



State of New Mexico
Lake Arthur Municipal Schools

Annual Financial Report
June 30, 2018

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



State of New Mexico
Lake Arthur Municipal Schools
 Table of Contents
 For the Year Ended June 30, 2018

	<u>Page</u>
Official Roster.....	4
Independent Auditor's Report.....	5-6
 Financial Section 	
Basic Financial Statements	
Government Wide Financial Statements	
Statement of Net Position.....	8
Statement of Activities.....	9
Fund Financial Statements	
Government Funds - Balance Sheet.....	10-12
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	13
Statement of Revenues, Expenditures, and Changes in Fund Balances.....	14-16
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities.....	17
 Major Funds	
General Fund-Operational-11000	
Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget (Budgetary Basis) and Actual.....	18-20
General Fund-Teacherage-12000	
Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget (Budgetary Basis) and Actual.....	21
General Fund-Transportation-13000	
Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget (Budgetary Basis) and Actual.....	22
General Fund-Instructional Material-14000	
Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget (Budgetary Basis) and Actual.....	23
Wind Farm Projects-29134	
Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget (Budgetary Basis) and Actual.....	24
Statement of Fiduciary Assets and Liabilities-Agency Funds.....	25
Notes to Financial Statements.....	26-49

State of New Mexico
Lake Arthur Municipal Schools
 Table of Contents
 For the Year Ended June 30, 2018

	<u>Page</u>
Required Supplemental Information	
Schedules of Required Supplementary Information for Pension Plan.....	51
Notes for Pension Plan.....	52
Schedules of Required Supplementary Information and Notes for Other Post Employment Benefits (OPEB).....	53
Supplemental Information Related to Nonmajor Funds	
Non-Major Special Revenue Funds	
Combining Balance Sheet.....	58-66
Combining Statement of Revenues, Expenditures and Changes in Fund Balance.....	67-75
Other Supplemental Information	
Agency Funds	
Activity	
Schedule of Changes in Assets and Liabilities - Agency Funds	78-79
Cash Reconciliations-All Funds.....	80
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i>	81-82
Schedule of Findings and Comments.....	83-84

State of New Mexico
Lake Arthur Municipal Schools
Official Roster
June 30, 2018

Board of Education

Edward Rubio	President
Gene Bassett	Vice-President
Irma Salmon	Secretary
Melodia Robinson	Member
Cyndi Buck	Member

School Officials

Elisa Begueria	Superintendent
Dee Dee Dalton	Business Manager

De'Aun Willoughby CPA, PC

Certified Public Accountant

225 Innsdale Terrace Clovis, NM 88101

(855) 253-4313

Independent Auditor's Report

Mr. Wayne Johnson
State Auditor of the State of New Mexico
Board Members of the Lake Arthur Municipal Schools

Mr. Johnson and Members of the Board

Report on Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedules of Required Supplementary Information for Pension Plan and Other Post-Employment Benefits (OPEB) and their related notes be presented to supplement the basic financial statements. Such information although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who consider it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during my audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the District's financial statements that collectively comprise the District's basic financial statements. The other schedules presented as other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 10, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

De'Aun Willoughby, CPA, PC

Clovis, New Mexico
October 10, 2018

Financial Section

State of New Mexico
Lake Arthur Municipal Schools
 Government-Wide Statement of Net Position
 June 30, 2018

	Governmental Activities
Assets	
Current Assets	
Cash and Cash Equivalents	\$ 899,651
Property Taxes Receivable	44,790
Due from Grantor	33,016
Inventory	377
Total Current Assets	<u>977,834</u>
Noncurrent Assets	
Capital Assets	11,571,312
Less: Accumulated Depreciation	<u>(6,130,924)</u>
Total Noncurrent Assets	<u>5,440,388</u>
Total Assets	<u>6,418,222</u>
Deferred Outflows of Resources	
Deferred Outflows Related to Pensions	
Actuarial Experience	6,827
Changes of Assumptions	1,110,179
Changes in Proportion	13,228
Contributions Subsequent to Measurement Date	131,223
Deferred Outflows Related to Other Post-Employment Benefits	
Contributions Subsequent to Measurement Date	18,881
Total Deferred Outflows of Resources	<u>1,280,338</u>
Liabilities	
Current Liabilities	
Accounts Payable	8,192
Accrued Interest	45,466
Current Portion of Long-Term Debt	255,000
Compensated Absences	11,304
Total Current Liabilities	<u>319,962</u>
Noncurrent Liabilities	
Bonds	3,610,000
Pension Liability	3,803,029
Other Post-Employment Benefits Liability	1,028,690
Total Noncurrent Liabilities	<u>8,441,719</u>
Total Liabilities	<u>8,761,681</u>
Deferred Inflows of Resources	
Deferred Inflows Related to Grants	
	992
Deferred Inflows Related to Pensions	
Actuarial Experience	58,589
Investment Experience	522
Changes in Proportion	162,628
Deferred Inflows Related to Other Post-Employment Benefits	
Actuarial Experience	39,476
Investment Experience	14,798
Changes of Assumptions	179,853
Total Deferred Inflows of Resources	<u>456,858</u>
Net Position	
Net Investment in Capital Assets	1,575,388
Restricted for	
Capital Projects	84,158
Debt Service	424,386
Unrestricted	<u>(3,603,911)</u>
Total Net Position	<u>\$ (1,519,979)</u>

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

State of New Mexico
Lake Arthur Municipal Schools
Government-Wide Statement of Activities
For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Governmental Activities					
Instruction	\$ 1,358,617	\$ 4,089	\$ 94,963	\$ 0	\$ (1,259,565)
Support Services					
Students	123,000	17,788	5,101	0	(100,111)
Instruction	158,741	0	9,310	0	(149,431)
General Administration	219,621	0	0	0	(219,621)
School Administration	125,599	0	0	0	(125,599)
Central Services	153,325	0	0	0	(153,325)
Operation of Plant	355,213	12,810	0	0	(342,403)
Student Transportation	101,456	0	99,349	0	(2,107)
Other Support Services	2,059	0	0	0	(2,059)
Food Services Operations	121,546	6,055	75,733	0	(39,758)
Interest on Long-Term Obligations & Other Charges	150,588	0	0	0	(150,588)
Total Governmental Activities	\$ 2,869,765	\$ 40,742	\$ 284,456	\$ 0	(2,544,567)
General Revenues					
Taxes					
Property Taxes, Levied for General Purposes					48,042
Property Taxes, Levied for Capital Projects					98,444
Property Taxes, Levied for Debt Service					562,024
Federal and State aid not restricted to specific purpose					
General					1,692,422
Capital					0
Miscellaneous					37,377
Subtotal, General Revenues					<u>2,438,309</u>
Change in Net Position					<u>(106,258)</u>
Net Position - Beginning					(190,682)
Restatement					<u>(1,223,039)</u>
Restated Beginning Net Position					<u>(1,413,721)</u>
Net Position - Ending					<u><u>\$ (1,519,979)</u></u>

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

State of New Mexico
Lake Arthur Municipal Schools
 Governmental Funds
 Balance Sheet
 June 30, 2018

	General		
	Operational 11000	Teacherage 12000	Transportation 13000
Assets			
Cash and Cash Equivalents	\$ 159,985	\$ 16,726	\$ 0
Receivables			
Taxes Receivable	1,506	0	0
Due From Grantor	0	0	0
Interfund Balances	30,054	0	0
Inventory	0	0	0
Total Assets	\$ 191,545	\$ 16,726	\$ 0
Liabilities			
Accounts Payable	\$ 8,138	\$ 0	\$ 0
Current Amount Due			
Principal	0	0	0
Interest	0	0	0
Interfund Balance	0	0	0
Total Liabilities	8,138	0	0
Deferred Inflows of Resources			
Unavailable Revenue	377	0	0
Total Deferred Inflows of Resources	377	0	0
Fund Balances			
Nonspendable-Inventory	0	0	0
Restricted for Special Revenue	0	0	0
Restricted for Capital Projects	0	0	0
Restricted for Debt Service	0	0	0
Unassigned	183,030	16,726	0
Total Fund Balances	183,030	16,726	0
Total Liabilities, Deferred Inflows and Fund Balances	\$ 191,545	\$ 16,726	\$ 0

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

State of New Mexico
Lake Arthur Municipal Schools
Governmental Funds
Balance Sheet
June 30, 2018

	General		Special Revenue	
	Instructional Materials 14000	Wind Farm 29134	Debt Service 41000	
Assets				
Cash and Cash Equivalents	\$ 5,272	\$ 150,000	\$ 412,282	
Receivables				
Taxes Receivable	0	0	31,109	
Due From Grantor	0	0	0	
Interfund Balances	0	0	0	
Inventory	0	0	0	
Total Assets	\$ 5,272	\$ 150,000	\$ 443,391	
Liabilities				
Accounts Payable	\$ 0	\$ 0	\$ 0	
Current Amount Due				
Principal	0	0	25,000	
Interest	0	0	22,013	
Interfund Balance	0	0	0	
Total Liabilities	0	0	47,013	
Deferred Inflows of Resources				
Unavailable Revenue	0	0	9,759	
Total Deferred Inflows of Resources	0	0	9,759	
Fund Balances				
Nonspendable-Inventory	0	0	0	
Restricted for Special Revenue	0	150,000	0	
Restricted for Capital Projects	0	0	0	
Restricted for Debt Service	0	0	386,619	
Unassigned	5,272	0	0	
Total Fund Balances	5,272	150,000	386,619	
Total Liabilities, Deferred Inflows and Fund Balances				
	\$ 5,272	\$ 150,000	\$ 443,391	

