



STATE OF NEW MEXICO
PENASCO INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2018



Griego Professional Services, LLC
Certified Public Accountants

INTRODUCTORY SECTION

STATE OF NEW MEXICO
PENASCO INDEPENDENT SCHOOL DISTRICT
FOR THE YEAR ENDED JUNE 30, 2018
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PENASCO INDEPENDENT SCHOOL DISTRICT
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STATE OF NEW MEXICO
PENASCO INDEPENDENT SCHOOL DISTRICT
OFFICIAL ROSTER
JUNE 30, 2018

<u>Name</u>	<u>Board of Education</u>	<u>Title</u>
Leroy Lopez		President
Norman Esquibel		Vice President
Amanda Bissell		Secretary
Mary Trujillo Mascarenas		Member
Sherry Archuleta		Member
	<u>Administrative</u> <u>Officials</u>	
Marvin MacAuley		Superintendent
Jolene Jaramillo		Contracted Business Manager

FINANCIAL SECTION



Griego Professional Services, LLC

Certified Public Accountants
INDEPENDENT AUDITORS' REPORT

Wayne Johnson
New Mexico State Auditor
The Office of Management and Budget
To the Board of Education
Penasco Independent School District
Penasco, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general funds and major special revenue funds of Penasco Independent School District, New Mexico, as of and for the year ended June 30, 2018, 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 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 these financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is the 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 risk 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 Penasco Independent School District, New Mexico, as of June 30, 2018, and the respective changes in financial position thereof and the respective budgetary comparisons for the general funds and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental, nonmajor enterprise and internal service fund of Penasco Independent School District, New Mexico as of June 30, 2018, and the respective changes in financial position and cash flow, where applicable thereof and the respective budgetary comparisons for the major capital project funds, debt service fund, permanent funds and all nonmajor funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America also require that the Schedule of Proportionate Share of the Net Pension Liability and Schedule of Contributions on page 44 and the Schedule of Proportionate Share of the Net OPEB Liability and Schedule of Contributions on page 45 be represented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standard Board* who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. Our opinion on the basic financial statements is not affected by this missing information.

Management has omitted *Management's Discussion and Analysis* that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Government 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.

Our audit was conducted for the purpose of forming opinions on the basic financial statements and the combining and individual fund financial statements and budgetary comparisons. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code Federal regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the financial statements. The additional schedules listed as "Other Supplemental Information" in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2018 on our consideration of Penasco Independent School District, New Mexico'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.

Grigo Professional Services, LLC

Albuquerque, New Mexico
November 14, 2018

**BASIC
FINANCIAL STATEMENTS**

STATE OF NEW MEXICO
PENASCO INDEPENDENT SCHOOL DISTRICT No. 4
STATEMENT OF NET POSITION
JUNE 30, 2018

Exhibit A-1
(Page 1 of 2)

		<u>Governmental Activities</u>
ASSETS		
Cash and cash equivalents	\$	874,035
Receivables (net of allowance for uncollectibles)		546,671
Inventory		13,047
Prepaid assets		-
Capital assets (net of accumulated depreciation):		
Land and land improvements		3,662,983
Buildings and building improvements		24,649,722
Furniture, fixtures and equipment		1,634,792
Construction in Progress		-
Less: accumulated depreciation		<u>(20,112,530)</u>
Total assets		<u>11,268,720</u>
Deferred Outflows of Resources		
Related to pension		3,386,270
Related to OPEB		<u>60,117</u>
Total deferred outflow of resources		<u>3,446,387</u>
Total assets and deferred outflow of resources		<u>14,715,107</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
PENASCO INDEPENDENT SCHOOL DISTRICT No. 4
STATEMENT OF NET POSITION
JUNE 30, 2018

Exhibit A-1
(Page 2 of 2)

		<u>Governmental Activities</u>
LIABILITIES		
Accounts payable	\$	51,701
Accrued expenses		250,341
Accrued interest		13,530
Noncurrent liabilities:		
Due within one year - compensated absences		39,980
Due in more than one year - pension liability		11,529,112
Due in more than one year - OPEB liability		2,293,480
Due within one year - bonds payable		110,000
Due in more than one year - bonds payable		1,470,000
Total liabilities		<u>15,758,144</u>
Deferred Inflows of Resources		
Related to Property Taxes		1,369
Related to pension		629,322
Related to OPEB		521,991
Total deferred inflow of resources		<u>1,152,682</u>
NET POSITION		
Net investment in capital assets		8,254,967
Restricted for:		
Debt service		213,516
Capital projects		262,875
Special revenue funds		243,198
Unrestricted		<u>(11,170,275)</u>
Total net position		<u>(2,195,719)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
PENASCO INDEPENDENT SCHOOL DISTRICT No. 4
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>
Primary Government		Charges for Service
Governmental activities:		
Instruction	\$ 3,857,715	\$ 58,484
Support services:		
Students	821,283	-
Instruction	170,767	-
General Administration	328,352	-
School Administration	325,807	-
Other Support Services	18,315	-
Central Services	516,793	-
Operation & Maintenance of Plant	1,184,629	-
Student Transportation	353,423	-
Food Services Operation	241,495	5,061
Community Services	13,269	-
Interest on long-term debt	180,200	-
Capital outlay:		
Depreciation - unallocated	-	-
Total Primary Government	\$ 8,012,048	\$ 63,545

The accompanying notes are an integral part of these financial statements

Program Revenues		Net
Operating Grants and Contributions	Capital Grants and Contributions	(Expenses) Revenues and Changes in Net Position
\$ 914,892	\$ -	\$ (2,884,339)
-	-	(821,283)
201	-	(170,566)
-	-	(328,352)
125,143	-	(200,664)
-	-	(18,315)
-	-	(516,793)
54,748	20,000	(1,109,881)
257,389	-	(96,034)
239,496	-	3,062
-	-	(13,269)
-	-	(180,200)
-	-	-
<u>\$ 1,591,869</u>	<u>\$ 20,000</u>	<u>(6,336,634)</u>

General Revenues:

Property taxes:	
Levied for general purposes	\$ 11,993
Levied for debt service	220,547
Levied for capital projects	104,465
Oil and gas taxes	-
State Equalization Guarantee	3,517,742
Investment income	106
Miscellaneous	129,407
	<u>3,984,260</u>
Total general revenues	<u>3,984,260</u>
Change in net assets	(2,352,374)
Net position - beginning	2,880,948
Restatement	(2,724,293)
Net position - beginning - restated	<u>156,655</u>
Net position - ending	<u>\$ (2,195,719)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
PENASCO INDEPENDENT SCHOOL DISTRICT No. 4
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	<u>General Fund</u>				
	Operational 11000	Transportation 13000	Instructional Materials 14000	Title I IASA 24101	Entitlement IDEA-B 24106
ASSETS					
<i>Current Assets</i>					
Cash and temporary investments	29,379	\$ 19,350	\$ 7,379	\$ -	\$ -
Accounts receivable					
Taxes	529	-	-	-	-
Due from other governments	-	-	-	96,691	71,186
Other receivables	24,075	-	-	-	-
Interfund receivables	557,090	-	-	-	-
Inventory	-	-	-	-	-
<i>Total assets</i>	<u>611,073</u>	<u>19,350</u>	<u>7,379</u>	<u>96,691</u>	<u>71,186</u>
LIABILITIES AND FUND BALANCES					
<i>Current Liabilities:</i>					
Accounts payable	33,061	900	-	-	-
Accrued liabilities	185,441	7,406	-	8,295	7,608
Interfund payables	-	-	-	88,396	63,578
Deferred revenue - property taxes	241	-	-	-	-
Deferred revenue - other	-	-	-	-	-
<i>Total liabilities</i>	<u>218,743</u>	<u>8,306</u>	<u>-</u>	<u>96,691</u>	<u>71,186</u>
<i>Fund balances</i>					
Fund Balance:					
Nonspendable	-	-	-	-	-
Restricted	-	11,044	7,379	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	392,330	-	-	-	-
<i>Total fund balance</i>	<u>392,330</u>	<u>11,044</u>	<u>7,379</u>	<u>-</u>	<u>-</u>
<i>Total liabilities and fund balance</i>	<u>\$ 611,073</u>	<u>\$ 19,350</u>	<u>\$ 7,379</u>	<u>\$ 96,691</u>	<u>\$ 71,186</u>

