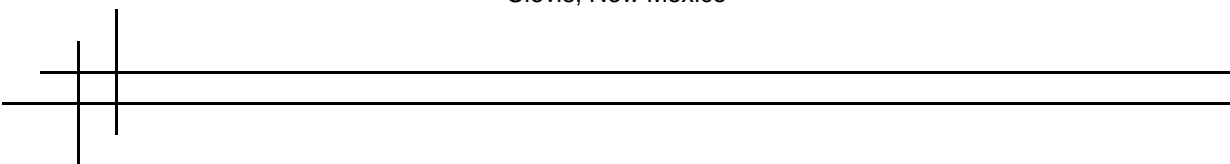


State of New Mexico
Jal Public Schools

Annual Financial Report
June 30, 2018

De'Aun Willoughby CPA, PC
Certified Public Accountant
Clovis, New Mexico



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State of New Mexico
Jal Public Schools
Official Roster
June 30, 2018

Board of Education

Jim Gross	President
Jenny Edwards	Vice-President
Jamie Earp	Secretary
Kayla Lujan	Member
Bert Galindo	Member

School Officials

Brian Snider	Superintendent
Nichole Herrera	Business Manager

Independent Auditor's Report

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

Mr. Johnson and Members of the Board

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, and the budgetary comparison for the general fund of Jal Public Schools (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 misstatements, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2018, and the respective changes in financial position, thereof and the respective budgetary comparison 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

Accounting principles generally accepted in the United States of America require that the Schedules of Required Supplementary Information for Pension Plan and related notes 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 consider it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during my 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.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the District's financial statements that collectively comprise the District's basic financial statements. The supplemental information such as the combining and individual nonmajor fund financial statements and the other schedules required by 2.2.2.NMAC, are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements and other schedules required by 2.2.2.NMAC presented as supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is 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 October 25, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

De'Aun Willoughby, CPA, PC

Clovis, New Mexico
October 25, 2018

Financial Section

State of New Mexico
Jal Public Schools
Government-Wide Statement of Net Position
June 30, 2018

	<u>Governmental Activities</u>
Assets	
Current Assets	
Cash and Cash Equivalents	\$ 16,477,900
Taxes Receivable	1,368,029
Due From Grantor	103,882
Inventory	5,520
Total Current Assets	<u>17,955,331</u>
Noncurrent Assets	
Capital Assets	71,994,465
Less Accumulated Depreciation	<u>(15,634,176)</u>
Total Noncurrent Assets	<u>56,360,289</u>
Total Assets	<u>74,315,620</u>
Deferred Outflows of Resources	
Deferred Outflows Related to Pensions	
Actuarial Experience	19,832
Changes of Assumptions	3,225,099
Changes in Proportion	456,037
Contributions Subsequent to Measurement Date	406,297
Deferred Outflows Related to Other Post Employment Benefits	
Contributions Subsequent to Measurement Date	58,460
Total Deferred Outflows of Resources	<u>4,165,725</u>
Liabilities	
Current Liabilities	
Accounts Payable	1,134,467
Accrued Salaries and Benefits	22,205
Compensated Absences	34,737
Accrued Interest	192,063
Current Amount Due of Long-Term Debt	1,185,000
Total Current Liabilities	<u>2,568,472</u>
Long-Term Liabilities	
Bonds	43,956,687
Pension Liability	11,047,899
Other Post Employment Benefits Liabilities	2,988,638
Total Long-Term Liabilities	<u>57,993,224</u>
Total Liabilities	<u>60,561,696</u>
Deferred Inflows of Resources	
Deferred Inflows Related to Pensions	
Actuarial Experience	170,203
Investment Experience	1,516
Changes in Proportion	112,684
Deferred Inflows Related to Other Post Employment Benefits	
Actuarial Experience	114,688
Investment Experience	42,994
Changes of Assumptions	522,525
Total Deferred Inflows of Resources	<u>964,610</u>
Net Position	
Net Investment in Capital Assets	0
Restricted for Capital Projects	8,541,590
Restricted for Debt Service	7,325,685
Unrestricted	1,087,764
Total Net Position	<u>\$ 16,955,039</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Jal Public Schools
Government-Wide Statement of Activities
For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities					
Instruction	\$ 4,501,296	\$ 25,424	\$ 179,491	\$ 0	\$ (4,296,381)
Support Services					
Students	264,829	0	6,525	0	(258,304)
Instruction	145,869	0	28,113	0	(117,756)
General Administration	360,557	0	19,844	0	(340,713)
School Administration	427,409	0	0	0	(427,409)
Central Services	171,624	0	4,819	0	(166,805)
Operation of Plant	1,427,892	25,168	0	0	(1,402,724)
Student Transportation	150,026	0	129,288	0	(20,738)
Food Services	255,268	17,020	88,194	0	(150,054)
Community Service	410,307	163,497	73,545	0	(173,265)
Interest Expense	1,023,919	0	0	0	(1,023,919)
Total Governmental Activities	\$ 9,138,996	\$ 231,109	\$ 529,819	\$ 0	(8,378,068)
General Revenues					
Taxes					
Property Taxes, Levied for General Purposes					888,480
Property Taxes, Levied for Capital Projects					3,559,246
Property Taxes, Levied for Debt Service					6,451,278
Federal and State aid not restricted to specific purpose					
General					3,625,377
Capital					100,000
Miscellaneous					1,707
Subtotal, General Revenues					<u>14,626,088</u>
Change in Net Position					<u>6,248,020</u>
Net Position - Beginning					8,200,684
Restatement					2,506,335
Restated Beginning Net Position					<u>10,707,019</u>
Net Position - Ending					<u>\$ 16,955,039</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Jal Public Schools
 Governmental Funds
 Balance Sheet
 June 30, 2018

	General Fund		
	Operational 11000	Teachergage 12000	Transportation 13000
Assets			
Cash and Cash Equivalents	\$ 463,638	\$ 15,931	\$ 449
Receivables			
Property Taxes	111,845	0	0
Due From Grantor	0	0	0
Interfund Balance	97,273	0	0
Inventory	0	0	0
Total Assets	\$ 672,756	\$ 15,931	\$ 449
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$ 12,888	\$ 514	\$ 0
Accrued Salaries and Benefits	17,808	0	0
Interfund Balance	0	0	0
Total Liabilities	30,696	514	0
Deferred Inflows of Resources			
Unavailable Revenue	22,472	0	0
Total Deferred Inflows of Resources	22,472	0	0
Fund Balances			
Nonspendable-Inventory	0	0	0
Restricted for			
Special Revenue	0	0	0
Capital Projects	0	0	0
Debt Service	0	0	0
Unassigned	619,588	15,417	449
Total Fund Balances	619,588	15,417	449
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 672,756	\$ 15,931	\$ 449

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Jal Public Schools
 Governmental Funds
 Balance Sheet
 June 30, 2018

	General Fund		
	Instructional Material 14000	Capital Projects Fund	
		Bond Building 31100	Senate Bill Nine-Local 31701
Assets			
Cash and Cash Equivalents	\$ 8,114	\$ 6,037,304	\$ 3,265,983
Receivables			
Property Taxes	0	0	447,793
Due From Grantor	0	0	0
Interfund Balance	0	0	0
Inventory	0	0	0
Total Assets	<u>\$ 8,114</u>	<u>\$ 6,037,304</u>	<u>\$ 3,713,776</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$ 0	\$ 1,026,098	\$ 93,313
Accrued Salaries and Benefits	0	0	0
Interfund Balance	0	0	0
Total Liabilities	<u>0</u>	<u>1,026,098</u>	<u>93,313</u>
Deferred Inflows of Resources			
Unavailable Revenue	0	0	90,079
Total Deferred Inflows of Resources	<u>0</u>	<u>0</u>	<u>90,079</u>
Fund Balances			
Nonspendable-Inventory	0	0	0
Restricted for			
Special Revenue	0	0	0
Capital Projects	0	5,011,206	3,530,384
Debt Service	0	0	0
Unassigned	8,114	0	0
Total Fund Balances	<u>8,114</u>	<u>5,011,206</u>	<u>3,530,384</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 8,114</u>	<u>\$ 6,037,304</u>	<u>\$ 3,713,776</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Jal Public Schools
Governmental Funds
Balance Sheet
June 30, 2018

	Debt Service Fund 41000	Other Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Assets			
Cash and Cash Equivalents	\$ 6,677,286	\$ 9,195	\$ 16,477,900
Receivables			
Property Taxes	808,391	0	1,368,029
Due From Grantor	0	103,882	103,882
Interfund Balance	0	0	97,273
Inventory	0	5,520	5,520
Total Assets	<u>\$ 7,485,677</u>	<u>\$ 118,597</u>	<u>\$ 18,052,604</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$ 0	\$ 1,654	\$ 1,134,467
Accrued Salaries and Benefits	0	4,397	22,205
Interfund Balance	0	97,273	97,273
Total Liabilities	<u>0</u>	<u>103,324</u>	<u>1,253,945</u>
Deferred Inflows of Resources			
Unavailable Revenue	<u>159,992</u>	<u>0</u>	<u>272,543</u>
Total Deferred Inflows of Resources	<u>159,992</u>	<u>0</u>	<u>272,543</u>
Fund Balances			
Nonspendable-Inventory	0	5,520	5,520
Restricted for			
Special Revenue	0	9,753	9,753
Capital Projects	0	0	8,541,590
Debt Service	7,325,685	0	7,325,685
Unassigned	0	0	643,568
Total Fund Balances	<u>7,325,685</u>	<u>15,273</u>	<u>16,526,116</u>
 Total Liabilities, Deferred Inflows of Resources and Fund Balances	 <u>\$ 7,485,677</u>	 <u>\$ 118,597</u>	 <u>\$ 18,052,604</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Jal Public Schools
 Reconciliation of the Governmental Funds
 Balance Sheet to the Statement of Net Position
 June 30, 2018

Total Fund Balance - Governmental Funds \$ 16,526,116

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

Property taxes receivable will be collected after the period of availability, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds. 272,543

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

Capital Assets	\$ 71,994,465	
Accumulated Depreciation	<u>(15,634,176)</u>	56,360,289

Deferred Outflows and Inflows Related to Pensions and Other Post-Employment Benefits (OPEB) are the results of differences in expected and actual actuary experience and the difference in actuary projected and actual earnings. Also changes in proportion and differences between contributions and proportionate share of contributions.

Deferred Outflows Related to Pensions	4,107,265	
Deferred Outflows Related to OPEB	58,460	
Deferred Inflows Related to Pensions	(284,403)	
Deferred Inflows Related to OPEB	<u>(680,207)</u>	3,201,115

Long-term and certain other liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term and other liabilities at year end consist of :

Accrued Interest	(192,063)	
Compensated Absences	(34,737)	
Bond Payable	(45,141,687)	
Pension Liability	(11,047,899)	
Other Post-Employment Benefits Liability	<u>(2,988,638)</u>	<u>(59,405,024)</u>

Total Net Position - Governmental Activities \$ 16,955,039

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Jal Public Schools
Governmental Funds
Statement of Revenues, Expenditures and
Changes in Fund Balance
For the Year Ended June 30, 2018

	General Fund		
	Operational 11000	Teachorage 12000	Transportation 13000
Revenues			
Property Taxes	\$ 879,179	\$ 0	\$ 0
Fees	5,042	25,168	0
State and Local Grants	3,625,377	0	129,288
Federal Grants	0	0	0
Miscellaneous	1,707	0	0
Total Revenues	4,511,305	25,168	129,288
Expenditures			
Current			
Instruction	2,501,548	0	0
Support Services			
Students	215,648	0	0
Instruction	94,144	0	0
General Administration	225,861	0	0
School Administration	321,008	0	0
Central Services	117,551	0	0
Operation of Plant	775,764	8,684	0
Student Transportation	1,846	0	115,907
Food Service	47,689	0	0
Community Services	35,345	0	0
Capital Outlay	0	0	15,000
Debt Service			
Principal	0	0	0
Interest	0	0	0
Total Expenditures	4,336,404	8,684	130,907
Excess (Deficiency) of Revenues Over Expenditures	174,901	16,484	(1,619)
Fund Balances at Beginning of Year	444,687	(1,067)	7,622
Restatement	0	0	(5,554)
Restated Beginning Fund Balances	444,687	(1,067)	2,068
Fund Balances End of Year	\$ 619,588	\$ 15,417	\$ 449

