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STATE OF NEW MEXICO  
Lake Arthur Municipal Schools

Financial Statements and Supplementary Information  
As Of And For The Year Ended June 30, 2017  
With Independent Auditor's Report Thereon

*Sandra Rush*  
*Certified Public Accountant, PC*

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*Clovis, New Mexico 88101*

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## Introductory Section

STATE OF NEW MEXICO  
LAKE ARTHUR MUNICIPAL SCHOOLS

Official Roster  
For the year ended June 30, 2017

Board of Education

Edward Rubio Jr.	President
Gene Bassett	Vice-President
Irma Salmon	Secretary
Melodia Robinson	Member
Carrie Jackson	Member

School Officials

Michael Grossman	Superintendent
Dee Dee Dalton	Business Manager

STATE OF NEW MEXICO  
LAKE ARTHUR MUNICIPAL SCHOOLS

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LAKE ARTHUR MUNICIPAL SCHOOLS

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## Financial Section

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## Independent Auditor's Report

Timothy Keller  
New Mexico State Auditor  
The Governing Body  
Lake Arthur Municipal Schools  
Lake Arthur, New Mexico

### **Report on the Financial Statements**

I have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of the Lake Arthur Municipal Schools District (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents. I did not audit the 2016 Schedule of Employer Allocations and Pension Amounts of the State of New Mexico Educational Retirement Board (ERB), the administrator of the cost sharing pension plan for the District. The schedules and statements were audited by other auditors whose report has been furnished to me, and my opinion, insofar as it relates to the amounts included for the District, is based solely on the report of the other auditors.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I 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 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 District'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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

## ***Opinions***

In my opinion, based on my report and the report of the other auditors, 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, and the budgetary comparisons for the general fund and major special revenue funds of the District, as of June 30, 2017, and the respective changes in financial position, where applicable, cash flows thereof for the year then ended in accordance accounting principles generally accepted in the United States of America.

## ***Other Matters***

### Required Supplementary Information

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

### Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplemental information required by 2.2.2 NMAC, presented in the supplementary information section of the Table of Contents, are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements and other Schedules, presented in the supplementary information section of the Table of Contents, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining and individual fund financial statements, and Schedules, presented in the supplementary information section of the Table of Contents, required by 2.2.2 NMAC are fairly stated in all material respects in relation to the basic financial statements as a whole.

The Schedule of Vendor Information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, I do not express an opinion or provide any assurance on it.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, I have also issued my report dated October 23, 2017 on my consideration of the District's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.



Sandra Rush CPA PC  
Clovis, New Mexico  
October 23, 2017

## Basic Financial Statements

## Government Wide Financial Statements

STATE OF NEW MEXICO  
LAKE ARTHUR MUNICIPAL SCHOOLS

Statement of Net Position  
June 30, 2017

	Governmental Activities
<u>ASSETS</u>	
Current assets	
Cash	\$ 731,384
Receivables	
Taxes	53,325
Due from grantor	22,406
Inventory	794
Total current assets	<u>807,909</u>
Noncurrent assets	
Capital assets	11,525,684
Accumulated depreciation	<u>(5,824,503)</u>
Total non current assets	<u>5,701,181</u>
Total assets	<u>6,509,090</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Related to grant receivables	14,181
Related to net pension liability	<u>383,089</u>
Total deferred outflows of resources	<u>397,270</u>
Total assets and deferred outflows of resources	<u>\$ 6,906,360</u>
<u>LIABILITIES AND NET POSITION</u>	
Current liabilities	
Accounts payable	\$ 7,846
Compensated absences payable	4,617
Accrued interest payable	48,711
Current portion of long term debt	<u>330,000</u>
Total current liabilities	<u>391,174</u>
Noncurrent liabilities	
Bonds payable	3,865,000
Net pension liability	<u>2,689,307</u>
Total noncurrent liabilities	<u>6,554,307</u>
Total liabilities	<u>6,945,481</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Related to net pension liability	<u>151,561</u>
Total deferred inflows of resources	<u>151,561</u>
Net Position	
Net investment in capital assets	1,506,181
Restricted for:	
General funds	21,911
Special revenue funds	157,066
Capital project funds	97,983
Debt service fund	396,517
Unrestricted	<u>(2,370,340)</u>
Total net position	<u>(190,682)</u>
Total liabilities and net position	<u>\$ 6,906,360</u>

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

STATE OF NEW MEXICO  
LAKE ARTHUR MUNICIPAL SCHOOLS

Statement of Activities  
For the year ended June 30, 2017

Functions / Programs	Expenses	Program Revenues			Net Program
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	[Expense] Revenues
					Governmental Activities Total
Governmental activities					
Instruction	\$ 872,751	\$ 3,852	\$ 150,421	\$ -	\$ (718,478)
Support services:					
Students	119,943	-	13,973	-	(105,970)
Instruction	115,950	-	-	-	(115,950)
General administration	181,325	-	-	-	(181,325)
School administration	91,973	-	-	-	(91,973)
Central services	126,488	-	-	-	(126,488)
Operation & maintenance of plant	296,628	12,014	12,836	-	(271,778)
Student transportation	100,265	-	99,025	-	(1,240)
Other support services	4,102	-	-	-	(4,102)
Food services	93,156	6,252	74,853	-	(12,051)
Facilities acquisition and construction	311,266	-	6,645	-	(304,621)
Interest on long-term debt	160,575	-	-	-	(160,575)
Depreciation	118,576	-	-	-	(118,576)
Total governmental activities	<u>\$ 2,592,998</u>	<u>\$ 22,118</u>	<u>\$ 357,753</u>	<u>\$ -</u>	<u>(2,213,127)</u>
			General revenues		
			Property tax		
			Levied for general purposes	11,726	
			Levied for debt service	383,085	
			Levied for capital projects	48,676	
			Payment in lieu of taxes	25,000	
			Oil and gas taxes	309,654	
			Local		
			Interest	691	
			Access board (e-rate)	2,248	
			Equalization guarantee	1,666,521	
			Emergency supplement	144,938	
			Total general revenues	<u>2,592,539</u>	
			Change in net position		379,412
			Net position, beginning		(564,069)
			Prior period adjustments		<u>(6,025)</u>
			Net position, restated		<u>(570,094)</u>
			Net position, ending		<u>\$ (190,682)</u>

The accompanying notes are an integral part of these financial statements

## Fund Financial Statements

STATE OF NEW MEXICO  
LAKE ARTHUR MUNICIPAL SCHOOLS

Balance Sheet  
Governmental Funds  
June 30, 2017

	General			
	Operational 11000	Teacherage 12000	Transportation 13000	Instructional Materials 14000
<u>ASSETS</u>				
Cash and cash equivalents	\$ 113,401	\$ 19,113	\$ 22	\$ 2,776
Accounts receivable				
Taxes	1,548	-	-	-
Due from grantor	-	-	-	-
Due from other funds	33,372			
Inventory	-	-	-	-
Total current assets	<u>148,321</u>	<u>19,113</u>	<u>22</u>	<u>2,776</u>
<u>DEFERRED OUTFLOWS</u>				
Unavailable revenue - federal grants	-	-	-	-
Total assets and deferred outflows	<u>\$ 148,321</u>	<u>\$ 19,113</u>	<u>\$ 22</u>	<u>\$ 2,776</u>
<u>LIABILITIES</u>				
Accounts payable	\$ 7,554	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
Total liabilities	<u>7,554</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>DEFERRED INFLOWS</u>				
Unavailable revenue - federal grants	-	-	-	-
<u>FUND BALANCE</u>				
Non-spendable	-	-	-	-
Restricted for				
General funds	-	19,113	22	2,776
Special revenue funds	-	-	-	-
Capital project funds	-	-	-	-
Debt service fund	-	-	-	-
Unassigned				
General funds	140,767	-	-	-
Special revenue funds	-	-	-	-
Total fund balance	<u>140,767</u>	<u>19,113</u>	<u>22</u>	<u>2,776</u>
Total liabilities and fund balances	<u>\$ 148,321</u>	<u>\$ 19,113</u>	<u>\$ 22</u>	<u>\$ 2,776</u>

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



Special Revenue				Debt Service		
Title I 24101	Entitlement 24106	IDEA-B Results Driven Accountability Plan 24132	Wind Farm Projects 29134	Debt Service 41000	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 125,000	\$ 345,366	\$ 125,706	\$ 731,384
-	-	-	-	41,256	10,521	53,325
-	11,124	4,513	-	-	6,769	22,406
-	-	-	-	-	-	33,372
-	-	-	-	-	794	794
-	11,124	4,513	125,000	386,622	143,790	841,281
-	-	-	-	-	-	-
\$ -	\$ 11,124	\$ 4,513	\$ 125,000	\$ 386,622	\$ 143,790	\$ 841,281
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 292	\$ 7,846
14,181	11,124	4,513	-	-	3,554	33,372
14,181	11,124	4,513	-	-	3,846	41,218
-	-	-	-	-	-	-
-	-	-	-	-	794	794
-	-	-	-	-	-	21,911
-	-	-	125,000	-	31,272	156,272
-	-	-	-	-	97,983	97,983
-	-	-	-	386,622	9,895	396,517
-	-	-	-	-	-	140,767
(14,181)	-	-	-	-	-	(14,181)
(14,181)	-	-	125,000	386,622	139,944	800,063
\$ -	\$ 11,124	\$ 4,513	\$ 125,000	\$ 386,622	\$ 143,790	\$ 841,281

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STATE OF NEW MEXICO  
 LAKE ARTHUR MUNICIPAL SCHOOLS  
 Reconciliation of the Balance Sheet  
 All Governmental Funds to the  
 Statement of Net Position  
 June 30, 2017

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

Fund balance - total governmental funds	\$ 800,063
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	
Capital assets	11,525,684
Accumulated depreciation	(5,824,503)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and therefore, are not reported in the funds	
Deferred inflows of resources related to pension liability	(151,561)
Deferred outflows of resources related to pension liability	383,089
Grant revenues not collected within sixty days after year end are not considered "available" revenues and are considered to be deferred outflow of resources in the fund financial statements, but are considered revenue in the Statement of Activities	
Change in deferred outflow of resources related to grant receivables	14,181
Certain liabilities, including accrued compensated absences, bonds payable, lease purchase notes and net pension liability, are not due and payable in the current period and therefore are not reported in the funds	
Accrued compensated absences payable	(4,617)
Accrued interest payable	(48,711)
General obligation bonds payable	(4,195,000)
Net pension liability	<u>(2,689,307)</u>
Net position of governmental activities in the statement of net position	<u>\$ (190,682)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO  
LAKE ARTHUR MUNICIPAL SCHOOLS

Statement of Revenues, Expenditures, and Changes in  
Fund Balances - Governmental Funds  
For the year ended June 30, 2017

	General			
	Operational 11000	Teacherage 12000	Transportation 13000	Instructional Materials 14000
Revenues				
Taxes				
Property	\$ 11,726	\$ -	\$ -	\$ -
Oil and gas	10,111	-	-	-
Intergovernmental - federal grants	12	-	-	-
Intergovernmental - state grants	1,811,459	-	99,025	6,942
Contributions - private grants	-	-	-	-
Charges for services	-	12,014	-	-
Investment and interest income	691	-	-	-
Miscellaneous	15,084	-	-	-
Total revenues	<u>1,849,083</u>	<u>12,014</u>	<u>99,025</u>	<u>6,942</u>
Expenditures				
Current				
Instruction	848,866	-	-	11,882
Support services				
Students	106,040	-	-	-
Instruction	102,668	-	-	-
General administration	180,267	-	-	-
School administration	95,825	-	-	-
Central services	129,497	-	-	-
Other support services	4,102	-	-	-
Operation of non-instructional services				
Operation & maintenance of plant	264,956	13,050	-	-
Facilities acquisition/construction	-	-	-	-
Student transportation	1,226	-	99,021	-
Food services operations	12,137	-	-	-
Capital outlay	-	-	-	-
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>1,745,584</u>	<u>13,050</u>	<u>99,021</u>	<u>11,882</u>
Excess (deficiency) of revenues over expenditures	103,499	(1,036)	4	(4,940)
Other financing sources (uses):				
Revert to state	-	-	(18)	-
Operating transfers in (out)	(130,892)	-	-	-
Total other financing sources (uses)	<u>(130,892)</u>	<u>-</u>	<u>(18)</u>	<u>-</u>
Net change in fund balances	(27,393)	(1,036)	(14)	(4,940)
Fund balance, beginning	168,160	20,149	36	7,716
Prior period adjustment	-	-	-	-
Fund balance, beginning restated	<u>168,160</u>	<u>20,149</u>	<u>36</u>	<u>7,716</u>
Fund balance, end of year	<u>\$ 140,767</u>	<u>\$ 19,113</u>	<u>\$ 22</u>	<u>\$ 2,776</u>