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

State of New Mexico
Lake Arthur Municipal Schools
 Governmental Funds
 Balance Sheet
 June 30, 2018

	Other Governmental Funds	Total Governmental Funds
Assets		
Cash and Cash Equivalents	\$ 155,386	\$ 899,651
Receivables		
Taxes Receivable	12,175	44,790
Due From Grantor	33,016	33,016
Interfund Balances	0	30,054
Inventory	377	377
Total Assets	<u>\$ 200,954</u>	<u>\$ 1,007,888</u>
Liabilities		
Accounts Payable	\$ 54	\$ 8,192
Current Amount Due		
Principal	0	25,000
Interest	0	22,013
Interfund Balance	30,054	30,054
Total Liabilities	<u>30,108</u>	<u>85,259</u>
Deferred Inflows of Resources		
Unavailable Revenue	4,502	14,638
Total Deferred Inflows of Resources	<u>4,502</u>	<u>14,638</u>
Fund Balances		
Nonspendable-Inventory	377	377
Restricted for Special Revenue	44,042	194,042
Restricted for Capital Projects	84,158	84,158
Restricted for Debt Service	37,767	424,386
Unassigned	0	205,028
Total Fund Balances	<u>166,344</u>	<u>907,991</u>
 Total Liabilities, Deferred Inflows and Fund Balances	 <u>\$ 200,954</u>	 <u>\$ 1,007,888</u>

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

State of New Mexico
Lake Arthur Municipal Schools
 Reconciliation of the Governmental Funds
 Balance Sheet to the Statement of Net Position
 June 30, 2018

Total Fund Balance - Governmental Funds \$ 907,991

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

Property taxes receivable will be collected after the period of availability, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds. 13,646

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

Capital Assets	\$ 11,571,312	
Accumulated Depreciation	<u>(6,130,924)</u>	5,440,388

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

Deferred Outflows Related to Pensions	1,261,457	
Deferred Outflows Related to OPEB	18,881	
Deferred Inflows Related to Pensions	(221,739)	
Deferred Inflows Related to OPEB	<u>(234,127)</u>	824,472

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

Accrued Interest	(23,453)	
Compensated Absences	(11,304)	
Bonds payable	(3,840,000)	
Pension Liability	(3,803,029)	
Other Post-Employment Benefits Liability	<u>(1,028,690)</u>	<u>(8,706,476)</u>

Total Net Position - Governmental Activities \$ (1,519,979)

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

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

	General		
	Operational 11000	Teacherage 12000	Transportation 13000
Revenues			
Property Taxes	\$ 22,967	\$ 0	\$ 0
Fees	0	12,810	0
State & Local Grants	1,692,265	0	99,349
Federal Grants	157	0	0
Miscellaneous	31,777	0	0
Total Revenues	1,747,166	12,810	99,349
Expenditures			
Current			
Instruction	802,926	0	0
Support Services			
Students	92,734	0	0
Instruction	116,555	0	0
General Administration	176,243	0	0
School Administration	96,874	0	0
Central Services	126,434	0	0
Operation of Plant	254,996	7,809	0
Student Transportation	1,123	0	99,360
Other Support Services	2,059	0	0
Food Services Operations	34,959	0	0
Capital Outlay	0	7,388	0
Debt Service			
Principal	0	0	0
Interest	0	0	0
Total Expenditures	1,704,903	15,197	99,360
Excess (Deficiency) of Revenues Over Expenditures	42,263	(2,387)	(11)
Fund Balances at Beginning of Year	140,767	19,113	22
Restatement	0	0	(11)
Restated Beginning Fund Balance	140,767	19,113	11
Fund Balances End of Year	\$ 183,030	\$ 16,726	\$ 0

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

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

	General		Special Revenue	
	Instructional Materials 14000	Wind Farm 29134	Debt Service 41000	
Revenues				
Property Taxes	\$ 0	\$ 0	477,181	
Fees	0	0	0	
State & Local Grants	2,912	0	0	
Federal Grants	0	0	0	
Miscellaneous	0	25,000	0	
Total Revenues	2,912	25,000	477,181	
Expenditures				
Current				
Instruction	416	0	0	
Support Services				
Students	0	0	0	
Instruction	0	0	0	
General Administration	0	0	2,438	
School Administration	0	0	0	
Central Services	0	0	0	
Operation of Plant	0	0	0	
Student Transportation	0	0	0	
Other Support Services	0	0	0	
Food Services Operations	0	0	0	
Capital Outlay	0	0	0	
Debt Service				
Principal	0	0	250,000	
Interest	0	0	151,483	
Total Expenditures	416	0	403,921	
Excess (Deficiency) of Revenues Over Expenditures	2,496	25,000	73,260	
Fund Balances at Beginning of Year	2,776	125,000	386,622	
Restatement	0	0	(73,263)	
Restated Beginning Fund Balance	2,776	125,000	313,359	
Fund Balances End of Year	\$ 5,272	\$ 150,000	386,619	

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

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

	Other Governmental Funds	Total Governmental Funds
Revenues		
Property Taxes	\$ 180,893	\$ 681,041
Fees	27,932	40,742
State & Local Grants	11,017	1,805,543
Federal Grants	171,178	171,335
Miscellaneous	0	56,777
Total Revenues	<u>391,020</u>	<u>2,755,438</u>
Expenditures		
Current		
Instruction	95,903	899,245
Support Services		
Students	27,103	119,837
Instruction	9,310	125,865
General Administration	982	179,663
School Administration	0	96,874
Central Services	0	126,434
Operation of Plant	61,241	324,046
Student Transportation	0	100,483
Other Support Services	0	2,059
Food Services Operations	69,058	104,017
Capital Outlay	32,640	40,028
Debt Service		
Principal	55,000	305,000
Interest	1,100	152,583
Total Expenditures	<u>352,337</u>	<u>2,576,134</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>38,683</u>	<u>179,304</u>
Fund Balances at Beginning of Year	125,763	800,063
Restatement	1,898	(71,376)
Restated Beginning Fund Balance	<u>127,661</u>	<u>728,687</u>
Fund Balances End of Year	<u>\$ 166,344</u>	<u>\$ 907,991</u>

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

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

Excess (Deficiency) of Revenues Over Expenditures \$ 179,304

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

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

Property Taxes Receivable, June 30, 2017	\$ (11,177)	
Property Taxes Receivable, June 30, 2018	<u>13,646</u>	2,469

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

Depreciation expense	(306,421)	
Donated Capital Outlay	5,600	
Capital Outlay	<u>40,028</u>	(260,793)

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

Principal paid for bonds		305,000
--------------------------	--	---------

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

Accrued Interest, June 30, 2017	25,449	
Accrued Interest, June 30, 2018	<u>(23,452)</u>	1,997

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

Compensated Absences, June 30, 2017	4,617	
Compensated Absences, June 30, 2018	<u>(11,304)</u>	(6,687)

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

Pension Contributions	131,223	
OPEB Contributions	18,881	
Pension Expense	(436,755)	
OPEB Expense	<u>(40,897)</u>	<u>(327,548)</u>

Changes in Net Position of Governmental Activities \$ (106,258)

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

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

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Property Taxes	\$ 22,437	\$ 23,350	\$ 23,386	\$ 36
State & Local Grants	1,628,601	1,692,265	1,692,265	0
Miscellaneous	12,911	13,089	31,935	18,846
Total Revenues	<u>1,663,949</u>	<u>1,728,704</u>	<u>1,747,586</u>	<u>18,882</u>
Expenditures				
Instruction				
Personnel Services	602,180	567,562	549,911	17,651
Employee Benefits	239,323	202,321	194,881	7,440
Professional & Tech Services	23,027	23,027	21,893	1,134
Purchased Property Services	9,600	9,600	8,677	923
Other Purchased Services	7,607	7,946	5,777	2,169
Supplies	26,598	36,266	21,788	14,478
Total Instruction	<u>908,335</u>	<u>846,722</u>	<u>802,927</u>	<u>43,795</u>
Support Services				
Students				
Personnel Services	35,000	2,000	1,714	286
Employee Benefits	9,044	2,355	993	1,362
Professional & Tech Services	95,500	98,759	89,330	9,429
Other Purchased Services	947	947	697	250
Total Students	<u>140,491</u>	<u>104,061</u>	<u>92,734</u>	<u>11,327</u>
Instruction				
Personnel Services	67,800	67,800	67,800	0
Employee Benefits	16,774	16,774	16,764	10
Supplies	35,000	32,175	31,991	184
Total Instruction	<u>119,574</u>	<u>116,749</u>	<u>116,555</u>	<u>194</u>
General Administration				
Personnel Services	25,200	114,650	114,650	0
Employee Benefits	6,591	32,001	32,001	0
Professional & Tech Services	134,076	23,655	20,387	3,268
Purchased Property Services	4,025	4,398	4,045	353
Other Purchased Services	5,015	5,802	5,160	642
Supplies	0	2,000	0	2,000
Total General Administration	<u>\$ 174,907</u>	<u>\$ 182,506</u>	<u>\$ 176,243</u>	<u>\$ 6,263</u>

