



State of New Mexico
Lake Arthur Municipal Schools

Annual Financial Report
June 30, 2019

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



State of New Mexico
Lake Arthur Municipal Schools
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Lake Arthur Municipal Schools
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State of New Mexico
Lake Arthur Municipal Schools
Official Roster
June 30, 2019

Board of Education

Edward Rubio	President
Gene Bassett	Vice-President
Irma Salmon	Secretary
Amanda Lodoza	Member
Cyndi Buck	Member

School Officials

Elisa Begueria	Superintendent
Dee Dee Dalton	Business Manager/CPO

De'Aun Willoughby CPA, PC

Certified Public Accountant

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Independent Auditor's Report

Mr. Brian S. Colón
State Auditor of the State of New Mexico
Board Members of the Lake Arthur Municipal Schools

Mr. Colón 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 comparisons for the general and major special revenue funds of Lake Arthur Municipal Schools (District), as of and for the year ended June 30, 2019, 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, 2019, and the respective changes in financial position, thereof and the respective budgetary comparisons for the general and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedules of Required Supplementary Information for Pension Plan and Other Post-Employment Benefits (OPEB) and their 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 other schedules presented as other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

De'Aun Willoughby, CPA, PC

Clovis, New Mexico
October 25, 2019

Financial Section

State of New Mexico
Lake Arthur Municipal Schools
Government-Wide Statement of Net Position
June 30, 2019

	Governmental Activities
Assets	
Current Assets	
Cash and Cash Equivalents	\$ 1,113,903
Property Taxes Receivable	47,729
Due from Grantor	53,499
Inventory	432
Total Current Assets	<u>1,215,563</u>
Noncurrent Assets	
Capital Assets	11,595,734
Less Accumulated Depreciation	<u>(6,433,309)</u>
Total Noncurrent Assets	<u>5,162,425</u>
Total Assets	<u>6,377,988</u>
Deferred Outflows of Resources	
Deferred Outflows Related to Pensions	
Actuarial Experience	2,932
Changes of Assumptions	827,862
Investment Experience	8,892
Changes in Proportion	5,754
Contributions Subsequent to Measurement Date	142,878
Deferred Outflows Related to Other Post-Employment Benefits	
Contributions Subsequent to Measurement Date	<u>20,558</u>
Total Deferred Outflows of Resources	<u>1,008,876</u>
Liabilities	
Current Liabilities	
Accounts Payable	6,666
Accrued Payroll	5,099
Accrued Interest	42,224
Current Portion of Long-Term Debt	335,000
Compensated Absences	18,230
Total Current Liabilities	<u>407,219</u>
Noncurrent Liabilities	
Bonds	3,275,000
Pension Liability	4,016,892
Other Post-Employment Benefits Liability	961,421
Total Noncurrent Liabilities	<u>8,253,313</u>
Total Liabilities	<u>8,660,532</u>
Deferred Inflows of Resources	
Deferred Inflows Related to Grants	939
Deferred Inflows Related to Pensions	
Actuarial Experience	76,448
Changes in Proportion	120,251
Deferred Inflows Related to Other Post-Employment Benefits	
Actuarial Experience	56,922
Investment Experience	11,998
Changes of Assumptions	179,493
Changes in Proportion	27,084
Total Deferred Inflows of Resources	<u>473,135</u>
Net Position	
Net Investment in Capital Assets	1,552,425
Restricted for	
Capital Projects	111,507
Debt Service	590,247
Unrestricted	<u>(4,000,982)</u>
Total Net Position	<u>\$ (1,746,803)</u>

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

State of New Mexico
Lake Arthur Municipal Schools
Government-Wide Statement of Activities
For the Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities					
Instruction	\$ 1,490,601	\$ 5,353	\$ 109,168	\$ 0	\$ (1,376,080)
Support Services					
Students	131,396	17,090	6,448	0	(107,858)
Instruction	147,959	0	1,483	0	(146,476)
General Administration	240,643	0	0	0	(240,643)
School Administration	129,704	0	0	0	(129,704)
Central Services	152,554	0	0	0	(152,554)
Operation of Plant	386,209	15,750	0	0	(370,459)
Student Transportation	118,991	0	115,449	0	(3,542)
Other Support Services	1,562	0	0	0	(1,562)
Food Services Operations	122,858	3,928	65,354	0	(53,576)
Interest on Long-Term Obligations	139,908	0	0	0	(139,908)
Total Governmental Activities	\$ 3,062,385	\$ 42,121	\$ 297,902	\$ 0	(2,722,362)
General Revenues					
Taxes					
Property Taxes, Levied for General Purposes					53,113
Property Taxes, Levied for Capital Projects					115,084
Property Taxes, Levied for Debt Service					559,669
Federal and State aid not restricted to specific purpose					
General					1,765,146
Capital					0
Miscellaneous					2,526
Subtotal, General Revenues					2,495,538
Change in Net Position					(226,824)
Net Position - Beginning					(1,519,979)
Net Position - Ending					\$ (1,746,803)

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

State of New Mexico
Lake Arthur Municipal Schools
 Governmental Funds
 Balance Sheet
 June 30, 2019

	General		
	Operational 11000	Teacherage 12000	Transportation 13000
Assets			
Cash and Cash Equivalents	\$ 163,555	\$ 9,872	\$ 0
Receivables			
Taxes Receivable	1,838	0	0
Due From Grantor	0	0	0
Interfund Balances	48,429	0	0
Inventory	0	0	0
Total Assets	\$ 213,822	\$ 9,872	\$ 0
Liabilities			
Accounts Payable	\$ 6,417	\$ 0	\$ 0
Accrued Payroll	5,099	0	0
Compensated Absences	1,885	0	0
Current Amount Due			
Principal	0	0	0
Interest	0	0	0
Interfund Balance	0	0	0
Total Liabilities	13,401	0	0
Deferred Inflows of Resources			
Unavailable Revenue	212	0	0
Total Deferred Inflows of Resources	212	0	0
Fund Balances			
Nonspendable-Inventory	0	0	0
Restricted for Special Revenue	0	0	0
Restricted for Capital Projects	0	0	0
Restricted for Debt Service	0	0	0
Unassigned	200,209	9,872	0
Total Fund Balances	200,209	9,872	0
Total Liabilities, Deferred Inflows and Fund Balances	\$ 213,822	\$ 9,872	\$ 0

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

State of New Mexico
Lake Arthur Municipal Schools
Governmental Funds
Balance Sheet
June 30, 2019

	General		Special Revenue	
	Instructional Materials 14000	Title I 24101	IDEA B Entitlement 24106	
Assets				
Cash and Cash Equivalents	\$ 7,921	\$ 0	\$ 0	
Receivables				
Taxes Receivable	0	0	0	
Due From Grantor	0	18,684	25,203	
Interfund Balances	0	0	0	
Inventory	0	0	0	
Total Assets	\$ 7,921	\$ 18,684	\$ 25,203	
Liabilities				
Accounts Payable	\$ 0	\$ 0	\$ 0	
Accrued Payroll	0	0	0	
Compensated Absences	0	0	0	
Current Amount Due				
Principal	0	0	0	
Interest	0	0	0	
Interfund Balance	0	18,684	25,203	
Total Liabilities	0	18,684	25,203	
Deferred Inflows of Resources				
Unavailable Revenue	0	0	0	
Total Deferred Inflows of Resources	0	0	0	
Fund Balances				
Nonspendable-Inventory	0	0	0	
Restricted for Special Revenue	0	0	0	
Restricted for Capital Projects	0	0	0	
Restricted for Debt Service	0	0	0	
Unassigned	7,921	0	0	
Total Fund Balances	7,921	0	0	
Total Liabilities, Deferred Inflows and Fund Balances	\$ 7,921	\$ 18,684	\$ 25,203	

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

State of New Mexico
Lake Arthur Municipal Schools
 Governmental Funds
 Balance Sheet
 June 30, 2019

	Special Revenue		Other Governmental Funds
	Wind Farm 29134	Debt Service 41000	
Assets			
Cash and Cash Equivalents	\$ 175,000	\$ 544,690	\$ 212,865
Receivables			
Taxes Receivable	0	37,118	8,773
Due From Grantor	0	0	9,612
Interfund Balances	0	0	0
Inventory	0	0	432
Total Assets	\$ 175,000	\$ 581,808	\$ 231,682
Liabilities			
Accounts Payable	\$ 0	\$ 0	\$ 249
Accrued Payroll	0	0	0
Compensated Absences	0	0	0
Current Amount Due			
Principal	0	25,000	0
Interest	0	21,225	0
Interfund Balance	0	0	4,542
Total Liabilities	0	46,225	4,791
Deferred Inflows of Resources			
Unavailable Revenue	0	4,859	2,457
Total Deferred Inflows of Resources	0	4,859	2,457
Fund Balances			
Nonspendable-Inventory	0	0	432
Restricted for Special Revenue	175,000	0	52,972
Restricted for Capital Projects	0	0	111,507
Restricted for Debt Service	0	530,724	59,523
Unassigned	0	0	0
Total Fund Balances	175,000	530,724	224,434
Total Liabilities, Deferred Inflows and Fund Balances	\$ 175,000	\$ 581,808	\$ 231,682

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

State of New Mexico
Lake Arthur Municipal Schools
 Governmental Funds
 Balance Sheet
 June 30, 2019

