

STATE OF NEW MEXICO
HONDO VALLEY PUBLIC SCHOOLS
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018
INDEPENDENT AUDITORS' REPORT

STATE OF NEW MEXICO
HONDO VALLEY PUBLIC SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2018
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HONDO VALLEY PUBLIC SCHOOLS
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STATE OF NEW MEXICO
HONDO VALLEY PUBLIC SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2018

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STATE OF NEW MEXICO
HONDO VALLEY PUBLIC SCHOOLS
OFFICIAL ROSTER

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INDEPENDENT AUDITORS' REPORT

Mr. Wayne Johnson
State Auditor of the State of New Mexico
Board Members of Hondo Valley Public Schools

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparison for the general fund of Hondo Valley Public Schools (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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.

Opinion

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

Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that the GASB 68 10 year schedules on pages 53 - 54 and GASB 75 10 year schedules on pages 55 - 56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements the combining and individual fund financial statements, and any other schedule required by the Audit Rule that collectively comprise the District's basic financial statements.

The combining and individual nonmajor fund financial statements and other Supplementary Schedules as listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2018 on our consideration of Hondo Valley 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 in 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 Hondo Valley Public Schools internal control over financial reporting and compliance.


Beasley, Mitchell & Co., LLP
Las Cruces, New Mexico
November 15, 2018

BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
HONDO VALLEY PUBLIC SCHOOLS
STATEMENT OF NET POSITION
JUNE 30, 2018

	<u>Governmental Activities</u>
ASSETS AND DEFERRED OUTFLOWS	
Current assets	
Cash and cash equivalents	\$ 197,734
Property taxes receivable	27,635
Other receivables	142,893
Inventory	<u>4,410</u>
Total current assets	372,672
Non-current assets	
Capital assets	8,077,886
Less accumulated depreciation	<u>(5,382,729)</u>
Total non-current assets	<u>2,695,157</u>
Total assets	3,067,829
Deferred outflows:	
Subsequent contributions - ERB	190,337
Subsequent contributions - RHCA	27,152
Deferred outflows - ERB	<u>1,618,086</u>
Total deferred outflows	<u>1,835,575</u>
Total assets and deferred outflows	<u>\$ 4,903,404</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
HONDO VALLEY PUBLIC SCHOOLS
STATEMENT OF NET POSITION (CONTINUED)
JUNE 30, 2018

	<u>Governmental Activities</u>
LIABILITIES AND DEFERRED INFLOWS	
Current liabilities	
Accounts payable	\$ 25,165
Accrued interest	5,812
Current portion of bonds payable	<u>200,000</u>
Total current liabilities	230,977
Long-term obligations	
Net pension liability	5,276,675
OPEB liability	1,427,477
Bonds payable	<u>1,235,000</u>
Total long-term liabilities	<u>7,939,152</u>
Total liabilities	8,170,129
Deferred inflows:	
Deferred inflows - ERB	111,178
Deferred inflows - RHCA	<u>324,890</u>
Total deferred inflows	<u>436,068</u>
Total liabilities and deferred inflows	8,606,197
NET POSITION	
Net investment in capital assets	1,254,345
Restricted for:	
Cafeteria fund (inventory)	4,410
Special revenue	70,817
Capital projects	37,887
Debt service	480,000
Unrestricted	<u>(5,550,252)</u>
Total net position (deficit)	<u>(3,702,793)</u>
Total liabilities, deferred inflows, and net position	<u>\$ 4,903,404</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
HONDO VALLEY PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expenses) Revenue and Changes Net Assets
	Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	
Expenses - Governmental Activities:					
Instruction	\$ 2,030,476	\$ 10,056	\$ 401,939	\$ 72,927	\$ (1,545,554)
Support services	540,071	12,194	6,357	-	(521,520)
Central services	156,425	-	-	-	(156,425)
Operation and maintenance of plant	406,164	-	-	-	(406,164)
Student transportation	147,371	-	172,309	-	24,938
Food services	173,946	8,237	82,533	-	(83,176)
Interest on long-term debt	49,560	-	-	-	(49,560)
Depreciation	216,502	-	-	-	(216,502)
Total governmental activities	\$ 3,720,515	\$ 30,487	\$ 663,138	\$ 72,927	(2,953,963)
General Revenues:					
Taxes:					
Property taxes, levied for operating programs					17,724
Property taxes, levied for debt services					266,539
Property taxes, levied for capital projects					6,231
State equalization guarantee					1,994,111
Interest and investment earnings					38
Miscellaneous					1,488
Subtotal, general revenue					2,286,131
Change in net position					(667,832)
Net position - beginning of year as previously stated					(1,341,942)
Restatement					(1,693,019)
Net position - beginning of year as restated					(3,034,961)
Net position - end of year					\$ (3,702,793)

See independent auditors' report and accompanying notes to financial statements.

GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

STATE OF NEW MEXICO
HONDO VALLEY PUBLIC SCHOOLS
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018

	<u>General Fund</u>	<u>Capital Improvements SB-9 Fund</u>	<u>Capital Outlay Bond Building Fund</u>	<u>Debt Service Fund</u>
ASSETS				
Cash and cash equivalents	\$ 7,501	\$ 40,200	\$ 22,555	\$ 58,633
Restricted Cash	-	-	-	-
Property taxes receivable	1,397	5,733	-	20,505
Due from other funds	133,568	-	-	419,413
Grant receivables	1,122	6,231	-	-
	<u>143,588</u>	<u>52,164</u>	<u>22,555</u>	<u>498,551</u>
Total assets	<u>\$ 143,588</u>	<u>\$ 52,164</u>	<u>\$ 22,555</u>	<u>\$ 498,551</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 7,399	\$ 17,766	\$ -	\$ -
Due to other funds	-	-	419,413	-
	<u>7,399</u>	<u>17,766</u>	<u>419,413</u>	<u>-</u>
Total liabilities	7,399	17,766	419,413	-
Deferred inflows:				
Deferred inflows - property tax	1,264	5,187	-	18,551
	<u>1,264</u>	<u>5,187</u>	<u>-</u>	<u>18,551</u>
Total deferred inflows	1,264	5,187	-	18,551
Total liabilities and deferred inflows	8,663	22,953	419,413	18,551
Fund balances:				
Nonspendable - Inventory	-	-	-	-
Restricted, reported in:				
Special revenue fund	-	-	-	-
Capital projects funds	-	29,211	8,676	-
Debt service funds	-	-	-	480,000
Unassigned, reported in:				
General fund	134,925	-	(405,534)	-
	<u>134,925</u>	<u>29,211</u>	<u>(396,858)</u>	<u>480,000</u>
Total fund balances	134,925	29,211	(396,858)	480,000
Total liabilities, deferred inflows and fund balances	<u>\$ 143,588</u>	<u>\$ 52,164</u>	<u>\$ 22,555</u>	<u>\$ 498,551</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
HONDO VALLEY PUBLIC SCHOOLS
BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2018

	Other Governmental Funds	Total
ASSETS		
Cash and cash equivalents	\$ 68,845	\$ 197,734
Property taxes receivable	-	27,635
Due from other funds	-	552,981
Grants receivables	135,540	142,893
Inventory	4,410	4,410
	<u>208,795</u>	<u>925,653</u>
Total assets	<u>\$ 208,795</u>	<u>\$ 925,653</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ -	\$ 25,165
Due to other funds	133,568	552,981
	<u>133,568</u>	<u>578,146</u>
Total liabilities	133,568	578,146
Deferred inflows:		
Deferred inflows - property tax	-	25,002
	<u>-</u>	<u>25,002</u>
Total deferred inflows	-	25,002
	<u>133,568</u>	<u>603,148</u>
Total liabilities and deferred inflows	133,568	603,148
Fund balances:		
Nonspendable - Inventory	4,410	4,410
Restricted, reported in:		
Special revenue fund	70,817	70,817
Capital projects funds	-	37,887
Debt service	-	480,000
Unassigned, reported in:		
Other funds	-	-
General fund	-	(270,609)
	<u>75,227</u>	<u>322,505</u>
Total fund balances	75,227	322,505
Total liabilities, deferred inflows, and fund balances	<u>\$ 208,795</u>	<u>\$ 925,653</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
HONDO VALLEY PUBLIC SCHOOLS
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

Amounts reported for government activities in the statement of net position are different because:

Fund balances - total governmental funds	\$ 322,505
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	2,695,157
Deferred outflows resulting from pension liabilities - GASB 68	
Net deferred outflows - ERB	1,618,086
Contributions made after the measurement date, will be recognized as a reduction of net pension liability. ERB	190,337
Contributions made after the measurement date, will be recognized as a reduction of net pension liability. RHCA	27,152
Deferred inflows due to actual non-investment experience that was better than expected and changes in benefits or assumption which result in a decrease to net pension liability:	
Net deferred inflows -ERB	(111,178)
Net deferred inflows - RHCA	(324,890)
Long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds - property tax	25,002
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:	
Net pension liability	(5,276,675)
Accrued interest	(5,812)
OPEB liability	(1,427,477)
General obligation bonds	<u>(1,435,000)</u>
Total net position - governmental funds	<u>\$ (3,702,793)</u>

See independent auditors' report and accompanying notes to financial statements.

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

	<u>General Fund</u>	<u>Capital Improvements SB-9 Fund</u>	<u>Capital Improvements SB-9 Fund</u>	<u>Debt Service Fund</u>
REVENUES				
Taxes	\$ 17,724	\$ 6,231	\$ -	\$ 266,539
Local sources	16,536	-	-	-
State sources	2,128,226	72,927	-	-
Federal sources	5,707	-	-	-
Transportation distribution	172,309	-	-	-
Earnings from investments	32	-	-	-
Miscellaneous	-	-	-	6
	<u>2,340,534</u>	<u>79,158</u>	<u>-</u>	<u>266,545</u>
Total revenues	2,340,534	79,158	-	266,545
EXPENDITURES				
Current:				
Direct instruction	1,177,488	-	-	-
Instructional support	269,419	-	-	-
Central services	156,425	-	-	-
Operation and maintenance	245,521	56,634	104,009	-
General administration	223,928	2,128	-	4,098
Food services	53,829	-	-	-
Pupil transportation	173,946	-	-	-
Athletics	-	-	-	-
Capital outlay	-	20,900	246,363	-
Debt services:				
Principal payments	-	-	-	260,000
Interest	-	-	-	49,560
	<u>2,300,556</u>	<u>79,662</u>	<u>350,372</u>	<u>313,658</u>
Total expenditures	2,300,556	79,662	350,372	313,658
Net change in fund balance	39,978	(504)	(350,372)	(47,113)
Fund balance - beginning of year	<u>94,947</u>	<u>29,715</u>	<u>(46,486)</u>	<u>527,113</u>
Fund balance - end of year	<u>\$ 134,925</u>	<u>\$ 29,211</u>	<u>\$ (396,858)</u>	<u>\$ 480,000</u>

See independent auditors' report and accompanying notes to financial statements.