The accompanying notes are an integral part of these financial statements

Bond Building 31100	Capital Improvements SB-9 31701	Debt Service 41000	Other Governmental Funds	Total Primary Government
\$ -	\$ 323,575	\$ 207,377	\$ 286,975	\$ 874,035
-	3,167	7,139	-	10,835
-	-	-	343,884	511,761
-	-	-	-	24,075
-	-	-	-	557,090
-	-	-	13,047	13,047
<u>-</u>	<u>326,742</u>	<u>214,516</u>	<u>643,906</u>	<u>1,990,843</u>
-	9,510	-	8,230	51,701
-	-	-	41,591	250,341
118,366	-	-	286,750	557,090
-	128	1,000	-	1,369
-	-	-	-	-
<u>118,366</u>	<u>9,638</u>	<u>1,000</u>	<u>336,571</u>	<u>860,501</u>
-	-	-	13,047	13,047
-	317,104	213,516	294,779	843,822
-	-	-	-	-
-	-	-	-	-
<u>(118,366)</u>	<u>-</u>	<u>-</u>	<u>(491)</u>	<u>273,473</u>
<u>(118,366)</u>	<u>317,104</u>	<u>213,516</u>	<u>307,335</u>	<u>1,130,342</u>
<u>\$ -</u>	<u>\$ 326,742</u>	<u>\$ 214,516</u>	<u>\$ 643,906</u>	<u>\$ 1,990,843</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
PENASCO INDEPENDENT SCHOOL DISTRICT No. 4
GOVERNMENTAL FUNDS

Exhibit B-1
2)

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2018

	Governmental Funds
Amounts reported for governmental activities in the statement of net assets are different because:	
Fund balances - total governmental funds	\$ 1,130,342
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	9,834,967
Pension:	
Deferred Outflow of Resources	3,386,270
Deferred Inflow of Resources	(629,322)
Pension Liability	(11,529,112)
OPEB:	
Deferred Outflow of Resources	60,117
Deferred Inflow of Resources	(521,991)
Pension Liability	(2,293,480)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:	
Accrued interest	(13,530)
Accrued compensated absences	(39,980)
General obligation bonds	-
	(1,580,000)
Net Position-total Governmental Activities	\$ (2,195,719)

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
PENASCO INDEPENDENT SCHOOL DISTRICT No. 4
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund			Title I IASA 24101	Entitlement IDEA-B 24106
	Operational 11000	Transportation 13000	Instructional Materials 14000		
<i>Revenues:</i>					
Taxes	\$ 11,993	\$ -	\$ -	\$ -	\$ -
State grants	3,582,546	257,389	11,097	-	-
Federal grants	67,484	-	-	107,900	125,143
Charges for services	3,486	-	-	-	-
Miscellaneous	21,892	-	45	-	-
<i>Total revenues</i>	<u>3,687,401</u>	<u>257,389</u>	<u>11,142</u>	<u>107,900</u>	<u>125,143</u>
<i>Expenditures:</i>					
<i>Current:</i>					
Instruction	1,725,463	-	6,419	101,381	118,370
Support Services					
Students	624,573	-	-	-	3,482
Instruction	35,980	-	-	-	-
General Administration	241,273	-	-	6,519	3,291
School Administration	291,447	-	-	-	-
Central Services	379,346	-	-	-	-
Operation & Maintenance of Plant	847,151	-	-	-	-
Student Transportation	20,851	272,418	-	-	-
Other Support Services	18,315	-	-	-	-
Food Services Operations	-	-	-	-	-
Community Service	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
<i>Total expenditures</i>	<u>4,184,399</u>	<u>272,418</u>	<u>6,419</u>	<u>107,900</u>	<u>125,143</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(496,998)</u>	<u>(15,029)</u>	<u>4,723</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses):</i>					
Operating transfers	-	-	-	-	-
Bond proceeds	-	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net changes in fund balances</i>	<u>(496,998)</u>	<u>(15,029)</u>	<u>4,723</u>	<u>-</u>	<u>-</u>
<i>Fund balances - beginning of year</i>	<u>889,328</u>	<u>26,073</u>	<u>2,656</u>	<u>-</u>	<u>-</u>
<i>Fund balances - end of year</i>	<u>\$ 392,330</u>	<u>\$ 11,044</u>	<u>\$ 7,379</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

Bond Building 31100	Capital Improvements SB-9 31701	Debt Service 41000	Other Governmental Funds	Total Primary Government
\$ -	\$ 104,465	\$ 220,547	\$ -	\$ 337,005
25,087	-	-	269,352	4,145,471
-	-	-	683,613	984,140
-	-	-	60,059	63,545
159	-	106	2,311	24,513
<u>25,246</u>	<u>104,465</u>	<u>220,653</u>	<u>1,015,335</u>	<u>5,554,674</u>
-	-	-	381,457	2,333,090
-	-	-	176,048	804,103
-	-	-	100,427	136,407
-	12,279	2,231	28,399	293,992
-	-	-	-	291,447
-	-	-	-	379,346
-	-	-	-	847,151
-	-	-	8,613	301,882
-	-	-	-	18,315
-	-	-	224,315	224,315
-	-	-	13,269	13,269
219,351	143,669	-	20,000	383,020
-	-	105,000	-	105,000
-	-	75,200	-	75,200
<u>219,351</u>	<u>155,948</u>	<u>182,431</u>	<u>952,528</u>	<u>6,206,537</u>
(194,105)	(51,483)	38,222	62,807	(651,863)
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
(194,105)	(51,483)	38,222	62,807	(651,863)
75,739	368,587	175,294	244,528	1,782,205
<u>\$ (118,366)</u>	<u>\$ 317,104</u>	<u>\$ 213,516</u>	<u>\$ 307,335</u>	<u>1,130,342</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
PENASCO INDEPENDENT SCHOOL DISTRICT No. 4
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Exhibit B-2
(Page 2 of 2)

	Governmental Funds
Amounts reported for governmental activities in the statement of activities are different because:	
Net change in fund balances - total governmental funds	\$ (651,863)
<p>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 assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which depreciation exceeds capital outlays for the period.</p>	
Depreciation expense	(859,023)
Capital Outlays	235,227
<p>The issuance of long-term debt (e.g., bonds, notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities:</p>	
Decrease in accrued interest payable	(700)
Decrease in accrued compensated absences	(33,899)
Principal payments on bonds	105,000
Change in pension liability and expense	(1,116,055)
Change in OPEB liability and expense	<u>(31,061)</u>
Change in Net Position-total Governmental Activities	<u><u>\$ (2,352,374)</u></u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Exhibit C-1

PENASCO INDEPENDENT SCHOOL DISTRICT No. 4

OPERATIONAL FUND (11000)

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

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
<i>Revenues:</i>				
Property taxes	\$ -	\$ -	\$ 12,224	\$ 12,224
State grants	-	-	3,558,646	3,558,646
Federal grants	-	-	67,484	67,484
Miscellaneous	-	-	25,378	25,378
Interest	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>3,663,732</u>	<u>3,663,732</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	1,630,316	1,926,381	1,728,747	197,634
Support Services				
Students	624,981	624,981	618,979	6,002
Instruction	13,637	13,637	35,980	(22,343)
General Administration	308,611	308,611	237,661	70,950
School Administration	191,000	191,000	293,349	(102,349)
Central Services	271,990	271,990	379,063	(107,073)
Operation & Maintenance of Plant	1,647,008	1,355,457	836,868	518,589
Student Transportation	15,300	15,300	20,851	(5,551)
Other Support Services	6,326	6,326	18,315	(11,989)
Food Services Operations	-	-	-	-
Community Services	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>4,709,169</u>	<u>4,713,683</u>	<u>4,169,813</u>	<u>543,870</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(4,709,169)</u>	<u>(4,713,683)</u>	<u>(506,081)</u>	<u>4,207,602</u>
<i>Other financing sources (uses):</i>				
Designated cash	4,709,169	4,713,683	-	(4,713,683)
Operating transfers	-	-	-	-
Proceeds from bond issues	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>4,709,169</u>	<u>4,713,683</u>	<u>-</u>	<u>(4,713,683)</u>
<i>Net changes in fund balances</i>	<u>-</u>	<u>-</u>	<u>(506,081)</u>	<u>(506,081)</u>
<i>Fund balances - beginning of year</i>	-	-	1,089,490	1,089,490
<i>Fund balance restatement</i>	-	-	-	-
<i>Fund balances - beginning of year - restated</i>			<u>1,089,490</u>	
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 583,409</u>	<u>\$ 583,409</u>
<i>Reconciliation to GAAP Basis:</i>				
Adjustments to revenues			23,669	
Adjustments to expenditures			(14,575)	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>\$ (496,987)</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
PENASCO INDEPENDENT SCHOOL DISTRICT No. 4
TRANSPORTATION FUND (13000)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDING JUNE 30, 2018