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Jal Public Schools
Governmental Funds
Statement of Revenues, Expenditures and
Changes in Fund Balance
For the Year Ended June 30, 2018

	General Fund		
	Capital Projects Fund		
	Instructional Material 14000	Bond Building 31100	Senate Bill Nine-Local 31701
Revenues			
Property Taxes	\$ 0	\$ 0	\$ 3,522,021
Fees	0	0	0
State and Local Grants	14,812	100,000	0
Federal Grants	0	0	0
Miscellaneous	0	0	0
Total Revenues	<u>14,812</u>	<u>100,000</u>	<u>3,522,021</u>
Expenditures			
Current			
Instruction	18,972	166,489	157,408
Support Services			
Students	0	0	0
Instruction	0	0	0
General Administration	0	29,582	5,163
School Administration	0	0	0
Central Services	0	0	13,018
Operation of Plant	0	0	525,169
Student Transportation	0	0	0
Food Service	0	0	15,086
Community Services	0	0	0
Capital Outlay	0	16,549,302	952,705
Debt Service			
Principal	0	0	0
Interest	0	0	0
Total Expenditures	<u>18,972</u>	<u>16,745,373</u>	<u>1,668,549</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(4,160)</u>	<u>(16,645,373)</u>	<u>1,853,472</u>
Fund Balances at Beginning of Year	12,274	21,656,579	1,676,912
Restatement	0	0	0
Restated Beginning Fund Balances	<u>12,274</u>	<u>21,656,579</u>	<u>1,676,912</u>
Fund Balances End of Year	<u>\$ 8,114</u>	<u>\$ 5,011,206</u>	<u>\$ 3,530,384</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Jal Public Schools
Governmental Funds
Statement of Revenues, Expenditures and
Changes in Fund Balance
For the Year Ended June 30, 2018

	Debt Service Fund 41000	Other Governmental Funds	Total Governmental Funds
Revenues			
Property Taxes	\$ 6,383,698	\$ 0	\$ 10,784,898
Fees	0	200,899	231,109
State and Local Grants	0	84,277	3,953,754
Federal Grants	0	301,442	301,442
Miscellaneous	0	0	1,707
Total Revenues	<u>6,383,698</u>	<u>586,618</u>	<u>15,272,910</u>
Expenditures			
Current			
Instruction	0	189,903	3,034,320
Support Services			
Students	0	6,525	222,173
Instruction	0	28,113	122,257
General Administration	9,168	19,844	289,618
School Administration	0	0	321,008
Central Services	0	4,819	135,388
Operation of Plant	0	0	1,309,617
Student Transportation	0	0	117,753
Food Service	0	151,765	214,540
Community Services	0	291,894	327,239
Capital Outlay	0	0	17,517,007
Debt Service			
Principal	1,135,000	0	1,135,000
Interest	1,083,255	0	1,083,255
Total Expenditures	<u>2,227,423</u>	<u>692,863</u>	<u>25,829,175</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>4,156,275</u>	<u>(106,245)</u>	<u>(10,556,265)</u>
Fund Balances at Beginning of Year	3,169,410	121,518	27,087,935
Restatement	0	0	(5,554)
Restated Beginning Fund Balances	<u>3,169,410</u>	<u>121,518</u>	<u>27,082,381</u>
Fund Balances End of Year	<u>\$ 7,325,685</u>	<u>\$ 15,273</u>	<u>\$ 16,526,116</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Jal Public Schools
 Reconciliation of the Governmental Funds
 Statement of Revenues, Expenditures and Changes in Fund Balance
 To the Statement of Activities
 June 30, 2018

Excess (Deficiency) of Revenues Over Expenditures \$ (10,556,265)

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

Some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered "available" revenues in the governmental funds, and are instead reported as deferred revenues. They are however, recorded as revenues in the Statement of Activities.

Property Taxes Receivable, June 30, 2017	\$ (158,437)	
Property Taxes Receivable, June 30, 2018	<u>272,543</u>	114,106

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.

Depreciation expense	(585,437)	
Capital Outlays	<u>17,517,007</u>	16,931,570

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

Principal paid for bonds		1,135,000
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In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.

Accrued Interest, June 30, 2017	213,064	
Accrued Interest, June 30, 2018	<u>(192,063)</u>	21,001

In the Statement of Activities, amortization of bond premiums reduce the interest expense.

38,335

Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences, June 30, 2017	42,205	
Compensated Absences, June 30, 2018	<u>(34,737)</u>	7,468

Pension and Other Post-Employment Benefits (OPEB) contributions are reported as expenses in the government funds but are deferred outflows in the Statement of Net Position. Pension and OPEB expense is reported in the Statement of Activities but not in the governmental funds.

Pension Contributions	406,297	
OPEB Contributions	58,460	
Pension Expense	(1,789,133)	
OPEB Expense	<u>(118,819)</u>	<u>(1,443,195)</u>

Change in Net Position		<u>\$ 6,248,020</u>
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The notes to the financial statements are an integral part of this statement.

State of New Mexico
Jal Public Schools
 General Fund-Operational-11000
 Statement of Revenues, Expenditures, and Changes in Cash Balance -
 Budget and Actual (Budgetary Basis)
 For the Year Ended June 30, 2018

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Property Taxes	\$ 480,445	\$ 480,445	\$ 831,865	\$ 351,420
Fees	0	0	5,042	5,042
State Grant	3,370,675	3,822,471	3,625,378	(197,093)
Miscellaneous	0	0	1,707	1,707
Total Revenues	<u>3,851,120</u>	<u>4,302,916</u>	<u>4,463,992</u>	<u>161,076</u>
Expenditures				
Instruction				
Personnel Services	1,812,974	1,921,212	1,771,068	150,144
Employee Benefits	659,100	659,100	604,560	54,540
Professional & Tech Services	21,000	81,485	19,413	62,072
Purchased Property Services	1,000	1,000	0	1,000
Other Purchased Services	40,000	40,000	32,458	7,542
Supplies	49,102	91,477	73,854	17,623
Supply Assets	1,000	1,000	0	1,000
Total Instruction	<u>2,584,176</u>	<u>2,795,274</u>	<u>2,501,353</u>	<u>293,921</u>
Support Services				
Students				
Personnel Services	98,736	105,237	103,407	1,830
Employee Benefits	31,430	31,804	27,756	4,048
Professional & Tech Services	113,000	117,382	81,901	35,481
Purchased Property Services	300	300	0	300
Other Purchased Services	1,500	1,500	764	736
Supplies	0	4,876	3,511	1,365
Total Students	<u>244,966</u>	<u>261,099</u>	<u>217,339</u>	<u>43,760</u>
Instruction				
Personnel Services	48,233	50,233	49,533	700
Employee Benefits	26,420	26,420	23,867	2,553
Professional & Tech Services	6,000	5,240	2,919	2,321
Other Purchased Services	1,000	0	0	0
Supplies	18,000	28,435	20,144	8,291
Supply Assets	2,000	2,000	0	2,000
Total Instruction	<u>101,653</u>	<u>112,328</u>	<u>96,463</u>	<u>15,865</u>
General Administration				
Personnel Services	144,822	148,822	147,422	1,400
Employee Benefits	36,910	37,698	36,585	1,113
Professional & Tech Services	33,229	37,279	31,957	5,322
Other Purchased Services	3,500	3,000	2,939	61
Supplies	13,500	15,133	14,803	330
Total General Administration	<u>\$ 231,961</u>	<u>\$ 241,932</u>	<u>\$ 233,706</u>	<u>\$ 8,226</u>

State of New Mexico

Jal Public Schools

General Fund-Operational-11000

Statement of Revenues, Expenditures, and Changes in Cash Balance -

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2018

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
School Administration				
Personnel Services	\$ 220,960	228,961	\$ 224,675	\$ 4,286
Employee Benefits	89,040	93,617	91,070	2,547
Professional & Tech Services	3,000	3,500	3,272	228
Supplies	500	1,901	1,900	1
Total School Administration	<u>313,500</u>	<u>327,979</u>	<u>320,917</u>	<u>7,062</u>
Central Services				
Personnel Services	74,292	82,092	80,670	1,422
Employee Benefits	30,040	30,188	29,397	791
Professional & Tech Services	11,000	5,983	5,555	428
Supplies	2,000	12,842	4,845	7,997
Total Central Services	<u>117,332</u>	<u>131,105</u>	<u>120,467</u>	<u>10,638</u>
Operation of Plant				
Personnel Services	252,879	263,607	249,326	14,281
Employee Benefits	105,420	109,764	103,902	5,862
Professional & Tech Services	1,000	125	125	0
Purchased Property Services	234,500	243,268	242,736	532
Other Purchased Services	187,000	184,400	183,856	544
Supplies	7,600	8,240	7,490	751
Supply Assets	500	500	0	500
Total Operation of Plant	<u>788,899</u>	<u>809,904</u>	<u>787,434</u>	<u>22,470</u>
Transportation				
Personnel Services	500	2,300	1,300	1,000
Employee Benefits	140	340	306	34
Purchased Property Services	500	500	240	260
Total Transportation	<u>1,140</u>	<u>3,140</u>	<u>1,846</u>	<u>1,294</u>
Other				
Other Purchased Services	<u>21,671</u>	<u>21,671</u>	<u>0</u>	<u>21,671</u>
Total Other	<u>21,671</u>	<u>21,671</u>	<u>0</u>	<u>21,671</u>
Total Support Services	<u>1,821,122</u>	<u>1,909,158</u>	<u>1,778,172</u>	<u>130,986</u>
Food Service				
Personnel Services	29,354	37,354	34,205	3,149
Employee Benefits	13,780	14,716	13,373	1,343
Supplies	1,500	3,384	112	3,272
Total Food Service	<u>\$ 44,634</u>	<u>\$ 55,454</u>	<u>\$ 47,690</u>	<u>\$ 7,764</u>

State of New Mexico

Jal Public Schools

General Fund-Operational-11000

Statement of Revenues, Expenditures, and Changes in Cash Balance -

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget- Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Community Service				
Personnel Services	\$ 25,000	\$ 23,889	\$ 23,889	\$ 0
Employee Benefits	6,013	6,023	3,347	2,676
Supplies	0	3,281	3,241	40
Total Community Service	<u>31,013</u>	<u>33,193</u>	<u>30,477</u>	<u>2,716</u>
Total Expenditures	<u>4,480,945</u>	<u>4,793,079</u>	<u>4,357,692</u>	<u>435,387</u>
Excess (Deficiency) of Revenues Over Expenditures	(629,825)	(490,163)	106,300	596,463
Cash Balance Beginning of Year	<u>454,611</u>	<u>454,611</u>	<u>454,611</u>	<u>0</u>
Cash Balance End of Year	<u>\$ (175,214)</u>	<u>\$ (35,552)</u>	<u>\$ 560,911</u>	<u>\$ 596,463</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 106,300	
Net Change in Taxes Receivable			56,614	
Net Change in Payables			14,680	
Net Change in Accrued Payroll			6,607	
Net Change in Unavailable Revenue			(9,300)	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 174,901</u>	

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Jal Public Schools
 General Fund-Teacherage-12000
 Statement of Revenues, Expenditures, and Changes in Cash Balance -
 Budget and Actual (Budgetary Basis)
 For the Year Ended June 30, 2018

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Rents	\$ 18,000	\$ 18,000	\$ 25,169	\$ 7,169
Total Revenues	<u>18,000</u>	<u>18,000</u>	<u>25,169</u>	<u>7,169</u>
Expenditures				
Support Services				
Operation of Plant				
Purchased Property Services	18,800	20,700	8,790	11,910
Supplies	<u>4,000</u>	<u>2,100</u>	<u>58</u>	<u>2,042</u>
Total Operation of Plant	<u>22,800</u>	<u>22,800</u>	<u>8,848</u>	<u>13,952</u>
Total Support Services	<u>22,800</u>	<u>22,800</u>	<u>8,848</u>	<u>13,952</u>
Total Expenditures	<u>22,800</u>	<u>22,800</u>	<u>8,848</u>	<u>13,952</u>
Excess (Deficiency) of Revenues Over Expenditures	(4,800)	(4,800)	16,321	21,121
Cash Balance Beginning of Year	<u>(390)</u>	<u>(390)</u>	<u>(390)</u>	<u>0</u>
Cash Balance End of Year	<u><u>\$ (5,190)</u></u>	<u><u>\$ (5,190)</u></u>	<u><u>\$ 15,931</u></u>	<u><u>\$ 21,121</u></u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 16,321	
Net Change in Payables			<u>163</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u><u>\$ 16,484</u></u>	