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

	Other Governmental Funds	Total
	<u> </u>	<u> </u>
REVENUES		
Taxes	\$ -	\$ 290,494
Local sources	14,156	30,692
State sources	69,225	2,270,378
Federal sources	283,065	288,772
Transportation distribution	-	172,309
Earnings from investments	-	32
Miscellaneous	-	6
	<u> </u>	<u> </u>
Total revenues	366,446	3,052,683
EXPENDITURES		
Current:		
Direct instruction	221,536	1,399,024
Instructional support	29,406	298,825
Central services	-	156,425
Operation and maintenance	-	406,164
General Administration	11,092	241,246
Food Services	93,542	147,371
Pupil Transportation	-	173,946
Athletics	9,504	9,504
Capital outlay	-	267,263
Debt services:		
Principal payments	-	260,000
Interest	-	49,560
	<u> </u>	<u> </u>
Total expenditures	365,080	3,409,328
Net change in fund balance	1,366	(356,645)
Fund balance, beginning of the year	<u>73,861</u>	<u>679,150</u>
Fund balance - end of year	<u>\$ 75,227</u>	<u>\$ 322,505</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
HONDO VALLEY PUBLIC SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN THE FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Amount reported for governmental activities in the statement of net position are different because:

Change in fund balances - total governmental funds	\$ (356,645)
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Capital outlay to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which depreciation expense exceeds capital outlays in the period.

Depreciation expense	(216,502)
Capital outlay	267,263

Changes in resources related to pension:

Change in deferred outflows - ERB	1,326,111
Change in deferred outflows - RHCA	106
Change in deferred inflows - ERB	(8,715)
Change in deferred inflows - RHCA	(324,890)
Net pension liability	(1,951,923)
OPEB liability	295,184

The issuance of long-term debt (e.g. bonds, notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Change in accrued interest	2,899
Change in accrued compensated absences	39,280
Principal payment on bond	<u>260,000</u>

Change in net position of governmental activities	<u>\$ (667,832)</u>
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See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
HONDO VALLEY PUBLIC SCHOOLS
GENERAL FUND COMBINED
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (NON-
GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenues:				
Taxes	\$ 18,039	\$ 18,039	\$ 17,724	\$ (315)
Local sources	-	1,440	16,536	15,096
State sources	2,103,609	2,118,605	2,128,226	9,621
Federal sources	-	5,708	5,707	(1)
Earnings from investments	-	-	32	32
Transportation distribution	172,309	174,733	172,309	(2,424)
	<u>2,293,957</u>	<u>2,318,525</u>	<u>2,340,534</u>	<u>22,009</u>
Total revenues				
Expenditures:				
Current:				
Direct instruction	1,294,601	1,268,145	1,177,488	90,657
Instructional support	253,784	272,880	269,419	3,461
Central services	140,120	160,491	156,425	4,066
Operation and maintenance	236,167	246,318	245,521	797
General administration	207,036	214,122	211,061	3,061
Pupil transportation	172,309	174,733	173,946	787
Food services	54,520	54,520	53,829	691
School Administration	14,201	14,201	12,867	1,334
	<u>2,372,738</u>	<u>2,405,410</u>	<u>2,300,556</u>	<u>104,854</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	<u>(78,781)</u>	<u>(86,885)</u>	<u>39,978</u>	<u>126,863</u>
Net change in fund balance	(78,781)	(86,885)	39,978	126,863
Fund balance - beginning of year	<u>94,947</u>	<u>94,947</u>	<u>94,947</u>	<u>-</u>
Fund balance - end of year	<u>\$ 16,166</u>	<u>\$ 8,062</u>	<u>\$ 134,925</u>	<u>\$ 126,863</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 39,978	
Net revenue accruals			-	
Net expenditure accruals			<u>-</u>	
Net changes in fund balance GAAP basis			<u>\$ 39,978</u>	

See independent auditors' report and accompanying notes to financial statements.

FIDUCIARY FUND FINANCIAL STATEMENTS

STATE OF NEW MEXICO
HONDO VALLEY PUBLIC SCHOOLS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUND
JUNE 30, 2018

ASSETS

Current Assets

Cash \$ 28,963

Total assets \$ 28,963

LIABILITIES

Current Liabilities

Deposits held in trust for others \$ 28,963

Total liabilities \$ 28,963

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
HONDO VALLEY PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Hondo Valley Public Schools (the District) is a special purpose government corporation governed by an elected five member Board of Education. The Board of Education is the basic level of government, which has oversight responsibility and control over all activities related to the public school education of the Village of Hondo Valley and surrounding areas. The District is responsible for all activities related to public elementary and secondary school education within its jurisdiction. The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities.

This summary of significant accounting policies of the District is presented to assist in the understanding of the District's financial statements. The financial statements and notes are the representation of Hondo Valley Public Schools' management who is responsible for their integrity and objectivity. The financial statements and disclosures of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

A. Reporting Entity

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statements No. 14 and No. 39. Blended component units, although legally separate entities, are in substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the

STATE OF NEW MEXICO
HONDO VALLEY PUBLIC SCHOOLS
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1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

A. Reporting Entity (Continued)

existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity. Based upon the application of these criteria, the District has no component units, and is not a component unit of another governmental agency.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by State Equalization Guarantee, taxes and intergovernmental revenues.

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

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

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

STATE OF NEW MEXICO
HONDO VALLEY PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

C. Measurement Focus, Basis of Accounting

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

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

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property taxes are accrued as receivable when levied, net of estimated refund and uncollectible amounts. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major governmental funds:

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

STATE OF NEW MEXICO
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1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

C. Measurement Focus, Basis of Accounting (Continued)

Capital Improvements SB-9 Fund is used to account for resources received through Senate Bill 9 and local tax levies obtained for the purpose of building, remodeling, and equipping classroom facilities. Also to account for resources received from the State of New Mexico General Fund.

Bond Building fund is used to accounts for the revenue received from bonds sold by the District to be used for improvements and additions to school owned property.

Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. The resources of this fund are generated by a tax levy based upon property values.

Additionally, the District reports the following agency fund:

Fiduciary Funds account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds.

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity

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

STATE OF NEW MEXICO
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1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (Continued)

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

Investments for the District are reported at fair value. The State Treasurer's Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

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

Deferred Outflows - In the government-wide fund financial statements, deferred outflows are contributions to a pension plan after the measurement date, and the change in assumption.

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

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

The District receives monthly income from a tax levy in Lincoln County. The funds are collected by the County Treasurers and are remitted to the District the following month.

Under the modified accrual method of accounting, the amount remitted by the County Treasurers in July and August is considered measurable and available and, accordingly, is recorded as revenue in the governmental fund statements during the year ended June 30, 2018.

STATE OF NEW MEXICO
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1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (Continued)

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

Inventory - The District uses the consumption method of accounting for inventory. Under the consumption approach, governments report inventories they purchase as an asset and defer the recognition of the expenditures until the period in which the inventories actually are consumed.

Inventory is valued at cost utilizing the consumption basis of accounting. Inventory in the Food Service Fund consists of U.S.D.A. commodities and other purchased food and non-food supplies. The cost of purchased food is recorded as an expenditure at the time individual inventory items are consumed.

U.S.D.A. commodities consumed during the year are reported as revenues and expenditures; unused commodities are reported as inventories. Non-commodity 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. No deferred revenue was recorded for unused commodity inventory as of June 30, 2018.

Capital Assets - Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Information Technology Equipment including software is being capitalized and included in furniture, fixtures and equipment in accordance with NMAC 2.20.1.9 C(5). The District was a phase II government for purposes of implementing GASB 34 however, the District does not have any infrastructure asset to report.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

STATE OF NEW MEXICO
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1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (Continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest was included as part of the cost of capital assets under construction.

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

<u>Assets</u>	<u>Years</u>
Building and improvements	20-50
Furniture, Equipment Vehicles and Library Books	3-15

Unearned Revenues and Deferred Inflows of Resources - Under both accrual and the modified accrual basis of accounting, revenue may be recognized only when it is earned. If assets are recognized in connection with a transaction before the earnings process is complete, those assets must be offset by corresponding liability for unearned revenue. Accounting principles generally accepted in the United States of America require that grant revenue be recognized at the time the related expense is made if the expenditure of funds is the prime factor for determining eligibility for reimbursement; therefore, amounts received and not expended in the Special Revenue Funds are shown as unearned revenues. In addition, property taxes receivable but uncollected within sixty (60) days of year end are classified as deferred inflow.

Compensated Absences - Twelve month employees are entitled to accumulate annual leave up to 10 days per year for the first five years. After five years of service, they will earn one and one quarter days per month for a total of 15 days per year.

Qualified employees are entitled to accumulate sick leave. There is no limit to the amount of sick leave which an employee may accumulate; however, no payment is due to the employee upon termination of employment.

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. In prior years, substantially all of the related expenditures have been liquidated by the general fund. Amounts of vested or accumulated vacation leave that are

STATE OF NEW MEXICO
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JUNE 30, 2018

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (Continued)

not expected to be liquidated with expendable available financial resources are reported in the government-wide statement of net assets.

Deferred Inflows - Within the governmental funds, revenues must be available in order to be recognized. Revenues such as real estate taxes that are not available are recorded as deferred inflows and reflected within the balance sheet.

Long-term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

Fund Balance of Fund Financial Statements - In the fund financial statements, governmental funds are classified as follows:

Nonspendable - fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) 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, for example, inventories and prepaid amounts. It also includes amounts to be held in perpetuity.

STATE OF NEW MEXICO
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1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (Continued)

Restricted - Fund balance should be reported when constraints placed on the use of resources are either:

- a. Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or
- b. Imposed by law through constitutional provisions or enabling legislation. Enabling legislation, as the term is used in this Statement, authorizes the government to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that a government 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.

Unassigned - fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

The District's policy is to apply restricted resources first, committed sources second, assigned resources third, and unassigned resources last when an expense is incurred for purposes for which all or any fund balance classification is available.

STATE OF NEW MEXICO
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1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (Continued)

Equity Classifications

Government-Wide Statements

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

- a. Net position invested in capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Net position - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

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

E. Revenues

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

A school district's program costs are determined through the use of various formulas using program units' which take into consideration 1) early childhood education; 2) basic education; 3) special education; 4) bilingual-multicultural education; 5) size, etc. Payment is made from the public school fund under the authority of the Director of Public School Finance. The District received \$1,994,111 in state equalization guarantee distributions during the year ended June 30, 2018.