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

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
School Administration				
Personnel Services	\$ 73,260	\$ 73,260	\$ 73,260	\$ 0
Employee Benefits	18,166	18,167	18,157	10
Professional & Tech Services	150	700	450	250
Purchased Property Services	3,422	4,045	4,045	0
Other Purchased Services	977	1,242	678	564
Supplies	0	284	284	0
Total School Administration	<u>95,975</u>	<u>97,698</u>	<u>96,874</u>	<u>824</u>
Central Services				
Personnel Services	73,825	73,857	73,364	493
Employee Benefits	43,089	42,283	34,364	7,919
Professional & Tech Services	8,958	10,333	10,278	55
Purchased Property Services	3,422	4,045	4,045	0
Other Purchased Services	821	1,835	1,473	362
Supplies	0	3,302	2,911	391
Total Central Services	<u>130,115</u>	<u>135,655</u>	<u>126,434</u>	<u>9,221</u>
Operation of Plant				
Personnel Services	48,600	31,074	16,969	14,105
Employee Benefits	32,364	25,998	2,630	23,368
Professional & Tech Services	4,925	6,465	6,465	0
Purchased Property Services	101,824	110,037	105,402	4,635
Other Purchased Services	77,717	100,691	95,336	5,355
Supplies	35,108	46,231	27,610	18,621
Total Operation of Plant	<u>300,538</u>	<u>320,496</u>	<u>254,411</u>	<u>66,085</u>
Student Transportation				
Other Purchased Services	1,102	1,124	1,124	0
Total Student Transportation	<u>1,102</u>	<u>1,124</u>	<u>1,124</u>	<u>0</u>
Other Support Services				
Miscellaneous	6,804	6,804	2,059	4,745
Total Other Support Services	<u>6,804</u>	<u>6,804</u>	<u>2,059</u>	<u>4,745</u>
Total Support Services	<u>969,506</u>	<u>965,093</u>	<u>866,434</u>	<u>98,659</u>
Food Service				
Personnel Services	28,052	28,052	26,052	2,000
Employee Benefits	12,291	12,291	8,907	3,384
Total Food Service	<u>40,343</u>	<u>40,343</u>	<u>34,959</u>	<u>5,384</u>
Total Expenditures	\$ <u>1,918,184</u>	\$ <u>1,852,158</u>	\$ <u>1,704,320</u>	\$ <u>147,839</u>

State of New Mexico

Lake Arthur Municipal Schools

General Fund-Operational-11000

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

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget- Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Excess (Deficiency) of Revenues Over Expenditures	\$ (254,235)	\$ (123,454)	\$ 43,266	\$ 166,721
Cash Balance Beginning of Year	<u>146,773</u>	<u>146,773</u>	<u>146,773</u>	<u>0</u>
Cash Balance End of Year	<u>\$ (107,462)</u>	<u>\$ 23,319</u>	<u>\$ 190,039</u>	<u>\$ 166,721</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 43,266	
Net Change in Taxes Receivable			(41)	
Net Change in Accounts Payables			(585)	
Net Change in Unavailable Revenue			<u>(377)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 42,263</u>	

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

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

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Fees	\$ 14,800	\$ 14,800	\$ 12,810	\$ (1,990)
Total Revenues	<u>14,800</u>	<u>14,800</u>	<u>12,810</u>	<u>(1,990)</u>
Expenditures				
Operation of Plant				
Purchased Property Services	25,076	25,076	13,830	11,246
Other Purchased Services	5,090	5,090	275	4,815
Supplies	<u>3,656</u>	<u>3,656</u>	<u>1,092</u>	<u>2,564</u>
Total Operation of Plant	<u>33,822</u>	<u>33,822</u>	<u>15,197</u>	<u>18,625</u>
Total Expenditures	<u>33,822</u>	<u>33,822</u>	<u>15,197</u>	<u>18,625</u>
Excess (Deficiency) of Revenues Over Expenditures	(19,022)	(19,022)	(2,387)	16,635
Cash Balance Beginning of Year	<u>19,113</u>	<u>19,113</u>	<u>19,113</u>	<u>0</u>
Cash Balance End of Year	\$ <u>91</u>	\$ <u>91</u>	\$ <u>16,726</u>	\$ <u>16,635</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ <u>(2,387)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			\$ <u>(2,387)</u>	

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

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

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
State Grant	\$ 99,349	\$ 99,349	\$ 99,349	\$ 0
Total Revenues	<u>99,349</u>	<u>99,349</u>	<u>99,349</u>	<u>0</u>
Expenditures				
Student Transportation				
Personnel Services	2,850	2,850	2,850	0
Employee Benefits	1,412	1,412	1,412	0
Purchased Property Services	2,400	2,400	2,400	0
Other Purchased Services	92,687	92,698	92,698	0
Total Student Transportation	<u>99,349</u>	<u>99,360</u>	<u>99,360</u>	<u>0</u>
Total Expenditures	<u>99,349</u>	<u>99,360</u>	<u>99,360</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>0</u>	<u>(11)</u>	<u>(11)</u>	<u>0</u>
Cash Balance Beginning of Year	22	22	22	0
Restatement-Return to PED	0	0	(11)	(11)
Restated Beginning Balance	<u>22</u>	<u>22</u>	<u>11</u>	<u>(11)</u>
Cash Balance End of Year	<u>\$ 22</u>	<u>\$ 11</u>	<u>\$ 0</u>	<u>\$ (11)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (11)	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (11)</u>	

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

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

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
State Grant	\$ 2,497	\$ 2,912	\$ 2,912	\$ 0
Total Revenues	<u>2,497</u>	<u>2,912</u>	<u>2,912</u>	<u>0</u>
Expenditures				
Instruction				
Supplies	<u>3,876</u>	<u>5,687</u>	<u>416</u>	<u>5,271</u>
Total Instruction	<u>3,876</u>	<u>5,687</u>	<u>416</u>	<u>5,271</u>
Total Expenditures	<u>3,876</u>	<u>5,687</u>	<u>416</u>	<u>5,271</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,379)	(2,775)	2,496	5,271
Cash Balance Beginning of Year	<u>2,776</u>	<u>2,776</u>	<u>2,776</u>	<u>0</u>
Cash Balance End of Year	\$ <u>1,397</u>	\$ <u>1</u>	\$ <u>5,272</u>	\$ <u>5,271</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ <u>2,496</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			\$ <u>2,496</u>	

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

State of New Mexico

Lake Arthur Municipal Schools

Special Revenue Fund-Wind Farm - 29134

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

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2018

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Local Grants	\$ 19,250	\$ 99,714	\$ 25,000	\$ (74,714)
Total Revenues	<u>19,250</u>	<u>99,714</u>	<u>25,000</u>	<u>(74,714)</u>
Expenditures				
Capital Outlay				
Purchased Property Services	62,500	62,500	0	62,500
Fixed Assets	<u>87,500</u>	<u>87,500</u>	<u>0</u>	<u>87,500</u>
Total Capital Outlay	<u>150,000</u>	<u>150,000</u>	<u>0</u>	<u>150,000</u>
Total Expenditures	<u>150,000</u>	<u>150,000</u>	<u>0</u>	<u>150,000</u>
Excess (Deficiency) of Revenues Over Expenditures	(130,750)	(50,286)	25,000	75,286
Cash Balance Beginning of Year	<u>125,000</u>	<u>125,000</u>	<u>125,000</u>	<u>0</u>
Cash Balance End of Year	\$ <u>(5,750)</u>	\$ <u>74,714</u>	\$ <u>150,000</u>	\$ <u>75,286</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ <u>25,000</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			\$ <u>25,000</u>	

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

State of New Mexico
Lake Arthur Municipal Schools
Statement of Fiduciary Assets and Liabilities-Agency Funds
June 30, 2018

	<u>Agency Funds</u>
Assets	
Cash and Cash Equivalents	\$ 70,040
Total Assets	<u>\$ 70,040</u>
Liabilities	
Deposits Held for Others	\$ 70,040
Total Liabilities	<u>\$ 70,040</u>

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

Summary of Significant Accounting Policies

The financial statements of the Lake Arthur Municipal Schools (District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

Financial Reporting Entity

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

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

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

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

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

Governmental Funds

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

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

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

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

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

Fiduciary Fund Type

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

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

The District reports the following major governmental funds:

General Fund (11000)(12000)(13000)(14000)

The General Fund consist of four sub funds. The first is the Operational fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. The Teacherage accounts for rents collected from teachers and related expenditures. The Transportation fund includes a state grant to provide transportation for students in the District. The Instructional Materials fund accounts for a state grant to provide text books for students in the District.

Major Special Revenue Fund

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

Major Debt Service Fund

Debt Service Fund (41000). To account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. The resources of this fund are generated by a tax levy based upon property values. Expenditures are restricted to debt reduction.

Measurement Focus and Basis of Accounting
Government-Wide Financial Statements (GWFS)

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

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

Program Revenues

Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the District's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the District's general revenues. Program revenues include: 1) charges for services to students or applicants who purchase, use or directly benefit from the goods or services provided by the given function 2) program-specific operating grants and contributions, and including grants for transportation, instructional materials, food service, special revenue funds such as special education as well as others and federal and state programs 3) program specific capital grants and contributions.

Fund Financial Statements (FFS)
Governmental Funds

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

Revenues

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

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

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

Expenditures

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

Other Financing Sources (Uses)

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

Basis of Budgeting

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

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

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

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

Cash and Cash Equivalents

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

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

Investments

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

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

Receivables and Payables

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

Property Taxes

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

Elimination and Reclassifications of Certain Receivables and Payables

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

Inventories and Prepaid Items

Purchased inventory is valued at the lower of cost (first-in, first-out) or market. Inventory in the Cafeteria Fund consists of purchased food and non-food items and United States Department of Agriculture (USDA) commodities. Commodities are shown at the USDA procurement cost. Costs are recorded as expenditures at the time individual inventory items are used (consumption method). Reported inventories are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both District-wide and fund financial statements.