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
<i>Revenues:</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	-	-	270,425	270,425
Federal grants	-	-	-	-
Miscellaneous	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>270,425</u>	<u>270,425</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	-	-	-	-
Support Services				
Students	-	-	-	-
Instruction	-	-	-	-
General Administration	-	-	-	-
School Administration	-	-	-	-
Central Services	-	-	-	-
Operation & Maintenance of Plant	-	-	-	-
Student Transportation	270,425	283,462	271,518	11,944
Other Support Services	-	-	-	-
Food Services Operations	-	-	-	-
Community Services	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>270,425</u>	<u>283,462</u>	<u>271,518</u>	<u>11,944</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(270,425)</u>	<u>(283,462)</u>	<u>(1,093)</u>	<u>282,369</u>
<i>Other financing sources (uses):</i>				
Designated cash	270,425	283,462	-	(283,462)
Operating transfers	-	-	-	-
Proceeds from bond issues	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>270,425</u>	<u>283,462</u>	<u>-</u>	<u>(283,462)</u>
<i>Net changes in fund balances</i>	<u>-</u>	<u>-</u>	<u>(1,093)</u>	<u>(1,093)</u>
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>20,443</u>	<u>20,443</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,350</u>	<u>\$ 19,350</u>
<i>Reconciliation to GAAP Basis:</i>				
Adjustments to revenues			(13,036)	
Adjustments to expenditures			(900)	
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)</i>			<u>\$ (15,029)</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
PENASCO INDEPENDENT SCHOOL DISTRICT No. 4
INSTRUCTIONAL MATERIALS FUND (14000)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDING JUNE 30, 2018

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
<i>Revenues:</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	-	-	11,097	11,097
Federal grants	-	-	-	-
Miscellaneous	-	-	45	45
Interest	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>11,142</u>	<u>11,142</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	9,565	13,322	6,419	6,903
Support Services				
Students	-	-	-	-
Instruction	-	-	-	-
General Administration	-	-	-	-
School Administration	-	-	-	-
Central Services	-	-	-	-
Operation & Maintenance of Plant	-	-	-	-
Student Transportation	-	-	-	-
Other Support Services	-	-	-	-
Food Services Operations	-	-	-	-
Community Services	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>9,565</u>	<u>13,322</u>	<u>6,419</u>	<u>6,903</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(9,565)</u>	<u>(13,322)</u>	<u>4,723</u>	<u>18,045</u>
<i>Other financing sources (uses):</i>				
Designated cash	9,565	13,322	-	(13,322)
Operating transfers	-	-	-	-
Proceeds from bond issues	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>9,565</u>	<u>13,322</u>	<u>-</u>	<u>(13,322)</u>
<i>Net changes in fund balances</i>	<u>-</u>	<u>-</u>	<u>4,723</u>	<u>4,723</u>
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>2,656</u>	<u>2,656</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,379</u>	<u>\$ 7,379</u>
<i>Reconciliation to GAAP Basis:</i>				
Adjustments to revenues			-	
Adjustments to expenditures			-	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>\$ 4,723</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Exhibit C-4

PENASCO INDEPENDENT SCHOOL DISTRICT No. 4

TITLE I - IASA SPECIAL REVENUE FUND (24101)

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

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
<i>Revenues:</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	-	-	-	-
Federal grants	-	-	96,057	96,057
Miscellaneous	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>96,057</u>	<u>96,057</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	121,258	121,258	101,381	19,877
Support Services				
Students	-	-	-	-
Instruction	-	-	-	-
General Administration	8,573	8,573	6,519	2,054
School Administration	12,057	12,057	-	12,057
Central Services	-	-	-	-
Operation & Maintenance of Plant	-	-	-	-
Student Transportation	-	-	-	-
Other Support Services	-	-	-	-
Food Services Operations	-	-	-	-
Community Services	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>141,888</u>	<u>141,888</u>	<u>107,900</u>	<u>33,988</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(141,888)</u>	<u>(141,888)</u>	<u>(11,843)</u>	<u>130,045</u>
<i>Other financing sources (uses):</i>				
Designated cash	141,888	141,888	-	(141,888)
Operating transfers	-	-	-	-
Proceeds from bond issues	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>141,888</u>	<u>141,888</u>	<u>-</u>	<u>(141,888)</u>
<i>Net changes in fund balances</i>	<u>-</u>	<u>-</u>	<u>(11,843)</u>	<u>(11,843)</u>
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>(76,553)</u>	<u>(76,553)</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (88,396)</u>	<u>\$ (88,396)</u>
<i>Reconciliation to GAAP Basis:</i>				
Adjustments to revenues			11,843	
Adjustments to expenditures			-	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>\$ -</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
PENASCO INDEPENDENT SCHOOL DISTRICT No. 4
ENTITLEMENT IDEA-B SPECIAL REVENUE FUND (24106)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDING JUNE 30, 2018

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
<i>Revenues:</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	-	-	-	-
Federal grants	-	-	133,825	133,825
Miscellaneous	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>133,825</u>	<u>133,825</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	136,894	118,371	118,371	-
Support Services				
Students	6,772	3,481	3,481	-
Instruction	-	-	-	-
General Administration	-	3,291	3,291	-
School Administration	-	-	-	-
Central Services	-	-	-	-
Operation & Maintenance of Plant	-	-	-	-
Student Transportation	-	-	-	-
Other Support Services	-	-	-	-
Food Services Operations	-	-	-	-
Community Services	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>143,666</u>	<u>125,143</u>	<u>125,143</u>	<u>-</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(143,666)</u>	<u>(125,143)</u>	<u>8,682</u>	<u>133,825</u>
<i>Other financing sources (uses):</i>				
Designated cash	143,666	125,143	-	(125,143)
Operating transfers	-	-	-	-
Proceeds from bond issues	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>143,666</u>	<u>125,143</u>	<u>-</u>	<u>(125,143)</u>
<i>Net changes in fund balances</i>	<u>-</u>	<u>-</u>	<u>8,682</u>	<u>8,682</u>
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>(72,260)</u>	<u>(72,260)</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (63,578)</u>	<u>\$ (63,578)</u>
<i>Reconciliation to GAAP Basis:</i>				
Adjustments to revenues			(8,682)	
Adjustments to expenditures			-	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>\$ -</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
PENASCO INDEPENDENT SCHOOL DISTRICT No. 4
AGENCY FUNDS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2018

Exhibit D-1

	<u>Agency Funds</u>
ASSETS	
<i>Current Assets</i>	
Cash	<u>\$ 115,417</u>
<i>Total assets</i>	<u><u>115,417</u></u>
 LIABILITIES	
<i>Current Liabilities</i>	
Deposits held in trust for others	<u>115,417</u>
<i>Total liabilities</i>	<u><u>\$ 115,417</u></u>

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

STATE OF NEW MEXICO
PENASCO INDEPENDENT SCHOOL DISTRICT NO. 4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1. Summary of Significant Accounting Policies

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

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

During the year ended June 30, 2018, the District adopted GASB Statements No. 72, *Fair Value Measurement and Application*, No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, No. 79, *Certain External Investment Pools and Pool Participants*, and a portion of No 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. GASB Statements Nos. 72, 76, and 79, as well as the implemented portion of Statement No. 73, are required to be implemented for the fiscal year ending June 30, 2018.

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position.

GASB Statement No. 73 establishes accounting and financial reporting standards for defined benefit pensions and defined contribution pensions that are not provided to employees of state and local government employers and are not within the scope of Statement 68. A portion of this pronouncement is effective for June 30, 2018 year end and a portion is effective for June 30, 2018 year end. Effective for June 30, 2018 are the amendments for Statement No.s 67 and 68 and assets accumulated for pensions not administered as trusts. The amendments of this pronouncement clarifies application of certain provisions of GASB 67 and 68 with regards to the following issues: (1) Information that is required to be presented as notes to the 10-year schedules of RSI about investment-related factors that significantly affect trends in reported amounts; (2) Accounting and financial reporting for separately financed specific liabilities of individual employers and nonemployer contributing entities for defined benefit pensions; and (3) Timing of employer recognition of revenue for the support of nonemployer contributing entities not in a special funding situation.

In addition, effective for June 30, 2018 year ends, the requirements of this Statement extend the approach to accounting and financial reporting established in Statement 68 to all pensions, with modifications as necessary to reflect that, for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities.

STATE OF NEW MEXICO
PENASCO INDEPENDENT SCHOOL DISTRICT NO. 4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1. Summary of Significant Accounting Policies - (Continued)

The objective of GASB Statement No. 77 is to provide financial statement users with essential information about the nature and magnitude of the reduction in tax revenues through tax abatement programs in order to better assess (a) whether current year revenues were sufficient to pay for current year services, (b) compliance with financial-related legal or contractual requirements, (c) where a government's financial resources come from and how it uses them and (d) financial position and economic condition and how they have changed over time. The pronouncement is effective as of June 30, 2018. The District is a recipient of property tax revenues assessed, calculated and collected by San Miguel County. The County is responsible and makes the determination of all individual tax abatements, if any; therefore, the District's current and future revenues that may be affected by any such abatement agreements entered by the County. The District has made sufficient attempts to obtain abatement information required by GASB 77 entered by the County. As of June 30, 2018, the District is not aware of tax abatement entered by the County which would have a financial effect on the property tax revenue received and due the District.