The accompanying notes are an integral part of these financial statements

Special Revenue

Title I 24101	Entitlement 24106	IDEA-B Results Driven Accountability Plan 24132	Wind Farm Projects 29134	Debt Service 41000	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 347,868	\$ 83,893	\$ 443,487
-	-	-	-	234,624	64,919	309,654
20,025	36,239	29,996	-	-	39,437	125,709
-	-	-	-	-	99,060	2,016,486
-	-	-	-	-	-	-
-	-	-	-	-	10,104	22,118
-	-	-	-	-	-	691
			25,000	-	-	40,084
20,025	36,239	29,996	25,000	582,492	297,413	2,958,229
34,206	31,234	29,996	-	-	37,863	994,047
-	-	-	-	-	13,903	119,943
-	5,005	-	-	-	7,750	115,423
-	-	-	-	3,472	847	184,586
-	-	-	-	-	-	95,825
-	-	-	-	-	-	129,497
-	-	-	-	-	-	4,102
-	-	-	-	-	1,500	279,506
-	-	-	-	-	92,517	92,517
-	-	-	-	-	-	100,247
-	-	-	-	-	81,019	93,156
-	-	-	-	-	-	-
-	-	-	-	245,000	55,000	300,000
-	-	-	-	161,673	2,200	163,873
34,206	36,239	29,996	-	410,145	292,599	2,672,722
(14,181)	-	-	25,000	172,347	4,814	285,507
-	-	-	-	-	-	(18)
-	-	-	-	130,892	-	-
-	-	-	-	130,892	-	(18)
(14,181)	-	-	25,000	303,239	4,814	285,489
-	5,923	-	100,000	83,383	135,232	520,599
-	(5,923)	-	-	-	(102)	(6,025)
-	-	-	100,000	83,383	135,130	514,574
\$ (14,181)	\$ -	\$ -	\$ 125,000	\$ 386,622	\$ 139,944	\$ 800,063

STATE OF NEW MEXICO  
LAKE ARTHUR MUNICIPAL SCHOOLS

Reconciliation of the Statement of Revenues, Expenditures, and  
Changes in Fund Balances of Governmental Funds to the  
Statement of Activities  
For the year ended June 30, 2017

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

Net change in fund balances - total governmental funds	\$ 285,489
<p>Capital outlays to purchase or build capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which depreciation exceeds capital outlays for the period.</p>	
Depreciation expense	(356,856)
<p>Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>	
Change in deferred outflows of resources related to grants	14,181
<p>The issuance of long-term debt (e.g., bonds, notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.</p>	
Bond payment	300,000
Change in accrued interest payable	3,298
<p>Compensated absences are expensed as paid in governmental fund statements and as increases to noncurrent liabilities on the statement of net position</p>	
Compensated absences	10,440
<p>Expenditures in the statement of activities that do not provide current financial resources are not reported as expenditures in the funds.</p>	
<p>Governmental funds report district pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense:</p>	
Change in outflows and inflows related to net pension liability	<u>122,860</u>
Change in Net Position of Governmental Activities	<u>\$ 379,412</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO  
 LAKE ARTHUR MUNICIPAL SCHOOLS  
 General Fund - Operational - 11000  
 Statement of Revenues, Expenditures, and Changes in Cash  
 Balance - Budget and Actual (Non - GAAP Budgetary Basis)  
 For the year ended June 30, 2017

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>Revenues</b>				
Taxes levied / assessed	\$ 37,179	\$ 37,179	\$ 21,511	\$ (15,668)
In lieu of taxes	-	-	-	-
Oil and gas taxes	-	-	-	-
Fees - activities	-	-	-	-
Rentals	-	-	-	-
Insurance recoveries	-	-	-	-
Interest income	573	573	691	118
Access board (e-rate)	7,000	7,000	2,248	(4,752)
Reimbursements / refunds	-	-	-	-
Refund prior year expense	-	-	13,763	13,763
State equalization guarantee	1,680,329	1,654,703	1,666,521	11,818
State flowthrough grants	-	-	-	-
Emergency supplement	189,328	203,374	144,938	(58,436)
Transportation	-	-	-	-
Instructional materials - credit and cash	-	-	-	-
Federal flowthrough grants	-	-	-	-
Federal restricted grants-in-aid	-	-	12	12
<b>Total revenues</b>	<b>1,914,409</b>	<b>1,902,829</b>	<b>1,849,684</b>	<b>(53,145)</b>
<b>Expenditures</b>				
Current				
Instruction	881,082	884,878	848,956	35,922
Support services				
Students	157,540	157,540	106,040	51,500
Instruction	116,141	116,141	102,668	13,473
General administration	186,409	185,979	181,348	4,631
School administration	100,940	100,944	95,985	4,959
Central services	132,217	139,156	129,657	9,499
Other support services	194,366	195,428	4,102	191,326
Operation of non-instructional services				
Operation & maintenance of plant	319,226	296,275	264,087	32,188
Facilities acquisition / construction				
Student transportation	3,190	3,190	1,226	1,964
Food services operations	13,045	13,045	12,137	908
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total expenditures</b>	<b>2,104,156</b>	<b>2,092,576</b>	<b>1,746,206</b>	<b>346,370</b>
Excess (deficiency) of revenues over (under) expenditures	(189,747)	(189,747)	103,478	293,225
Other financing sources (uses)				
Operating transfers in (out)	-	-	(145,415)	(145,415)
Prior period adjustment	-	-	(6,132)	(6,132)
Designated cash	174,187	179,187	-	(179,187)
<b>Total other financing sources (uses)</b>	<b>174,187</b>	<b>179,187</b>	<b>(151,547)</b>	<b>(330,734)</b>
Net change in cash balances	(15,560)	(10,560)	(48,069)	(37,509)
Cash balance, beginning	-	-	161,470	161,470
Cash balance, ending	\$ (15,560)	\$ (10,560)	\$ 113,401	\$ 123,961
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (48,069)	
Adjustment to revenues for accruals & other deferrals			13,922	
Adjustment to expenditures for payables, prepaids & other accruals			6,754	
<b>Net change in fund balance (GAAP Basis)</b>			<b>\$ (27,393)</b>	

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

STATE OF NEW MEXICO  
 LAKE ARTHUR MUNICIPAL SCHOOLS  
 General Fund - Teacherage - 12000  
 Statement of Revenues, Expenditures, and Changes in Cash  
 Balance - Budget and Actual (Non - GAAP Budgetary Basis)  
 For the year ended June 30, 2017

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>Revenues</b>				
Taxes levied / assessed	\$ -	\$ -	\$ -	\$ -
In lieu of taxes	-	-	-	-
Oil and gas taxes	-	-	-	-
Fees - activities	-	-	-	-
Rentals	14,400	14,400	12,014	(2,386)
Insurance recoveries	-	-	-	-
Interest income	-	-	-	-
Reimbursements / refunds	-	-	-	-
Refund prior year expense	-	-	-	-
State equalization guarantee	-	-	-	-
State flowthrough grants	-	-	-	-
Emergency supplement	-	-	-	-
Transportation	-	-	-	-
Instructional materials - credit and cash	-	-	-	-
Federal flowthrough grants	-	-	-	-
Federal restricted grants-in-aid	-	-	-	-
<b>Total revenues</b>	<b>14,400</b>	<b>14,400</b>	<b>12,014</b>	<b>(2,386)</b>
<b>Expenditures</b>				
Current				
Instruction	-	-	-	-
Support Services				
Students	-	-	-	-
Instruction	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Central Services	-	-	-	-
Other support services	-	-	-	-
Operation of non-instructional services				
Operation & maintenance of plant	34,603	34,603	13,094	21,509
Facilities acquisition / construction	-	-	-	-
Student Transportation	-	-	-	-
Food Services operations	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total expenditures</b>	<b>34,603</b>	<b>34,603</b>	<b>13,094</b>	<b>21,509</b>
Excess (deficiency) of revenues over(under) expenditures	(20,203)	(20,203)	(1,080)	19,123
Other financing sources (uses)				
Operating transfers in (out)	-	-	-	-
Interfund receivable	-	-	-	-
Designated cash	20,193	20,193	-	(20,193)
<b>Total other financing sources (uses)</b>	<b>20,193</b>	<b>20,193</b>	<b>-</b>	<b>(20,193)</b>
Net change in cash balances	(10)	(10)	(1,080)	(1,070)
Cash balance, beginning	-	-	20,193	20,193
Cash balance, ending	<u>\$ (10)</u>	<u>\$ (10)</u>	<u>\$ 19,113</u>	<u>\$ 19,123</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (1,080)	
Adjustment to revenues for accruals & other deferrals			-	
Adjustment to expenditures for payables, prepaids & other accruals			44	
<b>Net change in fund balance (GAAP Basis)</b>			<u>\$ (1,036)</u>	

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



STATE OF NEW MEXICO  
 LAKE ARTHUR MUNICIPAL SCHOOLS  
 General Fund - Transportation - 13000  
 Statement of Revenues, Expenditures, and Changes in Cash  
 Balance - Budget and Actual (Non - GAAP Budgetary Basis)  
 For the year ended June 30, 2017

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>Revenues</b>				
Taxes levied / assessed	\$ -	\$ -	\$ -	\$ -
In lieu of taxes	-	-	-	-
Oil and gas taxes	-	-	-	-
Fees - activities	-	-	-	-
Rentals	-	-	-	-
Insurance recoveries	-	-	-	-
Interest income	-	-	-	-
Reimbursements / refunds	-	-	-	-
Refund prior year expense	-	-	-	-
State equalization guarantee	-	-	-	-
State flowthrough grants	-	-	-	-
Emergency supplement	-	-	-	-
Transportation	114,336	99,025	99,025	-
Instructional materials - credit and cash	-	-	-	-
Federal flowthrough grants	-	-	-	-
Federal restricted grants-in-aid	-	-	-	-
<b>Total revenues</b>	<b>114,336</b>	<b>99,025</b>	<b>99,025</b>	<b>-</b>
<b>Expenditures</b>				
Current				
Instruction	-	-	-	-
Support Services				
Students	-	-	-	-
Instruction	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Central Services	-	-	-	-
Other support services	-	-	-	-
Operation of non-instructional services				
Operation & maintenance of plant	-	-	-	-
Facilities acquisition / construction	-	-	-	-
Student Transportation	114,336	99,025	99,021	4
Food Services operations	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total expenditures</b>	<b>114,336</b>	<b>99,025</b>	<b>99,021</b>	<b>4</b>
Excess (deficiency) of revenues over(under) expenditures	-	-	4	4
Other financing sources (uses)				
Operating transfers in (out)	-	-	-	-
Revert to state	-	-	(18)	(18)
Designated cash	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>(18)</b>	<b>(18)</b>
Net change in cash balances	-	-	(14)	(14)
Cash balance, beginning	-	-	36	36
Cash balance, ending	\$ -	\$ -	\$ 22	\$ 22
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (14)	
Adjustment to revenues for accruals & other deferrals			-	
Adjustment to expenditures for payables, prepaids & other accruals			-	
<b>Net change in fund balance (GAAP Basis)</b>			<b>\$ (14)</b>	

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

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 (Non - GAAP Budgetary Basis)  
 For the year ended June 30, 2017

