants	163,428	-	-	3,122,883	-	-	-	411,786	3,698,097
Capital outlay	-	-	-	-	6,073,141	3,472,406	-	-	9,545,547
Debt service	-	-	-	-	-	3,975,000	3,499,624	-	7,474,624
State mandated cash reserves	13,164	-	-	-	-	-	-	-	13,164
Committed	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-
Unassigned	1,556,387	-	-	-	-	-	-	-	1,556,387
<b>Total fund balance</b>	<b>1,732,979</b>	<b>-</b>	<b>-</b>	<b>3,122,883</b>	<b>6,073,141</b>	<b>7,447,406</b>	<b>3,499,624</b>	<b>416,474</b>	<b>22,292,507</b>
<b>Total liabilities and fund balance</b>	<b>\$ 1,773,539</b>	<b>\$ 36,783</b>	<b>\$ 69,876</b>	<b>\$ 3,122,883</b>	<b>\$ 6,144,407</b>	<b>\$ 7,459,633</b>	<b>\$ 3,499,624</b>	<b>\$ 451,912</b>	<b>\$ 22,558,657</b>

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

STATE OF NEW MEXICO  
 EUNICE PUBLIC SCHOOLS  
 Reconciliation of the Balance Sheet - Governmental Funds  
 to the Statement of Net Position  
 June 30, 2018

Statement 4

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

Total fund balances - governmental funds		\$ 22,292,507
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Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds

The cost of capital assets		79,905,217
Accumulated depreciation		<u>(28,760,121)</u>
		51,145,096

Deferred outflows and inflows or resources related to pensions are applicable to future periods and therefore, are not reported in the funds

Deferred outflows/inflows		5,407,875
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Deferred outflows and inflows or resources related to OPEB are applicable to future periods and therefore, are not reported in the funds

Deferred outflows/inflows		(914,693)
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Long-term and certain other liabilities, including bonds payable and net pension liability, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term and other liabilities at year-end consist of:

Net pension liability		(16,200,102)
Net OPEB liability		(4,376,239)
Bonds Payable		(25,600,000)
Interest Payable		(738,707)
Compensated Absences		<u>(35,321)</u>

Total net position - governmental funds		<u><u>\$ 30,980,416</u></u>
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The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
EUNICE PUBLIC SCHOOLS  
Statement of Revenues, Expenditures and Changes in  
Fund Balances - All Governmental Funds  
Year Ended June 30, 2018

	General	Title I	IDEA-B Entitlement	IRB PILT	Local Capital Improvements SB-9	HB33	Debt Service	Other Governmental	Total
<b>REVENUES</b>									
Property taxes	\$ 73,308	\$ -	\$ -	\$ -	\$ 314,043	\$ 935,366	\$ 992,766	\$ -	\$ 2,315,483
Oil and gas taxes	282,310	-	-	-	1,128,948	3,361,759	3,578,742	-	8,351,759
Charges for services	46,937	-	-	-	-	-	-	164,600	211,537
Local sources	136,350	-	-	3,122,883	-	-	-	32,000	3,291,233
State sources	6,335,221	-	-	-	-	-	-	121,425	6,456,646
Federal sources	-	97,552	161,132	-	-	-	-	311,396	570,080
Earnings from investments	594	-	-	-	29,772	37,486	-	9	67,861
<b>Total revenues</b>	<b>6,874,720</b>	<b>97,552</b>	<b>161,132</b>	<b>3,122,883</b>	<b>1,472,763</b>	<b>4,334,611</b>	<b>4,571,508</b>	<b>629,430</b>	<b>21,264,599</b>
<b>EXPENDITURES</b>									
<b>Current:</b>									
Direct instruction	3,976,596	83,146	51,244	-	-	-	-	241,919	4,352,905
Instructional support	2,793,816	14,406	109,888	-	1,236,441	2,264,052	11,975	11,462	6,442,040
Food services	-	-	-	-	-	-	-	348,813	348,813
Capital outlay	9,518	-	-	-	159,694	5,563,892	-	19,582	5,752,686
<b>Debt service</b>									
Bonds	-	-	-	-	-	-	3,220,000	-	3,220,000
Interest	-	-	-	-	-	-	760,278	-	760,278
<b>Total expenditures</b>	<b>6,779,930</b>	<b>97,552</b>	<b>161,132</b>	<b>-</b>	<b>1,396,135</b>	<b>7,827,944</b>	<b>3,992,253</b>	<b>621,776</b>	<b>20,876,722</b>
Net change in fund balance	94,790	-	-	3,122,883	76,628	(3,493,333)	579,255	7,654	387,877
Fund balance beginning of year	1,638,189	-	-	-	5,996,513	8,126,426	2,920,369	408,820	19,090,317
Restatement	-	-	-	-	-	2,814,313	-	-	2,814,313
Fund balance beginning of year - restated	1,638,189	-	-	-	5,996,513	10,940,739	2,920,369	408,820	21,904,630
Fund balance end of year	<b>\$1,732,979</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$3,122,883</b>	<b>\$ 6,073,141</b>	<b>\$7,447,406</b>	<b>\$3,499,624</b>	<b>\$ 416,474</b>	<b>\$22,292,507</b>

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



STATE OF NEW MEXICO  
EUNICE PUBLIC SCHOOLS

Statement 6

Reconciliation of the Statement of Revenues, Expenditures  
and Changes in Fund Balances - Governmental Funds  
to the Statement of Activities  
For the Year Ended June 30, 2018

Total net change in fund balances - governmental funds \$ 387,877

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

Capital outlays to purchase or build capital  
assets are reported in governmental funds as  
expenditures. However, for governmental  
activities those costs are shown in the statement  
of net assets and allocated over their estimated  
useful lives as annual depreciation expenses in the  
statement of activities. This is the amount by which  
capital outlays exceed depreciation in the period

Capital outlays	5,752,686	
Depreciation expense	<u>(2,382,539)</u>	

Excess of depreciation expense over capital outlay 3,370,147

Governmental funds report School district pension  
contributions as expenditures. However in the Statement  
of Activities, the cost of pension benefits earned net of employee  
contributions is reported as pension and OPEB expenses

Pension contributions		561,776
Pension expense		(2,895,362)
OPEB contributions		81,328
OPEB expense		(173,985)

The issuance of long-term debt (e.g. bonds) provides  
current financial resources to government funds  
while the repayment of the principal of long-term debt  
consumes the current financial resources of governmental  
funds

Proceeds of bond issue		-
Repayment of long-term debt		5,160,000
Interest		(573,725)
Compensated absences		(6,965)
Bond Premium		<u>88,029</u>

Change in net position of governmental activities **\$ 5,999,120**

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

STATE OF NEW MEXICO  
 EUNICE PUBLIC SCHOOLS  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 General Fund  
 Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ 76,769	\$ 76,769	\$ 73,480	\$ (3,289)
Oil and gas taxes	226,498	226,498	269,885	43,387
Charges for services	28,800	28,800	46,937	18,137
Local sources	76,000	76,000	133,597	57,597
State sources	6,141,555	6,326,675	6,335,221	8,546
Federal sources	-	-	-	-
Earnings from investments	195	195	594	399
Total revenues	<u>\$ 6,549,817</u>	<u>\$ 6,734,937</u>	<u>\$ 6,859,714</u>	<u>\$ 124,777</u>
EXPENDITURES				
Direct instruction	\$ 4,158,941	\$ 4,264,061	\$ 3,980,033	\$ 284,028
Instructional support	3,403,325	3,487,169	2,759,335	727,834
Food services	-	-	-	-
Total expenditures	<u>\$ 7,562,266</u>	<u>\$ 7,751,230</u>	<u>\$ 6,739,368</u>	<u>\$ 1,011,862</u>
BUDGETED CASH BALANCE	<u>\$ 1,012,449</u>	<u>\$ 1,016,293</u>		

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

STATE OF NEW MEXICO  
 EUNICE PUBLIC SCHOOLS  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Title I  
 Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Federal sources	<u>\$ 114,255</u>	<u>\$ 149,109</u>	<u>\$ 89,681</u>	<u>\$ (59,428)</u>
Total revenues	<u><b>\$ 114,255</b></u>	<u><b>\$ 149,109</b></u>	<u><b>\$ 89,681</b></u>	<u><b>\$ (59,428)</b></u>
<b>EXPENDITURES</b>				
Direct instruction	\$ 97,861	\$ 127,715	\$ 83,146	\$ 44,569
Instructional support	<u>16,394</u>	<u>21,394</u>	<u>14,406</u>	<u>6,988</u>
Total expenditures	<u><b>\$ 114,255</b></u>	<u><b>\$ 149,109</b></u>	<u><b>\$ 97,552</b></u>	<u><b>\$ 51,557</b></u>

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

STATE OF NEW MEXICO  
 EUNICE PUBLIC SCHOOLS  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 IDEA-B Entitlement  
 Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
REVENUES				
Federal sources	\$ 168,058	\$ 239,515	\$ 121,850	\$ (117,665)
Total revenues	<u>\$ 168,058</u>	<u>\$ 239,515</u>	<u>\$ 121,850</u>	<u>\$ (117,665)</u>
EXPENDITURES				
Direct instruction	\$ 87,170	\$ 127,127	\$ 51,244	\$ 75,883
Instructional support	<u>80,888</u>	<u>112,388</u>	<u>109,888</u>	<u>2,500</u>
Total expenditures	<u>\$ 168,058</u>	<u>\$ 239,515</u>	<u>\$ 161,132</u>	<u>\$ 78,383</u>

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

STATE OF NEW MEXICO  
 EUNICE PUBLIC SCHOOLS  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 IRB PILT  
 Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Local sources	\$ -	\$ 1,561,441	\$ 3,122,883	\$ 1,561,442
Total revenues	<u>\$ -</u>	<u>\$ 1,561,441</u>	<u>\$ 3,122,883</u>	<u>\$ 1,561,442</u>
EXPENDITURES				
Capital outlay	\$ -	\$ 1,561,441	\$ -	\$ 1,561,441
Total expenditures	<u>\$ -</u>	<u>\$ 1,561,441</u>	<u>\$ -</u>	<u>\$ 1,561,441</u>
BUDGETED CASH BALANCE	<u>\$ -</u>	<u>\$ -</u>		

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

STATE OF NEW MEXICO  
EUNICE PUBLIC SCHOOLS  
Statement of Fiduciary  
Assets and Liabilities - Agency Funds  
June 30, 2018

ASSETS	
Cash	<u>\$ 193,175</u>
Total Assets	<u><b>\$ 193,175</b></u>
LIABILITIES	
Deposits held for others	<u>\$ 193,175</u>
Total Liabilities	<u><b>\$ 193,175</b></u>

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

STATE OF NEW MEXICO  
EUNICE PUBLIC SCHOOLS  
Notes to Financial Statements  
Year Ended June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Eunice Public Schools (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 GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of the District's accounting policies are described below.

A. Reporting Entity

Eunice Public Schools provides Kindergarten, elementary, middle and secondary educational services to school age residents of the School District.

The Eunice Public Schools School Board was created under the provision of Chapter 22, Article 5, Paragraph 4, New Mexico 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 School Board is comprised of five members who are elected for terms of four years.