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1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

E. Revenues (Continued)

Tax Revenues - The District receives mill levy and ad-valorem tax revenues primarily for debt service and capital outlay purposes. Property taxes are assessed on January 1st of each year and are payable in two equal installments, on November 10th of the year in which the tax bill is prepared and April 10th of the following year with the levies becoming delinquent 30 days (one month) thereafter. The District recognizes tax revenues in the period for which they are levied in the government-wide financial statements. The District records only the portion of the taxes considered 'measurable' and 'available' in the governmental fund financial statements. The District recognized \$363,421 in tax revenues in the governmental fund financial statements during the year ended June 30, 2018. Descriptions of the individual debt service and capital outlay funds contained in these financial statements include information regarding the authority for the collection and use of these taxes.

Transportation Distribution - School districts in the State of New Mexico receive student transportation distributions. The transportation distribution is allocated to each school district in accordance with formulas developed by the State Transportation Director and the Director of Public School Finance. The funds shall be used only for the purpose of making payments to each school district for the to-and-from school transportation costs of students in grades K through twelve attending public school within the school district. The District received \$172,309 in transportation distributions during the year ended June 30, 2018.

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 for capital expenditures deemed by the public school capital outlay council necessary for an adequate educational program per Section 22-24-4(B), core administrative function of the public school facilities authority and for project management expenses upon approval of the council per Section 22-24-4 (0); and for the purpose of demolishing abandoned school district facilities, upon application by a school district to the council, per Section 22-24-4(L).

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 operates under its own budget, which has been approved by the Federal Department or the flow-through agency (usually the New Mexico Public Education Department). The various budgets are approved by the local School Board and the New Mexico Public Education Department.

STATE OF NEW MEXICO
HONDO VALLEY PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
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1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

E. Revenues (Continued)

New Accounting Pronouncements (Continued)

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

In April 2018, GASB No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements, was issued. Effective date: The provisions of this Statement are effective for financial statements for the objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements related to debt for periods beginning after June 15, 2018. Furthermore, GASB No. 88 clarifies which liabilities governments should include when disclosing information. Earlier application is encouraged. The Center is still evaluating how this pronouncement will affect the financial statements

In June 2018, GASB No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period, was issued. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The District is still evaluating how this pronouncement will affect the financial statements.

In December 2018, GASB No. 90, Majority Equity Interests, was issued. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

STATE OF NEW MEXICO
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2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information - Budgets for the General, Special Revenue, Debt Service, and Capital Projects Funds are prepared by management and are approved by the local Board of Education and the School Budget and Planning Unit of the Public Education Department. Auxillary student activity accounts are not budgeted.

These budgets are prepared on the Non-GAAP cash basis. Budgeted expenditures exclude encumbrances and the budget secures appropriation of funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year. Because the budget process in the State of New Mexico requires that the beginning cash balance be appropriated in the budget of the subsequent fiscal year, when the budget is approved those funds are legally restricted and shown as reserved fund balance.

Actual expenditures may not exceed the budget at the function level. Budgets may be amended in two ways. If a budget transfer is necessary within a major category called a 'series' this may be accomplished with only local Board of Education approval. If a transfer between 'series' or a budget increase is required, approval must also be obtained from Public School Finance Division.

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

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

1. In April or May, the superintendent submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July. The operating budget includes proposed expenditures and the means of financing them, and has approval by the Public Education Department.
2. In May or June, the budget is approved by the Board of Education.
3. The school board meeting is open for the general public unless a closed meeting has been called.
4. The superintendent is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the School Board and the New Mexico Public Education Department.

STATE OF NEW MEXICO
HONDO VALLEY PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds.

6. Budgets for the General, Special Revenue, Debt Service, and Capital Projects Funds are adopted on a basis not consistent with generally accepted accounting principles (GAAP). Budget basis expenditures exclude encumbrances.

The School Board may approve amendments to the appropriated budget, which are required when a change is made affecting budgeted ending fund balance. New Mexico Administrative Code 6.20.2.9 prohibits the District from exceeding budgetary control at the function level.

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

The reconciliation between the Non-GAAP budgetary basis amounts and the financial statements on the GAAP basis for each governmental fund is included in each individual budgetary comparison.

3. DEPOSIT AND INVESTMENTS

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

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the District. The financial institution must provide pledged collateral for 50% of the deposit amount in excess of the deposit insurance.

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

STATE OF NEW MEXICO
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3. DEPOSIT AND INVESTMENTS (CONTINUED)

The types of collateral allowed are limited to direct obligations of the United States Government or agency, districts or political subdivisions of the States of New Mexico.

According to the Federal Deposit Insurance Corporation, public unit deposits are owned by the public unit. Time deposits, savings deposits and interest bearing money market accounts at a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the unlimited coverage for non interest bearing accounts.

Deposits - 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 schedule listed below will meet the State of New Mexico, Office of the State Auditor's requirements in reporting the insured portion of the deposits.

	Wells Fargo	Total
Cash on deposit at June 30, 2018	\$ 331,010	\$ 331,010
FDIC & NMFA coverage	(250,000)	(250,000)
Total uninsured public funds	\$ 81,010	\$ 81,010
Pledged collateral	\$ 50,634	\$ 50,634
Collateral requirement (50% of uninsured public funds)	40,505	40,505
Over collateralization	\$ 10,129	\$ 10,129

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 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, 2018, \$81,010 of the District's bank balance of \$331,010 was exposed to custodial credit risk because or was uninsured and the collateral was held by the pledging bank's trust department, not in the District's name. At June 30, 2018, the carrying amount of these deposits was \$226,697.

STATE OF NEW MEXICO
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JUNE 30, 2018

3. DEPOSIT AND INVESTMENTS (CONTINUED)

Reconciliation of Cash and Cash Equivalents

Cash and cash equivalents per Governmental Funds - balance sheet	<u>\$ 197,734</u>
Total	<u>197,734</u>
Statement of fiduciary net assets - cash	<u>28,963</u>
Total cash and cash equivalents	226,697
Add outstanding checks and other reconciling items	<u>104,313</u>
Bank balance of deposits and investments	<u>\$ 331,010</u>
Cash source:	
Wells Fargo Bank	<u>\$ 331,010</u>
Total cash and cash equivalents	<u>\$ 331,010</u>

Credit and Interest Rate Risk

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.

4. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The District records temporary interfund receivables and payables to enable the funds to operate until grant monies are received.

STATE OF NEW MEXICO
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4. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED)

The composition of interfund balances during the year ended June 30, 2018 is as follows:

Governmental Activities	Due from other funds	Due to other funds
General fund	\$ 133,568	\$ -
Title IV	-	80,695
Title I - IASA	-	13,542
IDEA - IDEA B Entitlement	-	2,543
IDEA - B Pre - School	-	531
Fresh Fruit Vegetables	-	594
Library GO Bonds	-	6,357
Bond Building	419,413	-
Debt Service	-	419,413
Principle Training	-	145
NM Reads to Lead	-	29,161
Totals	<u>\$ 552,981</u>	<u>\$ 552,981</u>

All interfund balances are to be repaid within one year. There were no operating transfers for the year ended June 30, 2018.

5. ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2018, are as follows:

	General	Major Governmental Funds	Non-Major Governmental Funds	Total
Government grants	\$ -	\$ -	\$ 142,893	\$ 142,893
Property taxes	<u>1,397</u>	<u>26,238</u>	<u>-</u>	<u>27,635</u>
Total	<u>\$ 1,397</u>	<u>\$ 26,238</u>	<u>\$ 142,893</u>	<u>\$ 170,528</u>

The above receivables are deemed 100% collectible.

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6. CAPITAL ASSETS

A summary of capital assets and changes occurring during the year ended June 30, 2018 is as follows:

	Balance June 30, 2017, As Restated	Additions	Retirements	Balance June 30, 2018
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 152,501	\$ -	\$ -	\$ 152,501
Total capital assets not being depreciated	152,501	-	-	152,501
Capital assets being depreciated:				
Buildings & building improvements	6,320,197	135,187	-	6,455,384
Equipment	1,337,926	132,075	-	1,470,001
Total capital assets being depreciated	7,658,122	267,262	-	7,925,385
Less accumulated depreciation for:				
Buildings & building improvements	4,199,340	128,860	-	4,328,200
Equipment	966,887	87,642	-	1,054,529
Total accumulated depreciation	5,166,227	216,502	-	5,382,729
Total capital assets being depreciated, net	2,491,895	50,760	-	2,542,656
Governmental activities capital assets, net	\$ 2,644,396	\$ 50,760	\$ -	\$ 2,695,157

STATE OF NEW MEXICO
HONDO VALLEY PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

6. CAPITAL ASSETS (CONTINUED)

For the year ended June 30, 2018, depreciation was charged to the following functions:

Governmental Activities	
Support services	\$ 87,642
Operations and maintenance of plant	<u>128,860</u>
 Total	 <u>\$ 216,502</u>

7. LONG-TERM OBLIGATIONS

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. The original amount of general obligation bonds issued was \$2,100,000. General obligation bonds are direct obligations and pledge the full faith and credit of the District. These bonds are issued with varying terms and varying amounts of principal maturing each year. All general obligation bonds as of June 30, 2018 are for governmental activities.