Capital Assets

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

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

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

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

Capital Leases

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

Short -Term Debt

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

Long-Term Liabilities

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

Compensated Absences

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

Restricted Net Position

For the government-wide statement of net position, net positions are reported as restricted when constraints placed on net positions use are either:

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

Imposed by law through constitutional provisions or enabling legislation.

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

Fund Balances of Fund Financial Statements

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

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

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

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

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

Interfund Transfers

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

Deferred Inflows

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

Estimates

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

A. Deposits and Investments

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

<u>Name of Account</u>	Balance Per Bank 6/30/18	Reconciled Balance	<u>Type</u>
Operational	\$ 985,410	\$ 899,650	Interest-checking
Activity	72,458	70,040	Interest-checking
Total Deposited	<u>1,057,868</u>	<u>\$ 969,690</u>	
Less: FDIC Coverage	<u>(250,000)</u>		
Uninsured Amount	807,868		
50% collateral requirement	403,934		
Pledged securities	1,152,069		
Over (Under) requirement	<u>\$ 748,135</u>		

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

The following securities are pledged at Western Bank:

State of New Mexico
Lake Arthur Municipal Schools
Notes to the Financial Statements
June 30, 2018

Description	CUSIP #	Market Value	Maturity Date	Location
FNMA Pool #J13885	3128PTJ63	\$ 49,438	12/01/2025	FHLB Dallas, TX
FNMA Series 2018-15	3136B1KY9	478,112	04/25/2046	FHLB Dallas, TX
Questa NM ISD	74852DC2	508,191	09/01/2026	FHLB Dallas, TX
FNMA Pool #MA1237	31418ALT3	116,328	11/01/2032	FHLB Dallas, TX
		<u>\$ 1,152,069</u>		

Custodial Credit Risk-Deposits

Depository Account	Bank Balance
Insured	\$ 250,000
Collateralized	
Collateral held by the pledging bank in District's name	807,868
Uninsured and uncollateralized	0
Total Deposits	<u>\$ 1,057,868</u>

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2018 none of the District's bank balance of \$1,057,868 was exposed to custodial credit risk.

B. Receivables

Revenues are deferred in accordance with the modified accrual basis of accounting for the fund financial statements. The following deferred revenues are measurable but do not represent available expendable resources for the fund financial statements for the fiscal year ended June 30, 2018:

	Operational 11000	Debt Service 41000	Other Governmental Funds	Total
Property Taxes				
Available	\$ 1,129	\$ 21,350	\$ 7,673	\$ 30,152
Unavailable	377	9,759	4,502	14,638
Total	<u>\$ 1,506</u>	<u>\$ 31,109</u>	<u>\$ 12,175</u>	<u>\$ 44,790</u>

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

State	\$ 0
Federal	33,016
Total	<u>\$ 33,016</u>

C. Interfund Receivables, Payables and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Total
	Other Governmental Funds	
Operational Fund	\$ 30,054	<u>\$ 30,054</u>

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

D. Capital Assets

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

State of New Mexico
Lake Arthur Municipal Schools
Notes to the Financial Statements
June 30, 2018

	Beginning Balance 6/30/17	Increases	Decreases	Ending Balance 6/30/18
Governmental Activities				
Capital Assets not being depreciated				
Land	\$ 14,579	\$ 0	\$ 0	\$ 14,579
Construction in Progress	0	0	0	0
Total Capital Assets, not Being Depreciated	<u>14,579</u>	<u>0</u>	<u>0</u>	<u>14,579</u>
Other Capital Assets being Depreciated				
Buildings & Improvements	10,532,374	7,388	0	10,539,762
Equipment, Vehicles, Information Technology Equipment, Software & Library Books	978,731	38,240	0	1,016,971
Total Capital Assets, being depreciated	<u>11,511,105</u>	<u>45,628</u>	<u>0</u>	<u>11,556,733</u>
Total Capital Assets	<u>11,525,684</u>	<u>45,628</u>	<u>0</u>	<u>11,571,312</u>
Less Accumulated Depreciation				
Buildings & Improvement	5,374,194	248,337	0	5,622,531
Equipment, Vehicles, Information Technology Equipment, Software & Library Books	450,310	58,083	0	508,393
Total Accumulated Depreciation	<u>5,824,504</u>	<u>306,420</u>	<u>0</u>	<u>6,130,924</u>
Capital Assets, net	<u>\$ 5,701,180</u>	<u>\$ (260,792)</u>	<u>\$ 0</u>	<u>\$ 5,440,388</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 262,976
Support Services-Instruction	8,963
Support Services-Students	2,579
General Administration	277
Central Services	159
Operation of Plant	25,373
Food Service	6,093
Total depreciation expense	<u>\$ 306,420</u>

E. Long-Term Liabilities and Other Liabilities

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

	Balance 6/30/17	Additions	Reductions	Balance 6/30/18	Amounts Due Within One Year
Governmental Activities					
Bonds and Notes Payable					
General Obligation					
Bonds	\$ 4,195,000	\$ 0	\$ 330,000	\$ 3,865,000	\$ 255,000
Total Bonds	<u>4,195,000</u>	<u>0</u>	<u>330,000</u>	<u>3,865,000</u>	<u>255,000</u>
Other Liabilities					
Compensated Absences	4,617	12,097	5,410	11,304	11,304
Total Other Liabilities	<u>4,617</u>	<u>12,097</u>	<u>5,410</u>	<u>11,304</u>	<u>11,304</u>
Long-Term Liabilities	<u>\$ 4,199,617</u>	<u>12,097</u>	<u>\$ 335,410</u>	<u>\$ 3,876,304</u>	<u>\$ 266,304</u>

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

General Obligation Bonds.

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

Series	Date of Issue	Original Amount	Interest Rate	Balance
2005	6/15/05	400,000	4.1%-4.25%	\$ 90,000
2007	4/1/07	400,000	4%	140,000
2009	8/15/09	470,000	4%-5.6%	360,000
2010	3/15/10	455,000	2%-4.35%	385,000
2011	5/15/11	750,000	3.3%-4.3%	740,000
2012	1/15/12	450,000	2.8%-3.7%	350,000
2013	7/1/12	1,200,000	4%-3.1%	1,050,000
2013	2/1/13	1,000,000	2.75%-3.2%	750,000
				<u>\$ 3,865,000</u>

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

	Principal	Interest	Total
2019	\$ 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	310,000	95,523	405,523
2024-2028	1,510,000	281,448	1,791,448
2029-2031	875,000	39,588	914,588
Total	<u>\$ 3,865,000</u>	<u>\$ 920,614</u>	<u>\$ 4,785,614</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.

Series	Date of Issue	Original Amount	Interest Rate	Balance
2013-Ed Tech	6/11/13	\$ 275,000	2%	\$ 0
				<u>\$ 0</u>

F. Commitments

The District has no construction commitments.

G. Retirement Plan

Summary of Significant Accounting Policies

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

General Information about the Pension Plan

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

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

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

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

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

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

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

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

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

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

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

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

Benefit Options. The Plan has three benefit options available.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The contribution requirements are established in statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the New Mexico Legislature. For the fiscal years ended June 30, 2018 and 2017, the District paid employee and employer contributions of \$230,340 and \$237,626, which equal the amount of the required contributions for each fiscal year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2018, the District reported a liability of \$3,803,029 for their proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2017 using generally accepted actuarial principles. The roll-forward incorporates the impact of the new assumptions adopted by the Board on April 21, 2017. There were no other significant events of changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2017. Therefore, the District's portion was established as of the measurement date of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating educational institutions, actuarially determined. At June 30, 2017, the District's proportion was 0.03422%, which was a decrease of 0.00315% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$436,755. At the June 30, 2018, the District reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 6,827	58,589
Net difference between projected and actual earnings on pension plan investments	0	522
Changes of assumptions	1,110,179	0
Changes in proportion and differences between the District's contributions and proportionate share of contributions	13,228	162,628
District's contributions subsequent to the measurement date	131,223	0
	<u>\$ 1,261,457</u>	<u>221,739</u>

State of New Mexico
Lake Arthur Municipal Schools
Notes to the Financial Statements
June 30, 2018

\$131,223 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June</u>	
2019	\$ 341,900
2020	376,972
2021	220,938
2022	<u>(31,315)</u>
Total	<u>\$ 908,495</u>

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:

Actuarial Cost Method Entry age normal

Inflation 2.50%

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

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

Average Expected Remaining Service Lives	Fiscal year	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
	Service Life in Years	3.35	3.77	3.92	3.88

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

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

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

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

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

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

Cost-of-living Increases 1.90% per year, compounded annually.

Payroll Growth	3.00% per year (with no allowance for membership growth).
Contribution Accumulation	The accumulated member account balance with interest is estimated at the valuation date by assuming that member contributions increased 5.50% per year for all years prior to the valuation date. Contributions are credited with 4.00% interest, compounded annually, applicable to the account balances in the past as well as the
Disability Incidence	Approved rates are applied to eligible members with at least 10 years of service.

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

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

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

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

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

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

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

	1% Decrease (4.9%)	Current Discount Rate (5.9%)	1% Increase (6.9%)
The Districts' proportionate share of the net pension liability	\$ 4,950,598	\$ 3,803,029	\$ 2,864,985

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

H. Other Post-Employment Benefits (OPEB)

Retiree Health Care Plan

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

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

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

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

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

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

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

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

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

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

Benefits Provided.