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Jal Public Schools
 General Fund-Transportation-13000
 Statement of Revenues, Expenditures, and Changes in Cash Balance -
 Budget and Actual (Budgetary Basis)
 For the Year Ended June 30, 2018

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
State Grant	\$ 129,288	\$ 129,288	\$ 129,288	\$ 0
Total Revenues	<u>129,288</u>	<u>129,288</u>	<u>129,288</u>	<u>0</u>
Expenditures				
Support Services				
Student Transportation				
Personnel Services	69,035	69,035	67,590	1,445
Employee Benefits	39,340	39,340	30,683	8,657
Purchased Property Services	1,000	2,300	2,270	30
Other Purchased Services	1,740	2,066	2,085	(19)
Supplies	18,173	22,099	16,762	5,337
Fixed Assets	0	0	15,000	(15,000)
Return to PED	0	5,553	5,554	(1)
Total Student Transportation	<u>129,288</u>	<u>140,393</u>	<u>139,944</u>	<u>449</u>
Total Support Services	<u>129,288</u>	<u>140,393</u>	<u>139,944</u>	<u>449</u>
Total Expenditures	<u>129,288</u>	<u>140,393</u>	<u>139,944</u>	<u>449</u>
Excess (Deficiency) of Revenues Over Expenditures	0	(11,105)	(10,656)	449
Cash Balance Beginning of Year	<u>11,105</u>	<u>11,105</u>	<u>11,105</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 11,105</u>	<u>\$ 0</u>	<u>\$ 449</u>	<u>\$ 449</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (10,656)	
Net Change in Payables			1,576	
Net Change in Accrued Salaries and Benefits			1,907	
Returned to PED			5,554	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (1,619)</u>	

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Jal Public Schools
 General Fund-Instructional Material-14000
 Statement of Revenues, Expenditures, and Changes in Cash Balance -
 Budget and Actual (Budgetary Basis)
 For the Year Ended June 30, 2018

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
State Grant	\$ 12,268	\$ 21,517	\$ 14,812	\$ (6,705)
Total Revenues	<u>12,268</u>	<u>21,517</u>	<u>14,812</u>	<u>(6,705)</u>
Expenditures				
Instruction				
Supplies	12,268	21,517	18,972	2,545
Total Instruction	<u>12,268</u>	<u>21,517</u>	<u>18,972</u>	<u>2,545</u>
Total Expenditures	<u>12,268</u>	<u>21,517</u>	<u>18,972</u>	<u>2,545</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	(4,160)	(4,160)
Cash Balance Beginning of Year	<u>12,274</u>	<u>12,274</u>	<u>12,274</u>	<u>0</u>
Cash Balance End of Year	\$ <u>12,274</u>	\$ <u>12,274</u>	\$ <u>8,114</u>	\$ <u>(4,160)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ <u>(4,160)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			\$ <u>(4,160)</u>	

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Jal Public Schools
Statement of Fiduciary Assets and Liabilities - Agency Funds
June 30, 2018

	<u>Agency Funds</u>
Assets	
Cash and Cash Equivalents	\$ 190,084
Total Assets	<u>\$ 190,084</u>
Liabilities	
Deposits Held for Others	\$ 190,084
Total Liabilities	<u>\$ 190,084</u>

The notes to the financial statements are an integral part of this statement.

Summary of Significant Accounting Policies

The financial statements of the Jal Public Schools (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. The more significant of the District's accounting policies are described below.

Financial Reporting Entity

The District has been in existence since the early nineteen hundreds, and is currently operating under the provisions of the Public School District Code, Chapter 22, of the New Mexico Statutes Annotated, 1978 Compilation. The District operates with a local board of education - superintendent form of government and provides a supervised program of instruction designed to educate students at the elementary and secondary level.

GASB Statement No. 14 established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the District is considered a *primary government*, since it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the District may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges and issue bonded debt.

The District has no component units, defined by GASB Statement No. 14 as other legally separate organizations for which the elected District members are financially accountable. There are no other primary governments with which the School Board Members are financially accountable. There are no other primary governments with which the District has a significant relationship.

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

The funds of the District are classified into two categories: governmental and fiduciary. In turn, each category is divided into separate fund types. The fund classification and a description of each existing fund type follows below:

Governmental Funds

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

General Fund - The General Fund is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds.

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

Capital Projects Fund - The Capital Projects Fund is used to account for all resources for the acquisition of capital facilities by the District.

Debt Service Fund - The Debt Service Fund is used to account for the resources for, and the payment of, principal, interest and related costs.

Fiduciary Fund Type

Fiduciary funds account for assets held by the government in a trustee capacity or as an agent on behalf of outside parties, including other governments, or on behalf of other funds within the District.

The Student Activity Fund, an agency fund, accounts for assets held by the District as an agent for the District organizations. These organizations exist with the explicit approval of and are subject to revocation by the District's Board of Education. This accounting reflects the District's agency relationship with the student activity organizations. This account is accounted for using the economic resources measurement focus and the accrual basis of accounting.

Major Funds

The District reports the following major governmental funds:

General Fund (11000)(12000)(13000)(14000). The General Fund consist of four sub funds. The first is the operational fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. The second is the Teacherage fund of the District and accounts for rental properties that are rented to teachers and administrators that work at the school. The Transportation fund includes a state grant to provide transportation for students in the District. The Instructional Materials fund accounts for a state grant to provide text books for students in the District.

Major Capital Projects Fund

Bond Building (31100). The revenues are derived from a School Building Bond Issue. The expenditures are restricted to major capital improvements.

Senate Bill Nine-Local (31701). The revenues are derived from a district tax levy. Expenditures are restricted to capital improvements, repairs and maintenance, supplies and supply assets used in the upkeep of the facilities.

Major Debt Service Fund

Debt Service (41000). 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.

Measurement Focus and Basis of Accounting

Government-Wide Financial Statements (GWFS)

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

The Statement of Net Position and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirement of GASB Statement No. 33 "Accounting and Financial Reporting for Nonexchange Transactions."

Program Revenues

Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the District's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the District's general revenues. Program revenues include: 1) charges for services to students or applicants who purchase, use or directly benefit from the goods or services provided by the given function 2) program-specific operating grants and contributions, Transportation, Food Service, Special Revenue Funds such as special education as well as others., and 3) program specific capital grants and contributions.

Fund Financial Statements (FFS)

Governmental Funds

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within 30 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured principal and interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. Any effect of interfund activity has been eliminated from the district-wide financial statements.

Revenues

Taxes. Ad valorem taxes are susceptible to full accrual on the government wide financial statements. Property Tax revenues recognize revenues net of estimated refunds and uncollectible accounts in the period for which the taxes are levied.

Grants. Government mandated nonexchange transaction and voluntary nonexchange transactions. Recipients should recognize revenues in the period when all applicable eligibility requirements have been met and the resources are available.

Revenue Recognition for Grants.

Eligibility requirements for government-mandated and voluntary nonexchange transaction comprise one or more of the following:

1. Required characteristics of recipients. The recipient has the characteristics specified by the provider (are required to be school districts).
2. Time requirements. Time requirements specified by enabling legislation or the provider have been met (period when the resources are required to be used).
3. Reimbursements. The provider offers resources on a reimbursement ("expenditure-driven") basis and the recipient has incurred allowable costs under the applicable program.
4. Contingencies. The providers offer of resources is contingent upon a specified action of the recipient and that action has occurred (the recipient has raised the matching funds).

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

Expenditures

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

Other Financing Sources (Uses)

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

Basis of Budgeting

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

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

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

1. Prior to April 15, (unless a later date is fixed by the Secretary of Education) the local school board submits to the School Budget and Finance Analysis Unit (SBFAU) of the New Mexico Public Education Department an estimated budget for the District for the ensuing fiscal year beginning July 1st. The operating budget includes proposed expenditures and the means of financing them. All budgets submitted to the New Mexico Public Education Department (PED) by the district shall contain headings and details as prescribed by law.
2. Prior to June 20th, of each year, the proposed "operating" budget will be reviewed and approved by the SBFAU and certified and approved by the local school board at the public hearing of which notice has been published by the local school board which fixed the estimated budget for the district for the ensuing fiscal year.
3. The "operating" budget will be used by the District until they have been notified that the budget has been approved by the SBFAU and the local school board. The budget shall be integrated formally in to the accounting system. Encumbrances shall be used as an element for control and shall be integrated into the budget system.
4. The District shall make corrections, revisions and amendments to the estimated budgets fixed by the local school board to recognize actual cash balances and carryover funds, if any. These adjustments shall be reviewed and approved by the SBFAU.
5. No school board or officer or employee of the District shall make any expenditures or incur any obligation for the expenditures of public funds unless such expenditure or contractual obligation is made in accordance with an operating budget approved by the division. But this does not prohibit the transfer of funds between line items within a series of a budget.
6. Budget change requests are processed in accordance with Supplement I (Budget Preparation and Maintenance) of the *Manual of Procedures Public School Accounting and Budgeting*. Such changes are initiated by the District and approved by the SBFAU.
7. Legal budget control for expenditures is by function.

8. Appropriations lapse at fiscal year end. Funds unused during the fiscal year may be carried over into the next fiscal year by budgeting those in the subsequent fiscal year's budget. The budget of the District has been amended during the current fiscal year in accordance with these procedures. The budget schedules included in the accompanying financial statements reflect the approved budget and amendments thereto.

Cash and Cash Equivalents

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

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

Investments

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

- (a) bonds or negotiable securities of the United States, the state or any county, municipality or school district which has a taxable valuation of real property for the last preceding year of at least one million dollars (1,000,000) and has not defaulted in the payment of any interest or sinking fund obligation or failed to meet any bonds at maturity at any time within five years last preceding; or
- (b) securities that are issued by the United States government or by its agencies or instrumentalities and that are either direct obligations of the United States or are backed by the full faith and credit of the United States government or agencies guaranteed by the United States government.
- (c) in contracts with banks, savings and loan associations or credit unions for the present purchase and resale at a specified time in the future of specific securities at specified prices at a price differential representing the interest income to be earned by the investor. The contract shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with the investment. The contract shall be fully secured by obligations of the United States having a market value of at least one hundred two percent of the contract. The collateral required for investment in the contracts provided for in this subsection shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with investment.

Receivables and Payables

Receivables include property taxes, interfund loans that are expected to be paid back and amount due from state government agencies related to various grant agreements. Payables represent routine monthly bills for services rendered and products purchased and accrued salaries and benefits.

Property Taxes

The County collects the District's share of property taxes assessed. Property taxes attach an enforceable lien on property as of January 1st. Tax notices are sent by the County treasurer to property owners by November 1st of each year to be paid in whole or in two installments by November 10th and April 10th of each year. The County collects such taxes and distributes them to the District on a monthly basis. The District accounts for its share of property taxes in the General, Debt Service and Capital Projects Funds. Only those collections received are recorded as revenues for the budget presentation.

Elimination and Reclassifications of Certain Receivables and Payables

In the process of aggregating data for the Statement of Net Position and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Inventories and Prepaid Items

Purchased inventory is valued at the lower of cost (first-in, first-out) or market. Inventory in the Food Services Fund consists of purchased food and non-food items and United States Department of Agriculture (USDA) commodities. Commodities are shown at the USDA procurement cost. Costs are recorded as expenditures at the time individual inventory items are used (consumption method). Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both District-wide and fund financial statements.

Capital Assets

Capital assets are recorded at historical costs and depreciated over their estimated useful lives (with no salvage value). Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Donated capital assets are recorded at their estimated fair market value on the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

If there are any construction projects funded by the NM Public School Facilities Authority they are included in the appropriate capital projects fund and in the capital assets.

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

Buildings & Improvements	20-50 Years
Equipment, Vehicles, Information Technology Equipment, Software & Library Books	3-15 Years

Capital Leases

Capital leases are recorded at the inception of the leases as expenditures and other financing sources in governmental fund financial statement at the present value of the future minimum lease payments, using the stated or implicit interest rate in the leases. Lease payments are recorded as expenditures on the due date. Capital leases are recorded as a liability in the government-wide financial statement at the time of inception and the corresponding asset is recorded in the capital asset section on the balance sheet.