Bonds outstanding at June 30, 2018, are comprised of the following:

	Series 2005 GO Bonds	Series 2009 GO Bonds	Series 2010 GO Bonds	Series 2011 GO Bonds	Series 2012 GO Bonds	Series 2015 GO Bonds	Series 2016 GO Bonds
Original Issue	\$300,000	\$250,000	\$250,000	\$450,000	\$300,000	\$300,000	\$450,000
Maturity	8/1/2017	06/01/2019	03/01/2018	05/01/2018	01/01/2022	09/01/2025	09/01/2033
Principal	August 1	June 15	March 15	May 15	January 15	September 15	September 15
Interest Rate	4.10%	3.25%	3.00%	3.70%	5.15%	3.00%	1.90%
Interest	February & August	June & December	March & September	May & November	January & July	March & September	March & September

STATE OF NEW MEXICO
HONDO VALLEY PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

7. LONG-TERM OBLIGATIONS (CONTINUED)

The following is a summary of the long-term debt and the activity for the year ended June 30, 2018:

	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018	Due Within One Year
Governmental Activities:					
Bonds payable	\$ 1,695,000	\$ -	\$ 260,000	\$ 1,435,000	\$ 200,000
Total governmental activities	<u>\$ 1,695,000</u>	<u>\$ -</u>	<u>\$ 260,000</u>	<u>\$ 1,435,000</u>	<u>\$ 200,000</u>

The annual requirements to amortize the Series 2009 GO Bonds general obligation bond outstanding as of June 30, 2018, including interest payments are as follows:

Years ending June 30,	Principal	Interest	Total
2019	\$ 25,000	\$ 1,025	\$ 26,025
2020	-	-	-
	<u>\$ 25,000</u>	<u>\$ 1,025</u>	<u>\$ 26,025</u>

The annual requirements to amortize the Series 2011 GO Bonds general obligation bond outstanding as of June 30, 2018, including interest payments are as follows:

Years ending June 30,	Principal	Interest	Total
2019	\$ 75,000	\$ 17,275	\$ 92,275
2020	200,000	14,275	214,275
2021	175,000	6,475	181,475
2022	-	-	-
	<u>\$ 450,000</u>	<u>\$ 38,025</u>	<u>\$ 488,025</u>

STATE OF NEW MEXICO
HONDO VALLEY PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

7. LONG-TERM OBLIGATIONS (CONTINUED)

The annual requirements to amortize the Series 2012 GO Bonds general obligation bond outstanding as of June 30, 2018, including interest payments are as follows:

Years ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 100,000	\$ 5,380	\$ 105,380
2020	10,000	3,130	13,130
2021	10,000	2,880	12,880
2022	90,000	2,610	92,610
2023	-	-	-
	<u>\$ 210,000</u>	<u>\$ 14,000</u>	<u>\$ 224,000</u>

The annual requirements to amortize the Series 2015 GO Bonds general obligation bond outstanding as of June 30, 2018, including interest payments are as follows:

Years ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ -	\$ 8,860	\$ 8,860
2020	-	8,860	8,860
2021	-	8,860	8,860
2022	30,000	8,410	38,410
2023	65,000	6,985	71,985
2024	205,000	9,165	214,165
	<u>\$ 300,000</u>	<u>\$ 51,140</u>	<u>\$ 351,140</u>

The annual requirements to amortize the Series 2016 GO Bonds general obligation bond outstanding as of June 30, 2018, including interest payments are as follows:

Years ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ -	\$ 8,239	\$ 8,239
2020	-	8,239	8,239
2021	-	8,239	8,239
2022	-	8,239	8,239
2022	-	8,239	8,239
Thereafter	450,000	63,131	513,131
	<u>\$ 450,000</u>	<u>\$ 104,326</u>	<u>\$ 554,326</u>

STATE OF NEW MEXICO
HONDO VALLEY PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

8. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors omissions; and natural disasters, for which the District is a member of the New Mexico Public School Insurance Authority (NMPSIA). The Authority was created to provide comprehensive core insurance programs by expanding the pool of subscribers to maximize cost containment opportunities for required insurance coverage. The District pays an annual premium to the NMPSIA based on claim experience and the status of the pool. The Risk Management Program includes Workers Compensation, General and Automobile Liability, Automobile Physical Damage, and Property and Crime coverage. Also included under the risk management program are Boiler, Machinery and Student Accident Insurance.

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

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

STATE OF NEW MEXICO
HONDO VALLEY PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

9. PENSION PLAN- EDUCATIONAL RETIREMENT BOARD

Plan Description - Substantially all of the Hondo Valley Public Schools full-time employees participate in a public employee retirement system authorized under the Educational Retirement Act (Chapter 22, Article 11 NMSA 1978). The Educational Retirement Board (ERB) is the administrator of the plan, which is a cost sharing multiple employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members (certified teachers and other employees of State public school districts, colleges and universities and beneficiaries). ERB issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to ERB, PO Box 26129, Santa Fe, New Mexico 87502. The report is also available on ERB's website at www.nmerb.org.

Funding Policy

Member Contributions - Plan members whose annual salary is \$20,000 or less are required by statute to contribute 7.9% of their gross salary. Plan members whose annual salary is over \$20,000 are required to make the following contributions to the Plan: 10.7% of their gross salary.

Employer Contributions - Hondo Valley Public Schools contributed 14.2% of gross covered salary.

The contribution requirements of plan members and the Hondo Valley Public Schools are established in State statute under Chapter 22, Article 11, NMSA 1978. The requirements may be amended by facts of the legislature. Hondo Valley Public Schools contributions to ERB for the fiscal years ending June 30, 2018, and 2017 were \$190,337, and \$187,301, respectively, which equal the amount of the required contributions for each fiscal year.

GASB 68, *Accounting and Financial Reporting for Pensions*, requires contributing employers of cost-sharing multiple employer defined benefit pension plans to include the net pension liability, pension expense, and pension-related deferred inflows and outflows of resources related to their share of the pension plan in their government-wide financial statement presentation. ERB engaged their financial statement auditors to prepare a schedule allocating these obligations to the contributing employers as of the year ended June 30, 2017. As part of adopting GASB 68 during the current year, the District recognized a Net Pension Liability (NPL), which represents the District's share of the underfunded pension obligation at June 30, 2018.

STATE OF NEW MEXICO
HONDO VALLEY PUBLIC SCHOOLS
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JUNE 30, 2018

9. PENSION PLAN- EDUCATIONAL RETIREMENT BOARD (CONTINUED)

For the year ended June 30, 2018, the District recognized pension expense of \$27,635. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Changes in assumptions	\$ 1,540,365	\$ -
Difference between expected and actual experience	9,472	81,292
District contributions subsequent to the measurement date	190,337	-
Change in proportion and differences between employer contributions and proportionate share of contributions	68,249	29,886
	<u>68,249</u>	<u>29,886</u>
Total	<u>\$ 1,808,423</u>	<u>\$ 111,178</u>

\$190,337 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date of June 30, 2017, will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

STATE OF NEW MEXICO
HONDO VALLEY PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

9. PENSION PLAN- EDUCATIONAL RETIREMENT BOARD (CONTINUED)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2019	\$	571,358
2020		605,455
2021		373,545
2022		(43,450)
2023		-

Actuarial assumptions. As described above, the total ERB pension liability and net pension liability are based on an actuarial valuation performed as of June 30, 2017. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2017 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2018. Specifically, the liabilities measured as of June 30, 2016 incorporate the following assumptions:

1. All members with an annual salary of more than \$20,000 will contribute 10.70% during the fiscal year ending June 30, 2015 and thereafter.
2. Members hired after June 30, 2013 will have an actuarially reduced retirement benefit if they retire before age 55 and their COLA will be deferred until age 67.
3. COLAs for most retirees are reduced until ERB attains a 100% funded status.
4. For the purposes of projecting future benefits, it is assumed that the full COLA is paid in all future years.

STATE OF NEW MEXICO
HONDO VALLEY PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

9. PENSION PLAN- EDUCATIONAL RETIREMENT BOARD (CONTINUED)

The actuarial methods and assumptions used to determine contributions rates included in the measurement are as follows:

Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay, open
Amortization period	Solved for based on statutory rates
Asset valuation method	4 Year smoothed Market Value
Actuarial assumptions	
* Investment rate of return	7.51% annual rate, net of investment expense
* Projected benefit payment	100 years
* Payroll growth	2.75% for the first 9 years, then 3.25% annual rate
* Projected salary increases	2.75% to 14.00% annual rate
* Includes inflation at	2.25% annual rate, first 9 years, then 2.75% thereafter
* Mortality Assumption	PR-2000 Mortality Tables (combined table for healthy post-retirements, Employee Table for active members, and Disabled table for disabled retirees before retirement age) with projection to 2018 using Scale AA.
* Experience Study Dates	July 1, 2008 to June 30, 2013 (demographic) and July 1, 2010 through June 20, 2016 (economic)

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

Discount rate: A single discount rate of 7.75% was used to measure the total ERB pension liability as of June 30, 2016. This single discount rate was based on the expected rate of return on pension plan investments of 7.75%. Based on the stated assumptions and the projection of cash flows, the Plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current pension plan members. Therefore the long term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The projection of cash flows used to determine this single discount rate assumed that Plan contributions will be made at the current statutory levels. Additionally, contributions received through the Alternative Retirement Plan (ARP), ERB's defined contribution plan, are included in the projection of cash flows.

STATE OF NEW MEXICO
HONDO VALLEY PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

9. PENSION PLAN- EDUCATIONAL RETIREMENT BOARD (CONTINUED)

ARP contributions are assumed to remain at a level percentage of ERB payroll, where the percentage of payroll is based on the most recent five year contribution history.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following table shows the sensitivity of the net pension liability to changes in the discount rate as of the fiscal year end 2016. In particular, the table presents the (employer's) net pension liability under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

	1% Decrease (4.90%)	Current Discount Rate (5.90%)	1% Increase (6.90%)
District's proportionate share of net pension	\$ 6,868,918	\$ 5,276,675	\$ 3,975,145

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

Payables to the pension plan. The District remits the legally required employer and employee contributions on a monthly basis to ERB. The ERB requires that the contributions be remitted by the 15th day of the month following the month for which contributions are withheld. At June 30, 2016 the District did not owe ERB any funds.

STATE OF NEW MEXICO
HONDO VALLEY PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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

Plan Description - Hondo Valley Public Schools contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit post-employment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provided health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are: (1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; (2) retirees defined by the Act who retired prior to July 1, 1990; (3) former legislators who served at least two years; and (4) former governing authority members who served at least four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the post-employment healthcare plan. The report and further information can be obtained by writing to Retiree Health Care Authority, 4308 Carlisle Boulevard, Suite 104, Albuquerque, New Mexico 87107.

Funding Policy - The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorized the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses for the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

STATE OF NEW MEXICO
HONDO VALLEY PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

10. POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN (CONTINUED)

The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2016, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2016, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ -	\$ 249,576
Net difference between projected and actual earnings on OPEB plan investments	-	20,535
Difference between expected and actual experience	-	54,779
Contributions made after the measurement date	<u>27,152</u>	<u>-</u>
	<u>\$ 27,152</u>	<u>\$ 324,890</u>

Deferred outflows of resources totaling \$27,152 represent School 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:

STATE OF NEW MEXICO
HONDO VALLEY PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

10. POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN (CONTINUED)

Year Ending		
2019	\$	(69,074)
2020		(69,074)
2021		(69,074)
2022		(69,074)
2023		(48,594)
		(324,890)
	\$	(324,890)

Hondo Valley Public Schools contributions to the RHCA for the years ended June 30, 2018, 2017, and 2016 were \$27,432, \$27,046, and \$26,388 respectively, which equal the required contributions for each year.