GASB Statement No. 79 addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool for measuring all of its investments at amortized cost for financial reporting purposes. Professional judgement is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant. This Statement will enhance comparability of financial statements among governments by establishing specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement. Those criteria will provide for qualifying external investment pools and participants in those pools with consistent application of an amortized cost-based measurement for financial reporting purposes. That measurement approximates fair value and mirrors the operations of external investment pools that transact with participants at a stable net asset value per share.

GASB Statement No. 82 objective is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information; (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and; (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements

A. *Financial Reporting Entity*

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

STATE OF NEW MEXICO
PENASCO INDEPENDENT SCHOOL DISTRICT NO. 4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1. Summary of Significant Accounting Policies - (Continued)

The basis, but not the only criterion for including a potential component unit within the reporting entity, is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criteria used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Given the criteria, there are no component units to the primary government recognized.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities and changes in net position) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

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

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

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

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

GASB No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB No. 65, *Items Previously Reported as Assets and Liabilities*, amend GASB No. 34, *Basic Financial Statements – and Management's Discussion and Analysis for State and Local Governments*, to incorporate deferred outflows of resources and deferred inflows of resources in the financial reporting model.

STATE OF NEW MEXICO
PENASCO INDEPENDENT SCHOOL DISTRICT NO. 4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1. Summary of Significant Accounting Policies - (Continued)

Deferred outflows of resources – a consumption of net assets by the government that is applicable to a future reporting period. It has a positive effect on net position, similar to assets.

Deferred inflows of resources – an acquisition of net assets by the government that is applicable to a future reporting period. It has a negative effect on net position, similar to liabilities.

Net position – the residual of the net effects of assets, deferred outflows of resources, liabilities, and deferred inflows of resources.

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

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

Ad valorem taxes (property taxes), and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been 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. All other revenue items are considered to be measurable and available only when cash is received by the government.

The *agency funds* are custodial in nature (assets equal liabilities) and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that the District holds for others in an agency capacity.

C. *Measurement focus, basis of accounting, and financial statement presentation (continued)*

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 general fixed assets, and the servicing of general long-term debt. Governmental funds include:

The *General Fund* is the primary operating fund of the District, and accounts for all financial resources, except those required to be accounted for in other funds.

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

STATE OF NEW MEXICO
PENASCO INDEPENDENT SCHOOL DISTRICT NO. 4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1. Summary of Significant Accounting Policies - (Continued)

The *Debt Service Funds* account for the services of general long-term debt not being financed by proprietary or nonexpendable trust funds.

The *Capital Projects Funds* account for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

Under the requirements of GASB #34, the District is required to present certain of its governmental funds as major funds based upon certain criteria. The major funds presented in the fund financial statements include the following (in addition to the General Fund), which may include funds that were not required to be presented as major but were at the discretion of management:

The *Teacherage Fund* accounts for revenues and expenditures associated with district owned multi-bedroom housing units rented to District employed teachers or other employees. Funding authorized by NMAC 6.20.2 of the New Mexico Department of Education. This fund is considered by PED to be a sub-fund of the General Fund.

The *Transportation Fund* accounts for State Equalization – Transportation funds authorized by Section 22-8-26, NMSA, 1978 designated for the costs of transporting school-age children who are students within the District. This fund is considered by PED to be a sub-fund of the General Fund.

The *Instructional Materials Fund* accounts for Funding designated for instructional materials purchases as authorized by Sections 22-15-1 through 22-15-14, NMSA, 1978 for the purposes of purchasing instructional materials (books, manuals, periodicals, etc.) used in the education of students. This is considered by PED to be a sub-fund of the General Fund.

C. *Measurement focus, basis of accounting, and financial statement presentation (continued)*

The *Title I Federal Stimulus Fund* is used to provide supplemental education opportunity for academically disadvantaged children. Authority for creation of this fund is Part A of Chapter I of Title I of Elementary and Secondary Education Act (ESEA) of 1965. As amended, Public Law 103-383.

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

The *Bond Building Capital Projects Fund* is used to account for bond proceeds and any income earned thereon. The proceeds are restricted for the purpose of making additions to and furnishing of school buildings, or purchasing or improving school grounds or any combination thereof, as approved by the voters of the District.

STATE OF NEW MEXICO
PENASCO INDEPENDENT SCHOOL DISTRICT NO. 4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1. Summary of Significant Accounting Policies - (Continued)

The *Capital Improvements SB-9 Capital Projects Fund* is used to account for erecting, remodeling, making additions to and furnishing of school buildings, or purchasing or improving school grounds or any combination thereof as identified by the local school board. Financing is provided by the State of New Mexico's State Equalization Matching and a special tax levy as authorized by the Public School District Capital Improvements Act (22-25-1 to 22-25-10 NMSA 1978).

The *Debt Service Fund* is used to account for the accumulation of resources for the payment of General Long-Term Debt principal and interest.

Additionally, the government reports the following fund types:

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

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

D. Assets, Liabilities and Net Position or Equity

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

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

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

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

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

The District receives monthly income from a tax levy in Taos County. The funds are collected by the County Treasurer and are remitted to the School District the following month. Under the modified accrual method of accounting, the amount remitted by the Taos County Treasurer in July and August 2016 is considered 'measurable and available' and, accordingly, is recorded as revenue during the year ended June 30, 2018.

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

STATE OF NEW MEXICO
PENASCO INDEPENDENT SCHOOL DISTRICT NO. 4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1. Summary of Significant Accounting Policies - (Continued)

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

Inventory: The District accounts for its inventories under the consumption method, reporting inventories purchased as an asset. The recognition of the expenditures is deferred until the period in which the inventories are actually consumed. Inventory in the Cafeteria Fund consists of U.S.D.A. commodities and other purchased food and non-food supplies. The cost of purchased food is recorded as an expenditure at the time individual inventory items are consumed.

D. Assets, Liabilities and Net Position or Equity (continued)

Capital Assets: Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Information Technology Equipment, including software, is being capitalized and included in furniture and equipment in accordance with NMAC 2.20.1.9 C (5). Capital expenditures made by the NM Public Schools Facilities Authority are appropriately included in the District's capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. The District expenses the cost of library books when purchased because their estimated useful life is less than one year.

Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest was included as part of the cost of capital assets under construction during the year ended June 30, 2016.

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

Buildings/building improvements	20-40 years
Furniture and equipment	3-7 years

Deferred Revenues: There are two types of deferred revenue. Under both the accrual and modified accrual basis of accounting, revenue may be recognized only when it is earned. If assets are recognized in connection with a transaction before the earnings process is complete, those assets must be offset by a corresponding liability for deferred revenue (commonly referred to as unearned revenue). The other type of deferred revenue is "unavailable revenue." Under the modified accrual basis of accounting, it is not enough that revenue has been earned if it is to be recognized as revenue of the current period. It must also be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period). If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be off-set by a corresponding liability for deferred revenue.

Compensated Absences: It is the District's policy to permit employees to accumulate 120 days of earned but unused vacation. Upon termination, the employee can be paid or unused and earned annual leave not to exceed 120 days.

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the district-wide statement of net position.

STATE OF NEW MEXICO
PENASCO INDEPENDENT SCHOOL DISTRICT NO. 4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1. Summary of Significant Accounting Policies - (Continued)

D. Assets, Liabilities and Net Position or Equity - (continued)

Long-term Obligations: In the government-wide fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. For bonds issued after the fiscal year ended June 30, 2004, bond premiums and discounts, as well as issuance costs, will be deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs will be reported as deferred charges and amortized over the term of the related debt.

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

Net Position or Fund Equity: Governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The detail of the District's fund balances is presented in Note 15.

In the government-wide financial statements, fund equity is classified as net position and is displayed in three components:

Net investment in capital assets: Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position: Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation. Descriptions for the related restrictions for net position is restricted for "debt service or capital projects."

Unrestricted Net Position: All other net position that does not meet the definition of "restricted" or "invested in capital assets, net of related debt."

E. Revenues

Reclassifications: Certain amounts included in the financial statements have been reclassified to conform to the current year presentation.

Interfund Transactions: Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund from expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

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

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

STATE OF NEW MEXICO
PENASCO INDEPENDENT SCHOOL DISTRICT NO. 4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1. Summary of Significant Accounting Policies - (Continued)

E. Revenues - (continued)

A school district's program costs are determined through the use of various formulas using 'program units' which take into consideration 1) early childhood education; 2) basic education; 3) special education; 4) bilingual-multicultural education; 5) size, etc. Payment is made from the public school fund under the authority of the Director of Public School Finance. The District received \$3,543,659 in state equalization guarantee distributions during the year ended June 30, 2018.