	Total Governmental Funds
Assets	
Cash and Cash Equivalents	\$ 1,113,903
Receivables	
Taxes Receivable	47,729
Due From Grantor	53,499
Interfund Balances	48,429
Inventory	432
Total Assets	<u>\$ 1,263,992</u>
Liabilities	
Accounts Payable	\$ 6,666
Accrued Payroll	5,099
Compensated Absences	1,885
Current Amount Due	
Principal	25,000
Interest	21,225
Interfund Balance	48,429
Total Liabilities	<u>108,304</u>
Deferred Inflows of Resources	
Unavailable Revenue	7,528
Total Deferred Inflows of Resources	<u>7,528</u>
Fund Balances	
Nonspendable-Inventory	432
Restricted for Special Revenue	227,972
Restricted for Capital Projects	111,507
Restricted for Debt Service	590,247
Unassigned	218,002
Total Fund Balances	<u>1,148,160</u>
 Total Liabilities, Deferred Inflows and Fund Balances	 <u>\$ 1,263,992</u>

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

State of New Mexico
Lake Arthur Municipal Schools
 Reconciliation of the Governmental Funds
 Balance Sheet to the Statement of Net Position
 June 30, 2019

Total Fund Balance - Governmental Funds \$ 1,148,160

Amounts reported for governmental activities in the Statement of Net Assets 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. 6,589

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

Capital Assets	\$ 11,595,734	
Accumulated Depreciation	<u>(6,433,309)</u>	5,162,425

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	988,318	
Deferred Outflows Related to OPEB	20,558	
Deferred Inflows Related to Pensions	(196,699)	
Deferred Inflows Related to OPEB	<u>(275,497)</u>	536,680

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	(20,999)	
Compensated Absences	(16,345)	
Bonds payable	(3,585,000)	
Pension Liability	(4,016,892)	
Other Post-Employment Benefits Liability	<u>(961,421)</u>	<u>(8,600,657)</u>

Total Net Position - Governmental Activities \$ (1,746,803)

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

State of New Mexico
Lake Arthur Municipal Schools
 Governmental Funds
 Statement of Revenues, Expenditures and Changes
 in Fund Balance
 For the Year Ended June 30, 2019

	General		
	Operational 11000	Teacherage 12000	Transportation 13000
Revenues			
Property Taxes	\$ 28,278	\$ 0	\$ 0
Fees	0	15,750	0
State & Local Grants	1,765,024	0	115,449
Federal Grants	122	0	0
Miscellaneous	2,526	0	0
Total Revenues	<u>1,795,950</u>	<u>15,750</u>	<u>115,449</u>
Expenditures			
Current			
Instruction	858,962	0	0
Support Services			
Students	104,403	0	0
Instruction	117,915	0	0
General Administration	184,051	0	0
School Administration	98,550	0	0
Central Services	118,299	0	0
Operation of Plant	258,626	5,265	0
Student Transportation	1,746	0	115,449
Other Support Services	1,562	0	0
Food Services Operations	34,657	0	0
Capital Outlay	0	17,339	0
Debt Service			
Principal	0	0	0
Interest	0	0	0
Total Expenditures	<u>1,778,771</u>	<u>22,604</u>	<u>115,449</u>
Excess (Deficiency) of Revenues Over Expenditures	17,179	(6,854)	0
Fund Balances at Beginning of Year	<u>183,030</u>	<u>16,726</u>	<u>0</u>
Fund Balances End of Year	<u>\$ 200,209</u>	<u>\$ 9,872</u>	<u>\$ 0</u>

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

State of New Mexico
Lake Arthur Municipal Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes
in Fund Balance
For the Year Ended June 30, 2019

	Special Revenue		
	General	Title I	Entitlement
	Instructional Materials 14000	24101	24106
Revenues			
Property Taxes	\$ 0	\$ 0	\$ 0
Fees	0	0	0
State & Local Grants	3,102	0	0
Federal Grants	0	29,419	35,523
Miscellaneous	0	0	0
Total Revenues	<u>3,102</u>	<u>29,419</u>	<u>35,523</u>
Expenditures			
Current			
Instruction	453	29,419	29,471
Support Services			
Students	0	0	6,052
Instruction	0	0	0
General Administration	0	0	0
School Administration	0	0	0
Central Services	0	0	0
Operation of Plant	0	0	0
Student Transportation	0	0	0
Other Support Services	0	0	0
Food Services Operations	0	0	0
Capital Outlay	0	0	0
Debt Service			
Principal	0	0	0
Interest	0	0	0
Total Expenditures	<u>453</u>	<u>29,419</u>	<u>35,523</u>
Excess (Deficiency) of Revenues Over Expenditures	2,649	0	0
Fund Balances at Beginning of Year	<u>5,272</u>	<u>0</u>	<u>0</u>
Fund Balances End of Year	<u>\$ 7,921</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

State of New Mexico
Lake Arthur Municipal Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes
in Fund Balance
For the Year Ended June 30, 2019

	<u>Special Revenue</u>		Other Governmental Funds
	<u>Wind Farm 29134</u>	<u>Debt Service 41000</u>	
Revenues			
Property Taxes	\$ 25,000	543,920	\$ 137,725
Fees	0	0	26,371
State & Local Grants	0	0	3,439
Federal Grants	0	0	110,970
Miscellaneous	0	0	0
Total Revenues	<u>25,000</u>	<u>543,920</u>	<u>278,505</u>
Expenditures			
Current			
Instruction	0	0	53,580
Support Services			
Students	0	0	11,978
Instruction	0	0	0
General Administration	0	2,453	538
School Administration	0	0	0
Central Services	0	0	0
Operation of Plant	0	0	80,429
Student Transportation	0	0	0
Other Support Services	0	0	0
Food Services Operations	0	0	66,807
Capital Outlay	0	0	7,083
Debt Service			
Principal	0	255,000	0
Interest	0	142,362	0
Total Expenditures	<u>0</u>	<u>399,815</u>	<u>220,415</u>
Excess (Deficiency) of Revenues Over Expenditures	25,000	144,105	58,090
Fund Balances at Beginning of Year	<u>150,000</u>	<u>386,619</u>	<u>166,344</u>
Fund Balances End of Year	<u>\$ 175,000</u>	<u>\$ 530,724</u>	<u>\$ 224,434</u>

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

State of New Mexico
Lake Arthur Municipal Schools
 Governmental Funds
 Statement of Revenues, Expenditures and Changes
 in Fund Balance
 For the Year Ended June 30, 2019

	Total Governmental Funds
Revenues	
Property Taxes	\$ 734,923
Fees	42,121
State & Local Grants	1,887,014
Federal Grants	176,034
Miscellaneous	2,526
Total Revenues	<u>2,842,618</u>
Expenditures	
Current	
Instruction	971,885
Support Services	
Students	122,433
Instruction	117,915
General Administration	187,042
School Administration	98,550
Central Services	118,299
Operation of Plant	344,320
Student Transportation	117,195
Other Support Services	1,562
Food Services Operations	101,464
Capital Outlay	24,422
Debt Service	
Principal	255,000
Interest	142,362
Total Expenditures	<u>2,602,449</u>
Excess (Deficiency) of Revenues Over Expenditures	240,169
Fund Balances at Beginning of Year	<u>907,991</u>
Fund Balances End of Year	<u>\$ 1,148,160</u>

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

State of New Mexico
Lake Arthur Municipal Schools
 Reconciliation of the Governmental Funds
 Statement of Revenues, Expenditures and Changes in Fund Balance
 To the Statement of Activities
 June 30, 2019

Excess (Deficiency) of Revenues Over Expenditures \$ 240,169

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 unavailable revenues. They are however, recorded as revenues in the Statement of Activities.

Property Taxes Receivable, June 30, 2018	\$ (13,646)	
Property Taxes Receivable, June 30, 2019	<u>6,590</u>	(7,056)

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	(302,385)	
Capital Outlay	<u>24,422</u>	(277,963)

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		255,000
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Interest is accrued through year end but the Balance Sheet included interest payable within thirty day of year end.

Accrued Interest, June 30, 2018	23,452	
Accrued Interest, June 30, 2019	<u>(20,999)</u>	2,453

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, 2018	11,304	
Compensated Absences, June 30, 2019	<u>(16,345)</u>	(5,041)

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	142,878	
OPEB Contributions	20,558	
Pension Expense	(604,840)	
OPEB Expense	<u>7,018</u>	<u>(434,386)</u>

Changes in Net Position of Governmental Activities \$ (226,824)

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

State of New Mexico
Lake Arthur Municipal 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, 2019

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Property Taxes	\$ 20,148	\$ 27,781	\$ 27,781	\$ 0
State & Local Grants	1,758,297	1,771,779	1,765,024	(6,755)
Miscellaneous	3,073	3,373	2,648	(725)
Total Revenues	<u>1,781,518</u>	<u>1,802,933</u>	<u>1,795,453</u>	<u>(7,480)</u>
Expenditures				
Instruction				
Personnel Services	652,823	648,600	613,610	34,990
Employee Benefits	225,212	225,605	209,769	15,836
Professional & Tech Services	17,565	21,289	15,847	5,442
Purchased Property Services	9,600	10,154	8,423	1,731
Other Purchased Services	7,300	8,450	8,390	60
Supplies	21,500	21,800	2,622	19,178
Total Instruction	<u>934,000</u>	<u>935,898</u>	<u>858,661</u>	<u>77,237</u>
Support Services				
Students				
Personnel Services	39,423	39,423	0	39,423
Employee Benefits	15,193	11,376	546	10,830
Professional & Tech Services	106,500	106,894	103,440	3,454
Other Purchased Services	2,405	1,001	417	584
Total Students	<u>163,521</u>	<u>158,694</u>	<u>104,403</u>	<u>54,291</u>
Instruction				
Personnel Services	69,156	71,041	71,041	0
Employee Benefits	17,137	17,494	17,490	4
Supplies	31,000	31,000	27,500	3,500
Total Instruction	<u>117,293</u>	<u>119,535</u>	<u>116,031</u>	<u>3,504</u>
General Administration				
Personnel Services	117,555	120,055	119,785	270
Employee Benefits	28,902	31,902	30,593	1,309
Professional & Tech Services	24,045	24,809	20,704	4,105
Purchased Property Services	4,500	4,500	3,095	1,405
Other Purchased Services	4,515	8,572	8,368	204
Supplies	0	351	351	0
Total General Administration	<u>\$ 179,517</u>	<u>\$ 190,189</u>	<u>\$ 182,896</u>	<u>\$ 7,293</u>