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

Actuarial valuation date	June 30, 2017
Actuarial cost method	Entry age normal , level percent of pay,calculated on individual employee basis
Asset valuation method	Market Value of assets
Actuarial assumptions	
Inflation	2.50% for ERB: 2.25% for PERA
Projected payroll increases	3.50%
Investment rate of return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation.
Healthcare cost trend rate	8% graded down to 4.5% over 14 years for non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 for Medicare medical plan costs

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:

STATE OF NEW MEXICO
HONDO VALLEY PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

10. POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN (CONTINUED)

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

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

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates – The following presents the net OPEB liability of the Authority, as well as what the Authority’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.81 percent) or 1-percentage-point higher (4.81 percent) than the current discount rate:

1% Decrease 2.81%	Current Discount Rate 3.81%	1% Increase 4.81%
\$ 1,731,507	\$ 1,427,477	\$ 1,188,938

The following presents the net OPEB liability of the Authority, as well as what the Authority’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:

STATE OF NEW MEXICO
HONDO VALLEY PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

10. POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN (CONTINUED)

1% Decrease	Current Trend Rate	1% Increase
\$ <u>1,214,167</u>	\$ <u>1,427,477</u>	\$ <u>1,593,806</u>

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

Payable Changes in the Net OPEB Liability - At June 30, 2018, the Authority reported a payable of \$1,169 for outstanding contributions due to NMRHCA for the year ended June 30, 2018.

11. LOSS CONTINGENCIES

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

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

12. ANALYSIS FOR IMPAIRMENT

Management reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In management's opinion, there are no impaired assets at June 30, 2018.

13. SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 15, 2018, the date the financial statements were available to be issued.

STATE OF NEW MEXICO
HONDO VALLEY PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

14. RESTATEMENT

A restatement of \$1,693,019 was recorded for in the government wide financial statements. The restatement was made to adjust beginning balances due to error, as follows:

	<u>Government-Wide</u>
OPEB restatmentt	\$ <u>1,693,019</u>
Total restatement	\$ <u>1,693,019</u>

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
HONDO VALLEY PUBLIC SCHOOLS
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
EDUCATIONAL RETIREMENT BOARD (ERB) PLAN
LAST 10 FISCAL YEARS*
FOR THE YEAR ENDED JUNE 30, 2018

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
The Hondo Valley Public Schools's proportion of the net pension liability	\$ 2,666,850	\$ 3,055,327	\$ 3,324,752	\$ 5,276,675
The Hondo Valley Public Schools's proportionate share of the net pension liability	0.0467%	0.0472%	0.0462%	0.0475%
The Hondo Valley Public Schools's covered-employee payroll	\$ 1,288,403	\$ 1,287,892	\$ 1,352,255	\$ 1,371,536
The Hondo Valley Public Schools's proportionate share of the net pension liability as a percentage of its covered-employee payroll	206.99 %	237.23 %	245.87 %	384.73 %
Plan fiduciary net position as a percentage of the total pension liability	66.54 %	63.97 %	61.58 %	61.58 %

*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, The Hondo Valley Public Schools will present information for those years for which information is available.

See independent auditors' report

STATE OF NEW MEXICO
HONDO VALLEY PUBLIC SCHOOLS
SCHEDULE OF CONTRIBUTIONS
EDUCATIONAL RETIREMENT BOARD (ERB) PLAN
LAST 10 FISCAL YEARS*
FOR THE YEAR ENDED JUNE 30, 2018

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually required contribution	\$ 186,458	\$ 182,976	\$ 188,457	\$ 190,337
Contributions in relation to the contractually required contribution	<u>186,458</u>	<u>182,976</u>	<u>188,457</u>	<u>190,337</u>
Contribution deficiency (excess)	-	-	-	-
The Hondo Valley Public Schools's covered-employee payroll	<u>\$ 1,288,403</u>	<u>\$ 1,287,892</u>	<u>\$ 1,287,892</u>	<u>\$ 1,371,536</u>
Contributions as a percentage of covered-employee payroll	<u>14.47 %</u>	<u>14.21 %</u>	<u>13.94 %</u>	<u>13.88 %</u>

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, Hondo Valley Public Schools will present information for those years for which information is available.

See independent auditors' report

HONDO VALLEY PUBLIC SCHOOLS
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
 LAST 10 FISCAL YEARS

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

	<u>2018</u>
Hondo Valley Public Schools's proportion of the net OPEB liability	0.03150%
Hondo Valley Public Schools's proportionate share of the net OPEB liability	\$ 1,427,477
Hondo Valley Public Schools's covered-employee payroll	\$ 1,312,179
Hondo Valley Public Schools's proportionate share of net OPEB liability as a percentage of its covered - employee payroll	108.79%
Plan fiduciary net pension as a percentage of the total OPEB liability	11.34%

HONDO VALLEY PUBLIC SCHOOLS
 SCHEDULE OF CONTRIBUTIONS OF THE NET OPEB LIABILITY
 LAST 10 FISCAL YEARS

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

	2018
Contractually required contribution	\$ 100,027
Contributions in relation to the contractually required contribution	50,203
Contribution deficiency (excess)	\$ 49,824
Hondo Valley Public Schools's covered-employee payroll	\$ 1,312,179
Contribution as a percentage of covered-employee payroll	3.83%

SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

STATE OF NEW MEXICO
HONDO VALLEY PUBLIC SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018

	Special Revenue
ASSETS	
Cash on deposit	\$ 68,845
Grants receivable	135,540
Inventory, at cost	4,410
Total assets	\$ 208,795
LIABILITIES DEFERRED INFLOWS, AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ -
Due to other funds	133,568
Total liabilities	133,568
Fund balances:	
Nonspendable - inventory	4,410
Restricted, reported in:	
Special revenue funds	70,817
Unrestricted fund balance	-
Total fund balance	75,227
Total liabilities, deferred inflows, and fund balances	\$ 208,795

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
HONDO VALLEY PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018

	Special Revenue
Revenues:	
Local sources	\$ 14,156
State sources	69,225
Federal sources	283,065
Total revenues	366,446
Expenditures:	
Current:	
Direct instruction	221,536
Instructional support	29,406
Food services	93,542
Administration	11,092
Athletics	9,504
Total expenditures	365,080
Net changes in fund balances	1,366
Fund balance - beginning of year	73,861
Fund balance - end of year	\$ 75,227

See independent auditors' report and accompanying notes to financial statements.

SPECIAL REVENUE FUNDS

STATE OF NEW MEXICO
HONDO VALLEY PUBLIC SCHOOLS
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

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

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

BREAKFAST AFTER THE BELL (27155) - is a school breakfast program in which food shall be served or consumed, at no charge, after the instructional day has begun, provided that instruction occurs simultaneously, to all students attending that elementary school through a school breakfast program that meets the federal school breakfast program standards as authorized by Section 4 of the Child Nutrition Act of 1966 and operated in accordance with all applicable policies, guidance, and law, including the requirements listed in 7 CFR Part 220.

IDEA-B ENTITLEMENT SPECIAL (24106), (24206 FEDERAL STIMULUS) - This fund is used to account for a program funded by a Federal grant to assist the District in providing free appropriate public education to all handicapped children. Funding authorized by Individuals with Disabilities Education Act, Part B, Section 611-620, as amended, Public Laws 91-230, 93-380, 94-142, 98-199, 99-457, 100,639, and 101-476, 20 U.S.C. 1411-1420.

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

FRESH FRUIT VEGETABLES (24118) - The Fresh Fruit and Vegetable Program (FFVP) is funded by the US Department of Agriculture and provides a fresh fruit or vegetable snack to all students in participating schools.

DUAL CREDIT IM/HB2 (27103) - To account for monies received to purchase course materials for dual credit college classes.

NEW MEXICO READS TO LEAD (27114) - Provides an aligned approach for districts and schools to ensure that children can read by the end of third grade - giving them essential skills for future career and college success. It also provides regional and district reading coaches, supports for intervention, and professional development for parents, teachers, reading coaches, and administrators.

STATE OF NEW MEXICO
HONDO VALLEY PUBLIC SCHOOLS
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

TEACHER/PRINCIPAL TRAINING & RECRUITING (24154) - To account for grant funds to increase student academic achievement through strategies such as improving teacher and principal quality. Financing and authority is Elementary and Secondary Education Act of 1965 as amended, Title II, Part A, Public Law 107-110.

RURAL EDUCATION ACHIEVEMENT PROGRAM (25233) – To provide financial assistance to rural district to carry out activities to help improve the quality of teaching and learning in their schools. Elementary and Secondary Education Act of 1965 (ESEA), Title VI, Part B, as amended.

2012 GO BOND LIBRARY (27107) - To account for monies received from, Laws of 2012 to be used to improve the library, acquire library books or library resources that support the library program.

FOOD SERVICE (21000) is a program provides 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, Public Law 79-396, Sections 2-12, 60 Stat. 230, 42 U.S.C. 1751 et seq.; 80 stat. 889, as amended; 84 Stat. 270; and the Child Nutrition Act of 1966, as amended, Sections 4 and 10. Public Law 89-642, 80 Stat. 886, 889, 42 U.S.C. 1773, 1779; Public Law 99-591, 100 Stat. 3341; Public Law 100-71, 101 Stat. 430. Also State Law NMSA 22-13-13.

THE TITLE XIX MEDICAID 3/21 YEARS FUND (25153) is to account for a program providing school-based screening, diagnostic services and other related health services and administrative activities in conformance with the approved Medicaid State Plan in order to improve health and developmental outcomes for children (Title XIX Social Security Act).

TITLE I IASA (24101 ENTITLEMENT), (24201 FEDERAL STIMULUS) - The Title I project provides remedial instruction in 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.