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

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

Dependent Benefits: Same as retirees.

Dependent Coverage: Same as retirees.

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

State of New Mexico
Lake Arthur Municipal Schools
Notes to the Financial Statements
June 30, 2018

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

Retired Before 2020 or in Public Safety Pension Plan

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

Retired After 2019 and Not in Public Safety Pension Plan

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

Actuarial Valuation

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

Valuation Date	June 30, 2017
Actuarial cost method	Entry age normal, level percent of pay, calculated on individual employee basis
Asset valuation method	Market value of assets

State of New Mexico
Lake Arthur Municipal Schools
Notes to the Financial Statements
June 30, 2018

Actuarial assumptions:	
Inflation	2.50% for ERB members; 2.25% for PERA members
Projected payroll increases	3.50%
Investment rate of return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation rate 8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 for Medicare medical plan costs
Health care cost trend rate	8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 for Medicare medical plan costs
Mortality	ERB members: RP-2000 Combined Healthy Mortality Table with White Collar Adjustment (males) and GRS Southwest Region Teacher Mortality Table (females) PERA members: RP-2000 Combined Healthy Mortality

Rate of Return

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

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

Discount Rate

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

Sensitivity of the Net OPEB Liability

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

	1% Decrease (2.81%)	Current Discount Rate (3.81%)	1% Increase (4.81%)
The Districts' proportionate share of the net OPEB liability	\$ 1,498,441	\$ 1,235,334	\$ 1,028,903

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

	1% Decrease	Current Trend Rates	1% Increase
The Districts' proportionate share of the net OPEB liability	\$ 1,050,737	\$ 1,235,334	\$ 1,379,274

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

At June 30, 2018, the District reported a liability of \$1,235,334 for their proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2016. The total OPEB liability was rolled-forward from the valuation date to the plan year ending June 30, 2017 using generally accepted actuarial principles. Therefore, the employer's portion as established as of the measurement date of June 30, 2017. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2017. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating institutions, actuarially determined. At June 30, 2017, the District's proportion was 0.02726%, which was an increase of 0% from their proportion measured as of June 30, 2016.

For the year ended June 30, 2017, the District recognized OPEB expense of \$49,113. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows or resources related to OPEB from the following sources:

State of New Mexico
Lake Arthur Municipal Schools
Notes to the Financial Statements
June 30, 2018

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 0	39,476
Net difference between projected and actual earnings on OPEB investments	0	14,798
Changes in assumptions	0	179,853
Changes in proportion and differences between the District's contributions and proportionate share of contributions	0	0
District's contributions subsequent to the measurement date	18,881	0
	<u>\$ 18,881</u>	<u>234,127</u>

\$18,881 reported as deferred outflows of resources related to OPEB resulting from District's contributions subsequent to the measurement date June 30, 2017 will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June	
2019	\$ (49,777)
2020	(49,777)
2021	(49,777)
2022	(49,777)
2023	(35,019)
Total	<u>\$ (234,127)</u>

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

Summary of Significant Accounting Policies

I. Reconciliation of Budgetary Basis to GAAP Basis Statements

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

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

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

J. Risk Management

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

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

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

K. Joint Powers Agreements

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

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

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

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

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

L. Concentrations

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

M. Subsequent Events

Subsequent events were evaluated through October 10, 2018 which is the date the financial statements were available to be issued.

N Related Party Disclosures

Rubio's Auto Repair is owned by the school board president. The total amount paid to Rubio's Auto repair for the fiscal year totaled \$2,795.38.

O. Tax Abatement

Chaves County entered into an agreement with Anderson Wind Farm Series 2012 to abate property taxes effecting the District under the authority of the County Industrial Revenue Bond Act, Section 4-59-1 to 4-59-16 NMSA 1978 (the "Act"). A payment in lieu of taxes, (PILOT), was negotiated on by the District. For the year ended June 30, 2018, \$25,000 was received for the PILOT by the District. Other required information required for the GASB 77 disclosure was not provided to the District.

P. Restatement

Fund Balance was restated for the following:

Fund	Amount	Reason
13000	\$ (11)	Half of the prior year's ending balance returned to PED
41000	(50,000)	Amount of principal paid 30 days after prior year end
41000	(23,263)	Amount of interest paid 30 days after prior year end
24101	14,181	To reclassify negative Fund Balance as Due from Grantor
24182	(421)	To correct beginning cash balance
25153	(304)	To correct beginning cash balance
25223	(46)	To correct beginning cash balance
27117	(1,057)	To correct beginning cash balance
27138	(1)	To correct beginning cash balance
27154	(8,976)	To correct beginning cash balance
27155	(986)	To correct beginning cash balance
27200	(3)	To correct beginning cash balance
27549	(489)	To correct beginning cash balance
	<u>\$ (71,376)</u>	

Net Position was restated for the following reasons:

Amount	Reason
\$ (71,376)	Restatement to the Fund Balance as explained above
(1,221,920)	To record the prior year OPEB Liability balance
11,176	To record the prior year Deferred Taxes
(14,181)	To remove deferred inflows related to grant receivables
50,000	To correct the beginning Bonds Payable
23,262	To correct the beginning Accrued Interest
<u>\$ (1,223,039)</u>	

Required Supplemental Information

State of New Mexico
Lake Arthur Municipal Schools
Schedules of Required Supplementary Information and Notes for Pension Plan

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

Last 10 Fiscal Years*

	Fiscal Year Measurement Date	2015 2014	2016 2015	2017 2016	2018 2017
District's proportion of the net pension liability.		0.03763%	0.03693%	0.03737%	0.03422%
District's proportionate share of the net pension liability.	\$	2,147,060	\$ 2,392,054	\$ 2,689,307	\$ 3,803,029
District's covered-employee payroll.	\$	1,037,096	\$ 1,067,365	\$ 974,442	\$ 944,052
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll.		207.03%	224.11%	275.98%	402.84%
Plan fiduciary net position as a percentage of the total pension liability.		66.54%	63.97%	61.58%	52.95%

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

Schedule of District's Contributions

Last 10 Fiscal Years*

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

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

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

Notes to Required Supplementary Information

Changes of benefit terms and assumptions.

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

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

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

Lake Arthur Municipal Schools

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

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

Last 10 Fiscal Years*

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

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

Schedule of District's Contributions

Last 10 Fiscal Years*

	Fiscal Year	2018 <u>2017</u>
Contractually required contribution.		\$ 18,881
Contributions in relation to the contractually required contribution.		\$ 18,881
Contribution deficiency (excess).		\$ <u>0</u>
Districts covered-employee payroll.		\$ 944,052
Contributions as a percentage of covered-employee payroll.		2.00%

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

Notes to Required Supplementary Information

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

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

**Supplemental Information Related to
Nonmajor Funds**

Nonmajor Special Revenue Funds

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

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

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

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

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

Fresh Fruit & Vegetables (24118). To account for a Federal grant to provide a variety of free fresh fruits and vegetables to children to help create a healthier school environment. Funding is authorized by the Agriculture, Rural Development, Food and Drug Administration and Related Agencies Act, signed in November 2005, Public Law 109-97.

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

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

Carl Perkins (24182). To account for funds distributed by the U. S. Department of Education through the State Department of Education to provide services which impact school district vocational programs, educators, and students. This fund was created by the authority of the Carl D. Perkins Vocational. and Applied Technology Education Amendments of 1998, Title I, Part B and C and Sections 115 and 116, and Workforce Investment Act, Section 503.

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

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

ARRA (25250). The objectives of this grant are to support and restore funding for elementary and secondary education, to avoid reductions in budgets for education and other essential services in exchange for a commitment to advance essential education reforms. The fund was created by grant provisions.

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

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

Technology for Education (27117). To account for funds received from the Technology for Education Grant created by the 1994 State Legislation to establish funding of any costs associated with educational technology. Funding provided by the State of New Mexico. (NMSA 22-15A-1-10).

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.

Beginning Teacher Mentoring (27154). The objective of this program is to provide beginning teachers an effective transaction 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 is NMSA 22-2-8-10.

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

State Directed Activities (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 the library resources. (Authority is the PED "Manual of Procedures").