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>Revenues</b>				
Taxes levied / assessed	\$ -	\$ -	\$ -	\$ -
In lieu of taxes	-	-	-	-
Oil and gas taxes	-	-	-	-
Fees - activities	-	-	-	-
Rentals	-	-	-	-
Insurance recoveries	-	-	-	-
Interest income	-	-	-	-
Reimbursements / refunds	-	-	-	-
Refund prior year expense	-	-	-	-
State equalization guarantee	-	-	-	-
State flowthrough grants	-	-	-	-
Emergency supplement	-	-	-	-
Transportation	-	-	-	-
Instructional materials - credit and cash	5,546	4,166	6,942	2,776
Federal flowthrough grants	-	-	-	-
Federal restricted grants-in-aid	-	-	-	-
<b>Total revenues</b>	<b>5,546</b>	<b>4,166</b>	<b>6,942</b>	<b>2,776</b>
<b>Expenditures</b>				
<b>Current</b>				
Instruction	13,262	11,882	11,882	-
<b>Support Services</b>				
Students	-	-	-	-
Instruction	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Central Services	-	-	-	-
Other support services	-	-	-	-
<b>Operation of non-instructional services</b>				
Operation & maintenance of plant	-	-	-	-
Facilities acquisition / construction	-	-	-	-
Student Transportation	-	-	-	-
Food Services operations	-	-	-	-
Capital Outlay	-	-	-	-
<b>Debt Service</b>				
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total expenditures</b>	<b>13,262</b>	<b>11,882</b>	<b>11,882</b>	<b>-</b>
<b>Excess (deficiency) of revenues over(under) expenditures</b>	<b>(7,716)</b>	<b>(7,716)</b>	<b>(4,940)</b>	<b>2,776</b>
<b>Other financing sources (uses)</b>				
Operating transfers in (out)	-	-	-	-
Interfund receivable	-	-	-	-
Designated cash	7,716	7,716	-	(7,716)
<b>Total other financing sources (uses)</b>	<b>7,716</b>	<b>7,716</b>	<b>-</b>	<b>(7,716)</b>
<b>Net change in cash balances</b>	<b>-</b>	<b>-</b>	<b>(4,940)</b>	<b>(4,940)</b>
<b>Cash balance, beginning</b>	<b>-</b>	<b>-</b>	<b>7,716</b>	<b>7,716</b>
<b>Cash balance, ending</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,776</b>	<b>\$ 2,776</b>
<b>Net change in fund balance (Non-GAAP Budgetary Basis)</b>			<b>\$ (4,940)</b>	
Adjustment to revenues for accruals & other deferrals			-	
Adjustment to expenditures for payables, prepaids & other accruals			-	
<b>Net change in fund balance (GAAP Basis)</b>			<b>\$ (4,940)</b>	

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

STATE OF NEW MEXICO  
 LAKE ARTHUR MUNICIPAL SCHOOLS  
 Special Revenue Fund - IASA Title I - 24101  
 Statement of Revenues, Expenditures, and Changes in Cash  
 Balance - Budget and Actual (Non - GAAP Budgetary Basis)  
 For the year ended June 30, 2017

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>Revenues</b>				
Taxes levied / assessed	\$ -	\$ -	\$ -	\$ -
In lieu of taxes	-	-	-	-
Oil and gas taxes	-	-	-	-
Fees - activities	-	-	-	-
Rentals	-	-	-	-
Insurance recoveries	-	-	-	-
Interest income	-	-	-	-
Reimbursements / refunds	-	-	-	-
Refund prior year expense	-	-	-	-
State equalization guarantee	-	-	-	-
State flowthrough grants	-	-	-	-
Emergency supplement	-	-	-	-
Transportation	-	-	-	-
Instructional materials - credit and cash	-	-	-	-
Food Service	-	-	-	-
Federal flowthrough grants	-	-	-	-
Federal restricted grants-in-aid	27,939	34,209	24,423	(9,786)
<b>Total revenues</b>	<b>27,939</b>	<b>34,209</b>	<b>24,423</b>	<b>(9,786)</b>
<b>Expenditures</b>				
Current				
Instruction	27,939	34,209	34,206	3
Support Services				
Students	-	-	-	-
Instruction	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Central Services	-	-	-	-
Other support services	-	-	-	-
Operation of non-instructional services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Facilities acquisition / construction	-	-	-	-
Student Transportation	-	-	-	-
Food Services operations	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total expenditures</b>	<b>27,939</b>	<b>34,209</b>	<b>34,206</b>	<b>3</b>
Excess (deficiency) of revenues over (under) expenditures	-	-	(9,783)	(9,783)
Other financing sources (uses)				
Operating transfers in (out)	-	-	9,783	9,783
Interfund receivable	-	-	-	-
Designated cash	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>9,783</b>	<b>9,783</b>
Net change in cash balances	-	-	-	-
Cash balance, beginning	-	-	-	-
Cash balance, ending	\$ -	\$ -	\$ -	\$ -
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ -	
Adjustment to revenues for accruals & other deferrals			(14,181)	
Adjustment to expenditures for payables, prepaids & other accruals			-	
<b>Net change in fund balance (GAAP Basis)</b>			<b>\$ (14,181)</b>	

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

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 (Non - GAAP Budgetary Basis)  
 For the year ended June 30, 2017

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>Revenues</b>				
Taxes levied / assessed	\$ -	\$ -	\$ -	\$ -
In lieu of taxes	-	-	-	-
Oil and gas taxes	-	-	-	-
Fees - activities	-	-	-	-
Rentals	-	-	-	-
Insurance recoveries	-	-	-	-
Interest income	-	-	-	-
Reimbursements / refunds	-	-	-	-
Refund prior year expense	-	-	-	-
State equalization guarantee	-	-	-	-
State flowthrough grants	-	-	-	-
Emergency supplement	-	-	-	-
Transportation	-	-	-	-
Instructional materials - credit and cash	-	-	-	-
Food service	-	-	-	-
Federal flowthrough grants	-	-	-	-
Federal restricted grants-in-aid	-	36,254	37,287	1,033
<b>Total revenues</b>	<b>-</b>	<b>36,254</b>	<b>37,287</b>	<b>1,033</b>
<b>Expenditures</b>				
<b>Current</b>				
Instruction	-	31,238	31,234	4
Support services				
Students	-	-	-	-
Instruction	-	5,016	5,005	11
General administration	-	-	-	-
School administration	-	-	-	-
Central services	-	-	-	-
Other support services	-	-	-	-
Operation of non-instructional services				
Operation & maintenance of plant	-	-	-	-
Facilities acquisition / construction	-	-	-	-
Student Transportation	-	-	-	-
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>36,254</b>	<b>36,239</b>	<b>15</b>
Excess (deficiency) of revenues over (under) expenditures	-	-	1,048	1,048
Other financing sources (uses)				
Operating transfers in (out)	-	-	(1,048)	(1,048)
Prior period adjustment	-	-	-	-
Designated cash	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>(1,048)</b>	<b>(1,048)</b>
Net change in cash balances	-	-	-	-
Cash balance, beginning	-	-	-	-
Cash balance, ending	\$ -	\$ -	\$ -	\$ -
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ -	
Adjustment to revenues for accruals & other deferrals			-	
Adjustment to expenditures for payables, prepaids & other accruals			(5,923)	
<b>Net change in fund balance (GAAP Basis)</b>			<b>\$ (5,923)</b>	

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

STATE OF NEW MEXICO  
 LAKE ARTHUR MUNICIPAL SCHOOLS  
 Special Revenue Fund - IDEA-B Results Driven Accountability Plan - 24132  
 Statement of Revenues, Expenditures, and Changes in Cash  
 Balance - Budget and Actual (Non - GAAP Budgetary Basis)  
 For the year ended June 30, 2017

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>Revenues</b>				
Taxes levied / assessed	\$ -	\$ -	\$ -	\$ -
In lieu of taxes	-	-	-	-
Oil and gas taxes	-	-	-	-
Fees - activities	-	-	-	-
Rentals	-	-	-	-
Insurance recoveries	-	-	-	-
Interest income	-	-	-	-
Reimbursements / refunds	-	-	-	-
Refund prior year expense	-	-	-	-
State equalization guarantee	-	-	-	-
State flowthrough grants	-	-	-	-
Emergency supplement	-	-	-	-
Transportation	-	-	-	-
Instructional materials - credit and cash	-	-	-	-
Food service	-	-	-	-
Federal flowthrough grants	-	-	-	-
Federal restricted grants-in-aid	30,000	30,000	25,483	(4,517)
<b>Total revenues</b>	<b>30,000</b>	<b>30,000</b>	<b>25,483</b>	<b>(4,517)</b>
<b>Expenditures</b>				
Current				
Instruction	30,000	30,000	29,996	4
Support Services				
Students	-	-	-	-
Instruction	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Central Services	-	-	-	-
Other support services	-	-	-	-
Operation of non-instructional services				
Operation & maintenance of plant	-	-	-	-
Facilities acquisition/construction	-	-	-	-
Student Transportation	-	-	-	-
Food Services operations	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total expenditures</b>	<b>30,000</b>	<b>30,000</b>	<b>29,996</b>	<b>4</b>
Excess (deficiency) of revenues over (under) expenditures	-	-	(4,513)	(4,513)
Other financing sources (uses)				
Operating transfers in (out)	-	-	4,513	4,513
Prior period adjustment	-	-	-	-
Designated cash	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>4,513</b>	<b>4,513</b>
Net change in cash balances	-	-	-	-
Cash balance, beginning	-	-	-	-
Cash balance, ending	\$ -	\$ -	\$ -	\$ -
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ -	
Adjustment to revenues for accruals & other deferrals			-	
Adjustment to expenditures for payables, prepaids & other accruals			-	
<b>Net change in fund balance (GAAP Basis)</b>			<b>\$ -</b>	

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

STATE OF NEW MEXICO  
 LAKE ARTHUR MUNICIPAL SCHOOLS  
 Special Revenue Fund - Wind Farm Projects - 29134  
 Statement of Revenues, Expenditures, and Changes in Cash  
 Balance - Budget and Actual (Non - GAAP Budgetary Basis)  
 For the year ended June 30, 2017

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>Revenues</b>				
Taxes levied / assessed	\$ -	\$ -	\$ -	\$ -
In lieu of taxes	25,000	25,000	25,000	-
Oil and gas taxes	-	-	-	-
Fees - activities	-	-	-	-
Rentals	-	-	-	-
Insurance recoveries	-	-	-	-
Interest income	-	-	-	-
Reimbursements / refunds	-	-	-	-
Refund prior year expense	-	-	-	-
State equalization guarantee	-	-	-	-
State flowthrough grants	-	-	-	-
Emergency supplement	-	-	-	-
Transportation	-	-	-	-
Instructional materials - credit and cash	-	-	-	-
Food service	-	-	-	-
Federal flowthrough grants	-	-	-	-
Federal restricted grants-in-aid	-	-	-	-
<b>Total revenues</b>	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>-</u>
<b>Expenditures</b>				
Current				
Instruction	-	-	-	-
Support Services				
Students	-	-	-	-
Instruction	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Central Services	-	-	-	-
Other support services	-	-	-	-
Operation of non-instructional services				
Operation & maintenance of plant	-	-	-	-
Facilities acquisition / construction	125,000	125,000	-	125,000
Student Transportation	-	-	-	-
Food Services operations	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total expenditures</b>	<u>125,000</u>	<u>125,000</u>	<u>-</u>	<u>125,000</u>
Excess (deficiency) of revenues over(under) expenditures	(100,000)	(100,000)	25,000	125,000
Other financing sources (uses)				
Operating transfers in (out)	-	-	-	-
Interfund receivable	-	-	-	-
Designated cash	100,000	100,000	-	(100,000)
<b>Total other financing sources (uses)</b>	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>(100,000)</u>
Net change in cash balances	-	-	25,000	25,000
Cash balance, beginning	-	-	100,000	100,000
Cash balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 125,000</u>	<u>\$ 125,000</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 25,000	
Adjustment to revenues for accruals & other deferrals			-	
Adjustment to expenditures for payables, prepaids & other accruals			-	
<b>Net change in fund balance (GAAP Basis)</b>			<u>\$ 25,000</u>	

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

STATE OF NEW MEXICO  
LAKE ARTHUR MUNICIPAL SCHOOLS

Statement of Fiduciary Assets and Liabilities - Agency Funds  
June 30, 2017

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ <u>69,512</u>
Total assets	\$ <u><u>69,512</u></u>
<u>LIABILITIES</u>	
Deposits held for others	\$ <u>69,512</u>
Total liabilities	\$ <u><u>69,512</u></u>

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

## Notes to Financial Statements



**NOTE 1 Summary of Significant Accounting Policies**

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

This summary of significant accounting policies of the District is presented to assist in the understanding of the District's financial statements. The financial statements and notes are the representation of the District's management who is responsible for their integrity and objectivity. The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements have incorporated all applicable GASB statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on accounting procedures. The more significant of the government's accounting policies are described below.

**A. Financial Reporting Entity**

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statement 61. Blended component units, although legally separate entities, are in substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government can exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity. Based upon the application of these criteria, the District has no component units, and is not a component unit of another governmental agency.

**B. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all the non-fiduciary activities of the primary government. For the most part, the effect of inter fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

In the government-wide Statement of Net Position, the governmental activities column is presented on a consolidated basis and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a function or segment.

These include fees for meals, lab fees and activity fees for the District. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

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

### **C. Measurement focus, basis of accounting, and financial statement presentation**

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

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales and use taxes are classified as derived tax revenues and are recognized as revenue when the underlying exchange takes place and the revenues are measurable and available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Under the requirements of GASB Statement No. 34, the District is required to present certain of its governmental funds as major funds based upon certain criteria. The major funds presented in the fund financial statements include the following (in addition to the General Fund), which may include funds that were not required to be presented as major but were at the discretion of management:

#### General Fund 11000, 12000, 13000, 14000

The General Fund consists 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 Fund is to provide teachers affordable housing to entice them to teach there. 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

#### 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

The purpose of this program is to account for revenue used to help maximize the resources in meeting the objective of handicapped children. The federal revenues in this fund are received from and administered by the New Mexico Department of Education. Authority for the creation of this fund is Part B of the Handicapped Act, Public Law 105-17.