STATE OF NEW MEXICO
HONDO VALLEY PUBLIC SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2018

	Special Revenue Funds						
	Athletics 22000	Breakfast Elementary 27155	Entitlement IDEA-B 24106	IDEA-B Preschool 24109	Fresh Fruit Vegetables 24118	Dual Credit 27103	NM Reads to Lead 27114
ASSETS							
Cash on deposit	\$ 1,544	\$ 4,707	\$ -	\$ -	\$ -	\$ -	\$ -
Grants receivable	-	-	2,543	531	594	-	29,161
Inventory, at cost	-	-	-	-	-	-	-
Total assets	\$ 1,544	\$ 4,707	\$ 2,543	\$ 531	\$ 594	\$ -	\$ 29,161
LIABILITIES AND FUND BALANCES							
Liabilities:							
Due to other funds	\$ -	\$ -	\$ 2,543	\$ 531	\$ 594	\$ -	\$ 29,161
Accounts payable	-	-	-	-	-	-	-
Total liabilities	-	-	2,543	531	594	-	29,161
Fund balances:							
Restricted:							
Special revenue funds	1,544	4,707	-	-	-	-	-
Unrestricted fund balance	-	-	-	-	-	-	-
Total fund balance	1,544	4,707	-	-	-	-	-
Total liabilities and fund balances	\$ 1,544	\$ 4,707	\$ 2,543	\$ 531	\$ 594	\$ -	\$ 29,161

See independent auditors' report

STATE OF NEW MEXICO
HONDO VALLEY PUBLIC SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
JUNE 30, 2018

	Special Revenue Funds								
	Principle Training 24154	Rural Ed Achievement 25233	Library Go Bonds 27107	Food Services Fund 21000	Title XIX Medicaid 25153	Title I - IASA 24101	Title IV - IASA 24189	26146 - Hubbard Foundation	Total Special Revenue Funds
ASSETS									
Cash on deposit	\$ -	\$ 7,025	\$ -	\$ 20,358	\$ 25,190	\$ 21	\$ -	\$ 10,000	\$ 68,845
Grants receivable	145	-	6,357	1,993	-	13,521	80,695	-	135,540
Inventory, at cost	-	-	-	4,410	-	-	-	-	4,410
Due from grantors	-	-	-	-	-	-	-	-	-
	<u>145</u>	<u>7,025</u>	<u>6,357</u>	<u>26,761</u>	<u>25,190</u>	<u>13,542</u>	<u>80,695</u>	<u>10,000</u>	<u>208,795</u>
Total assets	<u>\$ 145</u>	<u>\$ 7,025</u>	<u>\$ 6,357</u>	<u>\$ 26,761</u>	<u>\$ 25,190</u>	<u>\$ 13,542</u>	<u>\$ 80,695</u>	<u>\$ 10,000</u>	<u>\$ 208,795</u>
LIABILITIES AND FUND BALANCES									
Liabilities:									
Due to other funds	\$ 145	\$ -	\$ 6,357	\$ -	\$ -	\$ 13,542	\$ 80,695	\$ -	\$ 133,568
Account payable	-	-	-	-	-	-	-	-	-
	<u>145</u>	<u>-</u>	<u>6,357</u>	<u>-</u>	<u>-</u>	<u>13,542</u>	<u>80,695</u>	<u>-</u>	<u>133,568</u>
Total liabilities	145	-	6,357	-	-	13,542	80,695	-	133,568
Fund balances:									
Nonspendable - inventory	-	-	-	4,410	-	-	-	-	4,410
Restricted:									
Special revenue funds	-	7,025	-	22,351	25,190	-	-	10,000	70,817
Unrestricted fund balance	-	-	-	-	-	-	-	-	-
	<u>-</u>	<u>7,025</u>	<u>-</u>	<u>26,761</u>	<u>25,190</u>	<u>-</u>	<u>-</u>	<u>10,000</u>	<u>75,227</u>
Total fund balance	-	7,025	-	26,761	25,190	-	-	10,000	75,227
Total liabilities and fund balances	<u>\$ 145</u>	<u>\$ 7,025</u>	<u>\$ 6,357</u>	<u>\$ 26,761</u>	<u>\$ 25,190</u>	<u>\$ 13,542</u>	<u>\$ 80,695</u>	<u>\$ 10,000</u>	<u>\$ 208,795</u>

See independent auditors' report

STATE OF NEW MEXICO
HONDO VALLEY PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2018

	Special Revenue Funds						
	Athletics 22000	Breakfast Elementary 27155	Entitlement IDEA-B 24106	IDEA-B Preschool 24109	Fresh Fruit Vegetables 24118	Dual Credit 27103	NM Reads to Lead 27114
Revenues:							
Local sources	\$ 8,406	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-	-	69,225
Federal sources	-	-	23,785	1,758	2,487	-	-
Total revenues	<u>8,406</u>	<u>-</u>	<u>23,785</u>	<u>1,758</u>	<u>2,487</u>	<u>-</u>	<u>69,225</u>
Expenditures:							
Current:							
Direct instruction	-	-	11,989	1,758	-	-	55,691
Instructional support	-	-	-	-	-	-	13,534
Food services	-	-	-	-	3,119	-	-
Administration	-	-	11,092	-	-	-	-
Athletics	9,504	-	-	-	-	-	-
Total expenditures	<u>9,504</u>	<u>-</u>	<u>23,081</u>	<u>1,758</u>	<u>3,119</u>	<u>-</u>	<u>69,225</u>
Net changes in fund balances	(1,098)	-	704	-	(632)	-	-
Fund balance - beginning of year	<u>2,642</u>	<u>4,707</u>	<u>(704)</u>	<u>-</u>	<u>632</u>	<u>-</u>	<u>-</u>
Fund balance - end of year	<u>\$ 1,544</u>	<u>\$ 4,707</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditors' report

STATE OF NEW MEXICO
HONDO VALLEY PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
JUNE 30, 2018

	Special Revenue Funds								
	Principle Training 24154	Rural Ed Achievement 25233	Library Go Bonds 27107	Food Services Fund 21000	Title XIX Medicaid 25153	Title I - IASA 24101	Title IV - IASA 24189	26146 - Hubbard Foundation	Total Special Revenue Funds
Revenues:									
Local sources	\$ -	\$ -	\$ -	\$ 5,750	\$ -	\$ -	\$ -	\$ -	\$ 14,156
State sources	-	-	-	-	-	-	-	-	69,225
Federal sources	145	24,308	6,357	82,533	12,194	38,803	80,695	10,000	283,065
Total revenues	145	24,308	6,357	88,283	12,194	38,803	80,695	10,000	356,446
Expenditures:									
Current:									
Direct instruction	4,223	17,170	-	-	-	50,010	80,695	-	221,536
Instructional support	-	-	6,356	-	2,202	7,314	-	-	29,406
Food services	-	-	-	90,423	-	-	-	-	93,542
Administration	-	-	-	-	-	-	-	-	11,092
Athletics	-	-	-	-	-	-	-	-	9,504
Total expenditures	4,223	17,170	6,356	90,423	2,202	57,324	80,695	-	365,080
Net changes in fund balances	(4,078)	7,138	1	(2,140)	9,992	(18,521)	-	10,000	1,366
Transfer in	-	-	6,466	-	-	-	-	-	-
Transfer out	-	-	-	-	(6,466)	-	-	-	-
Fund balance - beginning	4,078	(113)	(6,467)	28,901	21,664	18,521	-	-	73,861
Fund balance - end of year	\$ -	\$ 7,025	\$ -	\$ 26,761	\$ 25,190	\$ -	\$ -	\$ 10,000	\$ 75,227

See independent auditors' report

GENERAL FUND

STATE OF NEW MEXICO
HONDO VALLEY PUBLIC SCHOOLS
COMBINING BALANCE SHEET
GENERAL FUND
JUNE 30, 2018

	Operational 11000	Transportation 13000	Instructional Material 14000	Total
ASSETS				
Cash	\$ (2,710)	\$ 3,211	\$ 7,000	\$ 7,501
Taxes receivable	1,397	-	-	1,397
Other receivable	1,122	-	-	1,122
Due from other funds	133,568	-	-	133,568
 Total assets	 \$ 133,377	 \$ 3,211	 \$ 7,000	 \$ 143,588
 LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 7,399	\$ -	\$ -	\$ 7,399
Total liabilities	7,399	-	-	7,399
Deferred inflows:				
Property tax	1,264	-	-	1,264
Total deferred inflows	1,264	-	-	1,264
Fund balances:				
Unassigned, reported in:				
General fund	124,714	3,211	7,000	134,925
Total fund balances	124,714	3,211	7,000	134,925
Total liabilities, deferred inflows, and fund balances	\$ 133,377	\$ 3,211	\$ 7,000	\$ 143,588

See independent auditors' report

STATE OF NEW MEXICO
HONDO VALLEY PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Operational 11000	Transportation 13000	Instructional Material 14000	Total
REVENUES				
Taxes	\$ 17,724	\$ -	\$ -	\$ 17,724
Local sources	16,536	-	-	16,536
State sources	2,124,111	-	4,115	2,128,226
Federal sources	5,707	-	-	5,707
Transportation distribution	-	172,309	-	172,309
Earnings from investments	32	-	-	32
	<u>2,164,110</u>	<u>172,309</u>	<u>4,115</u>	<u>2,340,534</u>
Total revenues	2,164,110	172,309	4,115	2,340,534
EXPENDITURES				
Current:				
Direct instruction	1,172,269	-	5,219	1,177,488
Instructional support	269,419	-	-	269,419
Central services	156,425	-	-	156,425
Operation and maintenance	245,521	-	-	245,521
General administration	223,928	-	-	223,928
Food services	53,829	-	-	53,829
Pupil transportation	-	173,946	-	173,946
	<u>2,121,391</u>	<u>173,946</u>	<u>5,219</u>	<u>2,300,556</u>
Total expenditures	2,121,391	173,946	5,219	2,300,556
Net change in fund balance	42,719	(1,637)	(1,104)	39,978
Fund balance at beginning of year	<u>81,995</u>	<u>4,848</u>	<u>8,104</u>	<u>94,947</u>
Fund balance at end of year	<u>\$ 124,714</u>	<u>\$ 3,211</u>	<u>\$ 7,000</u>	<u>\$ 134,925</u>

See independent auditors' report

STATE OF NEW MEXICO
HONDO VALLEY PUBLIC SCHOOLS
OPERATIONAL FUND

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

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
Revenues:				
Taxes	\$ 18,039	\$ 18,039	\$ 17,724	\$ (315)
Local sources	-	1,440	16,536	15,096
State sources	2,099,718	2,114,714	2,124,111	9,397
Federal sources	-	5,708	5,707	(1)
Earnings from investments	-	-	32	32
Total revenues	2,117,757	2,139,901	2,164,110	24,209
Expenditures:				
Current:				
Direct instruction	1,290,710	1,256,150	1,172,269	83,881
Instructional support	253,784	272,880	269,419	3,461
Central services	140,120	160,491	156,425	4,066
Operation and maintenance	236,167	246,318	245,521	797
General administration	207,036	214,122	211,061	3,061
Food services	54,520	54,520	53,829	691
School administration	14,201	14,201	12,867	1,334
Total expenditures	2,196,538	2,218,682	2,121,391	97,291
Excess (deficiency) of revenues over expenditures	(78,781)	(78,781)	42,719	121,500
Other financial sources (uses)				
Designated cash	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	(78,781)	(78,781)	42,719	121,500
Fund balance - beginning of year	81,995	81,995	81,995	-
Fund balance - end of year	\$ 3,214	\$ 3,214	\$ 124,714	\$ 121,500
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 42,719	
Net revenue accruals			-	
Net expenditure accruals			-	
Net changes in fund balance GAAP basis			\$ 42,719	

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
HONDO VALLEY PUBLIC SCHOOLS
TRANSPORTATION FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (NON-
GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2018