State of New Mexico
Lake Arthur Municipal 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, 2019

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
School Administration				
Personnel Services	\$ 75,133	\$ 75,133	\$ 75,133	\$ 0
Employee Benefits	18,564	18,567	18,506	61
Professional & Tech Services	500	500	150	350
Purchased Property Services	4,500	4,500	3,095	1,405
Other Purchased Services	600	2,109	1,631	478
Supplies	300	300	0	300
Total School Administration	<u>99,597</u>	<u>101,109</u>	<u>98,515</u>	<u>2,594</u>
Central Services				
Personnel Services	73,849	76,349	76,348	1
Employee Benefits	35,888	36,302	35,469	833
Professional & Tech Services	3,500	3,500	1,280	2,220
Purchased Property Services	4,500	4,500	3,095	1,405
Other Purchased Services	1,200	1,200	544	656
Supplies	402	1,107	684	423
Total Central Services	<u>119,339</u>	<u>122,958</u>	<u>117,420</u>	<u>5,538</u>
Operation of Plant				
Personnel Services	32,657	47,446	36,942	10,504
Employee Benefits	11,696	7,671	6,755	916
Professional & Tech Services	5,754	2,875	687	2,188
Purchased Property Services	104,154	104,322	92,725	11,597
Other Purchased Services	106,267	106,952	105,499	1,453
Supplies	24,500	21,416	18,009	3,407
Total Operation of Plant	<u>285,028</u>	<u>290,682</u>	<u>260,617</u>	<u>30,065</u>
Student Transportation				
Other Purchased Services	1,765	1,765	1,746	19
Total Student Transportation	<u>1,765</u>	<u>1,765</u>	<u>1,746</u>	<u>19</u>
Other Support Services				
Miscellaneous	4,080	4,340	1,562	2,778
Total Other Support Services	<u>4,080</u>	<u>4,340</u>	<u>1,562</u>	<u>2,778</u>
Total Support Services	<u>970,140</u>	<u>989,272</u>	<u>883,190</u>	<u>106,082</u>
Food Service				
Personnel Services	26,728	26,729	26,561	168
Employee Benefits	7,817	8,201	5,096	3,105
Total Food Service	<u>34,545</u>	<u>34,930</u>	<u>31,657</u>	<u>3,273</u>
Total Expenditures	\$ <u>1,938,685</u>	\$ <u>1,960,100</u>	\$ <u>1,773,508</u>	\$ <u>186,592</u>

State of New Mexico
Lake Arthur Municipal 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, 2019

	<u>Budgeted Amounts</u>		<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget- Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Excess (Deficiency) of Revenues Over Expenditures	\$ (157,167)	\$ (157,167)	\$ 21,945	\$ 179,112
Cash Balance Beginning of Year	<u>190,039</u>	<u>190,039</u>	<u>190,039</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 32,872</u>	<u>\$ 32,872</u>	<u>\$ 211,984</u>	<u>\$ 179,112</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 21,945	
Net Change in Taxes Receivable			332	
Net Change in Accounts Payables			1,721	
Net Change in Accrued Payroll			(5,099)	
Net Change in Compensated Absences			(1,885)	
Net Change in Unavailable Revenue			<u>165</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 17,179</u>	

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

State of New Mexico
Lake Arthur Municipal 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, 2019

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Fees	\$ 14,400	\$ 16,750	\$ 15,750	\$ (1,000)
Total Revenues	<u>14,400</u>	<u>16,750</u>	<u>15,750</u>	<u>(1,000)</u>
Expenditures				
Operation of Plant				
Purchased Property Services	22,655	26,905	3,829	23,076
Other Purchased Services	2,000	2,000	486	1,514
Supplies	5,000	3,100	950	2,150
Fixed Assets	0	0	17,339	(17,339)
Total Operation of Plant	<u>29,655</u>	<u>32,005</u>	<u>22,604</u>	<u>9,401</u>
Total Expenditures	<u>29,655</u>	<u>32,005</u>	<u>22,604</u>	<u>9,401</u>
Excess (Deficiency) of Revenues Over Expenditures	(15,255)	(15,255)	(6,854)	8,401
Cash Balance Beginning of Year	<u>16,726</u>	<u>16,726</u>	<u>16,726</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 1,471</u>	<u>\$ 1,471</u>	<u>\$ 9,872</u>	<u>\$ 8,401</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			<u>\$ (6,854)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (6,854)</u>	

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

State of New Mexico
Lake Arthur Municipal 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, 2019

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
State Grant	\$ 115,449	\$ 115,449	\$ 115,449	\$ 0
Total Revenues	<u>115,449</u>	<u>115,449</u>	<u>115,449</u>	<u>0</u>
Expenditures				
Student Transportation				
Personnel Services	4,361	4,361	4,361	0
Employee Benefits	2,229	2,229	2,229	0
Purchased Property Services	2,400	2,400	2,400	0
Other Purchased Services	106,459	106,459	106,459	0
Total Student Transportation	<u>115,449</u>	<u>115,449</u>	<u>115,449</u>	<u>0</u>
Total Expenditures	<u>115,449</u>	<u>115,449</u>	<u>115,449</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	0	0
Cash Balance Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 0	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 0</u>	

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

State of New Mexico
Lake Arthur Municipal Schools
 General Fund-Instructional Materials-14000
 Statement of Revenues, Expenditures, and Changes in Cash Balance -
 Budget and Actual (Budgetary Basis)
 For the Year Ended June 30, 2019

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
State Grant	\$ 3,102	\$ 3,168	\$ 3,102	\$ (66)
Total Revenues	<u>3,102</u>	<u>3,168</u>	<u>3,102</u>	<u>(66)</u>
Expenditures				
Instruction				
Supplies	8,347	8,413	453	7,960
Total Instruction	<u>8,347</u>	<u>8,413</u>	<u>453</u>	<u>7,960</u>
Total Expenditures	<u>8,347</u>	<u>8,413</u>	<u>453</u>	<u>7,960</u>
Excess (Deficiency) of Revenues Over Expenditures	(5,245)	(5,245)	2,649	7,894
Cash Balance Beginning of Year	<u>5,272</u>	<u>5,272</u>	<u>5,272</u>	<u>0</u>
Cash Balance End of Year	\$ <u>27</u>	\$ <u>27</u>	\$ <u>7,921</u>	\$ <u>7,894</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ <u>2,649</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			\$ <u>2,649</u>	

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

State of New Mexico
Lake Arthur Municipal Schools
Special Revenue Fund-Title I-24101
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Local Grants	\$ 31,924	\$ 46,730	\$ 17,980	\$ (28,750)
Total Revenues	<u>31,924</u>	<u>46,730</u>	<u>17,980</u>	<u>(28,750)</u>
Expenditures				
Instruction				
Personnel Services	6,370	0	0	0
Employee Benefits	1,612	0	0	0
Professional & Tech Services	16,697	36,495	26,429	10,066
Supplies	<u>0</u>	<u>2,990</u>	<u>2,990</u>	<u>0</u>
Total Instruction	<u>24,679</u>	<u>39,485</u>	<u>29,419</u>	<u>10,066</u>
Total Expenditures	<u>24,679</u>	<u>39,485</u>	<u>29,419</u>	<u>10,066</u>
Excess (Deficiency) of Revenues Over Expenditures	7,245	7,245	(11,439)	(18,684)
Cash Balance Beginning of Year	<u>(7,245)</u>	<u>(7,245)</u>	<u>(7,245)</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (18,684)</u>	<u>\$ (18,684)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (11,439)	
Net Change in Due from Grantor			<u>11,439</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 0</u>	

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

State of New Mexico
Lake Arthur Municipal Schools
Special Revenue Fund-IDEA B Entitlement-24106
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Local Grants	\$ 9,923	\$ 45,450	\$ 20,243	\$ (25,207)
Total Revenues	<u>9,923</u>	<u>45,450</u>	<u>20,243</u>	<u>(25,207)</u>
Expenditures				
Instruction				
Personnel Services	0	20,206	20,206	0
Employee Benefits	0	9,269	9,265	4
Total Instruction	<u>0</u>	<u>29,475</u>	<u>29,471</u>	<u>4</u>
Support Services				
Students				
Other Purchased Services	0	6,052	6,052	0
Total Students	<u>0</u>	<u>6,052</u>	<u>6,052</u>	<u>0</u>
Total Expenditures	<u>0</u>	<u>35,527</u>	<u>35,523</u>	<u>4</u>
Excess (Deficiency) of Revenues Over Expenditures	9,923	9,923	(15,280)	(25,203)
Cash Balance Beginning of Year	<u>(9,923)</u>	<u>(9,923)</u>	<u>(9,923)</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (25,203)</u>	<u>\$ (25,203)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (15,280)	
Net Change in Due from Grantor			<u>15,280</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 0</u>	

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

State of New Mexico
Lake Arthur Municipal Schools
Special Revenue Fund-Wind Farm - 29134
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Local Grants	\$ 25,000	\$ 25,000	\$ 25,000	\$ 0
Total Revenues	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>0</u>
Expenditures				
Capital Outlay				
Purchased Property Services	87,500	87,500	0	87,500
Fixed Assets	<u>87,500</u>	<u>87,500</u>	<u>0</u>	<u>87,500</u>
Total Capital Outlay	<u>175,000</u>	<u>175,000</u>	<u>0</u>	<u>175,000</u>
Total Expenditures	<u>175,000</u>	<u>175,000</u>	<u>0</u>	<u>175,000</u>
Excess (Deficiency) of Revenues Over Expenditures	(150,000)	(150,000)	25,000	175,000
Cash Balance Beginning of Year	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 175,000</u>	<u>\$ 175,000</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			<u>\$ 25,000</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 25,000</u>	

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

State of New Mexico
Lake Arthur Municipal Schools
Statement of Fiduciary Assets and Liabilities-Agency Funds
June 30, 2019

	<u>Agency Funds</u>
Assets	
Cash and Cash Equivalents	\$ 73,902
Total Assets	<u>\$ 73,902</u>
Liabilities	
Deposits Held for Others	\$ 73,902
Total Liabilities	<u>\$ 73,902</u>

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

Summary of Significant Accounting Policies

The financial statements of the Lake Arthur Municipal 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.