IDEA-B Results Driven Accountability 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.

Wind Farm – Special Revenue Fund 29134

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

Debt Service Fund - 41000

The fund is used to account for the resources for, and the payment of, principal, interest, and related cost.

Additionally, the government reports the following fund types:

Debt Service Funds

The fund is used to account for resources for and the payment of general long-term debt principal interest, and related cost.

Fiduciary Funds

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

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

Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the District's taxpayer or citizenry, program revenues reduce the cost of the function to be financed from the District's general revenues. Program revenues are categorized as (a) charges for services, which include revenues collected for cafeteria fees and lost books, etc., (b) program specific operating grants, which includes revenues received from state and federal sources such as Title I and IDEA-B to be used as specified within each program grant agreement, and (c) program-specific capital grants and contributions, which include revenues from the state resources such as SB-9 and HB-33 funding to be used for capital projects. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and other items not properly included among program revenues.

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with the function. The District does not currently employ indirect cost allocation systems. Depreciation expense is specifically identified by function and is included in the direct expense of each function, except for that portion of depreciation that is identified as unallocated in the Statement of Activities. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

**D. Assets, Liabilities and Net Position or Equity**

**Cash and Cash Equivalents:** The District's cash and cash equivalents are cash on hand, demand deposits and short-term investments with original maturities of twelve months or less from the date of acquisition.

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

**Restricted Assets:** Restricted assets are those that are set aside for restrictions resulting from enabling legislation for future capital outlay expenditures. The District's restricted assets are made up of all capital project.

**Receivables and Payables:** Inter-fund activity is reported either as loans, services provided, reimbursements, or transfers. Loans are reported as inter-fund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related costs as a reimbursement. All other inter-fund transactions are treated as transfers. Transfers between governmental or between proprietary funds are netted as part of the reconciliation to the government-wide financial statements. All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

The District receives monthly income from a tax levy in Quay and Roosevelt counties. The funds are collected by the County Treasurers and remitted to the District in the following month. Under the modified accrual method of accounting, the amount remitted by the county treasurers in July and August is considered 'measurable and available' and, accordingly, is recorded as revenue in the governmental fund financial statements during the year ended June 30, 2017. Period of availability is deemed to be sixty days (60) subsequent to year end.

Certain Special Revenue funds are administered on a reimbursement method of funding; other funds are operated on a cash advance method of funding. The funds incurred the cost and submitted the necessary request for reimbursement or advance, respectively.

**Prepaid Items:** Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. As of June 30, 2017, the District does not have any prepaid items.

**Instructional Materials:** The New Mexico Public Education Department (PED) receives federal mineral leasing funds from which it makes annual allocations to the various school districts for the purchase of educational materials. Of each allocation, fifty percent is restricted to the purchase of material listed on the PED 'Multiple List', while fifty percent of each allocation is available for purchases directly from vendors or transfer to the fifty percent account for purchase of material from the "Multiple List". Districts are allowed to carry forward unused textbook funds from year to year.

**Inventory:** The District's method of accounting for inventory is the consumption method. Under the consumption approach, governments report inventories they purchase as an asset and defer the recognition of the expenditures until the period in which the inventories are consumed. Inventory is valued at cost. In the General Fund, inventory consists of expendable supplies held for consumption. Inventory in the Food Service Fund consists of U.S.D.A. commodities and other purchased food and non-food supplies.

The cost of purchased inventory is recorded as an expenditure at the time individual inventory items are consumed. Commodities consumed during the year are reported as revenues and expenditures; unused commodities are reported as inventories.

**Capital Assets:** Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000, per section 12-6-10 NMSA 1978, and an estimated useful life more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets, (retroactive to 1979) are to be included as part of the governmental capital assets reported in the government wide statements. Donated capital assets are recorded at estimated fair market value at the date of donation. Information Technology Equipment including software is being capitalized and included in furniture, fixtures, and equipment in accordance with NMAC 2.20.1.9 C (5).

The District was a phase I government for purposes of implementing GASB Statement No. 34. However, the District does not have any infrastructure assets to report.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest was included as part of the cost of capital assets under construction during the year ended June 30, 2017.

Capital expenditures made on the District’s building construction projects by the New Mexico Public School Facilities Authority are included in the District’s capital assets as appropriate. Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Building and Improvements	20 - 50 Years
Vehicles	2 - 15 Years
Equipment	2 - 15 Years

**Unearned Revenues:** Accounting principles generally accepted in the United States of America require that grant revenue be recognized at the time the related expense is made if the expenditure of funds is the prime factor for determining eligibility for reimbursement; therefore, amounts received and not expended in the Special Revenue Funds are shown as unearned revenues. Amounts receivable from the property taxes levied for the current year that are not considered to be “available” under the current financial resources measurement focus are reported as unearned revenues in the governmental fund financial statements.

**Deferred inflows/outflows of resources:** GASB 63 amended previous guidance on deferred revenues in the Government-Wide Financial Statements to include deferred outflow of resources, which is the consumption of net assets by the government that is applicable to a future reporting period and deferred inflow of resources, which is acquisition of nets assets by the government that is applicable to a future reporting period.

**Compensated Absences:** The District contracts with all employees on an annual basis. Vacation and or sick leave are not paid out upon termination.

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

**Long-term Obligations:** In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. Bond issuance costs are reflected as a current period expense per GASB 65.

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

**Fund Balance:** Governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent: The following classifications may be used:

**Non-Spendable**

The non-spendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts.

**Restricted**

Fund balance is reported as restricted when constraints placed on the use of resources are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

#### Committed

Amounts that can only be used for specific purposes pursuant to constraints imposed by the formal action of the District's Board of Education should be reported as committed fund balance. The committed amounts cannot be used for any other purpose unless the District's Board of Education removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

#### Assigned

Assigned fund balance includes (a) all remaining amounts, except for negative balances, that are reported in governmental funds, other than the general fund, that are not classified as non-spendable and are neither restricted nor committed and amounts in the general fund that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. Intent, and removal of, is expressed by the Board of Education or the Finance Committee. The District did not have assigned fund balances for the year ended June 30, 2017.

#### Unassigned

The remaining fund balance, after all other classifications, within the general fund is reported as unassigned fund balance. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. In governmental funds other than the general fund, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, a negative fund balance will be reported as unassigned fund balance.

When committed, assigned, and unassigned resources are available for use, it is the District's policy to use committed first followed by assigned and unassigned resources as they are needed.

**Net Position:** Net Position is presented on the Statement of Net Position and may be presented in any of three components.

#### Net investment in capital assets

This component of Net Position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. That portion of the debt is included in restricted for capital projects.

#### Restricted Net Position

Net Position is reported as being restricted when the restriction is either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.

#### Unrestricted Net Position

Unrestricted Net Position consists of Net Position that does not meet the definition of "net investment in capital assets" or "restricted."

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

In the governmental environment, Net Position often is designated to indicate that management does not consider them to be available for general operations. In contrast to restricted Net Position, these types of constraints on resources are internal and management can remove or modify them. However, enabling legislation established by the reporting government should not be construed as an internal constraint.

**Estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates affecting the District's financials include management's estimate of the useful lives of capital assets.

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

## E. Revenues

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

A school district's program costs are determined using various formulas using 'program units' which take into consideration 1) early childhood education; 2) basic education; 3) special education; 4) bilingual-multicultural education; 5) size, etc. Payment is made from the public-school fund under the authority of the Secretary of the Public Education Department. The District received \$1,666,521 in state equalization guarantee distributions during the year ended June 30, 2017.

**Tax Revenues:** The District receives mill levy and ad-valorem tax revenues primarily for debt service and capital outlay purposes. Property taxes are assessed on January 1st of each year and are payable in two equal installments, on November 10th of the year in which the tax bill is prepared and April 10th of the following year with the levies becoming delinquent 30 days (one month) thereafter. The District recognizes tax revenues in the period for which they are levied in the government-wide financial statements. The District records only the portion of the taxes considered 'measurable' and 'available' in the governmental fund financial statements. The District recognized \$443,487 ad valorem tax and \$309,654 oil & gas tax revenues in the governmental fund financial statements during the year ended June 30, 2017. Descriptions of the individual debt service and capital outlay funds contained in these financial statements include information regarding the authority for the collection and use of these taxes.

**Transportation Distribution:** School districts in the State of New Mexico receive student transportation distributions. The transportation distribution is allocated to each school district in accordance with formulas developed by the State Transportation Director and the Secretary of the Public Education Department. The funds shall be used only for making payments to each school district for the to-and-from school transportation costs of students in grades K through twelve attending public school within the school district. The District received \$99,025 in transportation distributions during the year ended June 30, 2017.

**Instructional Materials:** The New Mexico Public Education Department (PED) receives federal mineral leasing funds from which it makes annual allocations to the various school districts for the purchase of educational materials. Of each allocation, fifty percent is restricted to the purchase of materials listed in the PED "Multiple List", while fifty percent of each allocation is available for purchases directly from vendors. Allocations received from the State for the year ended June 30, 2017 totaled \$6,942.

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

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

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

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

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

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

During the year ended June 30, 2017, the District did not receive any special capital outlay funds.

**SB-9 State Match:** The Director shall distribute to any school district that has imposed a tax under the Public School Capital Outlay Improvements Act (22-25-1 to 22-25-10 NMSA 1978) an amount from the public school capital improvements fund that is equal to the amount by which the revenue estimated to be received from the imposed tax as specified in Subsection B of section 22-25-3 NMSA 1978, assuming a one hundred percent collection rate, is less than an amount calculated by multiplying the product obtained by the rate imposed in the District under the Public School Capital Improvements Act. The distribution shall be made by December 1, of each year that the tax is imposed in accordance with Section 22-25-3 NMSA 1978. Provided, however, if sufficient funds are not available in the public-school capital improvement funds to make the state distribution provided for in this section, the dollar per program unit figure shall be reduced as necessary.

The district received \$6,645 state SB-9 matching funds during the year end June 30, 2017.

**Federal Grants:** The District receives revenues from various Federal departments (both direct and indirect), which are legally restricted to expenditures for specific purposes. These programs are reported as Special Revenue Funds. Each program is operated under its own budget, which has been approved by the Federal Department or the flow-through agency (usually the New Mexico Public Education Department). The various budgets are approved by the Local School Board and the New Mexico Public Education Department.

The District also receives revenues from Federal departments which are unrestricted to expenditures for special purposes. These revenues are reported in the Operational Fund.

## **NOTE 2 Stewardship, Compliance and Accountability**

### *Budgetary Information*

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

These budgets are prepared on the Non-GAAP (Cash) budgetary basis, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year. Because the budget process in the State of New Mexico requires that the beginning cash balance be appropriated in the budget of the subsequent fiscal year, such appropriated balance is legally restricted and is therefore presented as a designated portion of the fund balance.

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

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

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



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1. In April or May, the local school board submits to the School Budget and Finance Analysis Bureau (SBFAB) of the New Mexico Public Education Department, a proposed operating budget for the ensuing fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them. All budgets submitted to the State of New Mexico Public Education Department (PED) by the District shall contain headings and details as described by law and have been approved by the New Mexico Public Education Department.
2. In May or June of each year, the proposed "operating" budget will be reviewed and approved by the SBFAB and certified and approved by the local school board at a public hearing of which notice has been published by the local school board who fixes the estimated budget for the District for the ensuing fiscal year.
3. The school board meeting, while not intended for the public, is open for the public unless a closed meeting has been called.
4. The "operating" budget will be used by the District until they have been notified that the budget has been approved by the SBFAB and the local school board. The budget shall be integrated formally into the accounting system. Encumbrances shall be used as an element of control and shall be integrated into the budget system.
5. 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 SBFAB.
6. The superintendent is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the school board and the New Mexico Public Education Department.
7. Budget change requests are processed in accordance with Supplement 1 (Budget Preparation and Maintenance) of the Manual of Procedures Public School Accounting and Budgeting. Such changes are initiated by the District and approved by the SBFAB.
8. Legal budget control for expenditures is by function.
9. 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.
10. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Capital Projects Funds and Debt Service Funds.
11. Budgets for the General, Special Revenue, Capital Projects, and Debt Service Funds are adopted on a basis not consistent with generally accepted accounting principles (GAAP). Encumbrances are treated the same way for GAAP purposes and for budget purposes.