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
Revenues:				
Transportation distribution	\$ 172,309	\$ 174,733	\$ 172,309	\$ (2,424)
Total revenues	172,309	174,733	172,309	(2,424)
Expenditures:				
Current:				
Pupil transportation	172,309	174,733	173,946	787
Total expenditures	172,309	174,733	173,946	787
Excess (deficiency) of revenues over expenditures	-	-	(1,637)	(1,637)
Other financial sources (uses)				
Designated cash	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	-	-	(1,637)	(1,637)
Fund balance - beginning of year	4,848	4,848	4,848	-
Fund balance - end of year	<u>\$ 4,848</u>	<u>\$ 4,848</u>	<u>\$ 3,211</u>	<u>\$ (1,637)</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ (1,637)	
Net revenue accruals			-	
Net expenditure accruals			-	
Net changes in fund balance GAAP basis			<u>\$ (1,637)</u>	

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
HONDO VALLEY PUBLIC SCHOOLS
INSTRUCTIONAL MATERIALS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (NON-
GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenues:				
State sources	\$ 3,891	\$ 3,891	\$ 4,115	\$ 224
Total revenues	3,891	3,891	4,115	224
Expenditures:				
Current:				
Direct instruction	3,891	11,995	5,219	6,776
Total expenditures	3,891	11,995	5,219	6,776
Excess (deficiency) of revenues over expenditures	-	(8,104)	(1,104)	7,000
Other financial sources (uses)				
Designated cash	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	-	(8,104)	(1,104)	7,000
Fund balance - beginning of year	8,104	8,104	8,104	-
Fund balance - end of year	<u>\$ 8,104</u>	<u>\$ -</u>	<u>\$ 7,000</u>	<u>\$ 7,000</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ (1,104)	
Net revenue accruals			-	
Net expenditure accruals			<u>-</u>	
Net changes in fund balance GAAP basis			<u>\$ (1,104)</u>	

See independent auditors' report and accompanying notes to financial statements.

SUPPLEMENTAL INFORMATION

STATE OF NEW MEXICO
HONDO VALLEY PUBLIC SCHOOLS
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	2008 Fire Recovery Donation	23009 BoxTop Program	23100 Elementary	23101 Kindergarden	23102 First Grade	23103 Second Grade	23104 Third Grade	23105 Fourth Grade	23106 Fifth Grade
Beginning Cash	\$ -	\$ 344	\$ 103	\$ -	\$ 78	\$ 375	\$ 368	\$ 232	\$ 420
Additions	-	954	-	471	470	235	1090	446	484
Deletions	-	(56)	(30)	(331)	(277)	(207)	(1198)	(348)	(270)
Ending Cash	\$ -	\$ 1242	\$ 73	\$ 140	\$ 271	\$ 403	\$ 260	\$ 330	\$ 634
Beginning Liabilities	\$ -	\$ 344	\$ 103	\$ -	\$ 78	\$ 375	\$ 368	\$ 232	\$ 420
Additions	-	954	-	471	470	235	1090	446	484
Deletions	-	(56)	(30)	(331)	(277)	(207)	(1198)	(348)	(270)
Ending Liabilities	\$ -	\$ 1242	\$ 73	\$ 140	\$ 271	\$ 403	\$ 260	\$ 330	\$ 634

	23107 Sixth Grade	23108 Seventh Grade	23109 Eighth Grade	23200 Fiesta	23201 Fiesta Decorating Committee	23310 Varsity Cheerleaders	23450 Senior Class	23460 Junior Class	23470 Sophomore Class
Beginning Cash	\$ 435	\$ 832	\$ 702	\$ 2,327	\$ -	\$ -	\$ 717	\$ 599	\$ 342
Additions	203	114	127	9,661	-	-	998	2,294	62
Deletions	(280)	-	-	(5,823)	-	-	(1,715)	(2,120)	-
Ending Cash	\$ 358	\$ 946	\$ 829	\$ 6,165	\$ -	\$ -	\$ -	\$ 773	\$ 404
Beginning Liabilities	\$ 435	\$ 832	\$ 702	\$ 2,327	\$ -	\$ -	\$ 717	\$ 599	\$ 342
Additions	203	114	127	9,661	-	-	998	2,294	62
Deletions	(280)	-	-	(5,823)	-	-	(1,715)	(2,120)	-
Ending Liabilities	\$ 358	\$ 946	\$ 829	\$ 6,165	\$ -	\$ -	\$ -	\$ 773	\$ 404

STATE OF NEW MEXICO
HONDO VALLEY PUBLIC SCHOOLS
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018

	23480	23500	23600	23620	23640	23650	23660	23680	23700
	Freshman Class	Yearbook	NHS	Student Council	FFA	H Club Concession	Shop	Art	Knowledge Bowl
Beginning Cash	\$ 126	\$ 181	\$ 385	\$ -	\$ 893	\$ 127	\$ 463	\$ 58	\$ 180
Additions	160	-	-	1,024	11,317	18,650	465	337	-
Deletions	-	-	-	(1,024)	(11,819)	(18,777)	(928)	(120)	-
Ending Cash	\$ 286	\$ 181	\$ 385	\$ -	\$ 391	\$ -	\$ -	\$ 275	\$ 180
Beginning Liabilities	\$ 126	\$ 181	\$ 385	\$ -	\$ 893	\$ 127	\$ 463	\$ 58	\$ 180
Additions	160	-	-	1,024	11,317	18,650	465	337	-
Deletions	-	-	-	(1,024)	(11,819)	(18,777)	(928)	(120)	-
Ending Liabilities	\$ 286	\$ 181	\$ 385	\$ -	\$ 391	\$ -	\$ -	\$ 275	\$ 180
	23710	23720	23730	23850	23880	23890	23902	23906	
	Clements Scholarship	Clements Interest	Counselors Fund	Sunshine Committee	Library Fund	General Fund	Boys Basketball	Culinary Classm	
Beginning Cash	\$ 11,250	\$ 26	\$ 409	\$ 108	\$ 296	\$ 142	\$ -	\$ 224	
Additions	-	12	-	40	1,771	873	2,721	-	
Deletions	-	-	(336)	-	(1,779)	(892)	(2,557)	(99)	
Ending Cash	\$ 11,250	\$ 38	\$ 73	\$ 148	\$ 288	\$ 123	\$ 164	\$ 125	
Beginning Liabilities	\$ 11,250	\$ 26	\$ 409	\$ 108	\$ 296	\$ 142	\$ -	\$ 224	
Additions	-	12	-	40	1,771	873	2,721	-	
Deletions	-	-	(336)	-	(1,779)	(892)	(2,557)	(99)	
Ending Liabilities	\$ 11,250	\$ 38	\$ 73	\$ 148	\$ 288	\$ 123	\$ 164	\$ 125	

STATE OF NEW MEXICO
HONDO VALLEY PUBLIC SCHOOLS
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018

	23920	23930	23940	23950	23960	23970	23960	TOTAL
	PTSO	Music Club	Film Class - LYLE	Character Counts - LYLE	Football District II	Halloween	Soldiers Fund	
Beginning Cash	\$ 558	\$ 120	\$ -	\$ -	\$ -	\$ 532	\$ 1,549	\$ 2,759
Additions	-	-	-	-	-	85	-	85
Deletions	-	-	-	-	-	(616)	-	(616)
Ending Cash	<u>\$ 558</u>	<u>\$ 120</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 1,549</u>	<u>\$ 28,963</u>
Beginning Liabilities	\$ 558	\$ 120	\$ -	\$ -	\$ -	\$ 532	\$ 1,549	\$ 2,759
Additions	-	-	-	-	-	85	-	85
Deletions	-	-	-	-	-	(616)	-	(616)
Ending Liabilities	<u>\$ 558</u>	<u>\$ 120</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 1,549</u>	<u>\$ 28,963</u>

STATE OF NEW MEXICO
HONDO VALLEY PUBLIC SCHOOLS
SCHEDULE OF PLEDGED COLLATERAL
JUNE 30, 2018

The Bank of New York Mellon

Description of Pledge Collateral	<u>CUSIP</u>	<u>Market Value</u>	<u>Maturity Date</u>
FMAC FGPC 3.5%	3132QSUG1	\$ <u>50,634</u>	11/1/2042
Total		\$ <u>50,634</u>	

Hondo Valley Public Schools are in compliance as disclosed in Note 3.

STATE OF NEW MEXICO
HONDO VALLEY PUBLIC SCHOOLS
SCHEDULE OF DEPOSITS AND INVESTMENT ACCOUNTS
JUNE 30, 2018

	Account Type	Amount Per Bank	Net Reconciling Items	Balance Per Books
Wells Fargo				
General Operational	Checking	\$ 310,519	\$ (111,886)	\$ 198,633
Restricted Cash	NMFA	\$ -	\$ -	\$ -
Activity Fund	Checking	<u>20,491</u>	<u>7,573</u>	<u>28,064</u>
Total Wells Fargo		331,010	(104,313)	226,697
Wells Fargo CD				
CD - Agency	CD	<u>-</u>	<u>-</u>	<u>-</u>
Total CD		<u>-</u>	<u>-</u>	<u>-</u>
Total deposits		<u>\$ 331,010</u>	<u>\$ (104,313)</u>	<u>\$ 226,697</u>

STATE OF NEW MEXICO
HONDO VALLEY PUBLIC SCHOOLS
CASH RECONCILIATION
JUNE 30, 2018

	<u>Operational 11000</u>	<u>Teacherage 12000</u>	<u>Transportation 13000</u>	<u>Instructional Materials 14000</u>	<u>Food Service 21000</u>	<u>Athletics Account 22000</u>	<u>Non- Instruct. 23000</u>	<u>Federal Flowthrough 24000</u>
Cash, June 30, 2017	\$ 81,721	\$ -	\$ 4,848	\$ 8,104	\$ 23,071	\$ 2,642	\$ 25,507	\$ (30,822)
Cash receipts, 2017-2018	2,167,786	-	172,641	4,115	86,326	8,839	55,438	102,741
Cash disbursements, 2017-2018	<u>(2,118,649)</u>	<u>-</u>	<u>(174,278)</u>	<u>(5,219)</u>	<u>(89,039)</u>	<u>(9,937)</u>	<u>(51,982)</u>	<u>(169,948)</u>
Cash balance, June 30, 2018	<u>\$ 130,858</u>	<u>\$ -</u>	<u>\$ 3,211</u>	<u>\$ 7,000</u>	<u>\$ 20,358</u>	<u>\$ 1,544</u>	<u>\$ 28,963</u>	<u>\$ (98,029)</u>
	<u>Federal Direct 25000</u>	<u>Hubbard Foundation 26000</u>	<u>State Flowthrough 27000</u>	<u>Bond Building 31100</u>	<u>Cap. Impro. SB 9 31700 & 31701</u>	<u>Debt Service Fund 41000</u>	<u>Total</u>	
Cash, June 30, 2017	\$ 21,550	\$ -	\$ (24,022)	\$ 8,676	\$ 28,609	\$ 102,516	\$ 252,400	
Cash receipts, 2017-2018	36,503	10,000	68,792	419,413	73,785	268,361	3,474,740	
Cash disbursements, 2017-2018	<u>(25,838)</u>	<u>-</u>	<u>(75,581)</u>	<u>(405,534)</u>	<u>(62,194)</u>	<u>(312,244)</u>	<u>(3,500,443)</u>	
Cash balance, June 30, 2018	<u>\$ 32,215</u>	<u>\$ 10,000</u>	<u>\$ (30,811)</u>	<u>\$ 22,555</u>	<u>\$ 40,200</u>	<u>\$ 58,633</u>	<u>\$ 226,697</u>	