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 Teacherage accounts for rents collected from teachers and related expenditures. 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 Special Revenue Fund

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.

Wind Farm (29134). This fund is used to account for wind farm payment in lieu of property taxes revenue. The fund was created by definition.

Major Debt Service Fund

Debt Service Fund (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. Expenditures are restricted to debt reduction.

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, deferred outflow of resources, liabilities and deferred inflow of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, deferred outflow of resources, liabilities and deferred inflow of resources 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, and including grants for transportation, instructional materials, food service, special revenue funds such as special education as well as others and federal and state programs 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

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.

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

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, Debt Service and Capital Projects 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 1. 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 20, 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.

Budget comparison schedules are no longer required for non-major funds and are not included.

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

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond 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 difference from the effective interest method is minimal. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual net of debt proceeds received, are reported as debt service expenditures.

Compensated Absences

Twelve month (full time) employees at the professional level or a classified administrator will be entitled to 96 hours (12 days) of annual leave. The district will pay a max of 160 hours (20 days) for accrued vacation time only.

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 is a category that is not converted into cash such as inventory.

Restricted fund balance includes amounts that have constraints placed on their use that are (a) externally imposed by grantors, laws or regulation of other governments or (b) imposed by enabling legislation.

Committed fund balance is a classification for governmental fund balance reporting that includes amounts that can only be used for specific purposes pursuant to constraints imposed by law and require a formal action of the government's highest level of decision-making authority.

Assigned fund balance is a classification for governmental fund balance reporting that includes amounts that the governmental entity intends to use for specific purposes.

Unassigned fund balance is the residual classification used for reporting spendable fund balance in the General Fund that represents amounts that have not been committed or assigned or restricted.

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 Inflows

The District reports unearned and unavailable revenues on its Statement of Net Position and Fund Balance Sheet. Unearned 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 unearned revenue is removed from the combined balance sheet and the revenue is recognized. Unavailable 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.

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.

Western Bank of Artesia		Balance	Reconciled	Type
<u>Name of Account</u>		Per Bank 6/30/19	Balance	
Operational	\$	1,176,205	\$ 1,113,902	Interest-checking
Activity		74,692	73,902	Interest-checking
Total Deposited		<u>1,250,897</u>	<u>\$ 1,187,804</u>	
Less: FDIC Coverage		<u>(250,000)</u>		
Uninsured Amount		1,000,897		
50% collateral requirement		500,449		
Pledged securities		<u>1,351,889</u>		
Over (Under) requirement	\$	<u>851,440</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 Western Bank of Artesia:

<u>Description</u>	<u>CUSIP #</u>	<u>Market Value</u>	<u>Maturity Date</u>	<u>Location</u>
FNMA Pool #J13885	3128PTJ63	\$ 37,404	12/01/2025	FHLB Dallas, TX
FNMA Series 2018-15	3136B1KY9	429,681	04/25/2046	FHLB Dallas, TX
Questa	74852DC2	507,359	09/01/2026	FHLB Dallas, TX
Vandalia Butler, OH	92166LJ9	272,856	12/01/2032	FHLB Dallas, TX
FNMA Pool #MA1237	31418ALT3	104,589	11/01/2032	FHLB Dallas, TX
		<u>\$ 1,351,889</u>		

Custodial Credit Risk-Deposits

<u>Depository Account</u>	Bank Balance
Insured	\$ <u>250,000</u>
Collateralized	
Collateral held by the pledging bank in District's name	807,868
Uninsured and uncollateralized	0
Total Deposits	\$ <u><u>1,250,897</u></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, 2019 none of the District's bank balance of \$1,250,897 was exposed to custodial credit risk.

B. Receivables

Revenues are deferred in accordance with the modified accrual basis of accounting for the fund financial statements. The following deferred revenues are measurable but do not represent available expendable resources for the fund financial statements for the fiscal year ended June 30, 2019:

	Operational 11000	Debt Service 41000	Other Governmental Funds	Total
Property Taxes				
Available	\$ 1,626	\$ 32,259	\$ 6,316	\$ 40,201
Unavailable	212	4,859	2,457	7,528
Total	<u>\$ 1,838</u>	<u>\$ 37,118</u>	<u>\$ 8,773</u>	<u>\$ 47,729</u>

Amounts due from other agencies and units of government were as follows as of June 30, 2019:

	Title I 24101	IDEA B Entitlement 24106	Other Governmental Funds	Total
State	\$ 0	\$ 0	\$	\$ 0
Federal	18,684	25,203	9,612	53,499
Total	<u>18,684</u>	<u>25,203</u>	<u>9,612</u>	<u>\$ 53,499</u>

C. Interfund Receivables, Payables and Transfers

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Funds</u>			Total
	Title I 24101	IDEA B Entitlement 24106	Other Governmental Funds	
Operational Fund	<u>\$ 18,684</u>	<u>\$ 25,203</u>	<u>\$ 9,612</u>	<u>\$ 53,499</u>

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

D. Capital Assets

Capital Assets Balances and Activity for the fiscal year is as follows:

	Beginning Balance 6/30/18	Increases	Decreases	Ending Balance 6/30/19
Governmental Activities				
Capital Assets not being depreciated				
Land	\$ 14,579	\$ 0	\$ 0	\$ 14,579
Construction in Progress	0	0	0	0
Total Capital Assets, not Being Depreciated	14,579	0	0	14,579
Other Capital Assets being Depreciated				
Buildings & Improvements	10,539,762	24,422	0	10,564,184
Equipment, Vehicles, Information Technology Equipment, Software & Library Books	1,016,971	0	0	1,016,971
Total Capital Assets, being depreciated	11,556,733	24,422	0	11,581,155
Total Capital Assets	\$ 11,571,312	\$ 24,422	\$ 0	\$ 11,595,734
Less Accumulated Depreciation				
Buildings & Improvement	\$ 5,622,531	\$ 246,679	\$ 0	\$ 5,869,210
Equipment, Vehicles, Information Technology Equipment, Software & Library Books	508,393	55,706	0	564,099
Total Accumulated Depreciation	6,130,924	302,385	0	6,433,309
Capital Assets, net	\$ 5,440,388	\$ (277,963)	\$ 0	\$ 5,162,425

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 257,641
Support Services-Instruction	2,579
Support Services-Students	8,963
General Administration	277
Central Services	159
Operation of Plant	26,672
Food Service	6,094
Total depreciation expense	\$ 302,385

E. Long-Term Liabilities and Other Liabilities

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

	Balance 6/30/18	Additions	Reductions	Balance 6/30/19	Amounts Due Within One Year
Governmental Activities					
Bonds and Notes Payable					
General Obligation					
Bonds	\$ 3,865,000	\$ 0	\$ 255,000	\$ 3,610,000	\$ 335,000
Total Bonds	<u>3,865,000</u>	<u>0</u>	<u>255,000</u>	<u>3,610,000</u>	<u>335,000</u>
Other Liabilities					
Compensated					
Absences	11,304	18,182	11,256	18,230	18,230
Total Other Liabilities	<u>11,304</u>	<u>18,182</u>	<u>11,256</u>	<u>18,230</u>	<u>18,230</u>
Long-Term Liabilities	<u>\$ 3,876,304</u>	<u>18,182</u>	<u>\$ 266,256</u>	<u>\$ 3,628,230</u>	<u>\$ 353,230</u>

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.

Series	Date of Issue	Original Amount	Interest Rate	Balance
2005	6/15/05	400,000	4.1%-4.25%	\$ 45,000
2007	4/1/07	400,000	4%	90,000
2009	8/15/09	470,000	4%-5.6%	320,000
2010	3/15/10	455,000	2%-4.35%	375,000
2011	5/15/11	750,000	3.3%-4.3%	730,000
2012	1/15/12	450,000	2.8%-3.7%	325,000
2013	7/1/12	1,200,000	4%-3.1%	1,025,000
2013	2/1/13	1,000,000	2.75%-3.2%	700,000
				<u>\$ 3,610,000</u>

The annual requirements to amortize the General Obligation Bonds Issues as of June 30, 2019, including interest payments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 335,000	\$ 133,559	\$ 468,559
2021	275,000	119,853	394,853
2022	305,000	107,493	412,493
2023	310,000	95,523	405,523
2024	385,000	83,898	468,898
2025-2029	1,425,000	221,050	1,646,050
2030-2031	575,000	16,088	591,088
Total	<u>\$ 3,610,000</u>	<u>\$ 777,464</u>	<u>\$ 4,387,464</u>

F. Commitments

The District has no construction commitments.

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 years of earned service credit, or
- *The member has service credit totaling 25 years or more.

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

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

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

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

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

Benefit Options. The Plan has three benefit options available.