The Board of Education may approve amendments to the appropriated budget, which are required when a change is made affecting budgeted ending fund balance. New Mexico state law prohibits a Governmental Agency from exceeding an individual function.

The accompanying Statements of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual present comparisons of the legally adopted budget with actual data on a budgetary basis.

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of resultant basis, perspective, equity, and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2017, is presented.

The appropriated budget for the year ended June 30, 2017, was properly amended by the Board of Education throughout the year.

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	<u>Original Budget</u>	<u>Final Budget</u>
Major Funds		
Operational - 11000	\$ 2,104,156	\$ 2,092,576
Teacherage - 12000	\$ 34,603	\$ 34,603
Transportation - 13000	\$ 114,336	\$ 99,025
Instructional Material - 14000	\$ 13,262	\$ 11,882
IASA TITLE I - 24101	\$ 27,939	\$ 34,209
IDEA - B Entitlement - 24106	\$ -	\$ 36,254
IDEA-B Results Driven 24132	\$ 30,000	\$ 30,000
Wind Farm - 29134	\$ 125,000	\$ 125,000
Debt Service - 41000	\$ 572,558	\$ 621,146
Non major	\$ 441,455	\$ 505,990

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

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

**NOTE 3 Cash and Temporary Investments**

State statutes authorize the investment of the District's funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the District properly followed State investment requirements as of June 30, 2017.

Deposits of funds may be made in interest or non-interest-bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the District. Deposits may be made to the extent that they are insured by an agency of the United States or by collateral deposited as security or by bond given by the financial institution.

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

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

The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico.

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

**Deposits**

New Mexico State Statutes require collateral pledged for deposits more than the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the District for a least one half of the amount on deposit with the institution. The schedule listed below will meet the State of New Mexico, Office of the State Auditor's requirements in reporting the insured portion of the deposits.

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	Western Bank Artesia, NM	Type
Total amount on deposit on June 30, 2017		
Lake Arthur Municipal School Operational	\$ 834,991	Checking
Lake Arthur Municipal Schools Activities	70,749	Checking
Total deposited	<u>905,740</u>	
Less FDIC coverage	<u>(250,000)</u>	
Total uninsured public funds	<u>655,740</u>	
50% collateral requirement as per Section 6-10-17, NMSA 1978	<u>327,870</u>	
Pledged securities		
Schedule below	970,935	
Over (under)	<u>\$ 643,065</u>	

Custodial Credit Risk Deposits	
Account Balance	\$ 905,740
FDIC Insurance	250,000
Collateral:	
Collateral held by the pledging bank, not in the District's name	970,935
Uninsured and uncollateralized	<u>(315,195)</u>
Total Deposits	<u>\$ 905,740</u>

Pledged Collateral

The collateral segregated on the Districts behalf on June 30, 2017 is as follows

Description	CUSIP #	Market Value	Maturity Date	Location
FNMA Pool #J13885	3128PTJ63	64,276	12/1/2025	FHLB, Dallas TX
FNMA POOL #257291	31371NXU4	4,498	7/1/2018	FHLB, Dallas TX
Questa NM ISD	74852DC2	508,982	9/1/2026	FHLB, Dallas TX
Albuquerque NM School Dist.	031395QL0	250,456	8/1/2017	FHLB, Dallas TX
FNMA Pool #MA1237	31418ALT3	142,723	11/1/2032	FHLB, Dallas TX
		<u>970,935</u>		

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the governments' deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2017, none of the District's bank balance of \$905,740 was exposed to custodial credit risk.

Custodial Credit Risk-Deposits

Account Balance	\$ 905,740
FDIC Insured	250,000
Collateral:	
Collateral held by the pledging bank, not in the the District's name	970,935
Uninsured and uncollateralized	<u>(315,195)</u>
Total Deposits	<u>\$ 905,740</u>

Custodial Credit Risk- Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have an investment policy for custodial credit risk. New Mexico State Statutes require collateral pledged to be delivered for the securities underlying an overnight repurchase agreement, or a joint safekeeping receipt to be issued to the District for at least one hundred and two percent of the fair value of the securities underlying overnight repurchase accounts invested with the institution.

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At June 30, 2017, the District had no investment balances therefore there was no custodial credit risk for investments.

**NOTE 4 Accounts Payables and Accrued Expenses**

Accounts payable as of June 30, 2017, was \$7,846 payable to suppliers.

**NOTE 5 Receivables**

Receivables as of year-end for the government's individual major funds and non-major funds in the aggregate, including the following:

	General Fund	SB-9 Fund	Debt Service Fund	Ed Tech Debt Service Funds	Other Governmental Funds	Total
Taxes receivable						
Property taxes	\$ 60	\$ 313	\$ 1,967	\$ 203	\$ -	\$ 2,543
Oil and gas taxes	1,488	5,954	39,289	4,051	-	50,782
Due from grantor						
Operational	-	-	-	-	-	-
Special Revenue Funds						
Food Service	-	-	-	-	2,620	
IDEA-B Entitlement	-	-	-	-	11,124	
IDEA-B Preschool	-	-	-	-	2,479	
Fresh Fruits & Veg's	-	-	-	-	81	
IDEA-B Results Driven	-	-	-	-	4,513	
Teacher/Principal Training	-	-	-	-	994	
Medicaid	-	-	-	-	595	
Totals	<u>\$ 1,548</u>	<u>\$ 6,267</u>	<u>\$ 41,256</u>	<u>\$ 4,254</u>	<u>\$ 22,406</u>	<u>\$ 53,325</u>

The above receivables are deemed 100% collectible.

**NOTE 6 Inter-Fund Receivables and Payables**

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

The composition of inter-fund balances during the year ended June 30, 2017 is as follows:

	Interfund Receivable	Interfund Payable
Operational	\$ 22,406	\$ -
Food Service		(2,620)
IDEA-B Entitlement		(11,124)
IDEA-B Preschool		(2,479)
Fresh Fruits & Veg's		(81)
IDEA-B Results Driven		(4,513)
Teacher/Principal Training		(994)
Medicaid	-	(595)
Totals	<u>\$ 22,406</u>	<u>\$ (22,406)</u>

These funds are part of pooled cash, so the General Fund is deemed to have loaned it money until reimbursements are received. All inter-fund balances are to be paid within one year.

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The District made the following permanent transfers:

	Transfer Out	Transfer In
Operational	\$ (130,892)	\$ -
Debt Service	-	130,892
SB-B 9 State	(45,274)	-
SB-B 9 Local	-	45,274
	<u>                    </u>	<u>                    </u>
Totals	<u>\$ (176,166)</u>	<u>\$ 176,166</u>

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**NOTE 7 Capital Assets**

A summary of capital assets and changes occurring during the year ended June 30, 2017, including those changes pursuant to the implementation of GASB Statement No. 34, follows. Land is not subject to depreciation.

	Beginning Balances	Increase	Adjustments/ Decrease	Ending Balances
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 14,579	\$ -	\$ -	\$ 14,579
Capital assets being depreciated				
Buildings and Improvements	10,532,374	-	-	10,532,374
Equipment, Vehicles, Information Technology Equipment, Software, & Library Books	<u>978,731</u>	<u>-</u>	<u>-</u>	<u>978,731</u>
Total assets being depreciated	<u>11,525,684</u>	<u>-</u>	<u>-</u>	<u>11,525,684</u>
Less accumulated depreciation				
Buildings and improvements	(5,089,949)	(284,245)	-	(5,374,194)
Equipment, Vehicles, Information Technology Equipment, Software, & Library Books	<u>(377,698)</u>	<u>(72,611)</u>	<u>-</u>	<u>(450,309)</u>
Total accumulated depreciation	<u>(5,467,647)</u>	<u>(356,856)</u>	<u>-</u>	<u>(5,824,503)</u>
Governmental activity capital assets, net	<u>\$ 6,058,037</u>	<u>\$ (356,856)</u>	<u>\$ -</u>	<u>\$ 5,701,181</u>

Capital assets, net of depreciation, at June 30, 2017 appear in the Statement of Net Position as follows:

Governmental activities \$5,701,181

Depreciation has been allocated to the functions by the following amounts:

Direct instruction	\$ 1,564
Operation and maintenance	19,467
Facility acquisition	217,249
Unclassified	<u>118,576</u>
Total Depreciation	<u>\$ 356,856</u>

**NOTE 8 Long-term Debt**

General Obligation Bonds

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. These bonds are issued with varying terms and varying amounts of principal maturing each year. All general obligation bonds as of June 30, 2017 are for governmental activities.

General obligation bonds outstanding at June 30, 2017, are comprised of the following:

During the year ended June 30, 2017 the following changes occurred in the liabilities reported in the government-wide Statement of Net Position:

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Series	Date of Issue	Original Amount	Interest Rate	Balance	Due in One Year
2005	6/15/2005	400,000	4.1% - 4.25%	\$ 135,000	\$ 45,000
2007	4/1/2007	400,000	4%	190,000	50,000
2009	8/15/2009	470,000	4% - 5.6%	395,000	35,000
2010	3/15/2010	455,000	2% - 4.35%	395,000	10,000
2011	5/15/2011	750,000	3.3% - 4.3%	750,000	10,000
2012	1/15/2012	450,000	2.80% - 3.70%	375,000	25,000
2013	7/1/2012	1,200,000	4% - 3.10%	1,100,000	50,000
2013	2/1/2013	1,000,000	2.75% - 3.20%	800,000	50,000
				<u>\$ 4,140,000</u>	<u>\$ 275,000</u>

The annual requirements to amortize the General Obligation Bonds as of June 30, 2017, including interest payments are as follows.

Year Ended June 30,	Principal	Interest	Total
2018	\$ 275,000	\$ 152,733	\$ 427,733
2019	255,000	143,150	398,150
2020	335,000	133,559	468,559
2021	275,000	119,853	394,853
2022	305,000	107,493	412,493
2023-2027	1,695,000	346,920	2,041,920
2028-2031	1,000,000	69,638	1,069,638
	<u>\$ 4,140,000</u>	<u>\$ 1,073,346</u>	<u>\$ 5,213,346</u>

Lease Purchase Notes:

Education Technology General Obligation Lease Purchase Certificates of Participation (Lease Purchase Notes) under the terms of a lease-purchase agreement by and between the District and the New Mexico Public Schools Education Technology Assistance Foundation, LLC pursuant to the Education Technology Equipment Act, NMSA 1978, §§ 6-15A-1 to 6-15A-16 for the purchase of technology related equipment and improvements as allowed under this Act. The lease purchase note is for governmental activities.

Lease purchase notes outstanding as of June 30, 2017, are comprised of the following:

Series	Date of Issue	Original Amount	Interest Rate	Balance	Due in One Year
2013	6/11/2013	275,000	2%	\$ 55,000	\$ 55,000

The annual requirements to amortize the Lease Purchase Note as of June 30, 2017, including interest payments are as follows.

Year Ended June 30,	Principal	Interest	Total
2018	\$ 55,000	\$ 1,100	\$ 56,100
	<u>\$ 55,000</u>	<u>\$ 1,100</u>	<u>\$ 56,100</u>

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During the year ended June 30, 2017 the following changes occurred in the liabilities reported in the government-wide Statement of Net Position:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Governmental activities					
General obligation bond	\$ 4,385,000	\$ -	\$ (300,000)	\$ 4,085,000	\$ 275,000
Lease purchase notes	110,000	-	(55,000)	55,000	55,000
Compensated absences	15,057	11,374	(21,814)	4,617	-
	<u>\$ 4,510,057</u>	<u>\$ 11,374</u>	<u>\$ (376,814)</u>	<u>\$ 4,144,617</u>	<u>\$ 330,000</u>

**NOTE 9 Risk Management**

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

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

In case the NMPSIA's assets are not sufficient to meet its liability claims, the agreement provides that subscribers, including the District, cannot be assessed additional premiums to cover the shortfall. As of June 30, 2017, there have been no claims that have exceeded insurance coverage.

**NOTE 10 Other Required Individual Fund Disclosures**

Generally accepted accounting principles require disclosures of certain information concerning individual funds including:

- A. Deficit fund balance  
None
- B. Excess Expenditures over budget.  
None
- C. Designated cash appropriations more than available balance:  
None

**NOTE 11 Pension Plan – Education Retirement Board**

**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](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 considered a component unit of the State's financial reporting entity. 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 which is a pension benefit trust fund of the State of New Mexico. NMERB is self-funded through investment income and educational employer contributions. The Plan does not receive General Fund Appropriations from the State of New Mexico.

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

**Benefits 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 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 Straight Life benefit. The member's increased monthly benefit commences in the month following the beneficiary's death.