COMPLIANCE SECTION



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

Mr. Wayne Johnson
State Auditor of the State of New Mexico
Board of Directors of Hondo Valley Public Schools

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general fund of Hondo Valley Public Schools (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or 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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies. (2018-001 - 2018-002 - 2018-003 - 2018-004 - 2018-005)

Compliance and Other Matters

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

Management Responses to Findings

The District's response to the findings identified in our audit are described in the accompanying summary of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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


Beasley, Mitchell & Co., LLP
Las Cruces, New Mexico
November 15, 2018

STATE OF NEW MEXICO
HONDO VALLEY PUBLIC SCHOOLS
SUMMARY OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

PRIOR AUDIT FINDINGS		Current status
2016-001	Lack of Internal Control Over Adjusting Entries - Significant Deficiency	Resolved
2016-002	Lack of Internal Control over the Usage of Electronic Signatures - Other Matters	Resolved
2017-001	Capital Assets Schedule and Disposal	Resolved
2017-002	Expenditures in Excess of Budget	Resolved
CURRENT AUDIT FINDINGS		Current status
2018-001	Lack of Supporting Documents for Payroll	New
2018-002	Internal Controls over Cash Disbursement	New
2018-003	Per Diem	New
2018-004	Untimely Payments	New
2018-005	Temporary Inter-Fund Transfers	New

STATE OF NEW MEXICO
HONDO VALLEY PUBLIC SCHOOLS
SUMMARY OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

2018-001 - Lack of supporting documents for payroll - Significant Deficiency

CONDITION	During payroll test work, we noted that the revised contract on January 20, 2018 for 15 pay period for a substitute was prepared, but it was not signed by the employee.
CRITERIA	A review of employee timesheets, a review of payroll reports, and proper authorization and approval for wages, as indicated in NMSA 1978 Section 6-6-3, are required to be maintained in order to have proper and sufficient internal controls to reduce the risk of fraudulent activities.
CAUSE	The District does not have a review process over hiring and contracts.
EFFECT	Lack of approval in the employee contract may result in unapproved salary payments to employees.
RECOMMENDATION	The School should have a control in place to verify if all the new employee contracts are signed by both employee and approved by the board at the beginning of the school.
MANAGEMENT RESPONSE	Management will ensure that all the employee contracts are signed by both employee and approved by the board.

EXPECTED COMPLETION: 06/30/2019

EMPLOYEE RESPONSIBLE: Business Manager

STATE OF NEW MEXICO
HONDO VALLEY PUBLIC SCHOOLS
SUMMARY OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

2018-002 - Internal Controls over Cash Disbursement - Significant Deficiency

CONDITION During test work of cash disbursements, it was noted that one checks out of 25 checks does not match with the supporting documentation for a total difference of \$46.17.

CRITERIA Maintenance of adequate supporting documentation for all disbursements, including purchase requisitions, purchase order, travel authorizations, receiving reports, travel reports, and approval of disbursements are an integral part of a sound internal control system to safeguard the assets and accomplish timely preparation and submission of financial reports.
Section 6.20.2.11 of NMAC requires each entity to develop, establish and maintain a structure of internal accounting controls and written procedures to provide for segregation of duties, a system of authorization and recording procedures, and sound accounting practices in performance of duties and functions. The duties to be segregated are the authorization to execute a transaction, recording the transaction, and custody of assets involved in the transaction.

CAUSE Management does not have a review process over cash disbursement.

EFFECT The lack of internal controls may result in overspending and make the District vulnerable for fraud, waste, or abuse.

RECOMMENDATION The School should implement procedures to maintain proper supporting documentation and also train personnel to adhere to the policies and procedures.

MANAGEMENT RESPONS Management contacted with vendor to get the refund and the vendor issued \$46.17 refund to school.

EXPECTED COMPLETION: 06/30/2019

EMPLOYEE RESPONSIBLE: Business Manager

STATE OF NEW MEXICO
HONDO VALLEY PUBLIC SCHOOLS
FINANCIAL STATEMENT PREPARATION
FOR THE YEAR ENDED JUNE 30, 2018

2018-003 - Per diem - Significant Deficiency

CONDITION During per diem testwork, it was noted that one reimbursement did not match with the supporting documentation. Receipts totaled was \$61.13; however, the reimbursement was for \$68.27. .

CRITERIA Section 2.42.2.10 of NMSA 1978 requires that upon written request accompanied by a travel voucher, agency heads and governing boards of local public bodies or their authorized designees may approve a public officer's or employee's request to be advanced up to 80 percent of per diem rates and mileage cost or for the actual cost of lodging and meals pursuant to 2.42.2.8 NMAC and 2.42.2.9 NMAC and for other travel expenses that may be reimbursed under 2.42.2.12 NMAC. Requests for travel advances shall not be submitted to the financial control division of the department of finance and administration more than two weeks prior to travel unless, by processing the request earlier, significant savings can be realized for travel by common carrier or for registration fees for seminars and conferences.

CAUSE Management does not have a review process over cash disbursement.

EFFECT The District is in non-compliance with the New Mexico Travel and Per Diem Act for reimbursing an employee in excess of allowed amounts.

RECOMMENDATION The School should follow the rules in Section 2.42.2.10 of NMSA 1978.

**MANAGEMENT
RESPONS** Management will ensure to match the receipts with reimbursement in future.

EXPECTED COMPLETION: 06/30/2019

EMPLOYEE RESPONSIBLE: Business Manager

STATE OF NEW MEXICO
HONDO VALLEY PUBLIC SCHOOLS
FINANCIAL STATEMENT PREPARATION
FOR THE YEAR ENDED JUNE 30, 2018

2018-004 - Untimely Payments - Significant Deficiency

CONDITION During our testwork, we noted that the School received an invoice from a vendor on 02/26/2018 with a stated due date of 03/28/2018, but this invoice was not paid until 10/15/2018. The invoice amount totaled \$17,765.82.

CRITERIA Per the Prompt Payment Act 5 CFR Part 1315: A payment is due on whichever of these four conditions applies:

1. The date specified in the contract
 2. In accordance with discount terms when the vendor has offered a discount and the agency has accepted those terms
 3. On an accelerated schedule when the conditions for accelerated payments apply
 4. 30 days after the agency has received a proper invoice
- When calculating the payment due date, "day" means a calendar day including weekends and federal holidays.

When the payment due date, including a discount due date, falls on a weekend or federal holiday, the payment is due on the following business day.

CAUSE The District had change in Management resulting in a delay in payment of the invoice due to management oversight.

EFFECT The District is in non-compliance with the Prompt Payment Act.

RECOMMENDATION The School should ensure process' are in place to follow the rules in Prompt Payment Act.

MANAGEMENT RESPONS Management will ensure to make the payments on time in FY19.

EXPECTED COMPLETION: 06/30/2019

EMPLOYEE RESPONSIBLE: Business Manager

STATE OF NEW MEXICO
HONDO VALLEY PUBLIC SCHOOLS
FINANCIAL STATEMENT PREPARATION
FOR THE YEAR ENDED JUNE 30, 2018

2018-005 - Temporary Inter-Fund Transfers - Significant Deficiency

CONDITION	During the cash testwork, we noted that the operational fund (11000) had credit balance of \$2,710 resulting from payments for other funds during the waiting period to receive RFR.
CRITERIA	Temporary inter-fund transfers are transfers of cash from one fund/subfund to another. Most transfers of this type are temporary cash loans to be repaid at a predetermined date that is approved by the local school board, but no later than one year from the approved transfer. Temporary transfers require local board approval only. Districts/charter schools may make a loan from the operational fund to another fund based on the maximum expected need during the year in order to minimize the cycles of board approval, making a loan and repaying it several times during the year, with a goal of having the loan repaid at year end.
CAUSE	The District had change in Management resulting in a delay in payment of the invoice due to management oversight.
EFFECT	The District is in non-compliance with the PED instructions.
RECOMMENDATION	The School should ensure process' are in place to follow the instructions of PED.
MANAGEMENT RESPONS	Management will ensure to make to follow the PED instructions in FY19 and get the board apporval.
EXPECTED COMPLETION: 06/30/2019	EMPLOYEE RESPONSIBLE: Business Manager

STATE OF NEW MEXICO
HONDO VALLEY PUBLIC SCHOOLS
FINANCIAL STATEMENT PREPARATION
FOR THE YEAR ENDED JUNE 30, 2018

The financial statements of Hondo Valley Public Schools as of, and for the year ended June 30, 2018 were prepared by Beasley, Mitchell & Co., LLP, with the aid of responsible District personnel. Official responsible personnel agree that the presentations are made with their knowledge and agreement.

STATE OF NEW MEXICO
HONDO VALLEY PUBLIC SCHOOLS
EXIT CONFERENCE
FOR THE YEAR ENDED JUNE 30, 2018

An entrance conference was conducted August 14, 2018 in a closed meeting of the Hondo Valley Public Schools pursuant to Section 12-6-5 NMSA, 1978 with the following individuals in attendance:

Hondo Valley Public Schools

Donna F. Brady	BOD President
Marvin L. Martin	Superintendent
Mary E. Prudencio	Business Manager
Idalia Lerma	Business Manager

Beasley, Mitchell & Co., LLP

Amr Sakka, CPA	Audit Senior
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An exit conference was conducted November 13, 2018 in a closed meeting of the Hondo Valley Public Schools pursuant to Section 12-6-5 NMSA, 1978 with the following individuals in attendance:

Hondo Valley Public Schools

Justine Ortiz	BOD Secretary
Marvin L. Martin	Superintendent
Mary E. Prudencio	Business Manager
Idalia Lerma	Business Manager

Beasley, Mitchell & Co., LLP

Amr Sakka, CPA	Audit Senior
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