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

In the financial statements, the mill levy and ad-valorem taxes are broken out into two types: property taxes – residential and commercial and property taxes – oil and gas. Amounts collected from residential and commercial property taxes at June 30, 2018 were \$295,595.

Transportation Distribution: School districts in the State of New Mexico receive student transportation distributions. The transportation distribution is allocated to each school district in accordance with formulas developed by the State Transportation Director and the Director of Public School Finance. The funds shall be used only for the purpose of making payments to each school district for the to-and-from school transportation costs of students in grades K through twelve attending public school within the school district. The District received \$207,464 in transportation distributions during the year ended June 30, 2018.

Instructional Materials: The New Mexico Public Education Department (PED) receives federal material leasing funds from which it makes annual allocations to the various school districts for the purchase of educational materials. Of each allocation, fifty percent is restricted to the requisition of materials listed in the State Board of Education "State Adopted Instructional Material" list, while fifty percent of each allocation is available for purchases directly from vendors. Allocations received from the State for the year ended June 30, 2016 totaled \$20,888.

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

improvement funds to make the state distribution provided for in this section, the dollar per program unit figure shall be reduced as necessary.

The District received \$48,186 in state SB-9 matching during the year ended June 30, 2018.

STATE OF NEW MEXICO
PENASCO INDEPENDENT SCHOOL DISTRICT NO. 4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1. Summary of Significant Accounting Policies - (Continued)

E. Revenues - (continued)

Public School Capital Outlay: Under the provisions of Chapter 22, Article 24, NMSA 1978. The money in the fund may be used only for capital expenditures deemed by the public school capital outlay council necessary for an adequate educational program per Section 22-24-4.

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

1. A critical need exists requiring action;
2. The residents of the school districts have provided all available resources to the district to meet its capital outlay requirements;
3. The school district has used its resources in a prudent manner;
4. The District is in a county or counties which have participated in the reappraisal program and the reappraised values are on the tax rolls, or will be used for the tax year 1979 as certified by the property tax division; and
5. The school district has provided insurance for buildings of the school district in accordance with the provisions of Section 13-5-3 NMSA 1978.

The council shall consider all applications for assistance from the fund and after public hearing shall either approve or deny the application. Applications for grant assistance shall only be accepted by the council after a district has complied with the provisions of this section. The council shall list all applications in order of priority and all allocations shall be made on a priority basis.(B); core administrative functions of the public school facilities authority and for project management expenses upon approval of the council per Section 22-24-4(G); and for the purpose of demolishing abandoned school district facilities, upon application by a school district to the council, per Section 22-24-4(L).

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

During the year ended June 30, 2018, the District received no special capital outlay funds.

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

The District also receives reimbursement under the National School Lunch and Breakfast Programs for its food services operations, and the distributions of commodities through the New Mexico Human Services Department.

STATE OF NEW MEXICO
PENASCO INDEPENDENT SCHOOL DISTRICT NO. 4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2. Stewardship, Compliance and Accountability

Budgetary Information

Budgets for the General, Special Revenue, Capital Projects, and Debt Service Funds are prepared by management and are approved by the local Board of Education and the School Budget and Planning Unit of the Public Education Department. Auxiliary student activity accounts are not budgeted. Public School Capital Outlay Council expenditures in the Public School Capital Outlay fund are not budgeted at the District level, so there is no budgetary comparison presented.

These budgets are prepared on the Non-GAAP cash basis, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year. The budget process in the State of New Mexico requires that the ending cash balance be appropriated in the budget of the subsequent fiscal year.

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

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

1. In April or May, the local school board submits to the District Budget Planning Unit (DBPU) of the New Mexico Public Education Department (100%) a proposed operating budget for the ensuing fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them. All budgets submitted to the State of New Mexico Public Education Department.
2. In May or June of each year, the proposed "operating" budget will be reviewed and approved by the DBPU and certified and approved by the local school board at a public hearing of which notice has been published by the local school board which fixes the estimated budget for the school district for the ensuing fiscal year.
3. The school board meeting, while not intended for the general public, is open for the general public unless a closed meeting has been called.
4. The "operating" budget will be used by the District until they have been notified that the budget has been approved by the DBPU and the local school board. The budget shall be integrated formally into the accounting system. Encumbrances shall be used as an element of control and shall be integrated into the budget system.
5. The District shall make corrections, revisions and amendments to the estimated budgets fixed by the local school board to recognize actual cash balances and carryover funds, if any. These adjustments shall be reviewed and approved by the DBPU.
6. The superintendent is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the school board and the State of New Mexico Public Education Department.
7. Budget change requests are processed in accordance with Supplement 1 (Budget Preparation and Maintenance) of the Manual of Procedures Public School Accounting and Budgeting. Such changes are initiated by the school district and approved by the DBPU.
8. Legal budget control for expenditures is by function.
9. Appropriations lapse at fiscal year end. Funds unused during the fiscal year may be carried over into the next fiscal year by budgeting those in the subsequent fiscal year's budget. The budget schedules included in the accompanying financial statements reflect the approved budget and amendments thereto.
10. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds.

STATE OF NEW MEXICO
PENASCO INDEPENDENT SCHOOL DISTRICT NO. 4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2. Stewardship, Compliance and Accountability - (Continued)

Budgetary Information (Continued)

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

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

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of resultant basis, perspective, equity, and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2016, is presented on each funds' Statement of Revenue, Expenditures and Changes in Fund Balance – Budget (non-GAAP Budgetary Basis) and Actual.

NOTE 3. Cash and Cash Equivalents

State statutes authorize the investment of District funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the District properly followed State investment requirements as of June 30, 2016.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the District. Deposits may be made to the extent that they are insured by an agency of the United States or by collateralized as required by the statute.

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

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

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

According to the Federal Deposit Insurance Corporation, public unit deposits are funds owned by the public unit. Time deposits, savings deposits and interest bearing NOW accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution. Additionally, until December 31, 2016, all deposits in non-interest bearing transaction accounts (such as non-interest bearing checking accounts) at participating institutions are fully guaranteed, regardless of dollar amount.

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

STATE OF NEW MEXICO
PENASCO INDEPENDENT SCHOOL DISTRICT NO. 4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 3. Cash and Cash Equivalents - (Continued)

	Centinel Bank
Total amounts of deposits	\$ 1,080,611
FDIC coverage	250,000
Total uninsured public funds	830,611
Collateral requirement (50% of uninsured public funds)	\$ 415,305
Pledged security	1,080,000
Total under (over) collateralized	\$ (664,695)

The types of collateral allowed are limited by the section 6-10-16, NMSA 1978.

Custodial Credit Risk – Deposits. 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, other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). At June 30, 2018, \$830,611 of the District’s bank balance of \$1,080,611 was exposed to custodial credit risk as the entirety of the District’s balance was held in non-interest bearing accounts and as such was covered by the FDIC.

NOTE 4. Receivables

Receivables as of June 30, 2018 are as follows:

	General Fund	Title I	Entitlement IDEA-B	
Property taxes	\$ 529	\$ —	\$ —	
Intergovernmental grants	—	96,691	71,186	
Other	24,075	—	—	
Totals by fund	\$ 24,604	\$ 96,691	\$ 71,186	
	Capital Improvements SB-9	Debt Service	Other Governmental Funds	Total
Property taxes	\$ 3167	\$ 7,139	\$ —	\$ 10,835
Intergovernmental grants	—	—	343,884	511,761
Other	—	—	—	24,075
Totals by fund	\$ 3,167	\$ 7,139	\$ 343,884	\$ 546,671

The above receivables are deemed 100% collectible. In accordance with GASB #33, property tax receivables are presented net of deferred revenue in the amount of \$1,369 on the governmental fund financial statements.

STATE OF NEW MEXICO
PENASCO INDEPENDENT SCHOOL DISTRICT NO. 4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5. Interfund Receivables, Payables, and Transfers

“Interfund balances” have primarily been recorded when funds overdraw their share of pooled cash when the District is waiting for grant reimbursements. Interfund balances due to overdrawn cash balances by fund are equal to the amounts of funds with negative cash. The composition of interfund balances at June 30, 2018 is as follows:

Governmental Activities:	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Funds:		
Operational	\$ 557,090	\$ —
Title I - IASA	—	88,396
Entitlement IDEA-B	—	63,578
Bond Building	—	118,366
Nonmajor Funds:		
Nonmajor Funds	<u>—</u>	<u>286,750</u>
 Total Governmental Activities	 <u>\$ 557,090</u>	 <u>\$ 557,090</u>

All interfund balances are expected to be repaid within one year.

NOTE 6. Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2018 follows. Land is not subject to depreciation.