GASB Statement No. 14 established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the District is considered a *primary government*, since it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the District may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt. The District also has no *component units* as defined by GASB Statement No. 14 as there are no other legally separate organizations for which the elected School Board members are financially accountable. There are no other primary governments with which the School Board Members are financially accountable. There are no other primary governments with which the District has a significant relationship.

B. Basis of Presentation

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

The funds of the District are classified into two categories: governmental and fiduciary. In turn, each category is divided into separate fund types.

Governmental Funds

Under the requirements of GASB 34, the District is required to present certain of its governmental funds as major funds based upon certain criteria. The major funds presented in the fund financial statements include the following (in addition to the General Fund):

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

Special Revenue Fund - Title I - The Title I project provides remedial instruction in the language arts for educationally deprived students in low income areas. The project is funded by the Federal Government through the New Mexico State Department of Education under the Elementary and Secondary Education Act of 1965, Title I, Chapter 1, Part A, 20 U.S.C. 2701 et Seq.

Special Revenue Fund - IDEA-B Entitlement - To account for resources for the operation and maintenance of meeting special education needs of children with disabilities. Financing and authority is the Individual With Disabilities Act, Part B, Sec. 611, as amended; Public Law 105-17.

Special Revenue Fund - IRB PILT - To account for resources received from payments in lieu of taxes received from Industrial Revenue Bonds issued by Lea County. The fund was created by the New Mexico Public Education Department.

Capital Projects Fund - Local Capital Improvements SB-9 - To account for resources received through local tax levies obtained for the purpose of building, remodeling, and equipping classroom facilities.

Capital Projects Fund - HB-33 - This fund is used to account for funds received from a 2 mill levy, restricted for erecting, remodeling, making additions to, providing equipment for, and furnishing school buildings, improving school grounds and maintenance of school buildings and grounds, exclusive of salary expenses. Authority for this fund is Section 22-26-1, NMSA 1978.



Notes to Financial Statements (continued)

Debt Service Fund - To account for resources for the purpose of paying general obligation bonds and interest coupons. Funds are received from property taxes levied against property located within the school district and levied specifically for this purpose.

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

School Activity Fund - accounts for assets held by the District as an agent for the individual schools and school organizations.

The District also reports additional Governmental funds as non-major. They include:

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

Capital Project Funds - these funds are used to account for the acquisition of capital assets or construction of major capital project.

C. Measurement Focus and Basis of Accounting

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

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

The Statement of Net Position and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets 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*.

**Program Revenues**

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.

**Allocation of Indirect Expenses**

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. Depreciation expense is specifically identified by function and is included in the direct expense of each function, except for that portion

## Notes to Financial Statements (continued)

of depreciation that is identified as unallocated on the Statement of Activities. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

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

#### **Governmental Funds**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured principal and interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. Any effect of interfund activity has been eliminated from the district-wide financial statements.

With this measurement focus, only current assets and current liabilities are generally included on the balance sheet.

Operating statements of these funds present increases and decreases in net current assets. The governmental funds use the following practices in recording revenues and expenditures:

#### REVENUES

Ad valorem taxes (property taxes) are susceptible to full accrual on the government wide financial statements. Property tax revenues recognize revenues net of estimated refunds and uncollectible accounts in the period for which the taxes are levied. Total delinquent property taxes are not available from the County Treasurers for the current year.

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

Sales and use taxes (which include oil/gas taxes and equipment 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.

Notes to Financial Statements (continued)

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

EXPENDITURES

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

OTHER FINANCING SOURCES (USES)

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

**Fiduciary Funds**

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

D. Budgets and Budgetary Accounting

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

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

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

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

Notes to Financial Statements (continued)

3. The "operating" budget will be used by the District until they have been notified that the budget has been approved by the SBPU 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.
4. The District shall make corrections, revisions and amendments to the estimated budgets fixed by the local school board to recognize actual cash balances and carryover funds, if any. These adjustments shall be reviewed and approved by the SBPU.
5. No school board or officer or employee of a school district shall make any expenditures or incur any obligation for the expenditure of public funds unless such expenditure or contractual obligation is made in accordance with an operating budget approved by the division, but this does not prohibit the transfer of funds between line items within a series of a budget.
6. Budget change requests are processed in accordance with Supplement 1 (Budget Preparation and Maintenance) of the Manual of Procedures Public School Accounting and Budgeting. Such changes are initiated by the school district and approved by the SBPU.
7. Legal budget control for expenditures is by function.
8. Appropriations lapse at fiscal year end. Funds unused during the fiscal year may be carried over into the next fiscal year by budgeting those in the subsequent fiscal year's budget. The budget of Eunice Public Schools has been amended during the current fiscal year in accordance with these procedures. The budget schedules included in the accompanying financial statements reflect the approved budget and amendments thereto.

E. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is utilized in the governmental funds. Encumbrances lapse at the fiscal year end and are therefore not included as a reservation of fund balance. Authorization for the eventual expenditure will be included in the following years budget appropriations.

F. Assets, Liabilities and Fund Equity

1. **Cash & Cash Equivalents**

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

## Notes to Financial Statements (continued)

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

### 2. Investments

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

(a) Bonds or negotiable securities of the United States, the state or any county, municipality or school district which has a taxable valuation of real property for the last preceding year of at least one million dollars (\$1,000,000) and has not defaulted in the payment of any interest or sinking fund obligation or failed to meet any bonds at maturity at any time within the last five years preceding; or

(b) Securities that are issued by the United States government or by its agencies or instrumentalities and that are either direct obligations of the United States or are backed by the full faith and credit of the United States government or agencies guaranteed by the United States government.

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

If the District is unable to receive payment on public money at the rate of interest set forth by the State Board of Finance (which is no less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of the deposit) from financial institutions within the geographic boundaries of the governmental unit, the District may invest its money with the New Mexico State Treasurer's short-term investment pool.

### 3. Accounts Receivable

Accounts receivable are recorded in the various governmental funds. They consist of amounts receivable from local governments relating to various grant agreements and property taxes receivable. The information required to report property taxes at full accrual was not available during the year.

Notes to Financial Statements (continued)

Accounts receivable consist of the following:

	<u>General</u>	<u>Other Major</u>	<u>Other Governmental</u>	<u>Total</u>
Property taxes	\$ 385	\$ 18,147	\$ -	\$ 18,532
Oil and gas taxes	28,098	803,194	-	831,292
Intergovernmental	-	106,659	40,843	147,502
Other	<u>2,754</u>	<u>-</u>	<u>-</u>	<u>2,754</u>
	<u>\$ 31,237</u>	<u>\$ 928,000</u>	<u>\$ 40,843</u>	<u>\$1,000,080</u>

**4. Accounts Payable and Accrued Expenses**

Accounts payable are recorded in the various funds. There was \$127,928 payable to various vendors at the end of the year.

**5. Inventories**

Inventory in the Cafeteria Fund consists of purchased food and non-food items and United States Department of Agriculture (USDA) commodities. Commodities are shown at the USDA procurement cost. Costs are recorded as expenditures at the time individual inventory items are used (consumption method). Reported inventories are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. The Commodities shown in the Cafeteria Fund total \$24,355.

**6. Capital Assets**

Capital assets are recorded at historical cost and depreciated over their estimated useful lives (with no salvage value). Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. This is an increase from the \$1,000 threshold reported in prior years. This is a change in accounting estimate. All previously reported Capital Assets that do not meet the updated amount will be depreciated currently and in future periods until they are fully depreciated. Donated capital assets are recorded at their estimated fair value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The District does not capitalize interest in regards to its capital assets.

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

Land improvements	20 years
Buildings	20 years
Building improvements	25 years
Furniture, fixtures & equipment	5 years
Auto/Vehicle	5 years
Heavy equipment/buses	10 years

GASB Statement 34 requires the recording and depreciation of infrastructure assets, which include roads, bridges, traffic signals, etc. The District did not own any infrastructure assets.

The District does not capitalize computer software or software developed for internal use (if applicable) unless they exceed the \$5,000 threshold. Also, the District does not capitalize library books unless they exceed the \$5,000 threshold.

#### **7. Compensated Absences**

It is the School District's policy to permit employees to accumulate earned but unused vacation. Upon termination, resignation, retirement, or death, a twelve-month employee is entitled to be paid for their accrued unused annual leave up to 20 days.

#### **8. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (School District ordinances).

Enabling legislation authorizes the School District 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. Legal enforceability means that the School District can be compelled by an external party - such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of the School District Board. Those committed amounts cannot be used for any other purpose unless the School District Board removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance

Notes to Financial Statements (continued)

that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the School District Board, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the School District Board or a School District official delegated that authority by the School District Board or ordinance.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts have been restricted, committed, or assigned.

The School District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**9. Restricted Net Position**

The governmental activities financial statements utilize a net assets presentation. Net positions are categorized as follows:

Net Investment in Capital Assets - This category reflects the portion of net position that are associated with capital assets less outstanding capital asset related debt.

Restricted net position - This category reflects the portion of net position that have third party limitations on their use.

Unrestricted net position - This category reflects net position of the District not restricted for any project or other purposes.



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

**10. Deferred Inflows of Resources**

In addition to liabilities, the balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Revenue must be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period) to be recognized. If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding deferred inflow of resources. The School District has two types of items, which arise due to the implementation of GASB 68 and the related net pension liability. Accordingly, the items, net difference between expected and actual earnings and change in assumptions, are reported on the Statement of Net Position. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**11. Deferred Outflows of Resources**

In addition to assets, the balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a use of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until that time. The School District has two types of items that qualify for reporting in this category. Accordingly, the items, change in proportion and employer contributions subsequent to measurement date, are reported in the Statement of Net Position. These amounts are deferred and recognized as outflows of resources the next period.

**12. 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 non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**13. 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 the reported amounts of assets and liabilities and disclosure of contingent assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**14. 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.

**15. Post Employment Benefits Other Than Pensions (OPEB)**

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

Notes to Financial Statements (continued)

2. DEPOSITORY COLLATERAL

The following is the Cash on Deposit at each financial institution.

Wells Fargo	Operational	\$ 1,764,910
Wells Fargo	Cafeteria	109,120
Wells Fargo	Activity	205,007
Wells Fargo	Capital Improvements	12,263,863
Wells Fargo	PILT	3,122,883
Wells Fargo	Payroll	<u>673,904</u>
Total		<u><b>\$18,139,687</b></u>
BOK Financial (Third Party)		<u><b>\$ 200,976</b></u>
New Mexico State Treasurer Investment Pool		<u><b>\$ 33,490</b></u>
Investments (Note 3)		<u><b>\$ 4,079,688</b></u>
Total amount on deposit		\$22,453,841
Outstanding checks		(835,718)
Rounding		<u>(2)</u>
Total per financial statements		<u><b>\$ 2,161,821</b></u>

At June 30, 2018, the carrying amount of the School Districts deposits was \$17,303,967 and the bank balance was \$18,139,687. Of this balance \$250,000 was covered by federal depository insurance and \$17,639,687 was covered by collateral. The remaining \$8,819,843 is comprised of amounts in excess of those required to be collateralized under State law.