Nonmajor Capital Projects Funds

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

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

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

Nonmajor Debt Service Fund

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

State of New Mexico
Lake Arthur Municipal Schools
 Nonmajor Funds
 Combining Balance Sheet
 June 30, 2018

	Special Revenue		
	Food Service 21000	Athletics 22000	Title I 24101
Assets			
Cash and Cash Equivalents	\$ 18,506	\$ 698	\$ 0
Receivables			
Taxes Receivable	0	0	0
Due From Grantor	2,962	0	7,245
Inventory	377	0	0
Total Assets	<u>\$ 21,845</u>	<u>\$ 698</u>	<u>\$ 7,245</u>
Liabilities			
Accounts Payables	\$ 0	\$ 0	\$ 0
Interfund Balance	<u>0</u>	<u>0</u>	<u>7,245</u>
Total Liabilities	<u>0</u>	<u>0</u>	<u>7,245</u>
Deferred Inflows of Resources			
Unavailable Revenue	<u>0</u>	<u>0</u>	<u>0</u>
Total Deferred Inflows of Resources	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances			
Nonspendable-Inventory	377	0	0
Restricted for Special Revenue	21,468	698	0
Restricted for Capital Projects	0	0	0
Restricted for Debt Service	<u>0</u>	<u>0</u>	<u>0</u>
Total Fund Balance	<u>21,845</u>	<u>698</u>	<u>0</u>
Total Liabilities, Deferred Inflows and Fund	<u>21,845</u>	<u>\$ 698</u>	<u>\$ 7,245</u>

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

State of New Mexico
Lake Arthur Municipal Schools
 Nonmajor Funds
 Combining Balance Sheet
 June 30, 2018

	Special Revenue		
	IDEA-B Entitlement 24106	Preschool 24109	Fresh Fruit & Vegetables 24118
Assets			
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 0
Receivables			
Taxes Receivable	0	0	0
Due From Grantor	9,923	0	1,197
Inventory	0	0	0
Total Assets	<u>\$ 9,923</u>	<u>\$ 0</u>	<u>\$ 1,197</u>
Liabilities			
Accounts Payables	\$ 0	\$ 0	\$ 0
Interfund Balance	9,923	0	1,197
Total Liabilities	<u>9,923</u>	<u>0</u>	<u>1,197</u>
Deferred Inflows of Resources			
Unavailable Revenue	0	0	0
Total Deferred Inflows of Resources	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances			
Nonspendable-Inventory	0	0	0
Restricted for Special Revenue	0	0	0
Restricted for Capital Projects	0	0	0
Restricted for Debt Service	0	0	0
Total Fund Balance	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities, Deferred Inflows and Fund	<u>\$ 9,923</u>	<u>\$ 0</u>	<u>\$ 1,197</u>

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

State of New Mexico
Lake Arthur Municipal Schools
 Nonmajor Funds
 Combining Balance Sheet
 June 30, 2018

	Special Revenue		
	NM Results Plan 24132	Teacher/Principal Training 24154	Carl Perkins 24182
Assets			
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 0
Receivables			
Taxes Receivable	0	0	0
Due From Grantor	4,009	7,680	0
Inventory	0	0	0
Total Assets	<u>\$ 4,009</u>	<u>\$ 7,680</u>	<u>\$ 0</u>
Liabilities			
Accounts Payables	\$ 0	\$ 0	\$ 0
Interfund Balance	4,009	7,680	0
Total Liabilities	<u>4,009</u>	<u>7,680</u>	<u>0</u>
Deferred Inflows of Resources			
Unavailable Revenue	0	0	0
Total Deferred Inflows of Resources	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances			
Nonspendable-Inventory	0	0	0
Restricted for Special Revenue	0	0	0
Restricted for Capital Projects	0	0	0
Restricted for Debt Service	0	0	0
Total Fund Balance	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities, Deferred Inflows and Fund	<u>\$ 4,009</u>	<u>\$ 7,680</u>	<u>\$ 0</u>

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

State of New Mexico
Lake Arthur Municipal Schools
 Nonmajor Funds
 Combining Balance Sheet
 June 30, 2018

	Special Revenue		
	Medicaid 25153	REAP 25223	ARRA 25250
Assets			
Cash and Cash Equivalents	\$ 21,930	\$ 992	\$ 0
Receivables			
Taxes Receivable	0	0	0
Due From Grantor	0	0	0
Inventory	0	0	0
Total Assets	<u>\$ 21,930</u>	<u>\$ 992</u>	<u>\$ 0</u>
Liabilities			
Accounts Payables	\$ 54	\$ 0	\$ 0
Interfund Balance	0	0	0
Total Liabilities	<u>54</u>	<u>0</u>	<u>0</u>
Deferred Inflows of Resources			
Unavailable Revenue	0	992	0
Total Deferred Inflows of Resources	<u>0</u>	<u>992</u>	<u>0</u>
Fund Balances			
Nonspendable-Inventory	0	0	0
Restricted for Special Revenue	21,876	0	0
Restricted for Capital Projects	0	0	0
Restricted for Debt Service	0	0	0
Total Fund Balance	<u>21,876</u>	<u>0</u>	<u>0</u>
Total Liabilities, Deferred Inflows and Fund	<u>\$ 21,930</u>	<u>\$ 992</u>	<u>\$ 0</u>

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

State of New Mexico
Lake Arthur Municipal Schools
 Nonmajor Funds
 Combining Balance Sheet
 June 30, 2018

	Special Revenue		
	Duel Credit 27103	GO Student Library 27107	Technology for Education 27117
Assets			
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 0
Receivables			
Taxes Receivable	0	0	0
Due From Grantor	0	0	0
Inventory	0	0	0
Total Assets	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Liabilities			
Accounts Payables	\$ 0	\$ 0	\$ 0
Interfund Balance	0	0	0
Total Liabilities	<u>0</u>	<u>0</u>	<u>0</u>
Deferred Inflows of Resources			
Unavailable Revenue	0	0	0
Total Deferred Inflows of Resources	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances			
Nonspendable-Inventory	0	0	0
Restricted for Special Revenue	0	0	0
Restricted for Capital Projects	0	0	0
Restricted for Debt Service	0	0	0
Total Fund Balance	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities, Deferred Inflows and Fund	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

State of New Mexico
Lake Arthur Municipal Schools
 Nonmajor Funds
 Combining Balance Sheet
 June 30, 2018

	Special Revenue		
	Incentives for School Improvement 27138	Beginning Teacher Mentoring 27154	Breakfast for Elementary 27155
Assets			
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 0
Receivables			
Taxes Receivable	0	0	0
Due From Grantor	0	0	0
Inventory	0	0	0
Total Assets	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Liabilities			
Accounts Payables	\$ 0	\$ 0	\$ 0
Interfund Balance	0	0	0
Total Liabilities	<u>0</u>	<u>0</u>	<u>0</u>
Deferred Inflows of Resources			
Unavailable Revenue	0	0	0
Total Deferred Inflows of Resources	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances			
Nonspendable-Inventory	0	0	0
Restricted for Special Revenue	0	0	0
Restricted for Capital Projects	0	0	0
Restricted for Debt Service	0	0	0
Total Fund Balance	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities, Deferred Inflows and Fund	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

State of New Mexico
Lake Arthur Municipal Schools
 Nonmajor Funds
 Combining Balance Sheet
 June 30, 2018

	Special Revenue		Capital Projects
	State Directed Activities 27200	2008 Library Books 27549	Bond Building 31100
Assets			
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 691
Receivables			
Taxes Receivable	0	0	0
Due From Grantor	0	0	0
Inventory	0	0	0
Total Assets	\$ 0	\$ 0	\$ 691
Liabilities			
Accounts Payables	\$ 0	\$ 0	\$ 0
Interfund Balance	0	0	0
Total Liabilities	0	0	0
Deferred Inflows of Resources			
Unavailable Revenue	0	0	0
Total Deferred Inflows of Resources	0	0	0
Fund Balances			
Nonspendable-Inventory	0	0	0
Restricted for Special Revenue	0	0	0
Restricted for Capital Projects	0	0	691
Restricted for Debt Service	0	0	0
Total Fund Balance	0	0	691
Total Liabilities, Deferred Inflows and Fund	\$ 0	\$ 0	\$ 691

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

State of New Mexico
Lake Arthur Municipal Schools
 Nonmajor Funds
 Combining Balance Sheet
 June 30, 2018

	Capital Projects		Debt Service
	Senate Bill Nine-Local 31701	Education Technology 31900	Ed Tech 43000
Assets			
Cash and Cash Equivalents	\$ 78,347	\$ 570	\$ 33,652
Receivables			
Taxes Receivable	6,539	0	5,636
Due From Grantor	0	0	0
Inventory	0	0	0
Total Assets	<u>\$ 84,886</u>	<u>\$ 570</u>	<u>\$ 39,288</u>
Liabilities			
Accounts Payables	\$ 0	\$ 0	\$ 0
Interfund Balance	0	0	0
Total Liabilities	<u>0</u>	<u>0</u>	<u>0</u>
Deferred Inflows of Resources			
Unavailable Revenue	1,989	0	1,521
Total Deferred Inflows of Resources	<u>1,989</u>	<u>0</u>	<u>1,521</u>
Fund Balances			
Nonspendable-Inventory	0	0	0
Restricted for Special Revenue	0	0	0
Restricted for Capital Projects	82,897	570	0
Restricted for Debt Service	0	0	37,767
Total Fund Balance	<u>82,897</u>	<u>570</u>	<u>37,767</u>
Total Liabilities, Deferred Inflows and Fund	<u>\$ 84,886</u>	<u>\$ 570</u>	<u>\$ 39,288</u>

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

State of New Mexico
Lake Arthur Municipal Schools
 Nonmajor Funds
 Combining Balance Sheet
 June 30, 2018

	<u>Total</u>
Assets	
Cash and Cash Equivalents	\$ 155,386
Receivables	
Taxes Receivable	12,175
Due From Grantor	33,016
Inventory	377
Total Assets	<u>\$ 200,954</u>
Liabilities	
Accounts Payables	\$ 54
Interfund Balance	30,054
Total Liabilities	<u>30,108</u>
Deferred Inflows of Resources	
Unavailable Revenue	4,502
Total Deferred Inflows of Resources	<u>4,502</u>
Fund Balances	
Nonspendable-Inventory	377
Restricted for Special Revenue	44,042
Restricted for Capital Projects	84,158
Restricted for Debt Service	37,767
Total Fund Balance	<u>166,344</u>
Total Liabilities, Deferred Inflows and Fund	<u>\$ 200,954</u>