	Balance June 30, 2017	Additions	Deletions	Adjustments	Balance June 30, 2018
Capital assets not being depreciated:					
Land	\$ 1,530,311	\$ —	\$ —	\$ —	\$ 1,530,311
Construction in Progress	117,682	—	—	(117,682)	—
Land improvements	2,081,246	51,426	—	—	2,132,672
Buildings and building improvements	24,649,722	—	—	—	24,649,722
Furniture, fixtures & equipment	1,333,309	183,801	—	117,682	1,634,792
Total assets being depreciated	<u>28,181,959</u>	<u>235,227</u>	<u>—</u>	<u>—</u>	<u>28,417,186</u>
Total assets	<u>\$ 29,712,270</u>	<u>\$ 235,227</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 29,947,497</u>
Less Accumulated Depreciation:					
Land improvements	910,676	126,368	—	—	1,037,044
Buildings / building improvements	17,565,944	634,238	—	—	18,200,182
Furniture, fixtures & equipment	776,887	98,417	—	—	875,304
Total accumulated depreciation	<u>\$ 19,253,507</u>	<u>\$ 859,023</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 20,112,530</u>
Net Capital Assets	<u>\$ 10,458,763</u>	<u>\$ (623,796)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 9,834,967</u>

Depreciation expense for the year ended June 30, 2018 was charged to governmental activities as follows:

Instruction	\$ 343,610
Support Services: Instruction	34,360
Support Services: Administration	34,360
Support Services: Students	17,180
Central Services	137,447
Operations & Maintenance of Plant	188,985
Transportation	51,541
Food Services	17,180
Capital Outlay	34,360
Total	<u>\$ 859,023</u>

STATE OF NEW MEXICO
PENASCO INDEPENDENT SCHOOL DISTRICT NO. 4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 7. Long-term Debt

During the year ended June 30, 2018 the following changes occurred in the liabilities reported in the government-wide statement of net position:

	<u>Balance</u> <u>June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	<u>Balance</u> <u>June 30, 2018</u>	<u>Due within</u> <u>One Year</u>
General Obligation Bonds \$	1,685,000	\$ —	\$ 105,000	—	\$ 1,580,000	\$ 110,000
Compensated Absences	<u>6,081</u>	<u>45,398</u>	<u>11,499</u>	<u>—</u>	<u>39,980</u>	<u>39,980</u>
Total	<u>\$ 1,691,081</u>	<u>\$ 45,398</u>	<u>\$ 116,499</u>	<u>\$ —</u>	<u>\$ 1,619,980</u>	<u>\$ 149,980</u>

General Obligations Bonds

The general obligation bond is a direct obligation and pledges the full faith and credit of the District. The bond was issued with varying terms (3.75-5.15%) for \$2,230,000 (Series 2009) with varying amounts of principal maturing each year. The general obligation bond as of June 30, 2018 is for governmental activities.

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

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt</u> <u>Service</u>
2019	\$ 110,000	\$ 70,578	\$ 180,578
2020	120,000	65,978	185,978
2021	122,000	60,828	185,828
2022	130,000	55,218	185,218
2023	135,000	49,230	184,230
2024-28	780,000	144,951	924,951
2029-33	180,000	4,635	184,635
Totals	<u>\$ 1,580,000</u>	<u>\$ 451,506</u>	<u>\$ 2,031,506</u>

Compensated Absences – Administrative employees of the District are able to accrue a limited amount of vacation and other compensatory time during the year. During fiscal year June 30, 2018, compensated absences increased \$33,899 over the prior year accrual. See Note 1 for more details.

Operating Leases – The District leases office equipment, including copy machines and postage meter machines, under short-term cancelable operating leases.

NOTE 8. Deferred Revenue

In accordance with the terms of the various grant agreements within the Special Revenue Funds, revenues received in excess of expenditures carry over to the subsequent years, unless such excess revenues are requested to be returned to the grantor.

NOTE 9. Risk Management

The District is a member of the New Mexico Public Schools Insurance Authority (NMPSIA). The Authority was created to provide comprehensive core insurance programs by expanding the pool of subscribers to maximize cost containment opportunities for required insurance coverage. The District pays an annual premium to the NMPSIA

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NOTE 9. Risk Management – (Continued)

based on claim experience and the status of the pool. The Risk Management Program includes Workers Compensation, General and Automobile Liability, Automobile Physical Damage, and Property and Crime coverage. Also included under the risk management program are Boiler, Machinery and Student Accident Insurance.

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

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

NOTE 10. Other Required Individual Fund Disclosures

Generally accepted accounting principles require disclosures as part of the Combined Statements of certain information concerning individual funds including:

A. Deficit fund balance of individual funds. The following funds reported a deficit fund balance at June 30, 2018.

Bond Building	\$ 118,366
Athletics	<u>392</u>
Total	<u>\$ 118,758</u>

B. Excess of expenditures over appropriations. The following funds exceeded approved budgetary authority for the year ended June 30, 2018.

Athletics – Instruction	\$ 8,750
Impact Aid Indian Education – Instruction	10,522
Gear-up – Support Services	<u>14,943</u>
Total	<u>\$ 34,215</u>

NOTE 11. Pension Plan – Educational Retirement Board

Plan description. ERB was created by the state’s Educational Retirement Act, Section 22-11-1 through 22-11-52, NMSA 1978, as amended, to administer the New Mexico Educational Employees’ Retirement Plan (Plan). The Plan is a cost-sharing, multiple employer 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 agencies providing educational programs. The Plan is a pension trust fund of the State of New Mexico. The New Mexico legislature has the authority to set or amend contribution rates.

ERB issues a publicly available financial report and a comprehensive annual financial report that can be obtained at www.nmerb.org.

Benefits provided. A member’s retirement benefit is determined by a formula which includes three component parts: the member’s final average salary (FAS), the number of years of service credit, and a 0.0235 multiplier. The FAS is the average of the member’s salaries for the last five years of service or any other consecutive five-year period, whichever is greater. A brief summary of Plan coverage provisions follows:

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NOTE 11. ERB Pension Plan (Continued)

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 or 75 or more; the member is at least sixty-five years of age and has five or more years of earned service credit; or the member has service credit totaling 25 years or more. Chapter 288, Laws of 2009 changed the eligibility requirements for new members first employed on or after July 1, 2010. The eligibility for a member who either becomes a new member on or after July 1, 2010, or at any time prior to that date refunded all member contributions and then became, or becomes, reemployed after that date 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.

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. There are three benefit options available: single life annuity; single life annuity monthly benefit reduced to provide for a 100% survivor's benefit; or single life annuity monthly benefit is reduced to provide for a 50% survivor's benefit. Retired members and surviving beneficiaries receiving benefits receive an automatic cost of living adjustment (COLA) to their benefit each July 1, beginning in the year the member attains or would have attained age 65 or on July 1 of the year following the member's retirement date, whichever is later. Prior to June 30, 2013 the COLA adjustment was equal to one-half the change in the Consumer Price Index (CPI), except that the COLA shall not exceed 4% nor be less than 2%, unless the change in CPI is less than 2%, in which case, the Cola would equal the change in the CPI, but never less than zero. As of July 1, 2013, for current and future retirees the COLA was immediately reduced until the plan is 100% funded. The COLA reduction was based on the median retirement benefit of all retirees excluding disability retirements. Retirees with benefits at or below the median and with 25 or more years of service credit will have a 10% COLA reduction; their average COLA will be 1.8%. All other retirees will have a 20% COLA reduction; their average COLA will be 1.6%. Once the funding is greater than 90%, the COLA reductions will decrease. The retirees with benefits at or below the median and with 25 or more years of service credit will have a 5% COLA reduction; their average COLA will be 1.9%. All other retirees will have a 10% COLA reduction; their average will be 1.8%. 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.

A member is eligible for a disability benefit provided (a) he or she has credit for at least 10 years of service, and (b) the disability is approved by ERB. The monthly benefit is equal to 2% of FAS times years of service, but not less than the smaller of (a) one-third of FAS or (b) 2% of FAS times year of service projected to age 60. The disability benefit commences immediately upon the member's retirement. Disability benefits are payable as a monthly life annuity, with a guarantee that, if the payments made do not exceed the member's accumulated contributions, determined as of the date of retirement, the balance will be paid in a lump sum to the member's surviving beneficiary. If the disabled member survives to age 60, the regular optional forms of payment are then applied. A member with five or more years of earned service credit on deferred status may retire on disability retirement when eligible under the Rule of 75 or when the member attains age 65.

The member, upon retirement, has three options as to how receive the benefit.

Option A – If the member elects option A there is no reduction to the monthly benefit other than any “Rule of 75” deduction or any community property or child support reductions. There will be no continuing benefit to a beneficiary or estate upon the retiree's death, except the balance, if any, of member contributions. Those contributions are usually exhausted in the first three to four years of retirement.