Cash on deposit at June 30	\$18,139,687
Less F.D.I.C.	<u>(500,000)</u>
Uninsured Funds	17,639,687
50% Collateral Requirement	8,819,843
Pledged Collateral	<u>15,564,512</u>
Excess of Pledged Collateral	<u><b>\$ 6,744,669</b></u>

*Custodial Credit Risk - Deposits* - Custodial Credit Risk is the risk that in the event of bank failure, the School's deposits may not be returned to it. The School 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). As of June 30, \$17,639,687 of the School's bank balance of \$18,139,687 was exposed to custodial credit risk as follows:

Notes to Financial Statements (continued)

A. Uninsured and uncollateralized	\$ 2,075,175
B. Uninsured and collateralized with Securities held by the pledging banks trust department, not in the Schools name	<u>15,564,512</u>
Total	<u><b>\$17,639,687</b></u>

The remaining \$2,075,175 is comprised of amounts in excess of those required to be collateralized under State law.

According to the Federal Deposit Insurance Authority, public unit deposits are funds owned by the schools 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.

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

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. The collateral pledged is shown as follows:

<u>Wells Fargo Bank</u> <u>Minneapolis, Minnesota</u>	<u>Maturity Date</u>	<u>Fair Market Value</u>
FHG-3 #3128MJYT1	8-1-46	\$ 11,281,446
FNMA FNMS #3138WFLX2	9-1-35	1,033,662
FNMA FNMS #3138WG4M3	5-1-36	<u>3,249,404</u>
		<u><b>\$ 15,564,512</b></u>

As of June 30, the School District had the following cash and investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturities</u>
Checking/Savings accounts	<u><b>\$18,139,687</b></u>	Less than 6 months

*Interest Rate Risk* - As a means of limiting its exposure to fair value losses arising from rising interest rates, the School District's investment policy limits the School District's investment portfolio to maturities of less than one year.

Notes to Financial Statements (continued)

The amount held at the BOK Financial totaling \$200,976 is collateralized within the FDIC guidelines of \$250,000.

Investments held by the New Mexico State Treasurer are valued at fair value based on quoted market prices as of the valuation date. The State Treasurer Local Government Investment Pool is not SEC registered. The State Treasurer is authorized to invest the short-term investment funds, with the advice and consent of the State Board of Finance, in accordance with Sections 6-10-10 I through 6-10-10 P and Sections 6-10-10.1 A and E, NMSA 1978. The pool does not have unit shares. Per Sections 6-10-10.1F, NMSA 1978, the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amount deposited in the fund and the length of time the fund amounts were invested. Participation in the local government investment pool is voluntary.

For the year ended June 30, 2018, the investments held in the LGIP had an interest risk WAM (R) of 50 days and WAM (F) of 100 days.

3. INVESTMENTS

New Mexico State Statutes authorize the School District to invest in direct obligations of the United States or securities that are backed by the full faith and credit of the United States Government or agencies guaranteed by the US government. The School District does not have an additional investment policy that further limits its investments. State statute also authorizes the School District to invest in bonds or negotiable securities of the US, the State of New Mexico, or any county, municipality or school district which has a taxable valuation of real property for the last preceding year of at least one million dollars and has not defaulted in the payment of any interest or sinking fund obligation or failed to meet any bonds at maturity at any time within five years last preceding. The School District does not have an additional investment policy that further limits its investments. At June 30, 2018, Eunice Public Schools had long-term investments with Moreton Capital Markets of \$4,079,688. The \$4,079,688 in investments approximates the fair value.

*Custodial Credit Risk* - In the case of investments, this is the risk that in the event of a market failure, the School District's investments may not be returned to them. The School District does not have a deposit policy for custodial credit risk. As of June 30, 2018, \$4,079,688 of the School District investment balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

Notes to Financial Statements (continued)

*Interest Rate Risk* - The School District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Quality Risk* - State law limits investment in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The School District has no investment policy that would further limit its investment choices.

*Concentration of Credit Risk* - Concentration of credit risk is the risk of loss attributable to the magnitude of the School District's investment in a single issuer. A total of 100% of the investment balance is held at Moreton Capital Markets.

GASB Statement No. 72 requires investments to be presented at fair value. This statement provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under GASB Statement No. 72 are described as follows:

Basis of Fair Value Measurement:

- |         |  |
|---------|--|
| Level 1 | Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.  |
| Level 2 | Quoted prices in markets that are not considered to be active or financial instruments without quoted market prices, but for which all significant inputs are observable, either directly or indirectly. |
| Level 3 | Inputs to the valuation methodology are unobservable and significant to the fair value measurement.  |

Notes to Financial Statements (continued)

The following table sets forth by level, within the fair value hierarchy, the School District's assets at a fair value as of June 30, 2018:

Investment Assets at Fair Value as of June 30, 2018:

Investment in:	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Level 4</u>
Morton Capital	<u>\$ 4,079,688</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,079,688</u>

The School District utilized the market approach to value its investments. GASB Statement No. 72 defines the market approach as using market prices and other information obtained from market transactions with similar or identical assets or liabilities.

The following are the temporary investments by type held at Moreton Capital Markets:

<u>Account Type</u>	<u>Account Name</u>	<u>Total</u>
US Govt.		
Money Market	Eunice Public Schools	\$ 1,084,688
CD	Eunice Public Schools	245,000
CD	Eunice Public Schools	250,000
CD	Eunice Public Schools	250,000
CD	Eunice Public Schools	250,000
CD	Eunice Public Schools	250,000
CD	Eunice Public Schools	250,000
CD	Eunice Public Schools	250,000
CD	Eunice Public Schools	250,000
CD	Eunice Public Schools	250,000
CD	Eunice Public Schools	250,000
CD	Eunice Public Schools	250,000
CD	Eunice Public Schools	250,000
CD	Eunice Public Schools	250,000
		<u>\$ 4,079,688</u>

Securities are held by Chase Bank, New York City, New York.

Notes to Financial Statements (continued)

4. CAPITAL ASSETS

Capital assets balances and activity for the year ended June 30, are as follows:

	Balance July 1, 2017	Additions	Deletions	Adjustments	Balance June 30, 2018
Governmental activities:					
Land	\$ 1,699,396	\$ -	\$ -	\$ -	\$ 1,699,396
Total not being depreciated	<u>1,699,396</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,699,396</u>
Construction in progress	8,370,527	105,660	-	(8,370,527)	105,660
Land improvements	-	5,502,664	-	15,980,482	21,483,146
Buildings and improvements	64,169,478	-	-	(10,488,230)	53,681,248
Heavy equipment/Buses	-	7,069	-	1,101,213	1,108,282
Furniture and equipment	2,863,214	9,518	-	(1,545,398)	1,327,334
Vehicles	-	127,774	-	372,376	500,150
Total	<u>75,403,219</u>	<u>5,752,685</u>	<u>-</u>	<u>(2,950,084)</u>	<u>78,205,820</u>
Less accumulated depreciation for:					
Land improvements	-	(953,620)	-	(3,016,408)	(3,970,028)
Buildings and improvements	(22,374,341)	(1,223,987)	-	950,773	(22,647,555)
Heavy Equipment/Buses	-	(76,844)	-	(670,176)	(747,020)
Furniture and equipment	(1,713,978)	(108,043)	-	783,859	(1,038,162)
Vehicles	-	(20,045)	-	(337,311)	(357,356)
Total accumulated depreciation	<u>(24,088,319)</u>	<u>(2,382,539)</u>	<u>-</u>	<u>(2,289,263)</u>	<u>(28,760,121)</u>
Total capital assets being depreciated	<u>51,314,900</u>	<u>3,370,146</u>	<u>-</u>	<u>(5,239,347)</u>	<u>49,445,699</u>
Net capital assets	<u>\$ 53,014,296</u>	<u>\$ 3,370,146</u>	<u>\$ -</u>	<u>\$ (5,239,347)</u>	<u>\$ 51,145,095</u>

The School District has no infrastructure as of June 30. Depreciation expense was charged to governmental activities as follows:

Unallocated	\$ (2,382,539)
Total depreciation	<u>\$ (2,382,539)</u>

5. LONG-TERM LIABILITIES

A. Changes in Long-Term Liabilities

During the year ended June 30, the following changes occurred in the liabilities reported in the District-Wide Statement of Net Assets:

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018	Due Within One Year
Compensated Absences	\$ 28,355	\$ 6,965	\$ -	\$ 35,320	\$ -
2009 GO Bonds	3,055,000	-	(565,000)	2,490,000	585,000
2010 GO Bonds	6,250,000	-	(1,750,000)	4,500,000	1,750,000
2011 GO Bonds	6,850,000	-	(225,000)	6,625,000	225,000
2012 GO Bonds	5,850,000	-	(450,000)	5,400,000	455,000
2013 GO Bonds	1,040,000	-	(130,000)	910,000	135,000
2013 GO Bonds	1,800,000	-	(100,000)	1,700,000	300,000
BOK Financial Loan	5,915,000	-	(1,940,000)	3,975,000	1,965,000
Total	<u>\$ 30,788,355</u>	<u>\$ 6,965</u>	<u>\$ (5,160,000)</u>	<u>\$ 25,635,320</u>	<u>\$ 5,410,000</u>

Payments on the general obligation bonds are made by the debt service funds. Payments for the loan are made by HB-33 funds.



B. General Obligation Bonds

The general obligation bonds will be paid from taxes levied against property owners living within the School District boundaries. The School District has pledged future property taxes to repay the outstanding bonds. Total annual principal and interest payments for all General Obligation Bonds are expected to require 100% of gross revenue in the Debt Service Fund. The annual requirements to retire general obligation bonds as of June 30, are as follows:

Date of issue - July 15, 2009  
Original amount - \$6,000,000  
Interest rate - 3.0% to 4.0%

<u>Due in Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 585,000	\$ 87,900	\$ 672,900
2020	610,000	64,000	674,000
2021	635,000	39,100	674,100
2022	<u>660,000</u>	<u>13,200</u>	<u>673,200</u>
Total	<b><u>\$ 2,490,000</u></b>	<b><u>\$ 204,200</u></b>	<b><u>\$ 2,694,200</u></b>

Date of issue - June 15, 2010  
Original amount - \$16,000,000  
Interest rate - 2.0% to 4.0%

<u>Due in Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 1,750,000	\$ 158,125	\$ 1,908,125
2020	1,750,000	101,250	1,851,250
2022	<u>1,000,000</u>	<u>40,000</u>	<u>1,040,000</u>
Total	<b><u>\$ 4,500,000</u></b>	<b><u>\$ 299,375</u></b>	<b><u>\$ 4,799,375</u></b>

Date of issue - June 15, 2011  
Original amount - \$8,100,000  
Interest rate - 3.25% to 3.40%

<u>Due in Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 225,000	\$ 218,750	\$ 443,750
2020	225,000	211,100	436,100
2021	1,175,000	203,450	1,378,450
2022	2,000,000	163,500	2,163,500
2023	<u>3,000,000</u>	<u>97,500</u>	<u>3,097,500</u>
Total	<b><u>\$ 6,625,000</u></b>	<b><u>\$ 894,300</u></b>	<b><u>\$ 7,519,300</u></b>

Date of issue - January 15, 2012  
Original amount - \$8,100,000  
Interest rate - 2.00% to 3.00%