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

**Cost of Living Adjustment (COLA)** – All retired members and beneficiaries receiving benefits receive an automatic adjustment in their benefit 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 1.8%. 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 1.9%.

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, 2017 and 2016 educational employers contributed to the Plan based on the following rate schedule.

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Fiscal Year	Date Range	Wage Category	Member Rate	Employer Rate	Combined Rate	Increase Over Prior
2017	7/1/16 to 6/30/17	Over \$20K	10.70%	16.90%	24.60%	0.00%
2017	7/1/16 to 6/30/17	\$20K or less	7.90%	13.90%	21080%	0.00%
2016	7/1/15 to 6/30/17	Over \$20K	10.70%	16.90%	24.60%	0.00%
2016	7/1/15 to 6/30/17	\$20K or less	7.90%	13.90%	21080%	0.00%

The contribution requirements are established in statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the New Mexico Legislature. For the fiscal years ended June 30, 2017 and 2016, the District paid employer contributions of \$135,447 and \$148,364, 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, 2017, the District reported a liability of \$2,689,307 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2016 using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date of June 30, 2016. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2016. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating educational institutions, actuarially determined. At June 30, 2016, the District’s proportion was .03737%, which was an increase of 0.00044% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$120,858. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actuarial experience	\$ 11,667	\$ 25,579
Change in assumptions	54,744	
Net difference between projected and actual earnings on plan investments	160,529	-
Change in proportion and difference between District contribution and proportionate share of contributions	20,702	125,982
Reallocation	-	-
District’s contribution subsequent to the measurement date	<u>135,447</u>	<u>-</u>
Totals	<u>\$ 383,089</u>	<u>\$ 151,561</u>

\$135,447 reported as deferred outflows of resources related to pensions resulting from District’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2018	\$ (69,084)
2019	44,256
2020	81,764
2021	39,147

**Actuarial assumptions.** Actuarial assumptions. The total pension liability in the June 30, 2016 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

Inflation 3.00%

**Salary Increases:**

Composed of 3.0% inflation, plus a 0.75% productivity increase rate, plus a step-rate promotional increase for members with less than 10 years of service.

**Investment Rate of Return**

7.75% compounded annually, net of expenses. This is made up of a 3.00% inflation rate and a 4.75 real rate of return. The long-term expected rate of return on pension plan investments is determined annually using a building-block approach that includes the following: 1) rate of return projections are the sum of current yield plus projected changes in price (valuation, defaults, etc.), 2) application of key economic projections (inflation, real growth, dividends, etc.), and 3) structural themes (supply and demand imbalances, capital flows, etc.) developed for each major asset class.

Average of Expected Remaining Service Lives 3.77 years

**Mortality**

**Healthy males:** Based on the RP-2000 Combined Mortality Table with White Collar adjustments, generational mortality improvements with Scale BB. **Healthy females:** Based on GRS Southwest Region Teacher Mortality Table, set back one-year, generational mortality improvements in accordance with Scale BB from the table's base year of 2012. **Disabled males:** RP-2000 Disabled Mortality Table for males, set back three years, projected to 2016 with Scale BB. **Disabled females:** RP-2000 Disabled Mortality Table for females, no set back, projected to 2016 with Scale BB. **Active members:** RP-2000 Employee Mortality Tables, with males set back two years and scaled at 80%, and females set back five years and scaled at 70%. Static mortality improvement from the table's base year of 2000 to the year 2016 in accordance with Scale BB. No future improvement was assumed for preretirement mortality.

**Retirement Age**

Experience-based table rates based on age and service, adopted by the Board on June 12, 2015 in conjunction with the six-year experience study for the period ending June 30, 2014.

Cost-of-living increases 2% per year, compounded annually.

Payroll growth 3.5% per year (with no allowance for membership growth).

**Contribution accumulation**

5% increase per year for all years prior to the valuation date. (Contributions are credited with 4.0% interest, compounded annually, applicable to the account balance in the past as well as the future).

**Disability Incidence**

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

The actuarial assumptions and methods are set by the Plan's Board of Trustees, based upon recommendations made by the Plan's actuary. The Board adopted new assumptions on June 12, 2015 in conjunction with the six-year actuarial experience study period ending June 30, 2014. At that time, the Board adopted several assumption changes, which included a decrease in the annual wage inflation rate from 4.25% to 3.75%, and changes to the mortality rates, disability rates, and

retirement rates for members who joined the plan after June 30, 2010. In addition, the board lowered the population growth rate assumption to zero.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges 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 and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Equities	35%	
Fixed income	28%	
Alternatives	36%	
Cash	1%	
Total	<u>100%</u>	<u>7.75%</u>

*Discount rate.* A single discount rate of 7.75% was used to measure the total pension liability as of June 30, 2016. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.75%, compounded annually, net of expense. Based on the stated assumptions and the projection of cash flows, the plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

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

*Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate.* The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.75 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 (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease 6.75%	Current Discount Rate 7.75%	1% Increase 8.75%
District's proportionate share of the net pension liability	\$ 3,561,925	\$ 2,689,307	\$ 1,965,281

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

Payables to the pension plan. At June 30, 2017, the District had no outstanding amount of contributions to the pension plan and therefore, had no payables reported at fiscal year 2017.

**NOTE 12 Post-Employment Benefits – State Retiree Health Care Plan**

*Plan description:* The District contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit post-employment healthcare plan administered by the New Mexico Retiree Health Care

Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

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

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

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

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plan 3, 4 or 5; municipal fire member coverage plan 3, 4, or 5; municipal detention office member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2014, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2014, the statute required each participating employer to contribute 2.0% of each employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15 (G) NMSA 1978, at the first session of the Legislature following July 1, 2014, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act. The District's contributions to the RHCA for the years ended June 30, 2017, 2016 and 2015 were \$29,234, \$32,021, and \$31,700, respectively, which equal the required contributions for each year.

#### **NOTE 13   Contingent Liabilities**

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

**NOTE 14 Concentrations**

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

**NOTE 15 Cash Flows**

The District's federal and state grants operate on a reimbursement basis. The District must support the expenditures of these grants with monies from the unrestricted operating monies. Operating on a reimbursement basis for these grants in its self does not adversely affect the District's ability to operate effectively. However, the time it takes to receive reimbursement, if extensive, does significantly affect the District's cash flows and the ability to deliver educational services to the community in an effective manner. This could affect the District's financial operations in subsequent years.

**NOTE 16 Subsequent Events**

The District has evaluated subsequent events through October 23, 2017, which is the date the financial statements were available to be issued.

**NOTE 17 Non-Cash Federal Assistance**

The District receives USDA Commodities for use in sponsoring the National School Lunch and Breakfast programs. The value of commodities received for the year ended June 30, 2017 was \$7,161.

**NOTE 18 Surety Bond**

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

**NOTE 19 Memorandum of Understanding**

District

Purpose: 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 USDE under the Education of the Handicapped Act, Part B, PL 94-142 among others.

Participants: Regional Education Cooperative and Lake Arthur Municipal Schools

Responsible Party for Operation and Audit: Regional Education Cooperative

Beginning and Ending Date of Agreement: July 1, 1995 until the end of any fiscal year during which the school gives notice of intent to terminate.

Total Estimated Amount of Project and Actual Amount Contributed: The REC paid expenditures on behalf of the District in the amount of \$21,018.

Eastern New Mexico University - Roswell Dual Enrollment Agreement

Purpose: Eastern New Mexico University will provide higher education to qualified Lake Arthur High School junior and senior students in both technical and arts and science courses.

STATE OF NEW MEXICO  
 LAKE ARTHUR MUNICIPAL SCHOOLS  
 Notes to the Financial Statements  
 June 30, 2017

Participants: Eastern New Mexico University and Lake Arthur Municipal Schools.

Responsibility: Lake Arthur Municipal Schools will be responsible for tuition and enrollment fees for the enrolled students.

Beginning and ending dates of agreement: Extended indefinitely until terminated by either party.

Estimated costs: Total costs are dependent on the number of enrolled students and is the sole responsibility of Lake Arthur Municipal Schools.

**NOTE 20      GASB 77**

The District entered into an agreement that involve tax abatements; the following table outlines the key information regarding the entities involved and the type and amounts of taxes abated during the year ended June 30, 2017.

Agency number for Agency making the disclosure	5003
Disclosing Agency Name	Chaves County
Disclosing Agency Type	County Government
Tax Abatement Agreement Name	Industrial Revenue Bond Project
Name of Agent affected by abatement agreement (Affected Agency)	Lake Arthur Municipal Schools
Agency number of Affected Agency	6100
Agency type of Affected Agency	Public Schools
Tax Abatement Agreement Name	Anderson Wind Farm Series 2012
Recipient(s) of tax abatement	Anderson Wind Farm
Tax abatement program (name and brief description)	Industrial Revenue Bonds
Specific Tax Being Abated	Property Tax
Authority under which abated tax is paid to Affected Agency	Industrial Revenue Bond Act Section 4-59-1 to 4-59-16 NMSA
Gross dollar amount, on an accrual basis, by which the Affected Agency's tax revenue were reduced	\$129,418
If the Disclosing Agency is omitting any information required in this spreadsheet or by GASB 77, cite the	N/A



Supplementary Information Related to  
Major Governmental Funds

STATE OF NEW MEXICO  
 LAKE ARTHUR MUNICIPAL SCHOOLS  
 Major Debt Service Fund - Debt Service - 41000  
 Statement of Revenues, Expenditures, and Changes in Cash  
 Balance - Budget and Actual (Non - GAAP Budgetary Basis)  
 For the year ended June 30, 2017

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>Revenues</b>				
Taxes levied / assessed	\$ 157,553	\$ 206,141	\$ 347,213	\$ 141,072
In lieu of taxes	347,908	347,908	-	(347,908)
Oil and gas taxes	-	-	210,309	210,309
Fees - activities	-	-	-	-
Rentals	-	-	-	-
Insurance recoveries	-	-	-	-
Interest income	-	-	-	-
Reimbursements / refunds	-	-	-	-
Refund prior year expense	-	-	-	-
State equalization guarantee	-	-	-	-
State flowthrough grants	-	-	-	-
Emergency supplement	-	-	-	-
Transportation	-	-	-	-
Instructional materials - credit and cash	-	-	-	-
Food service	-	-	-	-
Federal flowthrough grants	-	-	-	-
Federal restricted grants-in-aid	-	-	-	-
<b>Total revenues</b>	<b>505,461</b>	<b>554,049</b>	<b>557,522</b>	<b>3,473</b>
<b>Expenditures</b>				
<b>Current</b>				
Instruction	-	-	-	-
Support Services				
Students	-	-	-	-
Instruction	-	-	-	-
General administration	1,576	3,473	3,472	1
School administration	-	-	-	-
Central Services	-	-	-	-
Other support services	-	-	-	-
Operation of non-instructional services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Facilities acquisition / construction	-	-	-	-
Student Transportation	-	-	-	-
Food Services operations	-	-	-	-
Capital Outlay	-	-	-	-
<b>Debt Service</b>				
Principal	409,309	456,000	245,000	211,000
Interest	161,673	161,673	161,673	-
<b>Total expenditures</b>	<b>572,558</b>	<b>621,146</b>	<b>410,145</b>	<b>211,001</b>
Excess (deficiency) of revenues over (under) expenditures	(67,097)	(67,097)	147,377	214,474
<b>Other financing sources (uses)</b>				
Operating transfers in (out)	-	-	130,892	130,892
Interfund receivable	-	-	-	-
Designated cash	67,097	67,097	-	(67,097)
<b>Total other financing sources (uses)</b>	<b>67,097</b>	<b>67,097</b>	<b>130,892</b>	<b>63,795</b>
Net change in cash balances	-	-	278,269	278,269
Cash balance, beginning	-	-	67,097	67,097
Cash balance, ending	\$ -	\$ -	\$ 345,366	\$ 345,366
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 278,269	
Adjustment to revenues for accruals & other deferrals			24,970	
Adjustment to expenditures for payables, prepaids & other accruals			-	
Net change in fund balance (GAAP Basis)			\$ 303,239	

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

## Required Supplementary Information

STATE OF NEW MEXICO  
 LAKE ARTHUR MUNICIPAL SCHOOLS  
 Schedule of Proportionate Share of the Net Pension Liability  
 Education Retirement Board (ERB) Pension Plan  
 Last 10 Fiscal Years\*

Schedule A-1

	<u>2015</u>	<u>2016</u>	<u>2017</u>
The District's proportion of the net pension liability (asset)	0.03763%	0.03693%	0.03737%
The District's proportionate share of the net pension liability (asset)	\$ 2,147,060	\$ 2,392,054	\$ 2,689,307
The District's covered-employee payroll	\$ 1,037,096	\$ 1,067,365	\$ 974,442
The District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	207.03%	224.11%	275.98%
Plan fiduciary net position as a percentage of the total pension liability	66.54%	63.97%	61.58%

\*Governmental Standards Accounting Board 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 2015, the year the statement's requirements became effective.