Short -Term Debt

Short-term debt results from borrowings characterized by anticipation notes, use of lines of credit, and similar loans. The District does not have any activity in short-term debt.

Long-Term Liabilities

Long-Term Liabilities include bonds and pension liabilities that are paid for over several years. Long-Term Liabilities are included in the government wide financial statements but not in the fund financial statements. Only the current portion due within 30 days is included in the fund financial statements. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method or the straight-line method if the differences from the effective interest method is minimal.

Restricted Net Position

For the Government-Wide Statement of Net Position, net positions are reported as restricted when constraints placed on net positions use are either:

Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments;

Imposed by law through constitutional provisions or enabling legislation.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available it will first be applied to restricted resources.

Fund Balances of Fund Financial Statements

Nonspendable fund balance indicates that portion of fund equity is not spendable such as inventory.

The restricted fund balance category includes amounts that can be spent only for specific purposes stipulated by constitution, external resources providers, or through enabling legislation.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.

Unassigned fund balance is the residual amount that is not restricted or committed.

Interfund Transfers

In governmental funds, transfers should be reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers.

Deferred Inflow of Resources

The District reports unearned or unavailable revenues on its Statement of Net Position and Fund Balance Sheet. Deferred revenues arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when the District has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and the revenue is recognized. Deferred revenues also occur in the fund financial statements when revenue is earned but is not available. The revenue becomes available if received within 30 days of the fiscal year end.

Compensated Absences

Custodial and Maintenance Personnel - When a twelve-month non-certified employee has been with the Jal Schools for a period of one year, the employee is entitled to a vacation period of two weeks. After a non-certified employee has worked for the Jal Schools for at least six months, he or she is entitled to a one-week vacation provided it can be taken during the summer months. As a courtesy to new employees, the Board of Education will allow the employee to request one (1) week vacation time after three (3) months but less than six (6) months service. After ten years of service, custodial and maintenance employees will be increased to three weeks. Vacation leave is not accumulative. In the event an employee resigns or is discharged before the regular vacation period, he or she shall be entitled to receive accumulated vacation pay. All computations for pay purposes which involve vacation time will be computed on a prorate basis, i.e., approximately five-sixths days of vacation time is earned for each month of work. After an employee uses two (2) weeks vacation, approximately twelve (12) months must be served before he or she is entitled to another two (2) weeks vacation. The Board reserves the right to allow an employee to use vacation time in lieu of sick leave in extenuating circumstances. The Board reserves the right to allow an employee to take vacation time for conducting personal business, subject to time of service and duty schedule. Should a holiday fall within the employee's vacation period, he or she will not be required to count that day as vacation time. After employees have completed one year of service, their vacation will be prorated from their anniversary date to July 1st so that all employees will be on the same schedule, i.e. (two or three weeks of vacation time for July 1st to June 30th). Example: An employee begins work on May 1, 1998. May 1, 1999 to July 1, 1999, the employee would have $2/12 \times 10/1 = 1.67$ rounded to 2 days of vacation. On July 1, 1999, to June 30, 2000 the employee would have 10 days of vacation. The superintendent must approve vacation schedules.

Administrative Office Personnel-Two weeks of vacation time per year will be given to new employees. After five years of experience, the vacation time will increase to three weeks, and after ten years, four weeks a year will be given. Employees who have been working in other positions in the school system will be given credit for this experience. Vacation time not used will be credited to the next year up to 50 days after which the vacation will be lost if not used. Employees retiring from Jal Schools may be compensated for up to 240 hours of unused vacation time. This limit is set by the Education Retirement Board.

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

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

- (a) The employees' right to receive compensation is attributable to services already rendered.
- (b) It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

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

For governmental fund financial statements the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts, if any, are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

Estimates

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

A. Deposits and Investments

The District is required by New Mexico State Statute (Section 6-10-17) to be 50% collateralized. Following is a schedule calculating the requirement and disclosing the pledged securities.

<u>Name of Account</u>	Balance Per Bank 6/30/18	Reconciled Balance	<u>Type</u>
Operational	\$ 16,748,399	\$ 16,477,900	Non-Interest Checking
Activity Account	189,863	190,084	Non-Interest Checking
TOTAL Deposited	16,938,262	<u>\$ 16,667,984</u>	
Less: FDIC Coverage	<u>(250,000)</u>		
Uninsured Amount	16,688,262		
50% collateral requirement	8,344,131		
Pledged securities	10,027,014		
Over (Under) requirement	<u>\$ 1,682,883</u>		

The difference between the bank balance and the reconciled balance is outstanding deposits, outstanding checks and pending bank adjustments.

The following securities are pledged at **Wells Fargo**:

<u>Description</u>	<u>CUSIP #</u>	<u>Market Value</u>	<u>Maturity Date</u>	<u>Location</u>
FNMA FNMS	3138WPSD7	\$ 10,027,014	05/01/2043	Mellon Bank, NY
		<u>\$ 10,027,014</u>		

Custodial Credit Risk-Deposits

<u>Depository Account</u>	<u>Bank Balance</u>
Insured	\$ 250,000
Collateralized:	
Collateral held by the pledging bank in District's name	10,027,014
Uninsured and uncollateralized	6,661,248
Total Deposits	<u>\$ 16,938,262</u>

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2018 \$6,661,248 of the District's bank balance of \$16,935,262 was exposed to custodial credit risk.

B. Receivables

Following is a schedule of property taxes receivable as of June 30, 2018:

	<u>General 11000</u>	<u>Senate Bill Nine-Local 31701</u>	<u>Debt Service 41000</u>	<u>Total</u>
Property Taxes Receivable:				
Available	\$ 89,373	\$ 357,714	\$ 648,399	\$ 1,095,486
Unavailable	22,472	90,079	159,992	272,543
Total	<u>\$ 111,845</u>	<u>\$ 447,793</u>	<u>\$ 808,391</u>	<u>\$ 1,368,029</u>

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Amounts due from other agencies and units of government were as follows as of June 30, 2018:

State & Local	\$	57,906
Federal		44,493
Total	\$	<u>102,399</u>

C. Interfund Receivables, Payables and Transfers

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Funds</u>	
	Other Governmental Funds	Total
Operational Fund	\$ 97,273	\$ 97,273
Totals	<u>\$ 97,273</u>	<u>\$ 97,273</u>

The above interfund balances resulted from reimbursement grants. The shortfalls were covered by the General Fund. All transactions will be repaid within one year.

D. Capital Assets

Capital Assets Balances and Activity for the Year Ended June 30, 2018, is as follows:

	<u>Balance 6/30/17</u>	<u>Restatement</u>	<u>Restated Beginning Balance</u>
Governmental Activities			
Capital Assets, not being Depreciated			
Land	\$ 844,566	\$ 0	\$ 844,566
Construction in Progress	25,671,605	492,567	26,164,172
Works of Art	0	5,139	5,139
Total Capital Assets, not being Depreciated	<u>26,516,171</u>	<u>497,706</u>	<u>27,013,877</u>
Capital Assets, being Depreciated			
Buildings & Improvements	25,004,132	0	25,004,132
Equipment, Vehicles, Information Technology Equipment, Software & Library Books	<u>2,474,449</u>	<u>0</u>	<u>2,474,449</u>
Total Capital Assets, being Depreciated	<u>27,478,581</u>	<u>0</u>	<u>27,478,581</u>
Total Capital Assets	<u>53,994,752</u>	<u>497,706</u>	<u>54,492,458</u>
Less Accumulated Depreciation			
Buildings & Improvements	18,578,599	(5,277,054)	13,301,545
Equipment, Vehicles, Information Technology Equipment, Software & Library Books	<u>2,049,349</u>	<u>(287,155)</u>	<u>1,762,194</u>
Total Accumulated Depreciation	<u>20,627,948</u>	<u>(5,564,209)</u>	<u>15,063,739</u>
Capital Assets, net	<u>\$ 33,366,804</u>	<u>\$ 6,061,915</u>	<u>\$ 39,428,719</u>

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	Increases	Decreases	Balance 6/30/18
Governmental Activities			
Capital Assets, not being Depreciated			
Land	\$ 0	\$ 0	\$ 844,566
Construction in Progress	16,541,701	0	42,705,873
Works of Art	7,601		12,740
Total Capital Assets, not being Depreciated	<u>16,549,302</u>	<u>0</u>	<u>43,563,179</u>
Capital Assets, being Depreciated			
Buildings & Improvements	719,742	0	25,723,874
Equipment, Vehicles, Information Technology Equipment, Software & Library Books	<u>247,963</u>	<u>(15,000)</u>	<u>2,707,412</u>
Total Capital Assets, being Depreciated	<u>967,705</u>	<u>(15,000)</u>	<u>28,431,286</u>
Total Capital Assets	<u>17,517,007</u>	<u>(15,000)</u>	<u>71,994,465</u>
Less Accumulated Depreciation			
Buildings & Improvements	465,872	0	13,767,417
Equipment, Vehicles, Information Technology Equipment, Software & Library Books	<u>119,565</u>	<u>(15,000)</u>	<u>1,866,759</u>
Total Accumulated Depreciation	<u>585,437</u>	<u>(15,000)</u>	<u>15,634,176</u>
Capital Assets, net	<u>\$ 16,931,570</u>	<u>\$ 0</u>	<u>\$ 56,360,289</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 585,437
Total depreciation expenses	<u>\$ 585,437</u>

E. Long-Term Debt and Other Liabilities

A summary of activity in the Long-Term Debt is as follows:

	Balance 6/30/17	Additions	Reductions Amortization	Balance 6/30/18	Amounts Due Within One Year
Governmental Activities					
Bonds and Notes Payable					
General Obligation					
Bonds	\$ 45,600,000	\$ 0	\$ 1,135,000	\$ 44,465,000	\$ 1,185,000
Premiums	715,022	0	38,335	676,687	38,335
Total Bonds	<u>\$ 46,315,022</u>	<u>\$ 0</u>	<u>\$ 1,173,335</u>	<u>\$ 45,141,687</u>	<u>\$ 1,223,335</u>
Other Liabilities					
Compensated					
Absences	\$ 42,205	\$ 36,283	\$ 43,751	\$ 34,737	\$ 34,737
Total Other Liabilities	<u>\$ 42,205</u>	<u>\$ 36,283</u>	<u>\$ 43,751</u>	<u>\$ 34,737</u>	<u>\$ 34,737</u>

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Payments on the general obligation bonds are made by the Debt Service Funds. The compensated absences liability will ultimately be liquidated by several of the District's governmental funds, with most being paid by the General Fund.

General Obligation Bonds.

The following bonds were issued for the purpose of erecting, furnishing, remodeling and making additions to District buildings and improving District grounds. A tax is annually assessed, levied and collected upon all taxable property within the District for the purpose of providing the necessary funds to meet the interest and principal payments as they become due.

<u>Series</u>	<u>Date of Issue</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Balance</u>
2015	4/1/15	9,500,000	2-3%	\$ 7,800,000
2016	8/15/16	18,000,000	2-2.25%	17,165,000
2017	5/31/17	19,500,000	5-3.25%	19,500,000
				<u>\$ 44,465,000</u>

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

	Principal	Interest	Total
2019	\$ 1,185,000	\$ 1,299,119	\$ 2,484,119
2020	2,125,000	1,252,319	3,377,319
2021	2,175,000	1,181,069	3,356,069
2022	2,235,000	1,107,944	3,342,944
2023	2,295,000	1,035,044	3,330,044
2024-2028	12,395,000	3,900,069	16,295,069
2029-2033	14,125,000	2,223,353	16,348,353
2034-2036	7,930,000	385,875	8,315,875
Total	<u>\$ 44,465,000</u>	<u>\$ 12,384,792</u>	<u>\$ 12,560,451</u>

F. Commitments

The District has several large construction projects ongoing and planned. They will be financed with bond issues.

G. Retirement Plan

Summary of Significant Accounting Policies

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

General Information about the Pension Plan

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

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

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

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

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

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

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

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

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

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

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

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

Benefit Options. The Plan has three benefit options available.