<u>Due in Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 450,000	\$ 149,400	\$ 599,400
2020	450,000	140,400	590,400
2021	450,000	131,400	581,400
2022	1,000,000	121,500	1,121,500
2023	-	91,500	91,500
2024	<u>3,050,000</u>	<u>87,500</u>	<u>3,137,500</u>
Total	<b><u>\$ 5,400,000</u></b>	<b><u>\$ 721,700</u></b>	<b><u>\$ 6,121,700</u></b>

Notes to Financial Statements (continued)

Date of issue - July 15, 2012  
 Original amount - \$1,400,000  
 Interest rate - 2.00% to 2.125%

<u>Due in Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 135,000	\$ 17,216	\$ 152,216
2020	145,000	14,416	159,416
2021	150,000	11,466	161,466
2022	155,000	8,416	163,416
2023	160,000	5,186	165,186
2024	165,000	1,753	166,753
<b>Total</b>	<b>\$ 910,000</b>	<b>\$ 58,453</b>	<b>\$ 968,453</b>

Date of issue - March 15, 2013  
 Original amount - \$2,400,000  
 Interest rate - 1.00% to 2.00%

<u>Due in Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 300,000	\$ 34,000	\$ 334,000
2020	300,000	28,000	328,000
2021	200,000	22,000	222,000
2022	500,000	18,000	518,000
2023	400,000	8,000	408,000
<b>Total</b>	<b>\$ 1,700,000</b>	<b>\$ 110,000</b>	<b>\$ 1,810,000</b>

**LOAN Through HB-33**

Date of issue - December 15, 2016  
 Original amount - \$5,915,000  
 Interest rate - 2.260%

<u>Due in Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 1,965,000	\$ 73,316	\$ 2,038,316
2020	2,010,000	24,623	2,034,623
<b>Total</b>	<b>\$ 3,975,000</b>	<b>\$ 97,939</b>	<b>\$ 4,072,939</b>

C. Operating Leases

The District did not have any operating leases during the fiscal year.

D. Short-Term Liabilities

The District did not have any short-term liabilities during the fiscal year.

6. REVENUES

A. Property Tax Levies

The School District's property taxes are levied each year on the assessed valuation of property located in the School District as of the preceding January 1st. Mill levy rates are set by the State of New Mexico each year for the General Fund, Debt Service, HB-33 and Local SB-9 Capital Improvement Fund. Taxes are payable in two equal installments on November 10 and April 10 following the levy and become delinquent after 30 days. Taxes on real property are liens on the property on January 1 of the year for which the taxes are imposed.

B. State Equalization Guarantee

Each school district in the State of New Mexico receives 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 8-25, NMSA 1978) "is at least equal to the school district's program cost."

A school district's program costs are determined through the use of various formulas using "program units" which take into consideration (1) early childhood education; (2) basic education; (3) special education; (4) bilingual-multi cultural education; (5) size, etc. Payment is made from the public school fund under the authority of the chief (director of public school finance). The District received \$6,116,439 state equalization guarantee distributions during the year ended June 30, 2018.

C. Transportation Distribution

Money in the transportation distribution of the public school fund 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 the grades K through twelve attending public school within the school district. Except in unusual circumstances as determined by the local school board and confirmed by the state transportation director, midday bus routes for early childhood education students shall not be approved for funding in excess of twenty miles one way.

Money in the vocational education transportation distribution of the public school fund is used for the purpose of making payments to school districts for transportation of students to and from their regular attendance centers and the place where vocation education programs are being offered, pursuant to Section 22-16-4.1 (NMSA 1978) of the Act. The transportation distribution is allocated to each school district according to an objective formula developed by the state transportation director and the director of public school finance.

In the event the sum of the proposed transportation allocations to each school district exceeds the amounts in the transportation distribution, each school district to receive an allocation shares in a reduction in the proportion that each school district's forty-day average daily membership bears to the forty-day average daily membership of all school districts to receive allocations.

Local school boards shall negotiate school bus contracts in accordance with regulations promulgated by the state transportation director with the approval of the State Board of Education.

Local school boards, with the approval of the state transportation director, may provide additional transportation services pursuant to Section 22-16-2 NMSA 1978 to meet established program needs.

The District received \$194,285 in transportation distribution during the year ended June 30, 2018.

D. SB-9 State Match

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

The District received \$19,582 in state SB-9 matching during the year ended June 30, 2018.

E. Public School Capital Outlay

Under the provisions of Chapter 22, Article 24, a public school capital outlay fund was created. The money in the fund may be used only for capital expenditures deemed by the public school capital outlay council necessary for an adequate educational program, 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:

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

5. The school district has provided insurance for buildings of the school district in accordance with the provisions of Section 13-5-3 NMSA 1978.

The council shall consider all applications for assistance from the fund and after public hearing shall either approve or deny the application. Applications for grant assistance shall only be accepted by the council after a district has complied with the provisions of this section. The council shall list all applications in order of priority and all allocations shall be made on a priority basis.

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

During the year ended June 30, 2018, the District received \$0 in special capital outlay funds.

F. Instructional Materials

The New Mexico State Department of Education (Department) received federal mineral leasing funds from which it makes annual allocations to the various school districts for the purchase of educational materials. Of each allocation, seventy percent is restricted to the requisition of materials listed in the State Board of Education "State Adopted Instructional Material" list, while thirty percent of each allocation is available for purchases directly from vendors. Beginning with the fiscal year ended June 30, 2011, Districts received their total allocation at the beginning of the fiscal year, instead of being reimbursed for purchases as was done in the prior year. During the year ended June 30, 2018, the District received \$24,497 in instructional materials allocation.

G. 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 Department of Education.

The District also receives reimbursement under the National School Lunch and Breakfast Programs for its food service operations, and distributions of commodities through the New Mexico Human Services Department.

7. CASH OVERDRAFTS

The cash overdrafts shown in some federal, state and local projects in the special revenue fund represent expenditures made by the District which will be reimbursed by the grantor. Receivables from the grantor are presented to off-set these overdrafts.

8. REGIONAL EDUCATION COOPERATIVE VII

On December 20, 2007 the Cooperative entered into an Agreement with the Member RECs whereby the Member REC may provide for the efficient delivery of education-related services provided from funding under Part B of the Individuals with Disabilities Education Act, 20 USC et seq. ("IDEA") and funded by the New Mexico Public Education Department ("NMPED"). The Cooperative will serve as a fiscal agent, accounting and reporting services on behalf of the Member RECs named herein receiving funding under a grant or other award provided from funding under Part B of the IDEA and/or any other funding source. A Member REC must notify REC VII of any intention to withdraw its agreement to have REC VII serve as its fiscal agent on or before February 1<sup>st</sup> preceding the end of the last fiscal year it intends to have REC VII serve as the fiscal agent.

The Regional Education Cooperative VII supports the Eunice Public Schools, Hobbs Municipal Schools, Jal Public Schools and Tatum Municipal Schools. These funds are audited separately by another IPA. That report may be obtained by writing to: Regional Education Cooperative VII, 315 E. Clinton St., Hobbs, NM 88240.

9. RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS STATEMENTS

	<u>General</u>	<u>Title I</u>
Revenues per modified accrual basis	\$ 6,874,720	\$ 97,552
Receivables	(15,006)	-
Due from grantor	<u>-</u>	<u>(7,871)</u>
Revenues per budgetary basis	<u>\$ 6,859,714</u>	<u>\$ 89,681</u>
Expenditures per modified accrual basis	\$ 6,779,930	\$ 97,552
Accounts payable	(40,562)	-
Inventory	<u>-</u>	<u>-</u>
Expenditures per budgetary basis	<u>\$ 6,739,368</u>	<u>\$ 97,552</u>
	<u>IDEA-B</u>	<u>IRB PILT</u>
	<u>Entitlement</u>	<u>IRB PILT</u>
Revenues per modified accrual basis	\$ 161,132	\$ 3,122,883
Receivables	-	-
Due from grantor	<u>(39,282)</u>	<u>-</u>
Revenues per budgetary basis	<u>\$ 121,850</u>	<u>\$ 3,122,883</u>
Expenditures per modified accrual basis	\$ 161,132	\$ -
Accounts payable	<u>-</u>	<u>-</u>
Expenditures per budgetary basis	<u>\$ 161,132</u>	<u>\$ -</u>

10. INSURANCE COVERAGE

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

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

11. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The school carries insurance for all risks listed above.

12. PENSION-PLAN - EDUCATIONAL RETIREMENT BOARD

**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](https://www.nmerb.org/Annual_reports.html).

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

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

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

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

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

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

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

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

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

- The member's minimum age is 55, and has earned 30 or more years of service credit. Those who retire earlier than age 55, but with 30 years of earned service credit will have a reduction in benefits to the actuarial equivalent of retiring at age 55.
- The member's minimum age and earned service credit add up to the sum of 80 or more. Those who retire under the age of 65, and who have fewer than 30 years of earned service credit will receive reduced retirement benefits.
- The member's age is 67, and has earned 5 or more years of service credit.

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

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

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



- **Option B - Joint 100% Survivor Benefit** - The single life annuity monthly benefit is reduced to provide for a 100% survivor's benefit. The reduced benefit is payable during the life of the member, with the provision that, upon death, the same benefit is paid to the beneficiary for his or her lifetime. If the beneficiary predeceases the member, the member's monthly benefit is increased to the amount the member would have received under Option A Straight Life benefit. The member's increased monthly benefit commences in the month following the beneficiary's death.
- **Option C - Joint 50% Survivor Benefit** - The single life annuity monthly benefit is reduced to provide for a 50% survivor's benefit. The reduced benefit is payable during the life of the member, with the provision that, upon death, the reduced 50% benefit is paid to the beneficiary for his or her lifetime. If the beneficiary predeceases the member, the member's monthly benefit is increased to the amount the member would have received under Option A 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 to their benefit each July 1 following the later of 1) the year a member retires, or 2) the year the member reaches age 65 (Tier 1 and Tier 2) or age 67 (Tier 3).

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

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

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

Notes to Financial Statements (continued)

**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.

<b>Fiscal Year</b>	<b>Date Range</b>	<b>Wage Category</b>	<b>Member Rate</b>	<b>Employer Rate</b>	<b>Combined Rate</b>	<b>Increase Over Prior Year</b>
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 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 the School District paid employee and employer contributions of \$982,077 which equals the amount of the required contributions for the fiscal year.

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

At June 30, 2018, the School District reported a liability of \$16,200,103 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 School District's proportion of the net pension liability was based on a projection of the School 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 School District's proportion was 0.14577%, which was an increase of 0.00162% from its proportion measured as of June 30, 2016.

Notes to Financial Statements (continued)

For the year ended June 30, 2018, the School District recognized pension expense of \$2,895,362. At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of 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	\$ 29,081	\$ 249,578
Changes of assumptions	4,729,128	-
Net difference between projected and actual earnings on pension plan investments	-	2,222
Changes in proportion and differences between contributions and proportionate share of contributions	339,690	-
Employer contributions subsequent to the measurement date	<u>561,776</u>	<u>-</u>
Total	<u><b>\$5,659,675</b></u>	<u><b>\$ 251,800</b></u>

\$561,776 reported as deferred outflows of resources related to pensions resulting from School 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:

Year ended June 30:

2018	\$ 1,951,717
2019	1,908,330
2020	1,119,447
2021	(133,396)
2022	0
Thereafter	0

**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	2.50%
Salary Increases	3.25% composed of: 2.50% inflation, plus a 0.75% productivity increase rate, plus a step-rate promotional increase for members with less than 10 years of service

Notes to Financial Statements (continued)

Investment Rate of Return 7.25% compounded annually, net of expenses. This is made up of a 2.50% inflation rate and a 4.75% real rate of return.