STATE OF NEW MEXICO  
 LAKE ARTHUR MUNICIPAL SCHOOLS  
 Schedule of Contributions  
 Education Retirement Board (ERB) Pension Plan  
 Last 10 Fiscal Years\*

Schedule A-2

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contribution	\$ 145,905	\$ 148,364	\$ 135,447
Contributions in relation to the contractually required contribution	<u>145,905</u>	<u>148,364</u>	<u>135,447</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
The District's covered-employee payroll	\$ 1,011,151	\$ 1,067,365	\$ 974,442
Contributions as a percentage of covered-employee payroll	14.43%	13.90%	13.90%

\*Governmental Standards Accounting Board 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 2015, the year the statement's requirements became effective.

*Note: Employee contributions are not included in this schedule.*

See notes to required supplementary information

STATE OF NEW MEXICO  
LAKE ARTHUR MUNICIPAL SCHOOLS  
Schedule of Contributions  
Education Retirement Board (ERB) Pension Plan  
Last 10 Fiscal Years\*

Schedule A-2

Changes of benefit terms and assumptions. There were no benefit or assumption changes adopted since the last actuarial valuation. However, the actual cost of living adjustment (COLA) was less than the expected 2.0%, which resulted in a net \$138 million decrease in the unfunded actuarial accrued liability.

Supplementary Information Related to  
Nonmajor Governmental Funds

## NONMAJOR GOVERNMENTAL FUNDS

### Special Revenue Funds

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

#### Food Service 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. NMAC 6.20.2.

#### IDEA-B Preschool 24109

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

#### Fresh Fruits and Vegetables 24118

To assist States, through cash grants, in providing free fresh fruits and vegetables to school children in designated participating schools. Authorized by National School Lunch Act, as amended, 42 U.S.C. 1769. No minimum balance required according to legislation. To account for funds provided by New Mexico Public Education Department to purchase New Mexico locally grown fresh fruits and vegetables for school meal programs.

#### Teacher Principal Training and Recruiting 24154

The purpose of this fund is to improve the skills of teachers and the quality of instruction in mathematics and science and to increase the accessibility of such instruction to all students. Authority for creation of this fund is Title II of the Elementary and Secondary Education Act of 1965 as amended, Public Law 103-382.

#### Carl Perkins Redistribution 24182

To account for funds administered through the State Public Education Office to the deployment of the HSTW framework is intended to improve student achievement, increase graduation rates, and provide relevant and rigorous high school instruction. The program is funded by the United States government, under Carl Perkins Vocational Technical Education Act Amendments, Title I, 20 U.S.C. 2321 et seq., Public Law 1058-332

#### 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. (Authorization: P.L. 105-33). No minimum balance required according to legislation.

#### Rural Education Achievement Program 25233

The objective is to provide financial assistance to rural districts to carry out activities to help improve the quality of teaching and learning in their schools. Elementary and Secondary Education Act of 1965 (ESEA), Title VI, Part B, as amended.

#### Dual Credit Instructional Materials 27103

The objective is to account for the monies received from ENMU-Roswell for dual credit college enrollment for qualified high school seniors.

#### Technology for Education 27117

Created by specific authority to support the development and implementation of systemic plans to schools. (P.L. 103-382).

#### Incentive for School Improvement 27138

To account for monies received from an award for high improving schools provided by the State of New Mexico for the purpose of identifying special needs at awarded locations and to purchase items to improve those schools.



## **NONMAJOR GOVERNMENTAL FUNDS**

### **Beginning Teacher Mentoring 27154**

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

### **Breakfast for Elementary Students 27155**

To account for Legislative Appropriation to implement Breakfast in the Classroom for elementary schools in need of improvement based on AYP designation. Authority for the creation of this fund is the New Mexico Public Education Department.

### **Pay for Performance Individual 27188**

The New Mexico Pay for Performance Pilot establishes group and individual based incentive programs designed to recognize and reward New Mexico's high performing teachers and principals. By using local expertise and negotiating with local partners, PPP grantees will create innovative systems primarily to reward teachers and principals for their excellence.

### **Pay for Performance Group (27190)**

The New Mexico Pay for Performance Pilot establishes group and individual based incentive programs designed to recognize and reward New Mexico's high performing teachers and principals. By using local expertise and negotiating with local partners, PPP grantees will create innovative systems primarily to reward teachers and principals for their excellence.

### **State Directed 27200**

The objective is to account for the IDEA B Discretionary funding passed through the regional education cooperative to the District

### **2008 Library Books 27549**

To account for the proceeds from New Mexico bonds for the purchase of library resources. (Authority is the PED "Manual of Procedures").

## **Capital Project Finds**

### **Bond Building 31100**

To account for bond proceeds plus any income earned thereon. The proceeds are restricted for the purpose of making additions to and furnishing of school buildings, or purchasing or improving school grounds or any combination thereof, as approved by the voters of the District. Authority for the creation of this fund is the New Mexico Public Education Department. The revenues are derived from a district tax levy. Expenditures are restricted to capital improvements and supplies, repairs, and maintenance of the District facilities.

### **Senate Bill-9 - Capital Projects Fund 31700 and 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. Also to account for resources received from the State of New Mexico General Fund

### **Education Technology Equipment Act 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.

## **Debt Service Funds**

### **Educational Technology Debt Service 43000**

The fund is used to account for the resources for, and the payment of, principal, interest, and related cost.

STATE OF NEW MEXICO  
LAKE ARTHUR MUNICIPAL SCHOOLS

All Nonmajor Governmental Funds  
Combining Balance Sheet  
June 30, 2017

	Food Service 21000	Athletics 22000	IDEA-B Preschool 24109	Fresh Fruits and Vegetables 24118	Teacher / Principal Training & Recruiting 24154
<b>ASSETS</b>					
Cash and cash equivalents	\$ 5,701	\$ 461	\$ -	\$ -	\$ -
Accounts receivable					
Taxes	-	-	-	-	-
Due from grantor	2,620	-	2,479	81	994
Other	-	-	-	-	-
Inventory	794	-	-	-	-
Total assets	<u>\$ 9,115</u>	<u>\$ 461</u>	<u>\$ 2,479</u>	<u>\$ 81</u>	<u>\$ 994</u>
<b>LIABILITIES</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	2,479	81	994
Total liabilities	<u>-</u>	<u>-</u>	<u>2,479</u>	<u>81</u>	<u>994</u>
<b>DEFERRED INFLOWS</b>					
Unavailable revenue - state grants	-	-	-	-	-
<b>FUND BALANCE</b>					
Non-spendable	794	-	-	-	-
Restricted for					
General fund	-	-	-	-	-
Special revenue funds	8,321	461	-	-	-
Capital projects funds	-	-	-	-	-
Debt service funds	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balance	<u>9,115</u>	<u>461</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 9,115</u>	<u>\$ 461</u>	<u>\$ 2,479</u>	<u>\$ 81</u>	<u>\$ 994</u>

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

Carl Perkins Redistribution 24182	Medicaid 25153	Rural Education Achievement Program 25233	Dual Credit Instructional Materials 27103	Technology for Education 27117	Incentives for School Improvement 27138
\$ 421	\$ 10,208	\$ 46	\$ -	\$ 1,057	\$ 1
-	-	-	-	-	-
-	595	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 421</u>	<u>\$ 10,803</u>	<u>\$ 46</u>	<u>\$ -</u>	<u>\$ 1,057</u>	<u>\$ 1</u>
\$ -	\$ 292	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	292	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
421	10,511	46	-	1,057	1
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>421</u>	<u>10,511</u>	<u>46</u>	<u>-</u>	<u>1,057</u>	<u>1</u>
<u>\$ 421</u>	<u>\$ 10,803</u>	<u>\$ 46</u>	<u>\$ -</u>	<u>\$ 1,057</u>	<u>\$ 1</u>

STATE OF NEW MEXICO  
LAKE ARTHUR MUNICIPAL SCHOOLS

All Nonmajor Governmental Funds  
Combining Balance Sheet  
June 30, 2017

	Beginning Teacher Mentoring 27154	Breakfast for Elementary 27155	Pay for Performance Individual 27188	Pay for Performance Group 27190	State Directed Activities 27200
<u>ASSETS</u>					
Cash and cash equivalents	\$ 8,976	\$ 986	\$ -	\$ -	\$ 3
Accounts receivable					
Taxes	-	-	-	-	-
Due from grantor	-	-	-	-	-
Other	-	-	-	-	-
Inventory	-	-	-	-	-
Total assets	<u>\$ 8,976</u>	<u>\$ 986</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3</u>
<u>LIABILITIES</u>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>DEFERRED INFLOWS</u>					
Unavailable revenue - federal grants	-	-	-	-	-
<u>FUND BALANCE</u>					
Non-spendable	-	-	-	-	-
Restricted for					
General fund	-	-	-	-	-
Special revenue funds	8,976	986	-	-	3
Capital projects funds	-	-	-	-	-
Debt service funds	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balance	<u>8,976</u>	<u>986</u>	<u>-</u>	<u>-</u>	<u>3</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 8,976</u>	<u>\$ 986</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3</u>

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

2008 Library Books 27549	Bond Building 31100	Senate Bill Nine State Capital Outlay 31700	Senate Bill Nine Local Capital Outlay 31701	Education Technology Equipment Act 31900	Educational Technology Debt Service 43000	Total Non-major Governmental Funds
\$ 489	\$ 33,331	\$ -	\$ 56,880	\$ 1,505	\$ 5,641	\$ 125,706
-	-	-	6,267	-	4,254	10,521
-	-	-	-	-	-	6,769
-	-	-	-	-	-	-
-	-	-	-	-	-	794
<u>\$ 489</u>	<u>\$ 33,331</u>	<u>\$ -</u>	<u>\$ 63,147</u>	<u>\$ 1,505</u>	<u>\$ 9,895</u>	<u>\$ 143,790</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 292
-	-	-	-	-	-	3,554
-	-	-	-	-	-	3,846
-	-	-	-	-	-	-
-	-	-	-	-	-	794
-	-	-	-	-	-	-
489	-	-	-	-	-	31,272
-	33,331	-	63,147	1,505	-	97,983
-	-	-	-	-	9,895	9,895
-	-	-	-	-	-	-
<u>489</u>	<u>33,331</u>	<u>-</u>	<u>63,147</u>	<u>1,505</u>	<u>9,895</u>	<u>139,944</u>
<u>\$ 489</u>	<u>\$ 33,331</u>	<u>\$ -</u>	<u>\$ 63,147</u>	<u>\$ 1,505</u>	<u>\$ 9,895</u>	<u>\$ 143,790</u>

STATE OF NEW MEXICO  
 LAKE ARTHUR MUNICIPAL SCHOOLS  
 All Nonmajor Governmental Funds  
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 For the year ended June 30, 2017

	Food Service 21000	Athletics 22000	IDEA-B Preschool 24109	Fresh Fruit & Vegetable Program 24118
<b>Revenues</b>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Oil and gas	-	-	-	-
Intergovernmental - federal grants	5,599	-	2,899	3,119
Intergovernmental - state grants	64,924	-	-	-
Contributions - private grants	-	-	-	-
Charges for services	6,252	3,852	-	-
Investment and interest income	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total revenues</b>	<u>76,775</u>	<u>3,852</u>	<u>2,899</u>	<u>3,119</u>
<b>Expenditures</b>				
Current				
Instruction	-	3,947	2,479	-
Support Services				
Students	-	-	420	-
Instruction	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Central Services	-	-	-	-
Other support services	-	-	-	-
Operation of non-instructional services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Facilities acquisition / construction	-	-	-	-
Student Transportation	-	-	-	-
Food Services operations	76,689	-	-	3,119
Capital Outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total expenditures</b>	<u>76,689</u>	<u>3,947</u>	<u>2,899</u>	<u>3,119</u>
Excess (deficiency) revenues over expenditures	86	(95)	-	-
Other financing sources (uses)				
Operating transfers in (out)	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	86	(95)	-	-
Fund balance, beginning	9,029	448	-	-
Prior period adjustment	-	108	-	-
<b>Fund balance, beginning restated</b>	<u>9,029</u>	<u>556</u>	<u>-</u>	<u>-</u>
Fund balance, ending	<u>\$ 9,115</u>	<u>\$ 461</u>	<u>\$ -</u>	<u>\$ -</u>