Option B – If the member elects Option B, the monthly benefit is reduced to provide for a 100% survivor's benefit. The reduced benefit is payable during the life of the member and upon the retiree's death, the same benefit is paid to the beneficiary for his or her lifetime. The named beneficiary may not be changed after the effective date of retirement since the amount of the option s calculated using bit the age of the member and the beneficiary. If the beneficiary predeceases the member, the member's benefit will be adjusted by returning to Option A benefit amount. The IRS prohibits the selection of Option B for a non-spouse beneficiary more than 10 years younger than the member.

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NOTE 11. ERB Pension Plan (Continued)

Option C – If the member elects Option C, the monthly benefit is reduced to provide a 50% survivor’s benefit. The benefit is payable during the life of the member and upon the retiree’s death, one half of the member’s benefit is paid to the beneficiary for his or her lifetime. Here again, the named beneficiary may not be changed after the effective date of retirement. If the beneficiary predeceases the member, the member’s benefit will be adjusted by returning to Option A benefit amount.

Under the provisions of Option B and Option C coverage, the beneficiary must be a person, and only one beneficiary may be named. The term beneficiary means a person having an insurable interest in the life of the member.

Contributions. The contribution requirements of defined benefit plan members and the District are established in state statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. For the fiscal year ended June 30, 2016 employers contributed 13.15% of employees’ gross annual salary to the Plan. Employees earning \$20,000 or less contributed 7.90% and employees earning more than \$20,000 contributed 10.10% of their gross annual salary. For fiscal year ended June 30, 2018 employers contributed 13.90%, and employees earning \$20,000 or less continued to contribute 7.90% and employees earning more than \$20,000 contributed an increased amount of 10.70% of their gross annual salary. Contributions to the pension plan from the District were \$415,230 for the year ended June 30, 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The total ERB pension liability, net pension liability, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2017. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2017, using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date June 30, 2017. At June 30, 2018, the District reported a liability of \$11,529,112 for its proportionate share of the net pension liability. The District’s proportion of the net pension liability is based on the employer contributing entity’s percentage of total employer contributions for the fiscal year ended June 30, 2017. The contribution amounts were defined by Section 22-11-21, NMSA 1978. At June 30, 2017, the District’s proportion was .10374 percent, which was an increase of .00532% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$410,634. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$ 20,696	\$ 177,617
Changes of assumptions	3,365,574	—
Net difference between projected and actual Earnings on pension plan investments	—	1,582
Changes in proportion and differences between the County’s contributions and proportionate Share of contributions	—	450,123
County’s contributions subsequent to the measurement date	—	—
Total	<u><u>\$ 3,386,270</u></u>	<u><u>\$ 629,322</u></u>

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NOTE 11. ERB Pension Plan (Continued)

\$3,386,270 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date June 30, 2018 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:

Fiscal Year	
<u>Ending June 30, 2017</u>	
2018	\$ 968,927
2019	1,163,021
2020	719,934
2021	(94,933)
2022	—

Actuarial assumptions. As described above, the total ERB pension liability and net pension liability are based on an actuarial valuation performed as of June 30, 2016. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2016 using generally accepted actuarial principles. The liabilities reflect the impact of Senate Bill 115, signed into law 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:

1. All members with an annual salary of more than \$20,000 will contribute 10.7% during the fiscal year ending June 30, 2015 and 10.7% thereafter.
2. Members hired after June 30, 2013 will have an actuarially reduced retirement benefit if they retire before age 55 and their COLA will be deferred until age 67.
3. COLAs for most retirees are reduced until ERB attains a 100% funded status.
4. These assumptions were adopted by ERB on June 14, 2016 in conjunction with the six-year experience study period ending June 30, 2016.

For the purposes of projecting future benefits, it is assumed that the full COLA is paid in all future years. The actuarial methods and assumptions used to determine contribution rates included in the measurement are as follows:

Actuarial Cost Method	Normal
Entry Age	Level Percentage of Payroll
Amortization Method	Amortized – closed 30 years from June 30, 2012 to June 30, 2042
Remaining Period	5 year smoothed market for funding valuation (fair value for financial valuation)
Asset Valuation Method	
Inflation	3.00%
Salary Increases	Composition: 3% inflation, plus 0.75% productivity increase rate, plus step-rate promotional increases for less than 10 years of service
Investment Rate of Return	7.25%
Single Discount Rate	5.90%
Retirement Age	Experience based table of age and service rates.
Mortality	Healthy Male RP-2000 Combined Mortality Table with White Collar Adjustment, generational mortality improvements with scale BB Healthy Females GRS Southwest Region Teacher Mortality Table, set back one year, generational mortality improvements in accordance with scale BB from table's base year of 2012

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NOTE 11. ERB Pension Plan (Continued)

The long-term expected rate of return on pension plan investments is determined annually using a building-block approach that includes the following: 1) rate of return projections are the sum of current yield plus projected changes in price (valuation, defaults, etc.), 2) application of key economic projections (inflation, real growth, dividends, etc.), and 3) structural themes (supply and demand imbalances, capital flows, etc.). These items are developed for each major asset class. The following schedule shows the asset allocation policy adopted on August 26, 2016 as well as the prior allocation targets:

<u>Asset Class</u>	2017 <u>Long-term Expected Real Rate of Return</u>	2016 <u>Long-term Expected Real Rate of Return</u>
Cash	1.00%	1.00%
Opportunistic Credit	18.0%	20.0%
Core Bonds	6.00%	2.00%
Emerging Market Debt	2.00%	0.75%
Large Cap Equities	16.0%	18.0%
Small/Mid Cap	3.00%	2.00%
International Equities (Developed)	5.00%	5.00%
International Equities (Emerging Markets)	9.00%	10.00%
Real Estate/REITS	7.00%	7.00%
Private Equity	13.0%	11.0%
Real Assets	8.00%	8.00%
Global Asset Allocation	4.00%	5.00%
Risk Parity	3.00%	5.00%
Other	5.00%	0.00%

Discount rate: A single discount rate of 5.90% was used to measure the total ERB pension liability as of June 30, 2017. This discount rate was based on the expected rate of return on pension plan investments of 7.25% and municipal bond rate of 3.56%. 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 following table presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.90 percent) or 1-percentage-point higher (8.75 percent) than the current rate.

<u>Fiscal Year Ending June 30,</u>	<u>1% Decrease (4.90%)</u>	<u>Current Discount Rate (5.90%)</u>	<u>1% Increase (6.90%)</u>
District's proportionate share of the net pension liability	\$ 15,008,037	\$ 11,529,112	\$ 8,685,374

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NOTE 11. ERB Pension Plan (Continued)

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

Payables to the pension plan. At June 30, 2018 the District had no outstanding amount of contributions to the pension plan and therefore, had no payables to report as of June 30, 2018.

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

Plan description. Employees of the District are provided with OPEB through the Retiree Health Care Fund (the Fund) – a cost-sharing multiple-employer defined benefit OPEB plan administered by the New Mexico Retiree Health Care Authority (NMHRCA). NMHRCA 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 Fund under Section 10-7CV-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.

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

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

Plans membership	
Current retirees and surviving spouses	51,208
Inactive and eligible for deferred benefit	11,478
Current active members	<u>97,379</u>
	<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	<u>48,756</u>
	<u>97,349</u>

Contributions – Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee’s salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer’s participation in the Fund. Contributions to the Fund from the District were \$60,117 for the year ended June 30, 2018.

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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 12. Post-Employment Benefits – State Retiree Health Care Plan (continued)

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

At June 30, 2018, the District reported a liability of \$2,293,480 for its production share of 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 that date. The District’s proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 20, 2017. At June 30, 2017, the District’s proportion was 0.05061 percent.

For the year ended June 30, 2018, the District recognized OPEB expense of \$91,181. At June 30, 2018 the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$ —	\$ 80,012
Changes of assumptions	—	400,986
Net difference between projected and actual Earnings on pension plan investments	—	32,993
Changes in proportion and differences between the County’s contributions and proportionate Share of contributions	—	—
County’s contributions subsequent to the measurement date	<u>60,117</u>	<u>—</u>
Total	<u>\$ 60,117</u>	<u>\$ 521,991</u>

Deferred outflows of resources totaling \$60,117 represent District contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

<u>Fiscal Year</u>	
<u>Ending June 30,</u>	
2019	\$ (110,979)
2020	(110,979)
2021	(110,979)
2022	(110,979)
2023	<u>(78,075)</u>
Total	\$ (521,991)

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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 12. Post-Employment Benefits – State Retiree Health Care Plan (continued)

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

Valuation Date	June 30, 2018
Actuarial cost method	Entry age normal, lever percent of pay, calculated on individual employee basis
Asset valuation method	Market value of assets
Actuarial assumptions:	
Inflation	2.50% for ERB, 2.25% for PERA
Projected payroll increases	3.50%
Investment rate of return	7.25% net of OPEB plan investment expense and margin for adverse deviation including inflation
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

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 inflation and subtraction expected investment expenses and a risk margin. The target allocation and projected arithmetic real rated of return for each major asset class, after deduction inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumptions.