Average of Expected Remaining Service Lives

Fiscal year	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Service life in years	3.35	3.77	3.92	3.88

Mortality

**Healthy males:** Based on the RP-2000 Combined Mortality Table with White Collar adjustments, generational mortality improvements with Scale BB.

**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

**Disabled males:** RP-2000 Disabled Mortality Table for males, set back three years, projected to 2016 with Scale BB.

**Disabled females:** RP-2000 Disabled Mortality Table for females, no set back, projected to 2016 with Scale BB.

**Active members:** RP-2000 Employee Mortality Tables, with males set back two years and scaled at 80%, and females set back five years and scaled at 70%. Static mortality improvement from the table's base year of 2000 to the year 2016 in accordance with Scale BB. No future improvement was assumed for preretirement mortality.

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 ending June 30, 2014.

Cost-of-living increases

1.9% per year, compounded annually.

Payroll growth

3.00% per year (with no allowance for membership growth).

Notes to Financial Statements (continued)

Contribution accumulation	5.5% increase per year for all years prior to the valuation date. (Contributions are credited with 4.0% interest, compounded annually, applicable to the account balance in the past as well as the future).
Disability Incidence	Approved rates applied to eligible members with at least 10 years of service.

The actuarial assumptions and methods are set by the Plan's Board of Trustees, based upon recommendations made by the Plan's actuary. The Board adopted new assumptions on April 21, 2017 in conjunction with the six-year actuarial experience study period ending June 30, 2016. At that time, the Board adopted several assumption changes, which included a decrease in the inflation assumption from 3.00% to 2.5%. The 0.50% decrease in the inflation assumption also led to decreases in the nominal investment return assumption from 7.75% to 7.25%, the assumed annual wage inflation rate from 3.75% to 3.25%, the payroll growth assumption from 3.50% to 3.00%, and the annual assumed COLA from 2.00% to 1.90%.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Equities	33%	
Fixed income	26%	
Alternatives	40%	
Cash	<u>1%</u>	
Total	<u>100%</u>	<u>7.75%</u>

Notes to Financial Statements (continued)

**Discount rate** - A single discount rate of 5.9% 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.

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

**Sensitivity of the School District's proportionate share of the net pension liability to changes in the discount rate.** The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 5.90%, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (4.90%) or one percentage point higher (6.90%) than the current rate:

	<u>1% Decrease (4.90%)</u>	<u>Current Discount Rate (5.90%)</u>	<u>1% Increase (6.90%)</u>
School District's proportionate share of the net pension liability	\$21,088,505	\$ 16,200,103	\$12,204,231

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

13. POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN

**General Information about the OPEB**

**Plan Description** - Employees of the School District are provided with OPEB through the Retiree Health Care Fund (the Fund) - a cost-sharing multiple-employer defined benefit OPEB plan administered by the New Mexico Retiree Health Care Authority (NMRHCA). NMRHCA was formed February 13, 1990, under the New Mexico Retiree Health Care Act (the Act) of New Mexico Statutes Annotated, as amended (NMSA 1978), to administer the Fund under Section 10-7C-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.

Notes to Financial Statements (continued)

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

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

**Employees covered by benefit terms** - At June 30, 2017, the Fund's measurement date, the 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	<u>97,349</u>
	<b><u>160,035</u></b>
Active membership	
State general	19,593
State police and corrections	1,886
Municipal general	21,004
Municipal police	3,820
Municipal FTRE	2,290
Educational Retirement Board	<u>48,756</u>
	<b><u>97,349</u></b>

**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 School District were \$81,328 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 School District reported a liability of \$4,376,237 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 School 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 School District's proportion was 0.09657%.

Notes to Financial Statements (continued)

For the year ended June 30, 2018, the School District recognized OPEB expense of \$173,985. At June 30, 2018 the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 167,937
Changes of assumptions	-	765,129
Differences between actual and projected earnings on OPEB plan investments	-	62,955
Contributions made after the measurement date	<u>81,328</u>	<u>-</u>
Total	<u>\$ 81,328</u>	<u>\$ 996,021</u>

Deferred outflows of resources totaling \$81,328 represent School District's contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

<b>Year ended June 30:</b>	
2019	\$ (211,761)
2020	(211,761)
2021	(211,761)
2022	(211,761)
2023	<u>(148,977)</u>
Total	<u>\$ (996,021)</u>

**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



Notes to Financial Statements (continued)

Actuarial assumptions:

Inflation	2.50% for ERB; 2.25% for PERA
Projected payroll increases	3.50%
Investment rate of return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation
Health care cost trend rate	8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 for Medicare medical plan costs

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

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

<u>Asset Class</u>	<u>Long-Term Rate of Return</u>
US core fixed income	4.1%
US equity - large cap	9.1
Non US - emerging markets	12.2
Non US - developed equities	9.8
Private equity	13.8
Credit and structured finance	7.3
Real estate	6.9
Absolute return	6.1
US 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 School District, as well as what the School District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.81%) or 1-percentage-point higher (4.81%) than the current discount rate:

<u>1% Decrease</u> <u>(2.81%)</u>	<u>Current Discount</u> <u>(3.81%)</u>	<u>1% Increase</u> <u>(4.81%)</u>
\$ 5,308,307	\$ 4,376,237	\$ 3,644,944

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

<u>1% Decrease</u>	<u>Current Trend</u> <u>Rates</u>	<u>1% Increase</u>
\$ 3,722,291	\$ 4,376,237	\$ 4,886,153

**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 School District reported a payable of \$0 for outstanding contributions due to NMRHCA for the year ended June 30, 2018.

14. CONCENTRATIONS

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

15. SUBSEQUENT EVENTS

A review of subsequent events through November 8, 2018, the date the financial statements were available to be issued, indicated nothing of audit significance.

16. RESTATEMENT OF NET POSITION

The School District had a prior period adjustment of \$5,198,275 of which was required for the implementation of GASB Statement No. 75. The adjustment reflects a beginning net OPEB liability of \$5,281,186 and a beginning deferred outflow of resources of \$82,911.

The School District also had a prior period adjustment of \$5,915,000 for a loan payable as of June 30, 2017. There was a prior period adjustment of \$(2,950,084) in capital assets and \$2,289,263 in accumulated depreciation. Another prior period adjustment was for \$2,814,313 in cash held at BOK Financial as of June 30, 2017.

17. RESTATEMENT OF FUND BALANCE

The HB-33 Fund had a restatement in the amount of \$2,814,313 for cash held at BOK Financial as of June 30, 2017.

18. TAX ABATEMENT

Lea county entered into an agreement with an entity to abate property taxes effecting the District under section 7-36-5 NMSA 1978. A payment in lieu of taxes, (PILOT) was negotiated by the District. For the year ended June 30, 2018, \$3,122,883 was received for the PILOT by the District. The recipients of the tax abatement, a required disclosurer, were not provided to the District.

19. FUND BALANCE CLASSIFIED

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned upon the use of the resources in the governmental funds. The constraints placed on fund balances for the major governmental funds and all other governmental funds are presented here.

	General Fund		Local Capital Improvements		Debt Service	Non-Major Governmental Fund		Totals
	Fund	IRB FILT	SB-9	HB-33		Fund	Fund	
<b>Nonspendable:</b>								
Interfund loans	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Inventory	-	-	-	-	-	4,688	-	4,688
<b>Total nonspendable</b>	-	-	-	-	-	4,688	-	4,688
<b>Restricted for:</b>								
Teachergage	100,213	-	-	-	-	-	-	100,213
Transportation services	38,909	-	-	-	-	-	-	38,909
Instructional materials	11,142	-	-	-	-	-	-	11,142
Capital improvements	-	6,073,141	-	3,472,406	-	156,747	-	9,702,294
Debt service payments	-	-	-	3,975,000	3,499,624	-	-	7,474,624
Athletic services	-	-	-	-	-	78,789	-	78,789
Special grants	-	3,122,883	-	-	-	68,378	-	3,191,261
Cafeteria services	-	-	-	-	-	107,872	-	107,872
State mandated cash reserve	13,164	-	-	-	-	-	-	13,164
<b>Total restricted</b>	163,428	3,122,883	6,073,141	7,447,406	3,499,624	411,786	-	20,718,268
<b>Committed to:</b>								
Other purposes	-	-	-	-	-	-	-	-
<b>Total committed</b>	-	-	-	-	-	-	-	-
<b>Unassigned:</b>								
	1,569,551	-	-	-	-	-	-	1,569,551
<b>Total Fund Balances</b>	\$ 1,732,979	\$ 3,122,883	\$ 6,073,141	\$ 7,447,406	\$ 3,499,624	\$ 416,474	\$ -	\$ 22,292,507

**SUPPLEMENTARY INFORMATION  
NON-MAJOR GOVERNMENTAL FUNDS**

STATE OF NEW MEXICO  
EUNICE PUBLIC SCHOOLS  
Non-Major Governmental Funds  
Combining Balance Sheet - By Fund Type  
June 30, 2018

Statement A-1

	Special Revenue Funds	Capital Project Funds	Total
<b>ASSETS</b>			
Cash on deposit	\$ 258,914	\$ 156,747	\$ 415,661
Taxes receivable	-	-	-
Due from grantor	31,563	-	31,563
Inventory	4,688	-	4,688
Total assets	<b>\$ 295,165</b>	<b>\$ 156,747</b>	<b>\$ 451,912</b>
<b>LIABILITIES</b>			
Cash overdraft	\$ 31,563	\$ -	\$ 31,563
Accounts payable	3,875	-	3,875
Total liabilities	35,438	-	35,438
<b>FUND BALANCE</b>			
Nonspendable	4,688	-	4,688
Restricted	255,039	156,747	411,786
Total fund balance	259,727	156,747	416,474
Total liabilities and fund balance	<b>\$ 295,165</b>	<b>\$ 156,747</b>	<b>\$ 451,912</b>

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

STATE OF NEW MEXICO  
EUNICE PUBLIC SCHOOLS  
Non-Major Governmental Funds  
Combining Statement of Revenues, Expenditures and Changes  
in Fund Balances - By Fund Type  
Year Ended June 30, 2018

Statement A-2

	Special Revenue Funds	Capital Projects Fund	Total
REVENUES			
Taxes	\$ -	\$ -	\$ -
Charges for services	164,600	-	164,600
Local sources	32,000	-	32,000
State sources	101,843	19,582	121,425
Federal sources	311,396	-	311,396
Earnings from investments	9	-	9
Total revenues	609,848	19,582	629,430
EXPENDITURES			
Current:			
Direct instruction	241,919	-	241,919
Instructional support	11,462	-	11,462
Food services	348,813	-	348,813
Capital outlay	-	19,582	19,582
Total expenditures	602,194	19,582	621,776
Net change in fund balances	7,654	-	7,654
Fund balance beginning of year	252,073	156,747	408,820
Fund balance end of year	<b>\$ 259,727</b>	<b>\$ 156,747</b>	<b>\$ 416,474</b>

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

## NON-MAJOR SPECIAL REVENUE FUNDS

**ALL FUNDS** - All funds were created by the State Department of Education.

**IDEA-B - RESULTS PLAN** - To provide funding to schools for professional development, coaching, technical assistance and additional funds to support school improvement, targeted to early elementary reading achievement. Authority for this fund comes from the Individuals with Disabilities Act, Part B.