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

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

	Special Revenue		
	Food Service 21000	Athletics 22000	Title I 24101
Revenues			
Property Taxes	\$ 0	\$ 0	\$ 0
Fees	6,055	4,089	0
State & Local Grants	0	0	0
Federal Grants	72,866	0	24,410
Total Revenues	<u>78,921</u>	<u>4,089</u>	<u>24,410</u>
Expenditures			
Current			
Instruction	0	3,852	24,410
Support Services			
Students	0	0	0
Instruction	0	0	0
General Administration	0	0	0
Operation of Plant	0	0	0
Food Services Operation	66,191	0	0
Capital Outlay	0	0	0
Debt Service			
Principal	0	0	0
Interest	0	0	0
Total Expenditures	<u>66,191</u>	<u>3,852</u>	<u>24,410</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>12,730</u>	<u>237</u>	<u>0</u>
Fund Balances at Beginning of Year	9,115	461	(14,181)
Restatement	0	0	14,181
Restated Beginning Fund Balances	<u>9,115</u>	<u>461</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 21,845</u>	<u>\$ 698</u>	<u>\$ 0</u>

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

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

	Special Revenue		
	IDEA-B Entitlement 24106	Preschool 24109	Fresh Fruit & Vegetables 24118
Revenues			
Property Taxes	\$ 0	\$ 0	\$ 0
Fees	0	0	0
State & Local Grants	0	0	0
Federal Grants	34,135	2,355	1,500
Total Revenues	<u>34,135</u>	<u>2,355</u>	<u>1,500</u>
Expenditures			
Current			
Instruction	29,431	1,958	0
Support Services			
Students	4,704	397	0
Instruction	0	0	0
General Administration	0	0	0
Operation of Plant	0	0	0
Food Services Operation	0	0	1,500
Capital Outlay	0	0	0
Debt Service			
Principal	0	0	0
Interest	0	0	0
Total Expenditures	<u>34,135</u>	<u>2,355</u>	<u>1,500</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances at Beginning of Year	0	0	0
Restatement	0	0	0
Restated Beginning Fund Balances	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance End of Year	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>

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

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

	Special Revenue		
	NM Results Plan 24132	Teacher/Principal Training 24154	Carl Perkins 24182
Revenues			
Property Taxes	\$ 0	\$ 0	\$ 0
Fees	0	0	0
State & Local Grants	0	0	0
Federal Grants	19,997	7,755	0
Total Revenues	<u>19,997</u>	<u>7,755</u>	<u>0</u>
Expenditures			
Current			
Instruction	19,997	7,755	0
Support Services			
Students	0	0	0
Instruction	0	0	0
General Administration	0	0	0
Operation of Plant	0	0	0
Food Services Operation	0	0	0
Capital Outlay	0	0	0
Debt Service			
Principal	0	0	0
Interest	0	0	0
Total Expenditures	<u>19,997</u>	<u>7,755</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances at Beginning of Year	0	0	421
Restatement	0	0	(421)
Restated Beginning Fund Balances	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance End of Year	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>

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

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

	Special Revenue		
	Medicaid 25153	REAP 25223	ARRA 25250
Revenues			
Property Taxes	\$ 0	\$ 0	\$ 0
Fees	17,788	0	0
State & Local Grants	0	0	0
Federal Grants	0	8,160	0
Total Revenues	<u>17,788</u>	<u>8,160</u>	<u>0</u>
Expenditures			
Current			
Instruction	0	8,160	0
Support Services			
Students	6,119	0	0
Instruction	0	0	0
General Administration	0	0	0
Operation of Plant	0	0	0
Food Services Operation	0	0	0
Capital Outlay	0	0	0
Debt Service			
Principal	0	0	0
Interest	0	0	0
Total Expenditures	<u>6,119</u>	<u>8,160</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>11,669</u>	<u>0</u>	<u>0</u>
Fund Balances at Beginning of Year	10,511	46	0
Restatement	(304)	(46)	0
Restated Beginning Fund Balances	<u>10,207</u>	<u>0</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 21,876</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

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

	Special Revenue		
	Duel Credit 27103	GO Student Library 27107	Technology for Education 27117
Revenues			
Property Taxes	\$ 0	\$ 0	\$ 0
Fees	0	0	0
State & Local Grants	340	9,310	0
Federal Grants	0	0	0
Total Revenues	<u>340</u>	<u>9,310</u>	<u>0</u>
Expenditures			
Current			
Instruction	340	0	0
Support Services			
Students	0	0	0
Instruction	0	9,310	0
General Administration	0	0	0
Operation of Plant	0	0	0
Food Services Operation	0	0	0
Capital Outlay	0	0	0
Debt Service			
Principal	0	0	0
Interest	0	0	0
Total Expenditures	<u>340</u>	<u>9,310</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances at Beginning of Year	0	0	1,057
Restatement	0	0	(1,057)
Restated Beginning Fund Balances	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance End of Year	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>

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

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

	Special Revenue		
	Incentives for School Improvement 27138	Beginning Teacher Mentoring 27154	Breakfast for Elementary 27155
Revenues			
Property Taxes	\$ 0	\$ 0	\$ 0
Fees	0	0	0
State & Local Grants	0	0	1,367
Federal Grants	0	0	0
Total Revenues	<u>0</u>	<u>0</u>	<u>1,367</u>
Expenditures			
Current			
Instruction	0	0	0
Support Services			
Students	0	0	0
Instruction	0	0	0
General Administration	0	0	0
Operation of Plant	0	0	0
Food Services Operation	0	0	1,367
Capital Outlay	0	0	0
Debt Service			
Principal	0	0	0
Interest	0	0	0
Total Expenditures	<u>0</u>	<u>0</u>	<u>1,367</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances at Beginning of Year	1	8,976	986
Restatement	<u>(1)</u>	<u>(8,976)</u>	<u>(986)</u>
Restated Beginning Fund Balances	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance End of Year	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>

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

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

	Special Revenue		Capital Projects
	State Directed Activities 27200	2008 Library Books 27549	Bond Building 31100
Revenues			
Property Taxes	\$ 0	\$ 0	\$ 0
Fees	0	0	0
State & Local Grants	0	0	0
Federal Grants	0	0	0
Total Revenues	<u>0</u>	<u>0</u>	<u>0</u>
Expenditures			
Current			
Instruction	0	0	0
Support Services			
Students	0	0	0
Instruction	0	0	0
General Administration	0	0	0
Operation of Plant	0	0	0
Food Services Operation	0	0	0
Capital Outlay	0	0	32,640
Debt Service			
Principal	0	0	0
Interest	0	0	0
Total Expenditures	<u>0</u>	<u>0</u>	<u>32,640</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>0</u>	<u>0</u>	<u>(32,640)</u>
Fund Balances at Beginning of Year	3	489	33,331
Restatement	(3)	(489)	0
Restated Beginning Fund Balances	<u>0</u>	<u>0</u>	<u>33,331</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 691</u>

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

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

	<u>Capital Projects</u>		<u>Debt Service</u>
	<u>Senate Bill Nine-Local 31701</u>	<u>Education Technology 31900</u>	<u>Ed Tech 43000</u>
Revenues			
Property Taxes	\$ 96,455	\$ 0	\$ 84,438
Fees	0	0	0
State & Local Grants	0	0	0
Federal Grants	0	0	0
Total Revenues	<u>96,455</u>	<u>0</u>	<u>84,438</u>
Expenditures			
Current			
Instruction	0	0	0
Support Services			
Students	14,948	935	0
Instruction	0	0	0
General Administration	516	0	466
Operation of Plant	61,241	0	0
Food Services Operation	0	0	0
Capital Outlay	0	0	0
Debt Service			
Principal	0	0	55,000
Interest	0	0	1,100
Total Expenditures	<u>76,705</u>	<u>935</u>	<u>56,566</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>19,750</u>	<u>(935)</u>	<u>27,872</u>
Fund Balances at Beginning of Year	63,147	1,505	9,895
Restatement	0	0	0
Restated Beginning Fund Balances	<u>63,147</u>	<u>1,505</u>	<u>9,895</u>
Fund Balance End of Year	<u>\$ 82,897</u>	<u>\$ 570</u>	<u>\$ 37,767</u>

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

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

	<u>Total</u>
Revenues	
Property Taxes	\$ 180,893
Fees	27,932
State & Local Grants	11,017
Federal Grants	171,178
Total Revenues	<u>391,020</u>
Expenditures	
Current	
Instruction	95,903
Support Services	
Students	27,103
Instruction	9,310
General Administration	982
Operation of Plant	61,241
Food Services Operation	69,058
Capital Outlay	32,640
Debt Service	
Principal	55,000
Interest	1,100
Total Expenditures	<u>352,337</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>38,683</u>
Fund Balances at Beginning of Year	125,763
Restatement	1,898
Restated Beginning Fund Balances	<u>127,661</u>
Fund Balance End of Year	<u>\$ 166,344</u>

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

Other Supplemental Information

Fiduciary Fund

Activity Trust Fund

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

State of New Mexico
Lake Arthur Municipal Schools
Agency Fund - Activities
Schedule of Fiduciary Net Assets and Liabilities-Agency Funds
For the Year Ended June 30, 2018