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

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

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

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

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

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

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

*Tier 3 membership is comprised of employees who became members on or after July 1, 2013.

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

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

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

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

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<u>Fiscal Year</u>	<u>Date Range</u>	<u>Wage Category</u>	<u>Member's Rate</u>	<u>Employer's Rate</u>	<u>Combined Rate</u>
2018	7-1-16 to 6-30-17	Over \$20K	10.70%	13.90%	24.60%
2018	7-1-16 to 6-30-17	\$20K or less	7.90%	13.90%	21.80%

There was no change in the rates from the previous year.

The contribution requirements are established in statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the New Mexico Legislature. For the fiscal years ended June 30, 2018 and 2017, the District paid employee and employer contributions of \$334,160 and \$689,428 which equal the amount of the required contributions for each fiscal year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2018, the District reported a liability of \$11,047,899 for their proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2017 using generally accepted actuarial principles. The roll-forward incorporates the impact of the new assumptions adopted by the Board on April 21, 2017. There were no other significant events of changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2017. Therefore, the District's portion was established as of the measurement date of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating educational institutions, actuarially determined. At June 30, 2017, the District's proportion was 0.09941%, which was an increase of 0.00472% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$1,789,133. At the June 30, 2018, the District reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 19,832	170,203
Net difference between projected and actual earnings on pension plan investments	0	1,516
Changes of assumptions	3,225,099	112,684
Changes in proportion and differences between the District's contributions and proportionate share of contributions	456,037	0
District's contributions subsequent to the measurement date	406,297	0
	<u>\$ 4,107,265</u>	<u>284,403</u>

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\$406,297 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June</u>	
2019	\$ 1,270,701
2020	1,430,552
2021	806,283
2022	<u>(90,971)</u>
Total	<u>\$ 3,416,565</u>

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

Inflation	2.50%										
Salary Increases	3.25% composed of 2.50% inflation, plus a 0.75% productivity increase rate, plus a step-rate promotional increase for members with less than 10 years of service.										
Investment Rate of Return	7.25% compounded annually, net of expenses. This is made up of a 2.50% inflation rate and a 4.75 real rate of return.										
Average Expected Remaining Service Lives	<table> <thead> <tr> <th style="text-align: left;">Fiscal year Service Life in Years</th> <th style="text-align: center;"><u>2017</u></th> <th style="text-align: center;"><u>2016</u></th> <th style="text-align: center;"><u>2015</u></th> <th style="text-align: center;"><u>2014</u></th> </tr> </thead> <tbody> <tr> <td></td> <td style="text-align: center;">3.35</td> <td style="text-align: center;">3.77</td> <td style="text-align: center;">3.92</td> <td style="text-align: center;">3.88</td> </tr> </tbody> </table>	Fiscal year Service Life in Years	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>		3.35	3.77	3.92	3.88
Fiscal year Service Life in Years	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>							
	3.35	3.77	3.92	3.88							
Mortality	<p>Healthy males: Based on the RP-2000 Combined Mortality Table with White Collar adjustments, generational mortality improvements with Scale BB.</p> <p>Healthy females: Based on GRS Southwest Region Teacher Mortality Table, set back one year, generational mortality improvements in accordance with Scale BB from the table's base year of 2012.</p> <p>Disabled males: RP-2000 Disabled Mortality Table for males, set back three years, projected to 2016 with Scale BB.</p> <p>Disabled females: RP-2000 Disabled Mortality Table for females, no set back, projected to 2016 with Scale BB.</p> <p>Active members: RP-2000 Employee Mortality Tables, with males set back two years and scaled at 80%, and females set back five years and scaled at 70%. Static mortality improvement from the table's base year of 2000 to the year 2016 in accordance with Scale BB. No future improvement was assumed for preretirement mortality.</p>										
Retirement Age	Experience-based table rates based on age and service, adopted by the Board on June 12, 2015 in conjunction with the six-year experience study for the period ending June 30, 2014.										
Cost-of-living Increases	1.90% per year, compounded annually.										
Payroll Growth	3.00% per year (with no allowance for membership growth).										

Contribution Accumulation The accumulated member account balance with interest is estimated at the valuation date by assuming that member contributions increased 5.50% per year for all years prior to the valuation date. Contributions are credited with 4.00% interest, compounded annually, applicable to the account balances in the past as well as the future.

Disability Incidence Approved rates are applied to eligible members with at least 10 years of service.

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Equities	33%	
Fixed Income	26%	
Alternatives	40%	
Cash	1%	
	<u>100%</u>	7.25%

Discount rate. A single discount rate of 5.9% was used to measure the total pension liability as of June 30, 2017. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.25%, and a municipal bond rate of 3.56%, net of expense. Based on the stated assumptions and the projection of cash flows, the plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2053. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the 2053 fiscal year, and the municipal bond rate was applied to all benefit payments after that date.

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

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

	1% Decrease (4.9%)	Current Discount Rate (5.9%)	1% Increase (6.9%)
The Districts' proportionate share of the net pension liability	\$ 14,381,617	\$ 11,047,899	\$ 8,322,856

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in separately issued NMERB'S financial reports. The reports can be found on NMERB's Web site at https://www.nmerb.org/Annual_reports.html.

H. Other Post-Employment Benefits (OPEB)
Retiree Health Care Plan

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

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

All regular full-time employees of the District are members of the Plan, in addition to certain job share and intermittent employees. Eligible employees become members on the first day they are physically on the job. At June 30, 2017, Plan membership consisted of the following:

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

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

Because the Authority is a self-funded, mainly self-insured entity pursuant to Section 10-7C NMSA 1978, the Authority is not construed to be transacting insurance activity otherwise subject to the laws of the State of New Mexico that regulate insurance companies and therefore, not subject to minimum statutory reserve requirements.

Employer and employee contributions to the Authority total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee's salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer's participation in the Authority.

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

The Schedules are prepared using the economic resource measurement focus and the accrual basis of accounting in accordance with the standards issued by the Government Accounting Standards Board (GASB). Contributions are recognized when due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value. For the purposes of measuring the net OPEB liability, deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the Authority and additions to and deductions from Authority's fiduciary net position have been determined on the same basis as they were reported by Authority. Each participating employer's proportionate share of the Fund's net OPEB liability, deferred amounts and OPEB expense is calculated based on the employer's contributions to the Fund as a percentage of total employer contributions received by the Fund during the measurement year.

The preparation of the schedules in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain amounts and disclosures for the reporting period. Actual results could differ from those estimates.

Benefits Provided

Benefit Types: Retirees and spouses are eligible for medical and prescription drug benefits. Dental and vision benefits are also available, but were not included in this valuation, since they are 100% retiree paid. A description of these benefits may be found at www.nmrhca.org by clicking on Retirees.

Duration of Coverage: Employees and dependents are valued for life.

Dependent Benefits: Same as retirees.

Dependent Coverage: Same as retirees.

Retiree Contributions: The retiree contribution is derived on a service based schedule implemented effective 7/1/2001 and updated annually. The table below shows the anticipated retiree paid portion of claims.

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Notes to the Financial Statements
June 30, 2018

Non-Medicare Retiree	33.0%	34.3%	35.5%	36.0%
Non-Medicare Spouse	57.6%	60.5%	63.0%	64.0%
Medicare Retiree	52.7%	50.9%	50.0%	50.0%
Medicare Spouse	79.1%	76.4%	75.0%	75.0%

Retired Before 2020 or in Public Safety Pension Plan

Years of Service	Percent of full subsidy based on service	Years of Service	Percent of full subsidy based on service
5	6.25%	13	56.25%
6	12.50%	14	62.50%
7	18.75%	15	58.75%
8	25.00%	16	75.00%
9	31.25%	17	81.25%
10	37.50%	18	87.50%
11	43.75%	19	93.75%
12	50.00%	20+	100.00%

Retired After 2019 and Not in Public Safety Pension Plan

Years of Service	Percent of full subsidy based on service	Years of Service	Percent of full subsidy based on service
5	4.76%	16	57.14%
6	9.52%	17	61.90%
7	14.29%	18	66.67%
8	19.05%	19	71.43%
9	23.81%	20	76.19%
10	28.57%	21	80.95%
11	33.33%	22	85.71%
12	38.10%	23	90.48%
13	42.86%	24	95.24%
14	47.62%	25+	100.00%
15	52.38%		

Actuarial Valuation

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

Valuation Date	6/30/17
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 members; 2.25% for PERA members
Projected payroll increases	3.50%
Investment rate of return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation 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
Health care cost trend rate	8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 for Medicare medical plan costs
Mortality	ERB members: RP-2000 Combined Healthy Mortality Table with White Collar Adjustment (males) and GRS Southwest Region Teacher Mortality Table (females) PERA members: RP-2000 Combined Healthy Mortality

Rate of Return

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Rate of Return</u>
U.S. core fixed income	20.0%	4.1%
U.S. equity - large cap	20.0%	9.1%
Non U.S. - emerging markets	15.0%	12.2%
Non U.S. - developed	12.0%	9.8%
Private equity	10.0%	13.8%
Credit and structured	10.0%	7.3%
Real estate	5.0%	6.9%
Absolute return	5.0%	6.1%
U.S. equity - small/mid cap	3.0%	9.1%

Discount Rate

The discount rate used to measure the total OPEB liability is 3.81% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of 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

The following presents the net OPEB liability, calculated using the discount rate of 3.81%, as well as what the Fund's net OPEB liability would be if it were calculated using a discount rate that is 1-percent lower or 1-percent higher than the current rate:

	1% Decrease (2.81%)	Current Discount Rate (3.81%)	1% Increase (4.81%)
The Districts' proportionate share of the net OPEB liability	\$ 3,625,172	\$ 2,988,638	\$ 2,489,221

The following presents the Net OPEB Liability of NMRHCA as of June 30, 2017, as well as what the Fund's Net OPEB Liability would be if it were calculated using a health cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the health cost trend rates used:

	1% Decrease	Current Trend Rates	1% Increase
The Districts' proportionate share of the net OPEB liability	\$ 2,542,043	\$ 2,988,638	\$ 3,336,873

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

At June 30, 2018, the District reported a liability of \$2,988,638 for their proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2016. The total OPEB liability was rolled-forward from the valuation date to the plan year ending June 30, 2017 using generally accepted actuarial principles. Therefore, the employer's portion as established as of the measurement date of June 30, 2017. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2017. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating institutions, actuarially determined. At June 30, 2017, the District's proportion was 0.06595%, which was an increase of 0% from their proportion measured as of June 30, 2016.

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June 30, 2018

For the year ended June 30, 2017, the District recognized OPEB expense of \$118,819. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows or resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 0	114,688
Net difference between projected and actual earnings on OPEB investments	0	42,994
Changes in assumptions	0	522,525
Changes in proportion and differences between the District's contributions and proportionate share of contributions	0	0
District's contributions subsequent to the measurement date	58,460	0
	<u>\$ 58,460</u>	<u>680,207</u>

\$58,460 reported as deferred outflows of resources related to OPEB resulting from District's contributions subsequent to the measurement date June 30, 2017 will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ended June</u>	
2019	\$ (144,617)
2020	(144,617)
2021	(144,617)
2022	(144,617)
2023	(101,739)
Total	<u>\$ (680,207)</u>

Additional Information. Additional financial information is available at www.nmrhca.org or by contacting New Mexico Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

I. Reconciliation of Budgetary Basis to GAAP Basis Statements

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - all Governmental Fund Types is presented on the budgetary basis to provide a comparison of actual results with the budget. The major differences between the budget basis and GAAP (Generally Accepted Accounting Principles) basis are that:

- A. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- B. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

The adjustments necessary to convert the results of operations for the year from GAAP basis to the budget basis for the governmental funds are presented on each individual Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget and Actual (Budgetary Basis).

J. Risk Management

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

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

The officials and certain employees of the District are covered by a surety bond as required by Section 12-6-7, NMSA, 1978 Compilation.

K. Joint Powers Agreements

Jal Public School is part of a joint powers agreement with the Lea Regional Education Cooperation # 7 (REC). The REC administers the following programs listed below for the District. The financial statements for these funds have been prepared separately and are available at the REC.

The agreement is to remain in effect until the end of any fiscal year during which the District gives notice of intent to terminate.