**JTPA** - To account for funds provided by the New Mexico Department of Labor. The objective of the program is to provide individualized remedial instruction in math; reading and writing for each participant based on assessed needs and is restricted to expenditure by applicant.

**HUBBARD FOUNDATION** - To account for funds awarded by the Hubbard Foundation, a private foundation (to non-profit organizations), to assist in a district wide educational reading initiative named Reading Recovery.

**MICROSOFT SETTLEMENT** - Funding for this fund is provided by the antitrust settlement between the State of New Mexico and Microsoft Corporation. The purpose of this program is to help New Mexico school districts to purchase a wide variety of computer hardware, software, and professional development services.

**CHEVRON SCHOOL GRANTS** - To account for funds received from the Chevron Corporation. These funds are to be used for professional development and support of the District's mathematics programs. This fund was established by Chevron's gift and approval of the school board.

**TEACHER RECRUITMENT** - To account for resources received for the purpose of teacher recruitment efforts such as signing bonuses for new teachers, covering the costs of travel to a recruiting/hiring event, updates to the district website with regard to recruitment, or the cost of placing advertisements in a newspaper or external website. Funding and Authority are provided by the New Mexico Public Education Department, Special Appropriation Fund.

**K-3 PLUS (KINDERGARTEN THREE PLUS)** - To account for the funds used to provide additional educational time for students in kindergarten through the third grade with at least 25 additional instructional days beginning up to two months earlier than the regular school year. The funding and authority provided by the New Mexico Public Education Department.



NON-MAJOR SPECIAL REVENUE FUNDS - CONTINUED

**DUAL CREDIT** - To fund all public, charter, and state supported schools for dual credit course materials approved by the Higher Education department and through a college/university which has an approved agreement with the school. Funding and authority provided by House Bill 2, 2009 page 226 lines 12-19.

**GO BOND STUDENT LIBRARY** - This fund is used to account for the revenue and expenditures to acquire supplementary library books, equipment, and library resources for public schools and juvenile detention libraries statewide.

**K-3 PLUS 4 & 5 (PILOT PROGRAM)** - To account for resources received to provide funding for additional educational time for students in Kindergarten through fifth grade with at least 25 instructional days, beginning up to two months earlier than the regular school year. Funding and Authority are provided by the New Mexico Public Education Department.

**ATHLETICS** - To account for revenues received from non-instructional activities for use in the district's athletic and other non-instructional programs. Required by the New Mexico State Department of Education Manual of Procedures for New Mexico School Districts to be accounted for as a separate fund. Authority for this fund is the New Mexico Administrative Code 6.20.2.

**CAFETERIA** - To account for financing for school hot lunch program. Funding is provided from fees from patrons and USDA food reimbursements, under the National School Lunch Act of 1946, as amended, New Mexico statutes Annotated, State Law 22-13-13.

STATE OF NEW MEXICO  
EUNICE PUBLIC SCHOOLS  
Non-Major Special Revenue Funds  
Combining Balance Sheet  
June 30, 2018

Statement B-1  
Page 1 of 2

	IDEA-B Results Plan	JTPA	Hubbard Foundation	Microsoft Settlement	Chevron	Teacher Recruitment
<b>ASSETS</b>						
Cash on deposit	\$ -	\$ 68	\$ -	\$ -	\$ 68,310	\$ -
Due from grantor	3,403	-	-	-	-	2,377
Inventory	-	-	-	-	-	-
<b>Total assets</b>	<b><u>\$ 3,403</u></b>	<b><u>\$ 68</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 68,310</u></b>	<b><u>\$ 2,377</u></b>
<b>LIABILITIES</b>						
Cash overdraft	\$ 3,403	\$ -	\$ -	\$ -	\$ -	\$ 2,377
Accounts payable	-	-	-	-	-	-
<b>Total liabilities</b>	<b><u>3,403</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>2,377</u></b>
<b>FUND BALANCES</b>						
Nonspendable	\$ -	\$ -	\$ -	\$ -	-	-
Restricted	-	68	-	-	68,310	-
<b>Total fund balance</b>	<b><u>-</u></b>	<b><u>68</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>68,310</u></b>	<b><u>-</u></b>
<b>Total liabilities and fund balance</b>	<b><u>\$ 3,403</u></b>	<b><u>\$ 68</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 68,310</u></b>	<b><u>\$ 2,377</u></b>

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

STATE OF NEW MEXICO  
EUNICE PUBLIC SCHOOLS  
Non-Major Special Revenue Funds  
Combining Balance Sheet  
June 30, 2018

Statement B-1  
Page 2 of 2

	K-3 PLUS	Dual Credit	GO Bond Student Library	K-3 PLUS 4 & 5	Athletics	Cafeteria	Total
<b>ASSETS</b>							
Cash on deposit	\$ -	\$ -	\$ -	\$ -	\$ 81,416	\$ 109,120	\$ 258,914
Due from grantor	18,433	-	3,517	3,833	-	-	31,563
Inventory	-	-	-	-	-	4,688	4,688
<b>Total assets</b>	<b><u>\$ 18,433</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 3,517</u></b>	<b><u>\$ 3,833</u></b>	<b><u>\$ 81,416</u></b>	<b><u>\$ 113,808</u></b>	<b><u>\$ 295,165</u></b>
<b>LIABILITIES</b>							
Cash overdraft	\$ 18,433	\$ -	\$ 3,517	\$ 3,833	\$ -	\$ -	\$ 31,563
Accounts payable	-	-	-	-	2,627	1,248	3,875
<b>Total liabilities</b>	<b><u>18,433</u></b>	<b><u>-</u></b>	<b><u>3,517</u></b>	<b><u>3,833</u></b>	<b><u>2,627</u></b>	<b><u>1,248</u></b>	<b><u>35,438</u></b>
<b>FUND BALANCES</b>							
Nonspendable	-	-	-	-	-	4,688	4,688
Restricted	-	-	-	-	78,789	107,872	255,039
<b>Total fund balance</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>78,789</u></b>	<b><u>112,560</u></b>	<b><u>259,727</u></b>
<b>Total liabilities and fund balance</b>	<b><u>\$ 18,433</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 3,517</u></b>	<b><u>\$ 3,833</u></b>	<b><u>\$ 81,416</u></b>	<b><u>\$ 113,808</u></b>	<b><u>\$ 295,165</u></b>

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

STATE OF NEW MEXICO  
EUNICE PUBLIC SCHOOLS  
Non-Major Special Revenue Funds  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Year Ended June 30, 2018

Statement B-2  
Page 1 of 2

	IDEA-B Results Plan	JTPA	Hubbard Foundation	Microsoft Settlement	Chevron	Teacher Recruitment
<b>REVENUES</b>						
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Local sources	-	-	-	-	30,000	-
State sources	-	-	-	-	-	2,377
Federal sources	19,270	-	-	-	-	-
Earnings from investments	-	-	-	-	-	-
Total revenues	<u>19,270</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,000</u>	<u>2,377</u>
<b>EXPENDITURES</b>						
Direct instruction	19,270	-	124	738	22,291	-
Instructional support	-	-	-	-	-	2,377
Food services	-	-	-	-	-	-
Total expenditures	<u>19,270</u>	<u>-</u>	<u>124</u>	<u>738</u>	<u>22,291</u>	<u>2,377</u>
Net change in fund balance	-	-	(124)	(738)	7,709	-
Fund balance at beginning of year	<u>-</u>	<u>68</u>	<u>124</u>	<u>738</u>	<u>60,601</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ -</u></u>	<u><u>\$ 68</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 68,310</u></u>	<u><u>\$ -</u></u>

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

STATE OF NEW MEXICO  
EUNICE PUBLIC SCHOOLS  
Non-Major Special Revenue Funds  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Year Ended June 30, 2018

Statement B-2  
Page 2 of 2

	K-3 PLUS	Dual Credit	GO Bond Student Library	K-3 PLUS 4 & 5	Athletics	Cafeteria	Total
<b>REVENUES</b>							
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ 96,895	\$ 67,705	\$ 164,600
Local sources	-	-	-	-	2,000	-	32,000
State sources	83,070	3,478	9,085	3,833	-	-	101,843
Federal sources	-	-	-	-	-	292,126	311,396
Earnings from investments	-	-	-	-	-	9	9
<b>Total revenues</b>	<u>83,070</u>	<u>3,478</u>	<u>9,085</u>	<u>3,833</u>	<u>98,895</u>	<u>359,840</u>	<u>609,848</u>
<b>EXPENDITURES</b>							
Direct instruction	83,070	3,478	-	3,833	109,115	-	241,919
Instructional support	-	-	9,085	-	-	-	11,462
Food services	-	-	-	-	-	348,813	348,813
<b>Total expenditures</b>	<u>83,070</u>	<u>3,478</u>	<u>9,085</u>	<u>3,833</u>	<u>109,115</u>	<u>348,813</u>	<u>602,194</u>
Net change in fund balance	-	-	-	-	(10,220)	11,027	7,654
Fund balance at beginning of year	-	-	-	-	89,009	101,533	252,073
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 78,789</u>	<u>\$ 112,560</u>	<u>\$ 259,727</u>

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

**NON-MAJOR CAPITAL PROJECTS FUND**

**CAPITAL IMPROVEMENTS - SB-9** - To account for monies received under NMSA 1978 22-25-9, a State match distribution that was imposed as a tax under the Public School Capital Improvements Act for the purpose of building, remodeling and equipping classroom facilities.

**BOND BUILDING** - To account for resources received from the sale of general obligation bonds for the purpose of constructing and renovating school buildings.

STATE OF NEW MEXICO  
EUNICE PUBLIC SCHOOLS  
Non-Major Capital Projects Funds  
Balance Sheet  
June 30, 2018

Statement C-1

	Capital Improvements SB-9	Bond Buildings Fund	Total
<b>ASSETS</b>			
Cash on deposit	\$ -	\$ 156,747	\$ 156,747
Due from grantor	-	-	-
Total assets	<b>\$ -</b>	<b>\$ 156,747</b>	<b>\$ 156,747</b>
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ -	\$ -
Total liabilities	-	-	-
<b>FUND BALANCE</b>			
Restricted	-	156,747	156,747
Total fund balance	-	156,747	156,747
Total liabilities and fund balance	<b>\$ -</b>	<b>\$ 156,747</b>	<b>\$ 156,747</b>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO  
EUNICE PUBLIC SCHOOLS  
Non-Major Capital Projects Funds  
Statement of Revenues, Expenditures  
and Changes in Fund Balances  
Year Ended June 30, 2018

Statement C-2

	Capital Improvements SB-9	Bond Building Fund	Total
<b>REVENUES</b>			
Taxes	\$ -	\$ -	\$ -
State sources	19,582	-	19,582
Earnings from investments	-	-	-
Total revenues	19,582	-	19,582
<b>EXPENDITURES</b>			
Instructional support	-	-	-
Capital outlay	19,582	-	19,582
Total expenditures	19,582	-	19,582
Net change in fund balance	-	-	-
Fund balance at beginning of year	-	156,747	156,747
Fund balance at end of year	<b>\$ -</b>	<b>\$ 156,747</b>	<b>\$ 156,747</b>

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



### GENERAL FUND

**OPERATIONAL FUND** - This fund is the chief operating fund of the School District. It is used to account for all financial resources of the School District except for those required to be accounted for in another fund.