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

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

Option C. Joint 50% Survivor Benefit. The single life annuity monthly benefit is reduced to provide for a 50% survivor's benefit. The reduced benefit is payable during the life of the member, with the provision that, upon death, the reduced 50% benefit is paid to the beneficiary for his or her lifetime. If the beneficiary predeceases the member, the member's monthly benefit is increased to the amount the member would have received under Option A. 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, 2019 educational employers contributed to the Plan based on the following rate schedule.

State of New Mexico
Lake Arthur Municipal Schools
Notes to the Financial Statements
June 30, 2019

Fiscal Year	Date Range	Wage Category	Member's Rate	Employer's Rate	Combined Rate
2019	7-1-18 to 6-30-19	Over \$20K	10.70%	13.90%	24.60%
2019	7-1-18 to 6-30-19	\$20K or less	7.90%	13.90%	21.80%
2018	7-1-17 to 6-30-18	Over \$20K	10.70%	13.90%	24.60%
2018	7-1-17 to 6-30-18	\$20K or less	7.90%	13.90%	21.80%

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, 2019 and 2018, the District paid employee and employer contributions of \$250,368 and \$230,340 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, 2019, the District reported a liability of \$4,016,892 for their proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2018 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, 2018. Therefore, the District's portion was established as of the measurement date of June 30, 2018. 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 at June 30, 2018, actuarially determined. At June 30, 2018, the District's proportion was 0.03378%, which was a decrease of 0.00044% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the District recognized pension expense of \$604,840. At the June 30, 2019, the District reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,932	\$ 76,448
Changes of assumptions	827,862	0
Net difference between projected and actual earnings on pension plan investments	8,892	0
Changes in proportion and differences between the District's contributions and proportionate share of contributions	5,754	120,251
District's contributions subsequent to the measurement date	142,878	0
	<u>\$ 988,318</u>	<u>\$ 196,699</u>

\$142,878 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, 2019. 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	\$ 406,775
2020	252,931
2021	(11,082)
2022	117
Total	<u>\$ 648,741</u>

Actuarial Assumptions and Methods. The total pension liability as of June 30, 2018 was based on an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 and was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method Entry age normal

Inflation 2.50%

Salary Increases 3.25% composed of 2.50% inflation, plus 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 of Expected Remaining Service Lives	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
Healthy males: Based on the RP-2000 Combined Mortality Table with White Collar adjustments, generational mortality improvements with Scale BB from the table's base year of 2000.

Healthy females: Based on GRS Southwest Region Teacher Mortality Table, set back one year, generational mortality improvements in accordance with Scale BB from the table's base year of 2012.

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

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

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

Retirement Age Experience based table of rates based on age and service. Adopted by NMERB on April 21, 2017 in conjunction with the six-year experience study for the period ended June 30, 2016.

State of New Mexico
Lake Arthur Municipal Schools
Notes to the Financial Statements
June 30, 2019

Cost-of-living Increases	1.90% per year, compounded annually; increases deferred until July 1 following the year a member retires, or the year in which a member attains the age of 65 (67 for Tier 3), whichever is later or, for disabled retirees, until July 1 of the third year following retirement.
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, defaults, etc.)
- *Application of key economic projections (inflation, real growth, dividends, etc.)
- *Structural themes (supply and demand imbalances, capital flows, etc.) developed for each major asset class.

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

Discount rate. A single discount rate of 5.69% was used to measure the total pension liability as of June 30, 2018. This rate is 0.21% less than the 5.90% discount rate used for June 30, 2017.

The June 30, 2018 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 3.62%. Based on the stated assumptions and the projection of cash flows, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2050. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the 2050 fiscal year, and the municipal bond rate was applied to all benefit payments after that date.

The projections of cash flows used to determine the June 30, 2018 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 5.69 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 (4.69 percent) or 1-percentage-point higher (6.69 percent) than the current rate:

	1% Decrease (4.69%)	Current Discount Rate (5.69%)	1% Increase (6.69%)
The Districts' proportionate share of the net pension liability	\$ 5,220,421	\$ 4,016,892	\$ 3,034,887

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.

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

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

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.

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

Employees covered by benefit terms – At June 30, 2018, the Fund’s measurement date, the following employees were covered by the benefit terms:

Plan membership	
Current retirees and surviving spouses	51,205
Inactive and eligible for deferred benefit	11,471
Current active members	93,349
	<u>156,025</u>
Active membership	
State general	19,593
State police and corrections	1,886
Municipal general	17,004
Municipal police	3,820
Municipal FTRE	2,290
Educational Retirement Board	48,756
	<u>93,349</u>

Contributions. Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee’s salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer’s participation in the Fund. Contributions to the Fund from the District were \$20,558 for the year ended June 30, 2019.

Actuarial Assumptions

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

Valuation Date	June 30, 2017
Actuarial cost method	Entry age normal, level percent of pay, calculated on individual employee basis
Asset valuation method	Market value of assets
Actuarial assumptions:	
Inflation	2.50% for ERB members; 2.25% for PERA members
Projected payroll increases	3.25% to 12.50%, based on years of service, including inflation
Investment rate of return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation

Health care cost trend rate	8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 for Medicare medical plan costs
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:

Asset Class	Long-Term Rate of Return
U.S. core fixed income	2.1%
U.S. equity - large cap	7.1%
Non U.S. - emerging markets	10.2%
Non U.S. - developed	7.8%
Private equity	11.8%
Credit and structured	5.3%
Real estate	4.9%
Absolute return	4.1%
U.S. equity - small/mid cap	7.1%

Discount Rate

The discount rate used to measure the Fund's total OPEB liability is 4.08% as of June 30, 2018. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are 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, 2029. 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, 4.08% is the blended discount rate.

Sensitivity of the Net OPEB Liability

The following presents the net OPEB liability, calculated using the discount rate of 4.08%, 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 (3.08%)	Current Discount Rate (4.08%)	1% Increase (5.08%)
The Districts' proportionate share of the net OPEB liability	\$ 1,163,546	\$ 961,421	\$ 802,102

The following presents the Net OPEB Liability of the District, 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	\$ 812,738	\$ 961,421	\$ 1,077,992

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

At June 30, 2019, the District reported a liability of \$961,421 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. The District's proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2018. At June 30, 2018, the School's proportion was 0.02211%.

For the year ended June 30, 2019, the District recognized OPEB expense of \$(7,018). At June 30, 2019 the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience.	\$ 0	\$ 56,922
Net difference between projected and actual earnings on OPEB investments.	0	11,998
Changes in assumptions.	0	179,493
Changes in proportion and differences between the District's contributions and proportionate share of contributions.	0	27,084
District's contributions subsequent to the measurement date.	20,558	0
	<u>\$ 20,558</u>	<u>\$ 275,497</u>

Deferred outflows of resources totaling \$20,558 represent District's contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

<u>Year ended June</u>	
2019	\$ (68,855)
2020	(68,855)
2021	(68,855)
2022	(54,480)
2023	(14,452)
Total	<u>\$ (275,497)</u>

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

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 included on each 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

A joint powers agreement was entered into with the Pecos Valley Regional Education Cooperative #8 (REC). The purpose of the agreement is to allow the submission of a consolidated application to the State Department of Education for certain funds granted to the State of New Mexico by the United States Department of Education under the Education of the Handicapped Act, Part B, PL 94-142 among others.

There are four schools that participate in the REC, they are Dexter, Hagerman, Lake Arthur, and Loving. The agreement became effective on July 1, 1995 and is to remain in effect until the end of any fiscal year during which the school gives notice of intent to terminate.

The financial statements for the REC were prepared by another IPA. The audit report is available at the REC located at 2218 W Grand Ave Artesia, New Mexico 88210.

A joint powers agreement was entered into with Eastern New Mexico University - Roswell Dual Agreement. The purpose of the agreement is to provide higher education to qualified Lake Arthur High School junior and senior student in both technical, arts, and science courses.

Lake Arthur Schools will be responsible for tuition and enrollment fees for the enrolled students. The total cost is dependent on the number of enrolled students. The agreement is to remain in effect until it is terminated by either party.

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, 2019 which is the date the financial statements were available to be issued.

N Related Party Disclosures

Rubio's Auto Repair is owned by the school board president. The total amount paid to Rubio's Auto repair for the fiscal year totaled \$1,285.98.

O. Tax Abatement

Chaves County entered into an agreement with Anderson Wind Farm Series 2012 to abate property taxes effecting the District under the authority of the County Industrial Revenue Bond Act, Section 4-59-1 to 4-59-16 NMSA 1978 (the "Act"). A payment in lieu of taxes, (PILOT), was negotiated on behalf of the District. For the year ended June 30, 2019, \$25,000 was received for the PILOT by the District. Other required information required for the GASB 77 disclosure was not provided to the District.

Required Supplemental Information

State of New Mexico

Lake Arthur Municipal Schools

Schedules of Required Supplementary Information and Notes for 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 proportion of the net pension	0.03763%	0.03693%	0.03737%	0.03422%
District's proportionate share of the net pension liability.	\$ 2,147,060	\$ 2,392,054	\$ 2,689,307	\$ 3,803,029
District's covered-employee payroll.	\$ 1,037,096	\$ 1,067,365	\$ 974,442	\$ 944,052
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll.	207.03%	224.11%	275.98%	402.84%
Plan fiduciary net position as a percentage of the total pension liability.	66.54%	63.97%	61.58%	52.95%
Fiscal Year Measurement Date	2019 2018			
District's proportion of the net pension	0.03378%			
District's proportionate share of the net pension liability.	\$ 4,016,892			
District's covered-employee payroll.	\$ 1,027,902			
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll.	390.79%			
Plan fiduciary net position as a percentage of the total pension liability.	52.17%			

*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.