The REC is responsible for their audit. The information is available at the Lea Regional Education Cooperation, 315 East Clinton, Hobbs, New Mexico 88240.

Jal Public School is a member of the Lea County Distance Education Consortium. Other members include all school districts in Lea County, Eastern New Mexico University and New Mexico Junior College. The purpose of the Consortium is to purchase and maintain a two-way interactive television network to provide educational services between each of the members. The District contributed \$15,875 this fiscal year.

This agreement shall continue as mutually agreeable by all parties.

The New Mexico Junior College is responsible for their audit. The information is available at the New Mexico Junior College, 5317 N Lovington Hwy, Hobbs, New Mexico 88240.

L. Concentrations

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

M. Subsequent Events

Subsequent events were evaluated through October 25, 2018 which is the date the financial statements were available to be issued.

O. Restatement

Fund Balance was restated \$(5,554) for money repaid to PED in the Transportation Fund.

Net Position was restated \$2,506,335. Of that amount, \$(5,554) was the restatement to the fund balance stated above, \$(3,550,026) was the OPEB liability and \$6,061,915 was a restatement to capital assets. See note D above for capital asset restatements.

The cash balance was restated \$(2,416) in the Teacher/Principal Training Fund (24154). This restatement had no effect on the fund balance or net position.

P. Budget Violations

	<u>Budget</u>	<u>Amount</u>	<u>Variance</u>
Major Funds			
Senate Bill Nine-Local-31701			
Support Services	\$ 4,000	\$ 5,163	\$ (1,163)
Debt Service-41000			
Support Services	8,500	9,169	(669)
Non-Major			
Food Service-21000			
Food Service Operations	130,601	132,418	(1,817)
Athletics-22000			
Instruction	24,083	25,224	(1,141)
Title I-24101			
Instruction	38,600	46,865	(8,265)

Required Supplemental Information

State of New Mexico
Jal Public Schools
Schedules of Required Supplementary Information for the Pension Plan

Schedule of the District's Proportionate Share of the Net Pension Liability

Last 10 Fiscal Years*

	Fiscal Year Measurement Date	2015 2014	2016 2015	2017 2016	2018 2017
District's proportionate share of the net pension liability		0.09472%	0.87110%	0.09469%	0.09941%
District's proportionate share of the net pension liability		\$ 5,404,459	\$ 5,642,347	\$ 6,814,303	\$ 11,047,899
District's covered-employee payroll		\$ 2,476,004	\$ 2,703,068	\$ 2,830,983	\$ 2,922,997
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll		218.27%	208.74%	240.70%	377.96%
Plan fiduciary net position as a percentage of the total pension liability		66.54%	63.97%	61.58%	52.95%

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

Schedule of District's Contributions

Last 10 Fiscal Years*

	June 30,			
	2015	2016	2017	2019
Contractually required contribution	\$ 344,165	\$ 375,726	\$ 393,507	\$ 406,297
Contributions in relation to the contractually required contribution	344,165	375,726	393,507	406,297
Contribution deficiency (excess)	\$ 0	\$ 0	\$ 0	\$ 0
District's covered-employee payroll	2,476,004	\$ 2,703,068	\$ 2,830,983	\$ 2,922,997
Contributions as a percentage of covered-employee payroll	13.90%	13.90%	13.90%	13.90%

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

The notes to the financial statements are an integral part of this statement.

Notes to Required Supplementary Information

Changes of benefit terms and assumptions.

The liabilities reflect the impact of Senate Bill 115, signed into law on March 29, 2013, and new assumptions adopted by the Board of Trustees on June 12, 2015 in conjunction with the six-year experience study period ended June 30, 2014. Specifically, the liabilities measured as of June 30, 2016 incorporate the following assumptions:

- * All members with annual salary of more than \$20,000 will contribute 10.70% during the fiscal year ending June 30, 2015 and thereafter,

- * 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,

- * COLAs for most retirees are reduced until NMERB attains a 100% funded status, and

- * For purposes of projecting future benefits, it is assumed that the full COLA is paid in all future years.

The notes to the financial statements are an integral part of this statement.

Schedule of the District's Proportionate Share of the Net Other Post Employment Benefits (OPEB) Liability

Last 10 Fiscal Years*

	Fiscal Year Measurement Date	2018 2017
District's proportion of the net OPEB liability		0.06595%
District's proportionate share of the net OPEB liability	\$	2,988,638
District's covered-employee payroll	\$	2,922,997
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll		102.25%
Plan fiduciary net OPEB as a percentage of the total OPEB liability		11.34%

**Governmental Accounting Standards Board Statement No. 68* requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the District is not available prior to fiscal year 2018, the year the statement's requirements became effective.

Schedule of District's Contributions

Last 10 Fiscal Years*

	June 30, 2018
Contractually required contribution	\$ 58,460
Contributions in relation to the contractually required contribution	58,460
Contribution deficiency (excess)	\$ 0
District's covered-employee payroll	2,922,997
Contributions as a percentage of covered-employee payroll	2.00%

**Governmental Accounting Standards Board Statement No. 68* requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for District is not available prior to fiscal year 2018, the year the statement's requirements became effective.

Notes to Required Supplementary Information

Changes of benefit terms and assumptions. There were no changes in benefit terms from the previous valuation. A description of these benefits may be found at www.nmrhca.org by clicking on Retirees. Assumptions are included in the notes to the financial statements Note H.

The notes to the financial statements are an integral part of this statement.

**Supplemental Information Related to
Nonmajor Funds**

Nonmajor Special Revenue Funds

Food Services (21000). To account for revenue and expenditures associated with the school breakfast and lunch program. Funding is provided from fees from patrons and USDA food reimbursements. Authority for creation of this fund is NMSA 22-13-13.

Athletics (22000). To account for revenue and expenditures associated with the District's budgeted athletic activities. Authority for creation of this fund is NMAC 6.20.2.

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

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

IDEA Preschool (24109). To account for a program funded by a Federal grant to assist the District in providing a free appropriate public education to preschool disabled children aged three through five years. Funding authorized by the Individuals with Disabilities Education Act, Part B, Section 619, as amended, Public Laws 94-142, 99-457, 100-630, 101-497, 101-476, and 102-119. The fund was created by the authority of federal grant provisions.

IDEA B Results Plan (24132). To account for a program funded by a Federal grant to assist the District in providing free appropriate public education to all handicapped children. Funding authorized by the Individuals with Disabilities Education Act, Part B, Sections 611-620, as amended, Public Laws 91-230, 93-380, 94-142, 98-199, 99-457, 100-639, and 101-476, 20 U. S. C. 1411-1420. The fund was created by the authority of federal grant provisions.

Teacher/Principal Training and Recruiting (24154). To provide grants to State Education Agencies (SEAs) on a formula basis to increase student academic achievement through strategies such as improving teacher and principal quality and increasing the number of highly qualified teachers in the classroom and highly qualified principals and assistant principals in schools and hold local educational agencies and schools accountable for improvements in student academic achievement. Authority for the creation of the fund is the Elementary and Secondary Education Act of 1965, as amended, Title II, Part A (PL 107-110).

Rural Education Achievement Program (REAP) (25233). To provide financial assistance to rural districts to carry out activities to help improve the quality of teaching and learning in their schools. Authority for the creation of the fund is the Elementary and Secondary Education Act of 1965 (ESEA), Title VI, Part B, as amended.

Maddox Foundation (26109). The revenue was from a grant to fund the start up costs of a day care service for employees and students in the District. If there are vacancies in the program, children from the community are provided service. All children are charged a fee to attend. The fund was created by definition.

Dual Credit Instructional Materials (27103). To provide financial assistance to purchased instructional materials for the college classes offered to students who are taking them for dual credits. The fund was created by the authority of state grant provisions.

Nonmajor Special Revenue Funds

GO Student Library (27107). To account for revenues and expenditures from a state grant to provide for public school and juvenile detention libraries. The funding made available to update and expand library collections in order to circulate and provide access of materials to students and teachers. Funding provided by the State of New Mexico. The fund was created by the authority of state grant provisions.

Teacher Recruitment Initiative (27128). To account for funds to be used for teacher recruitment efforts such as signing bonuses for new teachers, cover the costs of travel to a recruiting/ hiring event, updates to the District's website with regard to recruitment and the cost of placing advertisements in a newspaper or external website. The fund was created by the authority of state grant provisions.

State of New Mexico
Jal Public Schools
 Nonmajor Funds
 Combining Balance Sheet
 June 30, 2018

	Special Revenue		
	Food Service 21000	Athletics 22000	Title I 24101
Assets			
Cash and Cash Equivalents	\$ 7,837	\$ 1,358	\$ 0
Receivables			
Due From Grantor	0	0	6,692
Inventory	5,520	0	0
Total Assets	<u>\$ 13,357</u>	<u>\$ 1,358</u>	<u>\$ 6,692</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$ 266	\$ 0	\$ 0
Accrued Payroll	0	0	0
Interfund Balance	0	0	6,692
Total Liabilities	<u>266</u>	<u>0</u>	<u>6,692</u>
Deferred Inflows of Resources			
Unavailable Revenue	0	0	0
Total Deferred Inflows of Resources	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance			
Nonspendable-Inventory	5,520	0	0
Restricted for			
Special Revenue Funds	7,571	1,358	0
Total Fund Balance	<u>13,091</u>	<u>1,358</u>	<u>0</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 13,357</u>	<u>\$ 1,358</u>	<u>\$ 6,692</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Jal Public Schools
 Nonmajor Funds
 Combining Balance Sheet
 June 30, 2018

	Special Revenue		
	IDEA B Entitlement 24106	IDEA Preschool 24109	IDEA B Results Plan 24132
	<u> </u>	<u> </u>	<u> </u>
Assets			
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 0
Receivables			
Due From Grantor	32,797	2,635	2,369
Inventory	<u>0</u>	<u>0</u>	<u>0</u>
Total Assets	<u>\$ 32,797</u>	<u>\$ 2,635</u>	<u>\$ 2,369</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$ 0	\$ 0	\$ 0
Accrued Payroll			0
Interfund Balance	<u>32,797</u>	<u>2,635</u>	<u>2,369</u>
Total Liabilities	<u>32,797</u>	<u>2,635</u>	<u>2,369</u>
Deferred Inflows of Resources			
Unavailable Revenue	<u>0</u>	<u>0</u>	<u>0</u>
Total Deferred Inflows of Resources	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance			
Nonspendable-Inventory	0	0	0
Restricted for			
Special Revenue Funds	<u>0</u>	<u>0</u>	<u>0</u>
Total Fund Balance	<u>0</u>	<u>0</u>	<u>0</u>
 Total Liabilities, Deferred Inflows of Resources and Fund Balances	 <u>\$ 32,797</u>	 <u>\$ 2,635</u>	 <u>\$ 2,369</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Jal Public Schools
 Nonmajor Funds
 Combining Balance Sheet
 June 30, 2018

	Special Revenue		
	Teacher/ Principal Training 24154	REAP 25233	Maddox Foundation 26109
Assets			
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 0
Receivables			
Due From Grantor	0	0	57,906
Inventory	0	0	0
Total Assets	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 57,906</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$ 0	\$ 0	\$ 1,388
Accrued Payroll	0	0	4,397
Interfund Balance	0	0	51,297
Total Liabilities	<u>0</u>	<u>0</u>	<u>57,082</u>
Deferred Inflows of Resources			
Unavailable Revenue	<u>0</u>	<u>0</u>	<u>0</u>
Total Deferred Inflows of Resources	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance			
Nonspendable-Inventory	0	0	0
Restricted for			
Special Revenue Funds	0	0	824
Total Fund Balance	<u>0</u>	<u>0</u>	<u>824</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 57,906</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Jal Public Schools
 Nonmajor Funds
 Combining Balance Sheet
 June 30, 2018

	Special Revenue		
	Duel Credits Instructional Materials 27103	GO Student Library 27107	Teacher Recruitment Initiative 27128
Assets			
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 0
Receivables			
Due From Grantor	0	0	1,483
Inventory	0	0	0
Total Assets	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,483</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$ 0	\$ 0	\$ 0
Accrued Payroll	0	0	0
Interfund Balance	0	0	1,483
Total Liabilities	<u>0</u>	<u>0</u>	<u>1,483</u>
Deferred Inflows of Resources			
Unavailable Revenue	0	0	0
Total Deferred Inflows of Resources	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance			
Nonspendable-Inventory	0	0	0
Restricted for			
Special Revenue Funds	0	0	0
Total Fund Balance	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,483</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Jal Public Schools
 Nonmajor Funds
 Combining Balance Sheet
 June 30, 2018