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

Teacher / Principal Training & Recruiting 24154	Carl Perkins Redistribution 24182	Medicaid 25153	Rural Education Achievement Program 25233	Dual Credit Instructional Materials 27103	Technology for Education 27117	Incentives for School Improvement 27138
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1,228	-	13,973	12,619	-	-	-
-	-	-	-	213	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>1,228</u>	<u>-</u>	<u>13,973</u>	<u>12,619</u>	<u>213</u>	<u>-</u>	<u>-</u>
1,228	-	-	13,179	213	-	-
-	-	13,483	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>1,228</u>	<u>-</u>	<u>13,483</u>	<u>13,179</u>	<u>213</u>	<u>-</u>	<u>-</u>
-	-	490	(560)	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	490	(560)	-	-	-
210	421	10,021	606	-	1,057	1
(210)	-	-	0	-	-	-
-	421	10,021	606	-	1,057	1
<u>\$ -</u>	<u>\$ 421</u>	<u>\$ 10,511</u>	<u>\$ 46</u>	<u>\$ -</u>	<u>\$ 1,057</u>	<u>\$ 1</u>

STATE OF NEW MEXICO  
 LAKE ARTHUR MUNICIPAL SCHOOLS  
 All Nonmajor Governmental Funds  
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 For the year ended June 30, 2017

	Beginning Teacher Mentoring 27154	Breakfast for Elementary 27155	Pay for Performance Individual 27188	Pay for Performance Group 27190	State Directed Activities 27200
<b>Revenues</b>					
Taxes					
Property	\$ -	\$ -	\$ -	\$ -	\$ -
Oil and gas	-	-	-	-	-
Intergovernmental - federal grants	-	-	-	-	-
Intergovernmental - state grants	-	1,211	19,331	6,736	-
Contributions - private grants	-	-	-	-	-
Charges for services	-	-	-	-	-
Investment and interest income	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total revenues</b>	<b>-</b>	<b>1,211</b>	<b>19,331</b>	<b>6,736</b>	<b>-</b>
<b>Expenditures</b>					
Current					
Instruction	-	-	12,331	4,486	-
Support Services					
Students	-	-	-	-	-
Instruction	-	-	6,000	1,750	-
General administration	-	-	-	-	-
School administration	-	-	-	-	-
Central Services	-	-	-	-	-
Other support services	-	-	-	-	-
Operation of non-instructional services					
Operation & maintenance of plant	-	-	1,000	500	-
Facilities acquisition / construction	-	-	-	-	-
Student Transportation	-	-	-	-	-
Food Services operations	-	1,211	-	-	-
Capital Outlay	-	-	-	-	-
Debt service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>1,211</b>	<b>19,331</b>	<b>6,736</b>	<b>-</b>
Excess (deficiency) revenues over expenditures	-	-	-	-	-
Other financing sources (uses)					
Operating transfers in (out)	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Fund balance, beginning	8,976	986	-	-	3
Prior period adjustment	-	-	-	-	-
<b>Fund balance, beginning restated</b>	<b>8,976</b>	<b>986</b>	<b>-</b>	<b>-</b>	<b>3</b>
<b>Fund balance, ending</b>	<b>\$ 8,976</b>	<b>\$ 986</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3</b>

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



2008 Library Books 27549	Bond Building 31100	Senate Bill Nine State Capital Outlay 31700	Senate Bill Nine Local Capital Outlay 31701	Education Technology Equipment Act 31900	Educational Technology Debt Service 43000	Total Non-major Governmental Funds
\$ -	\$ -	\$ -	\$ 48,676	\$ -	\$ 35,217	\$ 83,893
-	-	-	40,445	-	24,474	64,919
-	-	-	-	-	-	39,437
-	-	6,645	-	-	-	99,060
-	-	-	-	-	-	-
-	-	-	-	-	-	10,104
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	6,645	89,121	-	59,691	297,413
-	-	-	-	-	-	37,863
-	-	-	-	-	-	13,903
-	-	-	-	-	-	7,750
-	-	-	489	-	358	847
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	7,679	6,117	75,771	2,950	-	1,500
-	-	-	-	-	-	92,517
-	-	-	-	-	-	-
-	-	-	-	-	-	81,019
-	-	-	-	-	-	-
-	-	-	-	-	55,000	55,000
-	-	-	-	-	2,200	2,200
-	7,679	6,117	76,260	2,950	57,558	292,599
-	(7,679)	528	12,861	(2,950)	2,133	4,814
-	-	(45,274)	45,274	-	-	-
-	-	(45,274)	45,274	-	-	-
-	(7,679)	(44,746)	58,135	(2,950)	2,133	4,814
489	41,010	44,746	5,012	4,455	7,762	135,232
-	-	-	-	-	-	(102)
489	41,010	44,746	5,012	4,455	7,762	135,130
\$ 489	\$ 33,331	\$ -	\$ 63,147	\$ 1,505	\$ 9,895	\$ 139,944

## Supplementary Information Related to Agency Funds

## **AGENCY FUNDS**

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

The District has the following funds classified as Agency Funds:

Activity - To account for assets held by the District until distributed to various organizations at the schools.

STATE OF NEW MEXICO  
 LAKE ARTHUR MUNICIPAL SCHOOLS  
 Agency Funds - Activity  
 Statement of Changes in Assets and Liabilities  
 June 30, 2017

Schedule I

	Beginning Balance	Additions	Deductions	Ending Balance
<b>ASSETS</b>				
General	\$ 1,227	\$ 8,240	\$ 8,338	\$ 1,129
In/out	30	1,060	1,060	30
Gift	382	336	183	535
Class of 2019	834	40	48	826
Library	32	-	-	32
Carnival	337	20	-	357
Student Council	431	526	306	651
Class of 2026	396	591	300	687
Superintendent	0	-	-	-
Principals	92	-	88	4
Class of 2017	1,421	1,197	1,420	1,198
Honor society	103	-	-	103
Cheerleaders	21	-	-	21
Industrial arts	1,135	1,111	2,158	88
Class of 2018	1,686	718	252	2,152
Class of 2020	1,101	69	8	1,162
Class of 2007	0	-	-	-
Class of 2028	290	440	238	492
Class of 2009	1,009	-	-	1,009
Resource room	137	-	-	137
Class of 2016	723	-	-	723
Yearbook	2,925	715	868	2,772
Class of 2022	220	115	8	327
Class of 2015	157	-	-	157
Class of 2014	1,160	25	24	1,161
Class of 2013	0	252	32	220
Class of 2012	0	-	-	-
Class of 2029	162	440	206	396
Athletic boosters	6,457	14,908	15,312	6,053
TNT	2,603	6,000	5,139	3,464
Panther outpost	531	-	-	531
Student health	497	500	-	997
Technology	266	-	-	266
NMPSA insurance	21,306	194,356	197,025	18,637
SADD	48	-	-	48
Class of 2023	349	87	8	428
PNM science grant	46	-	-	46
FFA / AG	2,483	-	-	2,483
LA's best	18	-	-	18
PBS award	521	-	-	521
Preschool playground	1,800	-	-	1,800
Summer school	4,311	-	977	3,334
NM 6 man football	2,511	-	-	2,511
Project celebration	909	-	-	909
District 3-B	4,044	1,864	2,195	3,713
State rings/shirts	2,246	-	1,146	1,100
Panther invitational	110	4,293	3,603	800
Legislative trip	2,953	243	1,667	1,529
Fees and fines	962	7,344	6,771	1,535
Class of 2021	826	73	8	891
Biz-ed	65	-	-	65
Dig pink - volleyball	720	71	500	291
Class of 2027	139	630	319	450
Class of 2024	291	497	483	305
Class of 2025	296	463	341	418
District 8-A	0	70	70	-
<b>Total assets</b>	<b>\$ 73,319</b>	<b>\$ 247,294</b>	<b>\$ 251,101</b>	<b>\$ 69,512</b>
<b>LIABILITIES</b>				
Due to student groups	\$ 73,319	\$ 247,294	\$ 251,101	\$ 69,512
<b>Total liabilities</b>	<b>\$ 73,319</b>	<b>\$ 247,294</b>	<b>\$ 251,101</b>	<b>\$ 69,512</b>

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

## Other Supplemental Information

Cash Reconciliation - All Funds  
For the year ended June 30, 2017

	<u>Beginning Cash</u>	<u>Receipts</u>	<u>Distributions</u>	<u>Other</u>	<u>Total Cash</u>
Lake Arthur Municipal Schools					
Operational	\$ 161,470	\$ 1,849,684	\$ (1,746,206)	\$ (151,547)	\$ 113,401
Teacherage	20,193	12,014	(13,094)	-	19,113
Transportation	36	99,025	(99,021)	(18)	22
Instructional materials	7,716	6,942	(11,882)	-	2,776
Food services	4,010	71,176	(69,485)	-	5,701
Athletics	448	3,852	(3,947)	108	461
Federal direct	421	93,165	(107,687)	14,522	421
Federal flowthrough	10,481	26,564	(26,791)	-	10,254
State flowthrough	11,512	27,491	(27,491)	-	11,512
Combined local / state	100,000	25,000	-	-	125,000
Bond building	41,010	-	(7,679)	-	33,331
Capital improvement SB-9 state	45,274	6,645	(6,645)	(45,274)	-
Capital improvement SB-9 local	-	87,866	(76,260)	45,274	56,880
Ed tech equipment act	4,455	-	(2,950)	-	1,505
Debt service	67,097	557,522	(410,145)	130,892	345,366
Equipment act debt service	6,249	56,950	(57,558)	-	5,641
<b>Total governmental funds</b>	<b>480,372</b>	<b>2,923,896</b>	<b>(2,666,841)</b>	<b>(6,043)</b>	<b>731,384</b>
<b>Student activities</b>	<b>73,319</b>	<b>247,294</b>	<b>(251,101)</b>	<b>-</b>	<b>69,512</b>
<b>Total Lake Arthur Municipal Schools</b>	<b>\$ 553,691</b>	<b>\$ 3,171,190</b>	<b>\$ (2,917,942)</b>	<b>\$ (6,043)</b>	<b>\$ 800,896</b>

<u>Deposit or investment Account Type</u>	<u>Western Bank's Balances at Year End</u>
Operational account - checking	\$ 834,991
Activity account - checking	70,749
Total on deposit	905,740
Reconciling items - outstanding checks	(104,844)
Reconciled balance at year end	\$ 800,896

Reconciliation to financial statements	
Cash and cash equivalents:	
Total cash and cash equivalents per statement of net position	\$ 731,384
Total cash and cash equivalents per statement of fiduciary assets and liabilities - agency funds	69,512
Total cash and cash equivalents	\$ 800,896

Vendor Schedule  
For the year ended June 30, 2017

Agency Number	Agency Name	Agency Type	RFB#/RFP# (if applicable)	Type of Procurement	Bidder/ Vendor Name	Did Bidder/ Vendor Win Contract ?	\$ Amount of Awarded Contract	\$ Amount of Amended Contract	Estimated Contract Value	Physical address of vendor (City, State)	Did the Vendor provide documentation of eligibility for in-state preference?	Did the Vendor provide documentation of eligibility for veterans' preference?	Brief Description of the Scope of Work	If the procurement is attributable to a Component Unit, Name of Component Unit
7046	Lake Arthur Municipal Schools	Schools		NONE										

## Compliance Section



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

Independent Auditor's Report

Timothy Keller  
New Mexico State Auditor  
The Governing Body  
Lake Arthur Municipal Schools  
Lake Arthur, New Mexico

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information and the budgetary comparisons of the General fund and Special Revenue funds, of Lake Arthur Municipal Schools (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued my report thereon dated October 23, 2017.

### Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I 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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I do not express an opinion on the effectiveness of the District's internal control.

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

My 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. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of my 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.



Sandra Rush CPA PC  
Clovis, New Mexico  
October 23, 2017

STATE OF NEW MEXICO  
LAKE ARTHUR MUNICIPAL SCHOOLS  
Schedule of Findings and Responses  
June 30, 2017

Prior Year Findings:                      None

Current Year Findings:                    None

Financial Statement Preparation

Although it would be preferred and desirable for the District to prepare its own GAAP-basis financial statements, it is felt that the District's personnel did not have the time to prepare them. Therefore, the outside auditor prepared the GAAP basis financial statements and footnotes for inclusion in the annual audit report from the original books and records provided to them by the management of the District. Management of the District has reviewed and approved these financial statements and related notes and believes they are adequately supported by the books and records of the government.

Exit Conference

The contents of this report were discussed with, Michael Grossman, Superintendent, Edward Rubio Jr., Board President, Dee Dee Dalton, Business Manager, and Sandra Rush, CPA, in an exit conference on October 20, 2017.