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

State of New Mexico

Lake Arthur Municipal Schools

Schedules of Required Supplementary Information and Notes for Pension Plan

Schedule of District's Contributions

Last 10 Fiscal Years*

	June 30,			
	2015	2016	2017	2018
Contractually required contribution.	\$ 144,156	\$ 148,364	\$ 135,447	\$ 131,223
Contributions in relation to the contractually required contribution.	<u>\$ 144,156</u>	<u>148,364</u>	<u>135,447</u>	<u>131,223</u>
Contribution deficiency (excess).	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Districts covered-employee payroll.	\$ 1,037,096	\$ 1,067,365	\$ 974,442	\$ 944,052
Contributions as a percentage of covered-employee payroll.	13.90%	13.90%	13.90%	13.90%

Last 10 Fiscal Years*

	June 30, 2019
Contractually required contribution.	\$ 142,878
Contributions in relation to the contractually required contribution.	<u>142,878</u>
Contribution deficiency (excess).	<u>\$ 0</u>
Districts covered-employee payroll.	\$ 1,027,902
Contributions as a percentage of covered-employee payroll.	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.

Changes in benefit provisions. There were no modifications to the benefit provisions that were reflected in the actuarial valuation as of June 30, 2018.

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

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

State of New Mexico

Lake Arthur Municipal Schools

Schedules of Required Supplementary Information and Notes for Other Post Employment Benefits (OPEB)

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

Liability

Last 10 Fiscal Years*

	Fiscal Year Measurement Date	2018 <u>2017</u>	2019 <u>2018</u>
District's proportion of the net OPEB liability.		0.02270%	0.02211%
District's proportionate share of the net OPEB liability.		\$ 1,028,690	\$ 961,421
District's covered-employee payroll.		\$ 944,052	\$ 1,027,902
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll.		108.97%	93.53%
Plan fiduciary net OPEB as a percentage of the total OPEB liability.		11.34%	13.14%

*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*

	2018	June 30, 2019
Contractually required contribution.	\$ 18,881	\$ 20,558
Contributions in relation to the contractually required contribution.	<u>18,881</u>	<u>20,558</u>
Contribution deficiency (excess).	<u>\$ 0</u>	<u>\$ 0</u>
District's covered-employee payroll.	944,052	1,027,902
Contributions as a percentage of covered-employee payroll.	2.00%	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.

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.

NM Results Plan (24132). The purpose of this grant is to support activities included in the school's education Plan for Student Success, or areas in need of improvement, identified through the instructional audit. The program is funded by the United States government, under the individuals with Disabilities Act, Public Law 108-446 Part B.

Title IV Academic Achievement (24189). This grant supports well-rounded educational opportunities, safe and healthy students and effective use of technology (ESEA sections 4107, 4108 and 4109). The fund was created by the authority of federal grant provisions.

Medicaid (25153). To account for a program providing school-based screening, diagnostic services and other related health services and administrative activities in conformance with the approved Medicaid State Plan in order to improve health and developmental outcomes for children. The fund was created by the authority of federal grant provisions. (Title XIX Social Security Act).

Rural Education Achievement Program (REAP) (25233). To account for funds received from US Department of Education and is designed to address the needs of rural, low-income schools. The fund was created by the authority of federal grant provisions.

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.

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.

Breakfast for Elementary (27155). To account for revenues and expenditures from a state grant provided for breakfast for elementary students. The fund was created by state grant provisions.

Nonmajor Capital Projects Funds

Bond Building (31000). To account for a bond issue to spend of capital improvements.

Senate Bill Nine-Local (31701). To account for resources received through Senate Bill 9 and local tax levies obtained for the purpose of building remodeling, and equipping class room facilities.

Education Technology (31900). To ensure that American children have skills they need to succeed in the information-intensive 21st century, the federal government is committed to working with the private sector to promote four major developments in American education: making modern computer technology an integral part of every classroom; providing information infrastructure; and encouraging the creation of excellent educational software. The authority for the creation of this fund is the Federal Property and Administrative Services Act of 1949, Ch. 288, 63 Stat 377, and the National Defense Authorization Act for the fiscal year 1996, Public Law 104-106.

Nonmajor Debt Service Fund

Ed Tech (43000). To account for the accumulation of resources for, and the payment of, general long-term debt principal and interest for the retirement of technology bonds. The resources of this fund are generated by a tax levy based upon property values.

State of New Mexico
Lake Arthur Municipal Schools
 Nonmajor Funds
 Combining Balance Sheet
 June 30, 2019

	Special Revenue		
	Food Service 21000	Athletics 22000	Preschool 24109
Assets			
Cash and Cash Equivalents	\$ 18,818	\$ 217	\$ 0
Receivables			
Taxes Receivable	0	0	0
Due From Grantor	5,070	0	0
Inventory	432	0	0
Total Assets	<u>\$ 24,320</u>	<u>\$ 217</u>	<u>\$ 0</u>
Liabilities			
Accounts Payables	\$ 0	\$ 0	\$ 0
Interfund Balance	0	0	0
Total Liabilities	<u>0</u>	<u>0</u>	<u>0</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 Balances			
Nonspendable-Inventory	432	0	0
Restricted for Special Revenue	23,888	217	0
Restricted for Capital Projects	0	0	0
Restricted for Debt Service	0	0	0
Total Fund Balance	<u>24,320</u>	<u>217</u>	<u>0</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 24,320</u>	<u>\$ 217</u>	<u>\$ 0</u>

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

State of New Mexico
Lake Arthur Municipal Schools
 Nonmajor Funds
 Combining Balance Sheet
 June 30, 2019

	Special Revenue		
	NM Results Plan 24132	Title IV Student Support 24189	Medicaid 25153
Assets			
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 29,116
Receivables			
Taxes Receivable	0	0	0
Due From Grantor	4,542	0	0
Inventory	0	0	0
Total Assets	<u>\$ 4,542</u>	<u>\$ 0</u>	<u>\$ 29,116</u>
Liabilities			
Accounts Payables	\$ 0	\$ 0	\$ 249
Interfund Balance	4,542	0	0
Total Liabilities	<u>4,542</u>	<u>0</u>	<u>249</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 Balances			
Nonspendable-Inventory	0	0	0
Restricted for Special Revenue	0	0	28,867
Restricted for Capital Projects	0	0	0
Restricted for Debt Service	0	0	0
Total Fund Balance	<u>0</u>	<u>0</u>	<u>28,867</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 4,542</u>	<u>\$ 0</u>	<u>\$ 29,116</u>

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

State of New Mexico
Lake Arthur Municipal Schools
 Nonmajor Funds
 Combining Balance Sheet
 June 30, 2019

	Special Revenue		
	REAP 25223	Duel Credit 27103	GO Student Library 27107
Assets			
Cash and Cash Equivalents	\$ 939	\$ 0	\$ 0
Receivables			
Taxes Receivable	0	0	0
Due From Grantor	0	0	0
Inventory	0	0	0
Total Assets	<u>\$ 939</u>	<u>\$ 0</u>	<u>\$ 0</u>
Liabilities			
Accounts Payables	\$ 0	\$ 0	\$ 0
Interfund Balance	0	0	0
Total Liabilities	<u>0</u>	<u>0</u>	<u>0</u>
Deferred Inflows of Resources			
Unavailable Revenue	939	0	0
Total Deferred Inflows of Resources	<u>939</u>	<u>0</u>	<u>0</u>
Fund Balances			
Nonspendable-Inventory	0	0	0
Restricted for Special Revenue	0	0	0
Restricted for Capital Projects	0	0	0
Restricted for Debt Service	0	0	0
Total Fund Balance	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 939</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

State of New Mexico
Lake Arthur Municipal Schools
 Nonmajor Funds
 Combining Balance Sheet
 June 30, 2019

	Special Revenue	Capital Projects	
	Breakfast for Elementary 27155	Bond Building 31100	Senate Bill Nine-Local 31701
Assets			
Cash and Cash Equivalents	\$ 0	\$ 691	\$ 104,009
Receivables			
Taxes Receivable	0	0	7,926
Due From Grantor	0	0	0
Inventory	0	0	0
Total Assets	\$ 0	\$ 691	\$ 111,935
Liabilities			
Accounts Payables	\$ 0	\$ 0	\$ 0
Interfund Balance	0	0	0
Total Liabilities	0	0	0
Deferred Inflows of Resources			
Unavailable Revenue	0	0	1,119
Total Deferred Inflows of Resources	0	0	1,119
Fund Balances			
Nonspendable-Inventory	0	0	0
Restricted for Special Revenue	0	0	0
Restricted for Capital Projects	0	691	110,816
Restricted for Debt Service	0	0	0
Total Fund Balance	0	691	110,816
Total Liabilities, Deferred Inflows and Fund Balances	\$ 0	\$ 691	\$ 111,935

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

State of New Mexico
Lake Arthur Municipal Schools
 Nonmajor Funds
 Combining Balance Sheet
 June 30, 2019

	<u>Capital Projects</u>	<u>Debt Service</u>	
	Education Technology 31900	Ed Tech 43000	<u>Total</u>
Assets			
Cash and Cash Equivalents	\$ 0	\$ 59,075	\$ 212,865
Receivables			
Taxes Receivable	0	847	8,773
Due From Grantor	0	0	9,612
Inventory	0	0	432
Total Assets	<u>\$ 0</u>	<u>\$ 59,922</u>	<u>\$ 231,682</u>
Liabilities			
Accounts Payables	\$ 0	\$ 0	\$ 249
Interfund Balance	<u>0</u>	<u>0</u>	<u>4,542</u>
Total Liabilities	<u>0</u>	<u>0</u>	<u>4,791</u>
Deferred Inflows of Resources			
Unavailable Revenue	<u>0</u>	<u>399</u>	<u>2,457</u>
Total Deferred Inflows of Resources	<u>0</u>	<u>399</u>	<u>2,457</u>
Fund Balances			
Nonspendable-Inventory	0	0	432
Restricted for Special Revenue	0	0	52,972
Restricted for Capital Projects	0	0	111,507
Restricted for Debt Service	<u>0</u>	<u>59,523</u>	<u>59,523</u>
Total Fund Balance	<u>0</u>	<u>59,523</u>	<u>224,434</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 0</u>	<u>\$ 59,922</u>	<u>\$ 231,682</u>