	<u>Total</u>
Assets	
Cash and Cash Equivalents	\$ 9,195
Receivables	
Due From Grantor	103,882
Inventory	<u>5,520</u>
Total Assets	<u>\$ 118,597</u>
Liabilities and Fund Balances	
Liabilities	
Accounts Payable	\$ 1,654
Accrued Payroll	4,397
Interfund Balance	<u>97,273</u>
Total Liabilities	<u>103,324</u>
Deferred Inflows of Resources	
Unavailable Revenue	<u>0</u>
Total Deferred Inflows of Resources	<u>0</u>
Fund Balance	
Nonspendable-Inventory	5,520
Restricted for	
Special Revenue Funds	<u>9,753</u>
Total Fund Balance	<u>15,273</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 118,597</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Jal Public Schools
 Nonmajor Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balance
 For the Year Ended June 30, 2018

	Special Revenue		
	Food Service 21000	Athletics 22000	Title I 24101
Revenues			
Fees	\$ 17,020	\$ 20,382	\$ 0
State and Local Grants	0	0	0
Federal Grants	88,194	0	46,865
Total Revenues	<u>105,214</u>	<u>20,382</u>	<u>46,865</u>
Expenditures			
Current			
Instruction	0	25,224	46,865
Support Services			
Students	0	0	0
Instruction	0	0	0
General Administration	0	0	0
Central Services	0	0	0
Food Service	151,765	0	0
Community Service	0	0	0
Total Expenditures	<u>151,765</u>	<u>25,224</u>	<u>46,865</u>
Excess (Deficiency) of Revenues Over Expenditures	(46,551)	(4,842)	0
Fund Balances at Beginning of Year	<u>59,642</u>	<u>6,200</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 13,091</u>	<u>\$ 1,358</u>	<u>\$ 0</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Jal Public Schools
 Nonmajor Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balance
 For the Year Ended June 30, 2018

	Special Revenue		
	IDEA B Entitlement 24106	IDEA Preschool 24109	IDEA B Results Plan 24132
Revenues			
Fees	\$ 0	\$ 0	\$ 0
State and Local Grants	0	0	0
Federal Grants	77,904	4,098	17,885
Total Revenues	<u>77,904</u>	<u>4,098</u>	<u>17,885</u>
Expenditures			
Current			
Instruction	47,682	0	17,885
Support Services			
Students	6,525	0	0
Instruction	18,878	0	0
General Administration		4,098	0
Central Services	4,819	0	0
Food Service	0	0	0
Community Service	0	0	0
Total Expenditures	<u>77,904</u>	<u>4,098</u>	<u>17,885</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	0
Fund Balances at Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Jal Public Schools
 Nonmajor Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balance
 For the Year Ended June 30, 2018

	Special Revenue		
	Teacher/ Principal Training 24154	REAP 25233	Maddox Foundation 26109
Revenues			
Fees	\$ 0	\$ 0	\$ 163,497
State and Local Grants	0	0	73,545
Federal Grants	17,030	49,466	0
Total Revenues	<u>17,030</u>	<u>49,466</u>	<u>237,042</u>
Expenditures			
Current			
Instruction	7,364	43,386	0
Support Services			
Students	0	0	0
Instruction	0	0	0
General Administration	9,666	6,080	0
Central Services	0	0	0
Food Service	0	0	0
Community Service	0	0	291,894
Total Expenditures	<u>17,030</u>	<u>49,466</u>	<u>291,894</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	(54,852)
Fund Balances at Beginning of Year	<u>0</u>	<u>0</u>	<u>55,676</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 824</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Jal Public Schools
 Nonmajor Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balance
 For the Year Ended June 30, 2018

	Special Revenue		
	Duel Credits Instructional Materials 27103	GO Student Library 27107	Teacher Recruitment Initiative 27128
Revenues			
Fees	\$ 0	\$ 0	\$ 0
State and Local Grants	1,497	7,752	1,483
Federal Grants	0	0	0
Total Revenues	<u>1,497</u>	<u>7,752</u>	<u>1,483</u>
Expenditures			
Current			
Instruction	1,497	0	0
Support Services			
Students	0	0	0
Instruction	0	7,752	1,483
General Administration	0	0	0
Central Services	0	0	0
Food Service	0	0	0
Community Service	0	0	0
Total Expenditures	<u>1,497</u>	<u>7,752</u>	<u>1,483</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	0
Fund Balances at Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Jal Public Schools
 Nonmajor Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balance
 For the Year Ended June 30, 2018

	<u>Total</u>
Revenues	
Fees	\$ 200,899
State and Local Grants	84,277
Federal Grants	<u>301,442</u>
Total Revenues	<u>586,618</u>
Expenditures	
Current	
Instruction	189,903
Support Services	
Students	6,525
Instruction	28,113
General Administration	19,844
Central Services	4,819
Food Service	151,765
Community Service	<u>291,894</u>
Total Expenditures	<u>692,863</u>
Excess (Deficiency) of Revenues Over Expenditures	(106,245)
Fund Balances at Beginning of Year	<u>121,518</u>
Fund Balance End of Year	<u>\$ 15,273</u>

The notes to the financial statements are an integral part of this statement.

Other Supplemental Information

Fiduciary Fund

Activity Trust Fund

To account for funds of various student groups that are custodial in nature.

State of New Mexico
Jal Public Schools
Agency Funds - Activities
Schedule of Fiduciary Assets and Liabilities-Agency Funds
For the Year Ended June 30, 2018

	Balance 6/30/17	Additions	Deductions	Balance 6/30/18
Assets				
Elementary				
Educational Enhancement	\$ 15,262	\$ 13,319	\$ 21,171	\$ 7,410
Annuals	450	0	450	0
Administration	1,106	2,318	3,014	410
Elementary STEM	0	395	115	280
Total Elementary	<u>16,818</u>	<u>16,032</u>	<u>24,750</u>	<u>8,100</u>
Junior and Senior High School				
Annual	0	1,968	1,968	0
Cheerleaders	5,331	9,908	8,349	6,890
Educational Enhancement	1,439	23,824	21,989	3,274
Football Clearing Account	0	1,000	1,000	0
Gas Capital Relays	1,540	1,250	1,416	1,374
Junior Class	0	10,016	8,819	1,197
National Honor Society	639	3,812	2,166	2,285
District Clearing	118	214	118	214
Senior Class	2,500	46	1,786	760
STEM or Shop	56,424	16,680	39,226	33,878
Sports Booster	5,176	11,188	7,403	8,961
Sports Misc.	8,969	37,176	33,507	12,638
Student Council	3,037	182	209	3,010
Technology Fund	142	608	673	77
Culinary	1,879	0	1,334	545
Jr High Athletics	23	3,476	3,399	100
Jr High Cheerleaders	790	0	24	766
Total Jr. & Sr. High	<u>88,006</u>	<u>121,348</u>	<u>133,386</u>	<u>75,968</u>
Scholarships				
Woolworth Scholarship	21,096	10,000	29,755	1,341
New Mexico Junior College	66,466	0	1,000	65,466
Owen Scholarship	1,218	0	500	718
Short Scholarship	23,391	0	900	22,491
RRR Ranch Scholarship	2,000	4,000	2,000	4,000
Twin Eagle Scholarship	0	10,000	0	10,000
GEO Group Foundation	0	2,000	0	2,000
Total Scholarships	<u>114,171</u>	<u>26,000</u>	<u>34,155</u>	<u>106,016</u>
Total Assets	<u>\$ 218,995</u>	<u>\$ 163,380</u>	<u>\$ 192,291</u>	<u>\$ 190,084</u>
Liabilities				
Deposits Held for Others	<u>\$ 218,995</u>	<u>\$ 163,380</u>	<u>\$ 192,291</u>	<u>\$ 190,084</u>
Total Liabilities	<u>\$ 218,995</u>	<u>\$ 163,380</u>	<u>\$ 192,291</u>	<u>\$ 190,084</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Jal Public Schools
Cash Reconciliations - All Funds
For the Year Ended June 30, 2018

		Beginning Cash Balance 6/30/17	Restatement	Restated Beginning Cash Balance 6/30/17	Revenue	Expenditures	Ending Cash Balance 6/30/18
Operational	11000	\$ 454,611	\$ 0	\$ 454,611	\$ 4,463,991	\$ 4,357,691	\$ 560,911
Teachergage	12000	(390)	0	(390)	25,169	8,848	15,931
Transportation	13000	11,105	0	11,105	129,288	139,944	449
Instructional Materials	14000	12,273	0	12,273	14,812	18,972	8,113
Food Services	21000	44,462	0	44,462	95,793	132,418	7,837
Athletics	22000	6,200	0	6,200	20,382	25,224	1,358
Federal Flowthrough	24000	(21,779)	2,416	(19,363)	138,827	163,958	(44,494)
Federal Direct	25000	(5,481)	0	(5,481)	55,561	50,080	0
Local Grants	26000	55,676	0	55,676	179,135	286,108	(51,297)
State Flowthrough	27000	0	0	0	9,249	10,732	(1,483)
Bond Building	31100	23,174,048	0	23,174,048	0	17,136,744	6,037,304
SB9-Local	31701	1,528,482	0	1,528,482	3,332,640	1,595,139	3,265,983
Debt Service	41000	2,863,261	0	2,863,261	6,041,450	2,227,425	6,677,286
Agency Funds		218,996	0	218,996	163,380	192,291	190,085
Total		\$ 28,341,464	\$ 2,416	\$ 28,343,880	\$ 14,669,677	\$ 26,345,574	\$ 16,667,983

The notes to the financial statements are an integral part of this statement.

De'Aun Willoughby CPA, PC

Certified Public Accountant

225 Innsdale Terrace Clovis, NM 88101

(855) 253-4313

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

Independent Auditor's Report

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

Mr. Johnson and Members of the Board

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 comparison of the general fund of Jal Public Schools (District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 25, 2018.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District'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 are less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses, that we consider to be significant deficiencies. 2013-002, 2017-002, 2018-001, 2018-002, 2018-003, 2018-004, 2018-005, 2018-006, 2018-007, 2018-008.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses; 2013-002, 2017-002, 2018-001, 2018-002, 2018-003, 2018-004, 2018-005, 2018-006, 2018-007, 2018-008.

District's Responses to Findings

The District's responses to the findings identified in our audit as described in the accompanying Schedule of Findings and Responses. The District's response was not subject to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

De'Aun Willoughby, CPA, PC

Clovis, New Mexico
October 25, 2018

Prior Year Audit Findings	Status
2013-001 Bank Reconciliations	Resolved
2013-002 PED Cash Report	Repeated & Modified
2017-001 NMPSIA	Resolved
2017-002 New Hires	Repeated & Modified

Current Year Audit Findings

2013-002 PED Cash Reports -Compliance and Internal Control-Significant Deficiency

Condition

The audited cash balances did not agree to the cash balances on the final cash report submitted to PED. The audited balance difference was \$4,782.61 more than reported to PED.

Management has made progress in this area.

Criteria

6.20.2.11 (B) (6) NMAC and Regulation SBE-6 states the reports sent to the New Mexico Public Education Department (PED) must agree to the District's general ledger and must be submitted quarterly and annually by July 31.

Cause

The failure of the bank reconciliation process prevents the amounts from agreeing.

Effect

The District is not in compliance with NMAC 6.20.2.11 (b) (6) and Regulation SBE-6. Noncompliance may result in impaired decision making by the District's governing board.

Recommendation

The PED cash reports must agree with a reconciled general ledger.

Response

The Business office has worked with the PED budget analyst to resolve the issue of cash accounts and hopes to have the issue resolved before the current fiscal year end.

Responsible Party and Timeline

The business manager is responsible for this finding and hopes to have this issue resolved before the current fiscal year end.

2017-002 New Hires-Compliance and Internal Control-Significant Deficiency

Condition

Out of 40 new hires 10 were sampled. Of those 3 were not submitted timely.

Management has made progress in this area.

Criteria

New Mexico law (§50-13-1 to 50-13-4) and Federal law (42 USC §653.a.(b)(1)(A)), all public, private, non-profit, and government employers are required to report all newly hired employees within 20 days of hire.