**TEACHERAGE FUND** - To account for resources from the rental of School owned facilities.

**TRANSPORTATION FUND** - To account for resources received from the Public Education Department to be used only for eligible to and from school transportation costs.

**INSTRUCTIONAL MATERIALS FUND** - to account for resources received from the Public Education Department to be used to purchase materials used as the basis for instruction.

STATE OF NEW MEXICO  
EUNICE PUBLIC SCHOOLS  
Combining Balance Sheet  
General Fund  
June 30, 2018

Statement D-1

	Operational	Teacherage	Transporation	Instructional Materials	Total
<b>ASSETS</b>					
Cash on deposit	\$ 1,591,320	\$ 100,931	\$ 38,909	\$ 11,142	\$ 1,742,302
Accounts receivable, collectible	31,237	-	-	-	31,237
Total assets	<b>\$ 1,622,557</b>	<b>\$ 100,931</b>	<b>\$ 38,909</b>	<b>\$ 11,142</b>	<b>\$ 1,773,539</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 39,842	\$ 718	\$ -	\$ -	\$ 40,560
Total liabilities	39,842	718	-	-	40,560
<b>FUND BALANCES</b>					
Nonspendable	-	-	-	-	-
Restricted	13,164	100,213	38,909	11,142	163,428
Unassigned	1,569,551	-	-	-	1,569,551
Total fund balance	1,582,715	100,213	38,909	11,142	1,732,979
Total liabilities and fund balance	<b>\$ 1,622,557</b>	<b>\$ 100,931</b>	<b>\$ 38,909</b>	<b>\$ 11,142</b>	<b>\$ 1,773,539</b>

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

STATE OF NEW MEXICO  
EUNICE PUBLIC SCHOOLS  
Combining Statement of Revenues, Expenditures  
and Changes in Fund Balances  
General Fund  
Year Ended June 30, 2018

Statement D-2

	Operational	Teacherage	Transportation	Instructional Materials	Total
REVENUES					
Taxes	\$ 73,308	\$ -	\$ -	\$ -	\$ 73,308
Oil and gas taxes	282,310	-	-	-	282,310
Charges for services	16,137	30,800	-	-	46,937
Local sources	136,350	-	-	-	136,350
State sources	6,116,439	-	194,285	24,497	6,335,221
Federal sources	-	-	-	-	-
Earnings from investments	191	403	-	-	594
	<u>6,624,735</u>	<u>31,203</u>	<u>194,285</u>	<u>24,497</u>	<u>6,874,720</u>
Total revenues					
EXPENDITURES					
Direct instruction	3,949,471	-	-	27,125	3,976,596
Instructional support	2,613,109	17,641	163,066	-	2,793,816
Food service	-	-	-	-	-
Capital outlay	9,518	-	-	-	9,518
	<u>6,572,098</u>	<u>17,641</u>	<u>163,066</u>	<u>27,125</u>	<u>6,779,930</u>
Total expenditures					
Net change in fund balance	52,637	13,562	31,219	(2,628)	94,790
Fund balance at beginning of year	<u>1,530,078</u>	<u>86,651</u>	<u>7,690</u>	<u>13,770</u>	<u>1,638,189</u>
Fund balance at end of year	<u><u>\$ 1,582,715</u></u>	<u><u>\$ 100,213</u></u>	<u><u>\$ 38,909</u></u>	<u><u>\$ 11,142</u></u>	<u><u>\$ 1,732,979</u></u>

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

STATE OF NEW MEXICO  
EUNICE PUBLIC SCHOOLS  
General Fund - Operational Fund  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)  
Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	\$ 76,769	\$ 76,769	\$ 73,480	\$ (3,289)
Oil and gas taxes	226,498	226,498	269,885	43,387
Charges for services	-	-	16,137	16,137
Local sources	76,000	76,000	133,597	57,597
State sources	5,926,057	6,096,400	6,116,439	20,039
Federal sources	-	-	-	-
Earnings from investments	150	150	191	41
	<u>150</u>	<u>150</u>	<u>191</u>	<u>41</u>
Total revenues	<b><u>\$ 6,305,474</u></b>	<b><u>\$ 6,475,817</u></b>	<b><u>\$ 6,609,729</u></b>	<b><u>\$ 133,912</u></b>
<b>EXPENDITURES</b>				
Direct instruction	\$ 4,137,728	\$ 4,228,071	\$ 3,952,908	\$ 275,163
Instructional support	3,110,438	3,190,438	2,579,346	611,092
Food services	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<b><u>\$ 7,248,166</u></b>	<b><u>\$ 7,418,509</u></b>	<b><u>\$ 6,532,254</u></b>	<b><u>\$ 886,255</u></b>
BUDGETED CASH BALANCE	<b><u>\$ 942,692</u></b>	<b><u>\$ 942,692</u></b>		

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

STATE OF NEW MEXICO  
EUNICE PUBLIC SCHOOLS  
General Fund - Teacherage Fund  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)  
Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	28,800	28,800	30,800	2,000
Local sources	-	-	-	-
State sources	-	-	-	-
Federal sources	-	-	-	-
Earnings from investments	45	45	403	358
	<u>45</u>	<u>45</u>	<u>403</u>	<u>358</u>
Total revenues	<u><b>\$ 28,845</b></u>	<u><b>\$ 28,845</b></u>	<u><b>\$ 31,203</b></u>	<u><b>\$ 2,358</b></u>
EXPENDITURES				
Direct instruction	\$ -	\$ -	\$ -	\$ -
Instructional support	98,602	98,602	16,923	81,679
Food services	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u><b>\$ 98,602</b></u>	<u><b>\$ 98,602</b></u>	<u><b>\$ 16,923</b></u>	<u><b>\$ 81,679</b></u>
BUDGETED CASH BALANCE	<u><b>\$ 69,757</b></u>	<u><b>\$ 69,757</b></u>		

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

STATE OF NEW MEXICO  
 EUNICE PUBLIC SCHOOLS  
 General Fund - Transportation Fund  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Local sources	-	-	-	-
State sources	194,285	194,285	194,285	-
Federal sources	-	-	-	-
Earnings from investments	-	-	-	-
 Total revenues	 <b><u>\$ 194,285</u></b>	 <b><u>\$ 194,285</u></b>	 <b><u>\$ 194,285</u></b>	 <b><u>\$ -</u></b>
EXPENDITURES				
Direct instruction	\$ -	\$ -	\$ -	\$ -
Instructional support	194,285	198,129	163,066	35,063
Food services	-	-	-	-
 Total expenditures	 <b><u>\$ 194,285</u></b>	 <b><u>\$ 198,129</u></b>	 <b><u>\$ 163,066</u></b>	 <b><u>\$ 35,063</u></b>
 BUDGETED CASH BALANCE	 <b><u>\$ -</u></b>	 <b><u>\$ 3,844</u></b>		

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

STATE OF NEW MEXICO  
 EUNICE PUBLIC SCHOOLS  
 General Fund - Instructional Materials Fund  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Local sources	-	-	-	-
State sources	21,213	35,990	24,497	(11,493)
Federal sources	-	-	-	-
Earnings from investments	-	-	-	-
 Total revenues	 <u>\$ 21,213</u>	 <u>\$ 35,990</u>	 <u>\$ 24,497</u>	 <u>\$ (11,493)</u>
EXPENDITURES				
Direct instruction	\$ 21,213	\$ 35,990	\$ 27,125	\$ 8,865
Instructional support	-	-	-	-
Food services	-	-	-	-
 Total expenditures	 <u>\$ 21,213</u>	 <u>\$ 35,990</u>	 <u>\$ 27,125</u>	 <u>\$ 8,865</u>
 BUDGETED CASH BALANCE	 <u>\$ -</u>	 <u>\$ -</u>		

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

**REQUIRED SUPPLEMENTARY INFORMATION**



STATE OF NEW MEXICO  
 EUNICE PUBLIC SCHOOLS  
 Schedule of Proportionate Share of the Net Pension Liability  
 Educational Retirement Board (ERB) Pension Plan  
 Last 10 Fiscal Years\*

Fiscal Year Measurement Date	2018 2017	2017 2016	2016 2015	2015 2014
Eunice Public Schools proportion of net pension liability (asset)	0.14577%	0.14415%	0.14012%	0.13065%
Eunice Public Schools proportionate share of the net pension liability (asset)	\$ 16,200,103	\$ 10,373,659	\$ 9,075,946	\$ 7,454,528
Eunice Public Schools covered-employee payroll	\$ 4,041,549	\$ 4,151,148	\$ 3,825,725	\$ 3,601,292
Eunice Public Schools proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	261.08%	249.92%	237.23%	206.99%
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 Eunice Public Schools is not available prior to the fiscal 2015, the year the statement's requirement became effective.

See Independent Auditor's Report  
 See notes to required supplementary information

STATE OF NEW MEXICO  
 EUNICE PUBLIC SCHOOLS  
 Schedule of Contributions  
 Educational Retirement Board (ERB) Pension Plan  
 Last 10 Fiscal Years\*

	2018	2017	2016	2015
Contractually required contributions	\$ 561,776	\$ 577,011	\$ 572,273	\$ 553,653
Contributions in relation to the contractually required contribution	<u>561,776</u>	<u>577,011</u>	<u>572,273</u>	<u>553,653</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Eunice Public School District's covered-employee payroll	\$ 4,041,549	\$ 4,151,148	\$ 3,825,725	\$ 3,601,292
Contribution as a percentage of covered-employee payroll	13.90%	13.90%	14.96%	15.37%

\*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 Eunice Public Schools is not available prior to the fiscal 2015, the year the statement's requirement became effective.

See Independent Auditor's Report  
 See notes to required supplementary information

STATE OF NEW MEXICO  
EUNICE PUBLIC SCHOOLS  
Notes to Required Supplementary Information  
Year Ended June 30, 2018

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

See Independent Auditor's Report

STATE OF NEW MEXICO  
 EUNICE PUBLIC SCHOOLS  
 Schedule of Proportionate Share of the Net OPEB Liability  
 Retiree Health Care Authority (RHCA) OPEB Plan  
 Last 10 Fiscal Years\*

	<u>2018*</u>
Eunice Public School District's proportion of net OPEB liability (asset)	0.09657%
Eunice Public School District's proportionate share of the net OPEB liability (asset)	\$ 4,376,237
Eunice Public School District's covered-employee payroll	\$ 4,066,456
Eunice Public School District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	107.62%
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 School will present information for available years.