	Beginning Balance 7/1/17	Additions	Deductions	Ending Balance 6/30/18
Assets				
General	\$ 1,129	\$ 3,083	\$ 2,807	\$ 1,405
In/Out	30	0	0	30
Gift Fund	535	544	270	809
Class of 2019	826	949	590	1,185
Library	32	400	0	432
Carnival	357	10	0	368
Student Council	651	616	200	1,066
Class of 2026	687	402	261	828
Principal	4	0	0	4
Class of 2017	1,198	0	216	982
Honor Society	103	0	0	103
Cheerleaders	21	0	0	21
Industrial Arts	88	483	315	256
Class of 2018	2,153	1,536	1,457	2,231
Class of 2020	1,162	58	0	1,220
Class of 2031	0	107	40	67
Class of 2028	491	127	24	594
Class of 2009	1,009	0	0	1,009
Resource Room	137	0	0	137
Class of 2016	723	0	544	180
Yearbook	2,772	25	0	2,797
Class of 2022	327	62	0	388
Class of 2015	157	0	0	157
Class of 2014	1,161	0	0	1,161
Class of 2030	220	127	85	261
Class of 2029	396	0	9	387
Athletic Boosters	6,053	13,799	13,261	6,591
TNT	3,464	11,300	9,168	5,596
Panther Outpost	531	0	0	531
Student Health	997	0	0	997
Technology	266	0	0	266
NMPSIA	18,637	153,670	160,192	12,116
SADD	48	0	0	48
Class of 2023	428	65	0	494
PNM Science Grant	46	0	0	46
FFA/AG	2,483	0	0	2,483
LA's Best	19	122	0	141
PBS Award	521	0	0	521
Preschool Playground Grant	1,800	0	0	1,800
Summer School	3,333	0	0	3,333
NM 6 Man Football Coach's Association	2,511	0	0	2,511
Project Celebration	909	0	0	909
District 3B/District 8A	3,713	1,220	1,881	3,051
State Rings/Shirts/Hoodies	1,100	0	0	1,100
Panther Invitational	\$ 800	\$ 7,557	\$ 4,722	\$ 3,636

State of New Mexico
Lake Arthur Municipal Schools
 Agency Fund - Activities
 Schedule of Fiduciary Net Assets and Liabilities-Agency Funds
 For the Year Ended June 30, 2018

Legislative Trip	\$	1,529	\$	1,138	\$	1,006	\$	1,661
Fees & Fines		1,535		135		537		1,133
Class of 2021		891		95		0		985
Biz-Ed		65		0		0		65
Dig Pink Volleyball		291		255		0		546
Class of 2027		451		439		355		535
Class of 2024		305		38		0		343
Class of 2025		418		402		295		525
Total Assets	\$	<u>69,512</u>	\$	<u>198,764</u>	\$	<u>198,236</u>	\$	<u>70,040</u>
Liabilities								
Deposits Held for Others	\$	<u>69,512</u>	\$	<u>198,764</u>	\$	<u>198,236</u>	\$	<u>70,040</u>
Total Liabilities	\$	<u>69,512</u>	\$	<u>198,764</u>	\$	<u>198,236</u>	\$	<u>70,040</u>

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

State of New Mexico
Lake Arthur Municipal Schools
Cash Reconciliations - All Funds
For the Year Ended June 30, 2018

		Beginning Cash Balance 7/1/17	Revenue	Expenditures	Adjustments/ Transfer/ Loans	Ending Cash Balance 6/30/18
Operational	11000	\$ 146,773	1,747,585	\$ 1,704,319	\$ 0	\$ 190,039
Teacherage	12000	19,113	12,810	15,198	0	16,725
Transportation	13000	22	99,349	99,371	0	0
Instructional Materials	14000	2,776	2,912	416	0	5,272
Food Service	21000	5,701	72,287	59,482	0	18,506
Athletics	22000	461	4,089	3,852	0	698
Activities	23000	69,512	198,764	198,236	0	70,040
Federal Flowthrough	24000	(32,950)	93,393	90,152	(345)	(30,054)
Federal Direct	25000	10,254	26,893	14,225	0	22,922
State Flowthrough	27000	11,512	11,017	11,017	(11,513)	(0)
State/Local	29000	125,000	25,000	0	0	150,000
Bond Building	31100	33,331	0	32,640	0	691
Capital improvement SB-9 Local	31701	56,880	98,172	76,705	0	78,347
Ed Tech Equipment Act	31900	1,505	0	934	0	571
Debt Service	41000	345,366	497,087	430,171	0	412,282
Ed Tech Debt Service	43000	5,641	84,577	56,567	0	33,651
Totals		\$ <u>800,897</u>	<u>2,973,936</u>	\$ <u>2,793,285</u>	\$ <u>(11,858)</u>	\$ <u>969,690</u>

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

De'Aun Willoughby CPA, PC

Certified Public Accountant

225 Innsdale Terrace Clovis, NM 88101

(855) 253-4313

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

Independent Auditor's Report

Mr. Wayne Johnson
State Auditor of the State of New Mexico
Board Members of the Lake Arthur Municipal Schools

Mr. Johnson and Members of the Board

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general and major special revenue funds, of Lake Arthur Municipal School (District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Districts basic financial statements, and have issued our report thereon dated October 10, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

The District's Responses to Findings

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

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

De'Aun Willoughby, CPA, PC

Clovis, New Mexico

October 10, 2018

Prior Year Audit Findings

None

Current Year Audit Findings

2018-001 Late IPA Recommendation and Audit Contract-Compliance and Internal Control-Significant Deficiency

Condition

The IPA recommendation and audit contract was not received by the Office of the State Auditor by the required due date of May 1, 2018. The IPA recommendation and audit contract were not mailed to the Office of the State Auditor until June 1, 2018.

Criteria

Paragraph (6) or Subsection G of 2.2.2.8 NMAC requires the contract be received by the Office of the State Auditor by May 1, 2018.

Cause

The District thought they were in the third year of a three year contract with the prior auditor.

Effect

Paragraph (6) or Subsection G of 2.2.2.8 NMAC was violated.

Recommendation

The District should contract with an approved auditor timely.

Response

The District will comply with OSA deadlines for audit requirements.

Responsible Party and Timeline

The Business Manager is responsible for this finding and it will be resolved before May 1, 2019.

2018-002 New Hire Reporting - Compliance and Other Matter

Condition

New hires - Of the 2 new hires we sampled both were not submitted timely.

Criteria

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

Cause

Management was not aware new hires had to be reported within 20 days after the hire date.

Effect

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

Recommendation

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

Response

We will be reporting new hires within the 20 day period.

Responsible Party and Timeline

The Business Manager is responsible for this finding and it will be resolved with the next new hired employee.

2018-003 I-9's-Compliance and Internal Control-Significant Deficiency

Condition

Personnel Files - Of the 10 personnel files reviewed, three I-9's were not complete timely and two others were not complete correctly.

Criteria

NMAC 6.20.2.18 states the local board shall establish written policies and procedures which comply with state and federal regulations on payroll as well as maintaining strict internal controls, close supervision and financial accounting in accordance with GAAP. School district shall maintain and have available for inspection the following employee record documentation: employment contracts (including increments), personnel/payroll action forms, certification records, employment eligibility verification (federal form I-9 for citizenship certification), federal and state withholding allowance certificates, pay deduction authorizations, direct deposit authorizations, pay or position change notices and ERA plan application.

Cause

The District was unaware of the three day completion requirement and did not realize they had not included documents in the correct column.

Effect

The District could be subject to penalties from the Internal Revenue Service for underpaying payroll taxes. Employees may not be paid what they should have be paid. It is unclear if employees were over or under paid. Penalties can include \$250 to \$3,000 for improper completion of the I-9 form. Improper completion, retention or making it available for inspection fines range from \$100 to \$1,100 for each I-9. Knowingly hiring or continuing to employ unauthorized workers fines range from \$250 up to \$11,000 per violation.

Recommendation

Training and supervision is necessary to avoid the above issues.

Response

We will review our I-9's and fix any problems we find.

Responsible Party and Timeline

The Business Manager is responsible for this finding and it will be resolved by June 30, 2019.

2018-004

I-9's-Compliance and Internal Control-Compliance and Internal Control-Significant Deficiency

Condition

Personnel Files - Of the 10 personnel files reviewed, three I-9's were not complete timely and two others were not complete correctly.

Criteria

NMAC 6.20.2.18 states the local board shall establish written policies and procedures which comply with state and federal regulations on payroll as well as maintaining strict internal controls, close supervision and financial accounting in accordance with GAAP. School district shall maintain and have available for inspection the following employee record documentation: employment contracts (including increments), personnel/payroll action forms, certification records, employment eligibility verification (federal form I-9 for citizenship certification), federal and state withholding allowance certificates, pay deduction authorizations, direct deposit authorizations, pay or position change notices and ERA plan application.

Cause

The District was unaware of the three day completion requirement and did not realize they had not included documents in the correct column.

Effect

State of New Mexico

Lake Arthur Municipal Schools

Schedule of Findings and Comments

For the Year Ended June 30, 2018

The District could be subject to penalties from the Internal Revenue Service for underpaying payroll taxes. Employees may not be paid what they should have been paid. It is unclear if employees were over or under paid. Penalties can include \$250 to \$3,000 for improper completion of the I-9 form. Improper completion, retention or making it available for inspection fines range from \$100 to \$1,100 for each I-9. Knowingly hiring or continuing to employ unauthorized workers fines range from \$250 up to \$11,000 per violation.

Recommendation

Training and supervision is necessary to avoid the above issues.

Response

We will review our I-9's and fix any problems we find.

Responsible Party and Timeline

The Business Manager is responsible for this finding and it will be resolved by June 30, 2019.

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

Exit Conference-An exit conference was held on October 10, 2018. Those present were Jose Cruz Porrás-Principal, Gene Bassett-Vice President of the School Board, Cheree Bain-Bookkeeper, Dee Dee Dalton-Business Manager, Elisa Begueria-Superintendent, and De'Aun Willoughby-CPA.