Cause

Management was not aware new hires had to be reported within 20 days of hire.

Effect

Pursuant to federal law, states have the option of imposing civil monetary penalties on employers who fail to report new hires. The fine can be up to \$20 per newly hired employee, and if there is a conspiracy between the employer and employee not to report, the penalty can be up to \$500 per newly hired employee.

Recommendation

The District should report new hires within 20 days of hire.

Response

Employee verification was immediately re-submitted & documented by the HR/Payroll Director.

Responsible Party and Timeline

The human resource personnel is responsible for this finding. It is expected to be resolved immediately.

2018-001 Stale Dated Checks-Compliance and Internal Control-Significant Deficiency

Condition

The district carried 2 old outstanding checks in the operational account totaling \$339.62.

Criteria

In accordance with 6.20.2.14 whenever any check is unpaid for one year, the fiscal officer shall cancel it in accordance with Section 6-10-57(A), NMSA 1978.

Cause

The business office was awaiting response from vendor of uncashed check to re-issue if need be.

Effect

Carrying numerous bank reconciling items could result in a misstatement in the accounting records or related misappropriation of funds.

Recommendation

A review of all checks issued over one year should occur at year end. All uncleared checks should be researched and resolved before year end process is complete.

Response

The business office immediately voided the outstanding checks in current fiscal year totaling \$339.62 due to no correspondence from vendors.

Responsible Party and Timeline

The business manager is responsible for this finding. It is expected to be resolved immediately.

2018-002 NMPSIA-Compliance and Internal Control-Significant Deficiency

Condition

1 of the 15 employees sampled for March withholdings job description was child care provider working 49.33 hours for that pay period and was not reported on the April's NMPSIA billing.

Criteria

6.50.8.1 NMAC Subsection D of Section 22-29-7 NMSA 1978, directs the authority to promulgate necessary rules, regulations and procedures for the implementation of the New Mexico Public School Insurance Authority Act, Section 22-29-1 et seq. NMSA 1978.

Cause

Employee was listed as a Substitute in which no withholdings are required.

Effect

These mistakes are costing the District money that could be used to educate the students.

Recommendation

Payroll journals should be reviewed periodically to review who is not paying into NMPSIA or at least showing the districts amount of basic life.

Response

The HR/Payroll department updated the job title immediately to part time employee of Bright Beginnings in which deductions are mandatory. The withholdings were recalculated and reported to NMPSIA.

Responsible Party and Timeline

The human resource personnel is responsible for this finding. It is expected to be resolved immediately.

2018-003 ERB & RHCA-Compliance and Internal Control-Significant Deficiency

Condition

a. 1 of 15 employees sampled was hired 10/27/17 (pay period #9) as a child care provider. Starting with pay period #12 the employee began to work greater than .25 FTE and should have been paying into ERB. The District started withholding and reporting this employee to ERB for pay period #20.-Estimate employee owes ERB \$221.78 and District owes \$390.23. The same employee also should have been paying into RHCA-Estimate employee owes RHCA \$28.07 and District owes \$56.15.

b. While determining the difference between wages reported to State unemployment and wages reported to ERB we noted 2 long-term subs that met the requirements to participate in ERB & RHCA. Their wages totaled \$16,185.00. The employee portion due to ERB is \$1,278.62 and the employer due is \$2,249.72 totaling \$3,528.33. The employee portion due to RHCA is \$161.85 and the employer due is \$323.70 totaling \$485.55.

Criteria

As per ERB Member Handbook - Individuals who work more than 25% of a FTE for public schools (including charter schools), Universities, Junior and Community Colleges, Public technical and Vocational Institutions, New Mexico School for the deaf, New Mexico School for the Visually Handicapped, Regional education cooperatives, New Mexico Activities Association, Certain employees at state agencies that provide an educational program (i.e., Department of Corrections, Public Education Department, Department of Health, Division of Vocational Rehabilitation, Educational Retirement Board). Retiree Health Care Act 100% of payroll is to be reported- Section 10-7C-15 NMSA 1978.

Cause

Employee was listed as a Substitute in which no withholdings are required.

Effect

Benefits were underpaid and the employee did not received credit for the earnings at ERB.

Recommendation

The setup should be reviewed for all employees before the first payroll is run at the beginning of the school year. The review should continue for each new employee.

Response

The HR/Payroll department updated the job title immediately to part time employee of Bright Beginnings in which deductions are mandatory. The ERB & RHCA withholdings were recalculated and reported to ERB.

Responsible Party and Timeline

The business manager is responsible for this finding. It is expected to be resolved immediately.

2018-004 Personnel Files-Compliance and Internal Control-Significant Deficiency

Condition

While sampling 15 employees personnel files we noted:

One I-9 was not complete and used a expired form of ID.

Two had no background checks.

Criteria

NMAC 6.20.2.18 states the local board shall establish written policies and procedures which comply with state and federal regulations on payroll as well as maintaining strict internal controls, close supervision and financial accounting in accordance with GAAP. School district shall maintain and have available for inspection the following employee record documentation: employment contracts (including increments), personnel/payroll action forms, certification records, employment eligibility verification (federal form I-9 for citizenship certification), federal and state withholding allowance certificates, pay deduction authorizations, direct deposit authorizations, pay or position change notices and ERA plan application. New Mexico Statutes Section 22-10A-5: Background checks D. An applicant for employment who has been initially licensed within twenty-four months of applying for employment with a local school board, regional education cooperative or a charter school shall not be required to submit to another background check if the department has copies of the applicant's federal bureau of investigation records on file.

Cause

Files for background checks were misplaced, and license was misread.

Effect

The District is subject to penalties. The penalties can include \$250 to \$3,000 for improper completion of the I-9 form. Improper completion, retention or making it available for inspection fines range from \$100 to \$1,100 for each I-9. Knowingly hiring or continuing to employ unauthorized workers fines range from \$250 up to \$11,000 per violation.

Recommendation

The Human Resource employee needs to read and understand both the I-9 Instructions and the M-274 Handbook for employers as well as additional training and supervision is necessary to assure the I-9s are completed correctly. All background checks should be reviewed and updated if necessary.

Response

The HR/Payroll Department received a valid ID from the employee immediately and was placed in file. Background checks have been ordered and a review of all district employees files have been made to ensure compliance.

Responsible Party and Timeline

The human resource personnel is responsible for this finding. It is expected to be resolved immediately.

2018-005 Expenditures-Compliance-Significant Deficiency

Condition

Fund 11000 - Of the 37 expenditures tested totaling \$386,750, 16 totaling \$828,205.04 or 72.97% of expenditures were issued a PO after the fact. One totaling \$45,409.40 or 11.74% of expenditures were not paid within 30 days.

Fund 12000 - Of the 8 expenditures sampled totaling \$16,757.36, 2 totaling \$1,115.29 or 6.57% of expenditures were issued a PO after fact.

Fund 13000 - Of the 21 expenditures tested totaling \$37,339.66, 18 totaling \$17,799.89 or 47.67% of expenditures were issued a PO after the fact.

Fund 31100 - Of the 19 expenditures sampled totaling \$16,612,232.02, 17 totaling \$15,381,710.35 or 92.59% will issued a PO after the fact.

Fund 31701 - Of the 27 expenditures sampled totaling \$1,072,597.61, 5 totaling \$61,767.51 or 5.76% of expenditures were issued a PO after the fact.

Criteria

In accordance with 6.20.2.17 Purchasing each school district shall establish and implement written policies and procedures for purchasing which shall be in compliance with the Procurement Code, Section 13-1-21 et seq, NMSA 1978.

Cause

Processes and procedures are in place but are not followed in all instances.

Effect

Without proper documentation and following the procurement act, there are not adequate controls over expenditures. Results could be over spending.

Recommendation

Staff meeting need to be held with training on the procurement process. The Superintendent needs to enforce the process and write up those who violate it. There should be consequences to violations.

Response

We will have staff meetings and stress the importance of following the procurement act. The Superintendent along with CPO will enforce the process and consider consequences to violations.

Responsible Party and Timeline

The accounts payable clerk is responsible for this finding. It is expected to be resolved immediately.

2018-006 Budget Violation-Compliance and Internal Control-Significant Deficiency

Condition

The District has maintained expenditures at the function level in which actual expenditures exceeded budgetary authority in the following funds:

	<u>Amount</u>
Major Funds	
Senate Bill Nine-Local-31701	
Support Services	\$ (1,163)
Debt Service-41000	
Support Services	(669)
Non-Major Funds	
Food Service-21000	
Food Service Operations	(1,817)
Athletics-22000	
Instruction	(1,141)
Title I-24101	
Instruction	(8,265)

Criteria

Sound financial management and state regulation 6.20.2.9 (A), NMAC and state statutes 22-8-5 through 22-8-12.2, NMSA 1978, require that budgets not be exceeded at the legal level of control. For school district's, the expenditure function is the legal level of control.

Cause

The District did not make the appropriate budgetary adjustments requests which would alleviate over-expenditure within the functions prior to the year end.

Effect

As a result, the District is in noncompliance with New Mexico law, and the control established by the use of budgets has been compromised. Continued over-expenditure of budgeted balances may result in unnecessary usage of operating funds to absorb over-expenditures.

Recommendation

The District must establish a policy of budgetary review at year-end, and make the necessary budget adjustments.

Response

The business office will conduct a budgetary review every quarter to make the necessary budget adjustments to be in compliance with New Mexico law.

Responsible Party and Timeline

The business manager is responsible for this finding. It is expected to be resolved immediately.

2018-007 Cash Appropriations in Excess of Available Cash Balances-Compliance and Internal Control-Significant Deficiency Condition

The District maintained a deficit budget in excess of available cash balance in the following funds:

	Budgeted Revenue		Cash Balance as of July 1, 2017		Budgeted Expenditures		Cash Appropriations In Excess of Available Cash
Major Funds							
General Fund							
Operational-11000	4,302,916	+	454,611	-	4,793,079	=	(35,552)
Teacherage-12000	18,000		(390)		22,800		(5,190)
Senate Bill Nine-Local-31701	1,924,188		1,528,481		4,395,912		(943,243)
Debt Service-41000	2,569,013		2,863,260		5,476,538		(44,265)

Criteria

Section 2.2.2.10. (P) (1), NMAC, requires all school district funds, with the exception of agency funds, to be budgeted by the local governing body and submitted to the PED for approval. Cash balances budgeted to make up the deficit budgeted revenues that do not cover the budgeted expenditures, cannot exceed the actual cash balance available at the end of the prior year.

Cause

The District does not have a procedure in place to ensure sufficient beginning cash balances exist to absorb budget deficits.

Effect

The District will have to supplement the budget deficit with other funds, which may lead to financial difficulties and deplete the budget in other funds.

Recommendation

BARS should be issued shortly after audited cash balances are confirmed if estimated cash balances are more and cash was used to balance the budget.

Response

The Business office will review the audited cash balances to confirm the estimated cash balances reflect the audit. BARS will then be submitted immediately if they are not balanced.

Responsible Party and Timeline

The business manager is responsible for this finding. It is expected to be resolved immediately.

2018-008 Capital Asset Restatement-Compliance and Internal Control-Significant Deficiency Condition

The District had a significant restatement to capital assets of \$6,061,915.

Criteria

GASB Statement No. 34 requires depreciation of capital assets.

Cause

The District used Vision's fixed asset module since the inception of GASB 34 to depreciate the capital assets. In the fiscal year ended June 30, 2018, the District migrated the information to an excel spreadsheet. In the process, it was discovered the accumulated depreciation was overstated.

Effect

The financial condition of the District was misstated. Management decisions could be skewed because of the misstatement.

Recommendation

The District should continue to keep the depreciation schedule on excel.

Response

We will continue to use excel for our depreciation schedule.

Responsible Party and Timeline

The business manager is responsible for this finding. It has been resolved.

Financial Statement Preparation

The financial statements were prepared by De'Aun Willoughby CPA. However, they are the responsibility of management.

Exit Conference

An exit conference was held on October 25, 2018 Brian Snider-Superintendent, Jenny Edwards, Board Member, Jamie Earp-Board Member, Lisa Acosta-Audit Committee Member, Nicole Herrera-Business Manager, and De'Aun Willoughby CPA.