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

State of New Mexico
Lake Arthur Municipal Schools
 Nonmajor Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balance
 For the Year Ended June 30, 2019

	Special Revenue		
	Food Service 21000	Athletics 22000	Preschool 24109
Revenues			
Property Taxes	\$ 0	\$ 0	\$ 0
Fees	3,928	5,353	0
State & Local Grants	0	0	0
Federal Grants	63,468	0	433
Total Revenues	<u>67,396</u>	<u>5,353</u>	<u>433</u>
Expenditures			
Current			
Instruction	0	5,834	37
Support Services			
Students	0	0	396
General Administration	0	0	0
Operation of Plant	0	0	0
Food Services Operation	64,921	0	0
Capital Outlay	0	0	0
Total Expenditures	<u>64,921</u>	<u>5,834</u>	<u>433</u>
Excess (Deficiency) of Revenues Over Expenditures	2,475	(481)	0
Fund Balances at Beginning of Year	<u>21,845</u>	<u>698</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 24,320</u>	<u>\$ 217</u>	<u>\$ 0</u>

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

State of New Mexico
Lake Arthur Municipal Schools
 Nonmajor Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balance
 For the Year Ended June 30, 2019

	Special Revenue		
	NM Results Plan 24132	Title IV Student Support 24189	Medicaid 25153
Revenues			
Property Taxes	\$ 0	\$ 0	\$ 0
Fees	0	0	17,090
State & Local Grants	0	0	0
Federal Grants	21,400	10,000	0
Total Revenues	<u>21,400</u>	<u>10,000</u>	<u>17,090</u>
Expenditures			
Current			
Instruction	21,400	10,000	0
Support Services			
Students	0	0	10,099
General Administration	0	0	0
Operation of Plant	0	0	0
Food Services Operation	0	0	0
Capital Outlay	0	0	0
Total Expenditures	<u>21,400</u>	<u>10,000</u>	<u>10,099</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	6,991
Fund Balances at Beginning of Year	<u>0</u>	<u>0</u>	<u>21,876</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 28,867</u>

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

State of New Mexico
Lake Arthur Municipal Schools
 Nonmajor Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balance
 For the Year Ended June 30, 2019

	Special Revenue		
	REAP 25223	Duel Credit 27103	GO Student Library 27107
Revenues			
Property Taxes	\$ 0	\$ 0	\$ 0
Fees	0	0	0
State & Local Grants	0	70	1,483
Federal Grants	15,669	0	0
Total Revenues	<u>15,669</u>	<u>70</u>	<u>1,483</u>
Expenditures			
Current			
Instruction	15,669	70	0
Support Services			
Students	0	0	1,483
General Administration	0	0	0
Operation of Plant	0	0	0
Food Services Operation	0	0	0
Capital Outlay	0	0	0
Total Expenditures	<u>15,669</u>	<u>70</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
Lake Arthur Municipal Schools
 Nonmajor Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balance
 For the Year Ended June 30, 2019

	Special Revenue		
	Breakfast for Elementary 27155	Bond Building 31100	Senate Bill Nine-Local 31701
Revenues			
Property Taxes	\$ 0	\$ 0	\$ 115,954
Fees	0	0	0
State & Local Grants	1,886	0	0
Federal Grants	0	0	0
Total Revenues	1,886	0	115,954
Expenditures			
Current			
Instruction	0	0	0
Support Services			
Students	0	0	0
General Administration	0	0	523
Operation of Plant	0	0	80,429
Food Services Operation	1,886	0	0
Capital Outlay	0	0	7,083
Total Expenditures	1,886	0	88,035
Excess (Deficiency) of Revenues Over Expenditures	0	0	27,919
Fund Balances at Beginning of Year	0	691	82,897
Fund Balance End of Year	\$ 0	\$ 691	\$ 110,816

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

State of New Mexico
Lake Arthur Municipal Schools
 Nonmajor Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balance
 For the Year Ended June 30, 2019

	<u>Capital Projects</u>	<u>Debt Service</u>	
	Education Technology 31900	Ed Tech 43000	<u>Total</u>
Revenues			
Property Taxes	\$ 0	\$ 21,771	\$ 137,725
Fees	0	0	26,371
State & Local Grants	0	0	3,439
Federal Grants	0	0	110,970
Total Revenues	<u>0</u>	<u>21,771</u>	<u>278,505</u>
Expenditures			
Current			
Instruction	570	0	53,580
Support Services			
Students	0	0	11,978
General Administration	0	15	538
Operation of Plant	0	0	80,429
Food Services Operation	0	0	66,807
Capital Outlay	0	0	7,083
Total Expenditures	<u>570</u>	<u>15</u>	<u>220,415</u>
Excess (Deficiency) of Revenues Over Expenditures	(570)	21,756	58,090
Fund Balances at Beginning of Year	<u>570</u>	<u>37,767</u>	<u>166,344</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 59,523</u>	<u>\$ 224,434</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
Lake Arthur Municipal Schools
Agency Fund - Activities
Schedule of Fiduciary Net Assets and Liabilities-Agency Funds
For the Year Ended June 30, 2019

	Beginning Balance 7/1/18	Additions	Deductions	Ending Balance 6/30/19
Assets				
23001 General	\$ 1,405	\$ 3,804	\$ 3,264	\$ 1,945
23002 In/Out	30	0	0	30
23003 Gift Fund	809	330	162	977
23004 Class of 2019	1,185	903	1,547	541
23005 Library	432	12	0	444
23006 Carnival	368	39	0	407
23007 Student Council	1,066	1,741	306	2,501
23008 Class of 2026	828	46	294	579
23009 Chocolate Sales	0	8,364	6,099	2,265
23010 Principal	4	0	0	4
23011 Class of 2017	982	0	982	0
23012 Honor Society	103	0	0	103
23013 Cheerleaders	21	430	21	430
23014 Industrial Arts	256	860	0	1,116
23016 Class of 2018	2,231	0	2,231	0
23017 Class of 2020	1,220	903	1,042	1,081
23018 Class of 2031	67	66	37	95
23019 Class of 2028	594	66	41	619
23020 Class of 2009	1,009	0	1,009	0
23021 Resource Room	137	0	0	137
23022 Class of 2016	180	0	180	0
23023 Yearbook	2,797	525	0	3,322
23025 Class of 2022	388	120	194	314
23026 Systems Go Rocket	157	4,500	4,626	31
23027 Class of 2014	1,161	0	1,161	0
23030 Class of 2030	261	66	58	269
23031 Class of 2029	387	66	15	438
23035 Athletic Boosters	6,591	18,278	20,827	4,042
23036 TNT	5,596	11,000	14,282	2,314
23037 Panther Outpost	531	0	531	0
23038 Student Health	997	0	997	0
23039 Technology	266	0	0	266
23041 NMPSIA	12,116	151,958	143,489	20,585
23042 SADD	48	0	48	0
23043 Class of 2023	494	47	194	347
23044 PNM Science Grant	46	0	46	0
23045 FFA/AG	2,483	0	2,483	0
23046 LA's Best	141	111	75	177
23047 PBS Award	521	0	521	0
23048 Preschool Playground Grant	1,800	0	0	1,800
23049 Summer School	3,333	0	0	3,333
23050 NM 6 Man Football Coach's Ass	2,511	0	0	2,511
23051 Project Celebration	909	45	0	954
23052 District 4-A	3,051	5,604	1,682	6,973
23053 State Rings/Shirts/Hoodies	\$ 1,100	\$ 0	\$ 1,100	\$ 0

State of New Mexico
Lake Arthur Municipal Schools
 Agency Fund - Activities
 Schedule of Fiduciary Net Assets and Liabilities-Agency Funds
 For the Year Ended June 30, 2019

23054 Panther Invitational	\$	3,823	\$	5,920	\$	3,710	\$	6,033
23055 Legislative Trip		1,661		900		652		1,909
23057 Fees & Fines		1,211		136		0		1,347
23058 Class of 2021		985		60		314		732
23059 Class of 2032		65		122		25		162
23060 Dig Pink Volleyball		546		783		0		1,329
23061 Class of 2027		535		95		134		495
23062 Class of 2024		343		39		0		382
23063 Class of 2025		525		39		0		564
Total Assets	\$	<u>70,305</u>	\$	<u>217,974</u>	\$	<u>214,378</u>	\$	<u>73,902</u>
Liabilities								
Deposits Held for Others	\$	<u>70,305</u>	\$	<u>217,974</u>	\$	<u>214,378</u>	\$	<u>73,902</u>
Total Liabilities	\$	<u>70,305</u>	\$	<u>217,974</u>	\$	<u>214,378</u>	\$	<u>73,902</u>

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

State of New Mexico
Lake Arthur Municipal Schools
Cash Reconciliations - All Funds
For the Year Ended June 30, 2019

		Beginning Cash Balance <u>7/1/18</u>	Revenue	Expenditures	Ending Cash Balance <u>6/30/19</u>
Operational	11000	\$ 190,039	1,795,452	\$ 1,773,507	\$ 211,984
Teacherage	12000	16,725	15,750	22,603	9,872
Transportation	13000	0	115,449	115,449	0
Instructional Materials	14000	5,272	3,102	453	7,921
Food Service	21000	18,506	57,820	57,509	18,817
Athletics	22000	698	5,353	5,834	217
Activities	23000	70,305	217,974	214,378	73,902
Federal Flowthrough	24000	(30,054)	78,400	96,773	(48,427)
Federal Direct	25000	22,922	32,706	25,574	30,054
State Flowthrough	27000	(0)	3,439	3,439	(0)
State/Local	29000	150,000	25,000	0	175,000
Bond Building	31100	691	0	0	691
SB-9 Local	31701	78,347	113,697	88,035	104,009
Ed Tech Equipment Act	31900	571	0	571	0
Debt Service	41000	412,282	533,011	400,603	544,690
Ed Tech Debt Service	43000	33,651	25,438	14	59,075
Totals		<u>\$ 969,955</u>	<u>3,022,591</u>	<u>\$ 2,804,742</u>	<u>\$ 1,187,805</u>

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

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

Independent Auditor's Report

Mr. Brian S. Colón
State Auditor of the State of New Mexico
Board Members of the Lake Arthur Municipal Schools

Mr. Colón 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 comparisons of the general and major special revenue funds, of Lake Arthur Municipal School (District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Districts basic financial statements, and have issued our report thereon dated October 25, 2019.