See Independent Auditor's Report

STATE OF NEW MEXICO  
 EUNICE PUBLIC SCHOOLS  
 Schedule of Contributions  
 Retiree Health Care Authority (RHCA) OPEB Plan  
 Last 10 Fiscal Years\*

	2018*
Contractually required contributions	\$ 81,328
Contributions in relation to the contractually required contribution	81,328
Contribution deficiency (excess)	\$ -
Eunice Public School District's covered-employee payroll	\$ 4,066,456
Contribution as a percentage of covered-employee payroll	2.00%

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

**OTHER SUPPLEMENTARY INFORMATION**

STATE OF NEW MEXICO  
 EUNICE PUBLIC SCHOOLS  
 Schedule of Cash Receipts and  
 Disbursements - All Funds by  
 School District Classification  
 Year Ended June 30, 2018

	<u>Operational</u>	<u>Transportation</u>	<u>Instructional Materials</u>	<u>Teacherage</u>	<u>Food Services</u>	<u>Athletics</u>	<u>Non- Instructional</u>	<u>Local</u>
Cash Balance, June 30, 2017	\$ 1,513,845	\$ 7,690	\$ 13,770	\$ 86,651	\$ 96,845	\$ 89,009	\$ 196,432	\$ 61,463
Cash Receipts, 2017-2018	6,609,729	194,285	24,497	31,203	359,840	98,895	142,000	3,152,883
Cash Disbursements, 2017-2018	<u>(6,532,254)</u>	<u>(163,066)</u>	<u>(27,125)</u>	<u>(16,923)</u>	<u>(347,565)</u>	<u>(106,488)</u>	<u>(145,257)</u>	<u>(23,153)</u>
Cash Balance, June 30, 2018	<b><u>\$ 1,591,320</u></b>	<b><u>\$ 38,909</u></b>	<b><u>\$ 11,142</u></b>	<b><u>\$ 100,931</u></b>	<b><u>\$ 109,120</u></b>	<b><u>\$ 81,416</u></b>	<b><u>\$ 193,175</u></b>	<b><u>\$ 3,191,193</u></b>
		<u>State</u>	<u>Federal Projects</u>	<u>Bond Building</u>	<u>HB-33</u>	<u>Capital Improvement SB-9</u>	<u>Local Capital Improvement SB-9</u>	<u>Debt Service</u>
Cash Balance, June 30, 2017		\$ (83,029)	\$ (68,066)	\$ 156,747	\$ 10,743,706	\$ -	\$ 5,930,742	\$ 2,710,521
Cash Receipts, 2017-2018		156,712	236,026	-	4,188,615	19,582	1,423,605	4,417,972
Cash Disbursements, 2017-2018		<u>(101,843)</u>	<u>(277,954)</u>	<u>-</u>	<u>(7,815,716)</u>	<u>(19,582)</u>	<u>(1,324,869)</u>	<u>(3,992,253)</u>
Cash Balance, June 30, 2018		<b><u>\$ (28,160)</u></b>	<b><u>\$ (109,994)</u></b>	<b><u>\$ 156,747</u></b>	<b><u>\$ 7,116,605</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 6,029,478</u></b>	<b><u>\$ 3,136,240</u></b>

STATE OF NEW MEXICO  
EUNICE PUBLIC SCHOOLS  
Schedule of Fiduciary Net Assets and Liabilities - Agency Funds  
Year Ended June 30, 2018

Schedule VI

	Beginning Balance <u>6/30/2017</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>6/30/2018</u>
Annual	\$ 48,993	\$ 6,125	\$ 12,282	\$ 42,836
Drama Club	108	-	-	108
Scholarship	3,000	2,000	1,000	4,000
High School Activity	14,401	19,430	13,468	20,363
High School Student Council	209	90	222	77
Middle School General Activity	755	5,146	4,612	1,289
Elementary Library	18,627	11,363	15,547	14,443
Administration	7,325	4,031	9,286	2,070
Activity Center	62,949	-	109	62,840
Pep Club	-	26,420	21,054	5,366
Textbooks	1,407	779	58	2,128
Senior Class	3,285	-	2,595	690
Junior Class	2,302	10,150	9,452	3,000
Sophomore Class	4,753	-	2,225	2,528
Activity Interest	23	16	-	39
National Honor Society	891	4,622	3,612	1,901
Elementary General Activity	1,422	2,112	1,616	1,918
NMPSIA	-	1,715	1,248	467
REC	409	1,778	1,929	258
Freddie Mitchell Memorial Golf	6,377	18,387	21,481	3,283
Welding Shop	27	-	-	27
Library	738	2,373	-	3,111
EHS Library	-	965	-	965
Student ID Tag Replacement Fee	5,828	1,230	7,058	-
1970 Alumni	2,125	-	-	2,125
Eunice Community Foundation	1,659	2,780	1,075	3,364
Chevron Math & Science	1,105	-	1,105	-
CMS Student Council & Honor Society	2,516	1,043	2,128	1,431
CMS National Honor Society	-	1,059	385	674
First (Robotics)	5,198	18,386	11,710	11,874
Total	<u>\$ 196,432</u>	<u>\$ 142,000</u>	<u>\$ 145,257</u>	<u>\$ 193,175</u>



# *Rice and Associates, C.P.A.*

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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 AUDITOR'S REPORT**

Mr. Wayne Johnson  
New Mexico State Auditor  
and  
Board of Education  
Eunice Public Schools  
Eunice, 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, and the aggregate remaining fund information, the budgetary comparisons of the General, Title I, IDEA-B Entitlement and IRB PILT Funds of the Eunice Public Schools, as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the Eunice Public Schools basic financial statements, and the combining and individual funds and have issued our report thereon dated November 8, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Eunice Public Schools internal control over financial reporting as a basis for designing our auditing 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 Eunice Public Schools internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Eunice Public Schools internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be a material weakness.

We did identify certain deficiencies in the accompanying Status of Comments and Responses that we consider to be Significant Deficiencies; Transactions Made By Third Parties Not Recorded on Books of Record or Public Education Department Quarterly Report (2018-001).

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Eunice Public Schools financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards which are described in the accompanying Status of Comments and Responses as Cafeteria Inventory (2018-002), Petty Cash Amounts (2018-003) and No Depreciation Policy (2018-004).

### Responses to the Findings

Eunice Public Schools responses to the findings identified in our audit are described in the accompanying Status of Comments and Responses. The District's responses were not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### Purpose of this Report

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

*Road & Associates, CPA*

Albuquerque, New Mexico  
November 8, 2018

**STATUS OF COMMENTS AND RESPONSES**

**Prior Year Audit Findings:**

1. Unauthorized Charges on Districts Gas Card - (2017-001) - Resolved.
2. Overspent Budget - (2017-002) - Resolved.
3. Deposit of Funds Not Made Within 24 Hours - (2017-003) - Resolved.
4. Gasoline and Diesel Charged to HB-33 - (2017-004) - Resolved.

**Current Year Audit Findings:**

1. Transactions Made By Third Parties Not Recorded on Books of Record or Public Education Department Quarterly Report (2018-001)
2. No Depreciation Policy - (2018-002)
3. Cafeteria Inventory - (2018-003)
4. Activity Cash Box - (2018-004)

Transactions Made by Third Parties  
Not Recorded on Books of Record or  
Public Education Department  
Quarterly Report - Significant Deficiency  
(2018-001)

CONDITION	Funds held at BOK Financial were never recorded on the School District's books of record or Public Education Department quarterly reports. These included cash balances of \$200,975 at the beginning of the year and interest earned of \$7,717.
CRITERIA	All transactions whether actually made by management or outside parties needs to be posted/recorded to the entity's books of record and Public Education Department quarterly reports.
CAUSE	Management did not ensure these transactions were booked.
EFFECT	Cash balances and interest income were understated on the School District's books of record. Adjustments had to be made to adjust certain trial balances so these amounts were included.
RECOMMENDATION	Management should ensure all amounts/transactions are posted/recorded to the School District's books of record.
RESPONSE	The Business Manager will prepare and post these transactions quarterly to the books of record. The Superintendent will approve these transactions before they are posted. This process is already being completed.

Cafeteria Inventory - Other Matter  
(2018-002)

CONDITION	The inventory received for the cafeteria inventory did not include all necessary assets required to be inventoried. Not included were non-food supplies.
CRITERIA	PSAB Supplement 17-Student Nutrition requires three types of assets to be inventoried: 1) purchased foods, 2) non-food supplies, and 3) USDA donated foods or commodities.
CAUSE	Management is not ensuring this procedure is complete.
EFFECT	Management is not complying with PSAB Supplement 17.
RECOMMENDATION	Management should train the cafeteria staff on how to prepare and take inventory each month.
RESPONSE	The Maintenance Director will ensure that all necessary items are included on the cafeteria inventory sheets. These sheets will then be given to the Business Manager monthly. This process is already being completed.

Petty Cash Amounts - Other Matter  
(2018-003)

CONDITION	An amount of \$1,300 was provided to the Activity Director for cash/gate boxes. It was provided back in August of the 2016-2017 fiscal year. It was not returned until May 30, 2018.
CRITERIA	The PSAB Supplement 7 - Cash Controls states "The school district should ensure that established amounts are maintained." Also, "All change funds should be deposited to the bank when not needed such as over school breaks or at the end of the school year."
CAUSE	Management of the School District are not ensuring these monies are safeguarded and redeposited at the end of the year.
EFFECT	Cash belonging to the School District is not being safeguarded.
RECOMMENDATION	Management should issue a check at the beginning of the School year for one amount. At the end of the fiscal year this cash should be redeposited before end of school.
RESPONSE	The Business Manager will ensure that at the end of the athletic season all petty cash used for gate boxes will be redeposited before the end of the fiscal year. This process will be completed either May/June of 2019.

No Depreciation Policy - Other Matter

(2018-004)

CONDITION	The School District has not approved a depreciation policy so depreciation can be charged to capital assets according to Board approval. Also, the schedule is not consistent on whether a full-year or half-year designation is used.
CRITERIA	The School District needs a depreciation policy so capital assets can be depreciated according to Board policy. This is due to the implementation of GASB 34.
CAUSE	The School District has not approved a policy for management to follow.
EFFECT	Depreciation may be charged incorrectly because no set policy is in place.
RECOMMENDATION	The School District should approve a policy as soon as possible. Management should then implement that policy as soon as possible.
RESPONSE	A depreciation policy was approved at the January 14, 2019 Board meeting. The Superintendent will ensure it is followed each year when the depreciation/accumulated depreciation is posted to the Capital Asset Records.

#### FINANCIAL STATEMENT PREPARATION

The combining and individual fund financial statements and notes to the financial statements for the year ended, June 30, 2018 were prepared by Rice & Associates, CPA, based on managements chart of accounts and trial balances including any adjusting, correcting or closing entries approved by management. These services are allowable under SAS 115.

#### EXIT CONFERENCE

An exit conference was held at the School District on November 8, 2018, to discuss the current audit report. In attendance were Ms. Cynthia Sims, Business Manager, Ms. Paula Gaytan, Bookkeeper/Payroll Clerk Mr. Dwain Haynes, Superintendent, Mr. Antonio Lucero and Ms. Pamela A. Rice, CPA, Contract Auditors.