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. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses, that we consider to be significant deficiencies. 2019-002, 2019-003, 2019-004

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; 2019-001, 2019-002, 2019-003, 2019-004, and 2019-005.

The 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.

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

De'Aun Willoughby, CPA, PC

Clovis, New Mexico

October 25, 2019

Financial Statements Findings
Prior Year Audit Findings

	<u>Status</u>
2018-001 Late IPA Recommendation and Audit Contract	Resolved
2018-002 New Hire Reporting	Repeated & Modified
2018-003 I-9's	Repeated & Modified
2018-004 Cash Balances in Inactive Grants	Resolved

Current Year Audit Findings

Summary of Audit Results

Type of auditor's report issued Unmodified

Internal control over financial reporting:

• Material weakness(es) identified? N/A

• Significant deficiency(ies) identified that are not considered to be material weaknesses? 3

Noncompliance material to financial statements noted? N/A

2019-001 (2018-002) New Hire Reporting - Compliance and Other Matter

Condition

Of the two new hires that were tested one was not submitted timely.

Management has made progress resolving this issue.

Criteria

As per 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 or rehire to the New Mexico New Hires Directory.

Cause

The business manager was working on paperwork and did not get one of our new hires submitted on time.

Effect

Pursuant to federal law, states have the option of imposing civil monetary penalties on employers who do not 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 the hire date.

Response

The business manager will make sure and get the new hires entered as soon as possible, definitely within the required time period.

Responsible Party: Business Manager

Timeline: October 11, 2019

2019-002 (2018-003) I-9's-Compliance and Internal Control-Significant Deficiency

Condition

Of the ten I-9s tested it was noted that:

Four were not completed within 3 days of the hire date.

One has a social security card that states valid for work only with INS authorization but there was not an INS letter attached.

One was computer generated using the Visions software but the preparer/translator section was not completed.

One was completed using an expired I-9 form and had both List A and List C completed.

One was not certified and List B and List C were incomplete.

One was dated with the employee's date of birth instead of the date the form was completed.

Management has not made progress resolving this issue.

Criteria

As per U.S. Citizens and Immigration Services Employers have certain responsibilities under immigration law during the hiring process. The employer sanctions provisions, found in section 274A of the Immigration and Nationality Act (INA), were added by the Immigration Reform and Control Act of 1986 (IRCA). These provisions further changed with the passage of the Immigration Act of 1990 and the Illegal Immigration Reform and Immigrant Responsibility Act (IIRIRA) of 1996. Complete and retain a Form I-9 for each employee required to complete the form. 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.

Cause

The District has had a number of individuals responsible for certifying section 2 of the I-9. The lack of training caused the forms to be incomplete or incorrectly completed. I-9s were also being printed and included in a new hire packet. This caused the District to sometimes use expired forms.

Effect

The District could be subject to penalties from the Internal Revenue Service for underpaying payroll taxes. Employees may not be paid what they should have been paid. It is unclear if employees were over or under paid. 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

Additional training, supervision, review, and the use of the M-274 Handbook is necessary. All I-9s should be reviewed and updated as needed.

Response

After our audit and the review of all the I-9 forms, the District decided to print current forms and have all employees fill out their forms again and bring in current forms of identification. The I-9s were corrected as per the M-274 handbook to ensure the District is now in compliance.

Responsible Party: Business Manager

Timeline: October 16, 2019

2019-003 Overtime not being calculated-Compliance and Internal Control-Significant Deficiency

Condition

Three non-exempt employees tested had worked overtime but were not paid or given comp time in lieu of overtime. Total overtime worked but not compensated between July 1, 2018 and June 30, 2019 by these three employees total \$879.90.

Criteria

Fair Labor Standards Act requires time and a half be paid to employees who work more than forty hours in a work week. Recordkeeping Requirements under the Fair Labor Standards Act (FLSA). Every covered employer must keep certain records for each non-exempt worker. The Act requires no particular form for the records, but does require that the records include certain identifying information about the employee and data about the hours worked and the wages earned. The law requires this information to be accurate. Each employer shall preserve for at least three years payroll records. Records on which wage computations are based should be retained for two years 29 CFR §516.6, i.e., time cards and piece work tickets, wage rate tables, work and time schedules, and records of additions to or deductions from wages. NM Stat. Sec. 50-4-22(C) an employer must pay each non-exempt employee overtime in the amount of 1 1/2 times the employee's regular pay rate for hours worked in excess of 40 per workweek.

Cause

The business manager had not been adding up and tracking the few minutes of overtime worked for each pay period.

Effect

The cost to the District could be substantial for back pay for all non-exempt employees (up to 3 years) and penalties.

Recommendation

The District should utilizes the existing electronic time clocking system and if over time is worked it is paid or comp time is given and tracked. The District should create an FLSA Compliance Policy that includes Timekeeping Methodology: Establish a reliable method of fulfilling the FLSA requirement of accurate timekeeping for non-exempt employees, using either hard-copy timesheets, specialty timekeeping software or an Internet-based timekeeping app. Counting the Hours: Ensure that employees understand all of the nuances regarding the hours that can and must be counted pursuant to the FLSA, including issues related to travel time, meetings, professional development sessions, time spent communicating with colleagues or students face-to-face, via phone conversations, or through digital exchanges, and work done at home in the evenings and on weekends. State Labor Law Issues: Before implementing any of these recommendations, consult your school district attorney to ensure that your policy strategies are in compliance not just with the federal FLSA, but also with state labor law regulations.

Response

The business manager will monitor all the hours actually worked closely each work week and make sure that any overtime is paid during the payroll period it occurs in, or will have the employee leave early on Fridays if they will have overtime by staying their regular hours that day.

Responsible Party: Business Manager

Timeline: October 11, 2019

2019-004 ERB & RHCA - Compliance and Internal Control-Significant Deficiency

Condition

ERB and RHCA were not paid for two employees who worked greater than .25 FTE and were eligible for the benefits.

Criteria

22-11-21 NMSA 1978 Contributions; members; local administrative units. The ERB handbook states any employee working .25 FTE or more is covered by ERB's retirement program. As per ERB New Member Brochure any employee covered by ERB's retirement program earning Greater than \$20,000 is to contribute 10.7% and employees earning less than \$20,000 are to contribute 7.9%. ERB withholdings are based on the employee's gross salary without including stipends or increments. Also, the Office of the State Auditor has added NMRHCA to their 2010 State Auditor Rule under State Compliance, Section 2.2.2.10 (G) (19). The rule states: "Retiree Health Care Authority Act (Section 10-7C-1 to 10-7C-19 NMSA 1978). Auditors should test to ensure 100% of payroll is reported to NMRHCA. RHCA employer and employee contributions are set forth in Section 10-7C-15 NMSA 1978.

Cause

The business manager did not realize that these two employees should be enrolled in ERB and RHCA since they were not full time employees. They are college students working on their school

Effect

The employees' and employer should have been paying into ERB & RHCA for the wages earned. Total wages under reported to ERB totaled \$22,966.08, total employees owe \$1,814.32, and the employer owes \$3,192.29 for a total of \$5,006.61. The amount due to RHCA totals \$229.66 for the employees and \$459.32 for the employer, totaling \$688.98.

Recommendation

The District should review employees' time worked to ensure if they work greater than .25 FTE they are paying into both ERB and RHCA.

Response

The business manager has already changed the withholdings for these two employees to be enrolled in ERB and RHCA and will have them fill out the ERB paperwork if they are employed by the District for the summer again. The business manager will also monitor all employee to ensure if they reach the threshold requirements they will be recategorized to have ERB and RHCA withheld.

Responsible Party: Business Manager

Timeline: October 11, 2019

2019-005 Background Checks - Compliance and Other Matter

Condition

Of the 10 background checks tested one could not be located.

Criteria

Criminal background checks are performed on all district personnel in accordance with Section 28-2-1.6, NMSA 1978 or if applicable NM Statute 22-10(A)-5 states that if an employee terminates and returns, a new background check is required.

Cause

We did not realize that we were missing a background check.

Effect

As a safety measure, people with serious criminal records may not be fit to have responsibility for the safety and well being of children.

Recommendation

Training, supervision, and a review of personnel file is necessary to avoid this issue.

Response

The District will create a checklist of all items that need to be in the personnel folders.

Responsible Party: Bookkeeper

Timeline: October 11, 2019

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, 11 2019. Those present were Gene Bassett-Vice President of the School Board, Cheree Bain-Bookkeeper, Dee Dee Dalton-Business Manager, Elisa Begueria-Superintendent, Starla Sharp-Auditor, and De'Aun Willoughby-CPA.