The best estimates for the long-term expected rate of return is summarized as follows:

Asset Class	Long-term Real Rate of Return
U.S. core fixed income	4.10%
U.S. equity – large cap	9.10%
Non U.S. emerging markets	12.2%
Non U.S. developed equities	9.80%
Private equity	13.8%
Credit and structured finance	7.30%
Real estate	6.90%
Absolute return	6.10%
U.S. equity – small/mid cap	9.10%

Discount Rate. The discount rate used to measure the Fund’s total OPEB liability is 3.81% as of June 30, 2018. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plans members and their beneficiaries are not included. Based on those assumptions, the Fund’s fiduciary net position was projected to be available to make all

projected future benefit payments for current plan members through the fiscal year ending June 30, 2028. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2029. Beyond 2029, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Thus, 3.81% is the blended discount rate.

Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates. The following presents the net OPEB liability of the District, as well as what the District’s net OPEB liability would be it were calculated using a discount rate that is 1-percentage-point lower (2.81 percent) or 1-percentage-point higher (4.81 percent) than the current discount rate:

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NOTE 12. Post-Employment Benefits – State Retiree Health Care Plan (continued)

Fiscal Year	1% Decrease	Current Discount	1% Increase
<u>Ending June 30,</u>	<u>(2.81%)</u>	<u>Rate (3.81%)</u>	<u>(4.81%)</u>
District's proportionate share of the net pension liability	\$ 2,781,955	\$ 2,293,480	\$ 1,910,227

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

Payable Changes in the Net OPEB Liability. At June 30, 2018, the District did not report a payable for outstanding contributions due to NMRHCA for the year ended June 30, 2018.

NOTE 13. Contingent Liabilities

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

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

NOTE 15. Subsequent Accounting Standard Pronouncements

In November 2016, GASB Statement No. 83 *Certain Asset Retirement Obligations*, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2018. Earlier application is encouraged. The District is still evaluating how this pronouncement will affect the financial statements.

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

In April 2018, GASB Statement No. 88 *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2018. Earlier application is encouraged. The District is still evaluating how this pronouncement will affect the financial statements.

In June 2018, GASB Statement No. 89 *Accounting for Interest Cost Incurred before the End of a Construction Period*, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2019. Earlier application is encouraged. The District is still evaluating how this pronouncement will affect the financial statements.

In August 2018, GASB Statement No. 90 *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2018. Earlier application is encouraged. The District is still evaluating how this pronouncement will affect the financial statements.

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JUNE 30, 2018

NOTE 16. Restatement of Net Position

Beginning balances required adjustment related to the Retiree Health Care Plan which was recorded as a result of GASB 75 implementation. As a result, an adjustment totaling \$2,724,293 relating to the District was required to restate prior year beginning net position for the Government-wide financial statements.

NOTE 17. Governmental Fund Balance

Fund Balance: In the fund financial statements, governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Some governments may not have policies or procedures that are comparable to those policies that underlie the classifications and therefore would not report amounts in all possible fund balance classifications.

In the governmental financial statements, fund balance is classified and is displayed in five components:

Nonspendable: Consists of amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted: Consists of amounts that are restricted to specific purposes as a result of a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

Committed: Consist of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action (for example, legislation, resolution, ordinance) it employed to previously commit those amounts.

Assigned: Consist of amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed by (a) the governing body itself or (b) a body (a budget or finance committee, for example) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.

Unassigned: Represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 17. Governmental Fund Balance (Continued)

	General Fund			Title I IASA	Entitlement IDEA-B
	Operational 11000	Transportation 13000	Instructional Materials 14000		
<i>Fund balance:</i>	11000	13000	14000	24101	24106
Nonspendable	-	-	-	-	-
Restricted:					
Instruction	-	11,044	7,379	-	-
Special Revenue	-	-	-	-	-
Capital Projects	-	-	-	-	-
Debt Service	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	392,341	-	-	-	-
<i>Total fund balance</i>	<u>392,341</u>	<u>11,044</u>	<u>7,379</u>	<u>-</u>	<u>-</u>
		Capital			
	Bond	Improvements	Debt	Other	Total
	Building	SB-9	Service	Governmental	Primary
<i>Fund balance:</i>	31700	31700	41000	Funds	Government
Nonspendable	-	-	-	13,047	13,047
Restricted					
Instruction	-	-	-	-	18,423
Special Revenue	-	-	-	294,779	294,779
Capital Projects	-	317,104	-	-	317,104
Debt Service	-	-	213,516	-	213,516
Assigned	-	-	-	-	-
Unassigned	(118,366)	-	-	(491)	273,484
<i>Total fund balance</i>	<u>(118,366)</u>	<u>317,104</u>	<u>213,516</u>	<u>307,335</u>	<u>\$ 1,130,353</u>

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
PENASCO INDEPENDENT SCHOOL DISTRICT No. 4
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
OF ERB
Educational Retirement Board (ERB) Plan
Last 10 Fiscal Years*
JUNE 30, 2018

	2018	2017	2016	2015
Proportion of the net pension liability	0.10374%	0.10906%	0.11208%	0.11898%
Proportionate share of the net pension liability	11,529,112	7,848,430	7,169,686	6,788,670
Covered-employee payroll	3,154,616	3,156,209	2,948,595	3,279,423
Proportionate share of the net pension liability (asset) as a percentage of it's covered-employee payroll	365%	249%	243%	207%
Plan fiduciary net position as a percentage of the total pension liability	52.95%	61.58%	63.97%	66.54%

*These schedules are intended to present 10 years of trending history. However, until a full 10-year trend is compiled, the District present information for those years for which information is available.

SCHEDULE OF DISTRICT'S CONTRIBUTIONS
Educational Retirement Board (ERB) Plan
Last 10 Fiscal Years**

Contractually required contribution	1,531,285	410,214	442,848	431,339
Contributions in relation to the contractually required contribution	415,230	410,214	442,848	431,339
Contribution deficiency (excess)	1,116,055	-	-	-
County's covered-employee payroll	3,154,616	3,156,209	2,948,595	3,279,423
Contributions as a percentage of covered-employee payroll	48.54%	13.00%	15.02%	13.15%

** These schedules are intended to present 10 years of trending history. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Changes of benefit terms. The COLA and retirement eligibility benefits changes in recent years are described in the Benefits Provided subsection of the financial statement note disclosure General Information on the Pension Plan.

Changes of Assumptions. ERB conducts an actuarial experience study for the Plan on a biennial basis. Based on the six-year actuarial experience study presented to the Board of Trustees on June 12, 2015, ERB impemented the following changes in assumption for fiscal years 2016. 1) valuation assumptions that changed based on this study: a) Lower wage inflation from 3.75% to 3.00%, b) Investment return will change from 7.75% to 7.25%, c) Minor changes to demographic assumptions, d) Discount rate changed to 5.90% with lower and hier sensitivity rates established at 4.90% and 6.90%, e) members hired after 6/30/2013 will have reduced retirement benefit if they retire befor age 55 and their COLA deferred until age 67, f) COLAs for most retirees reduced until NMERB attains 100% funded status, g) assumed full COLA paid in future years, h) rate of return on pension plan investments to be determined annually

2) Assumptions that were not changed: a) Inflation will remain at 3.00%

See also the Note IV (B) Actuarial Assumptions of the financial statement disclosure on the Pension Plan

STATE OF NEW MEXICO
PENASCO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
OF RHCA
Retiree Health Care (RHCA) Plan
Last 10 Fiscal Years*
JUNE 30, 2018

	2018
Proportion of the net pension liability	0.050610%
Proportionate share of the net pension liability	2,293,480
Covered-employee payroll	2,108,234
Proportionate share of the net pension liability (asset) as a percentage of it's covered-employee payroll	108.79%
Plan fiduciary net position as a percentage of the total pension liability	11.34%

*These schedules are intended to present 10 years of trending history. However, until a full 10-year trend is compiled, the District present information for those years for which information is available.

SCHEDULE OF DISTRICT'S CONTRIBUTIONS
Retiree Health Care (RHCA) Plan

Last 10 Fiscal Years**

Contractually required contribution	160,711
Contributions in relation to the contractually required contribution	80,659
Contribution deficiency (excess)	80,052
County's covered-employee payroll	2,108,234
Contributions as a percentage of covered-employee payroll	3.83%

** These schedules are intended to present 10 years of trending history. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Changes of benefit terms. In the June 30, 2017 actuarial valuation, there was a change of benefit terms as 2017 was the initial valuation.

Changes of Assumptions. In the June 30, 2017 actuarial valuation, the expectation of life after disability was adjusted to more closely reflect actual experience. Additional changes of assumptions may occur after the initial 2017 valuation.

NONMAJOR GOVERNMENTAL FUNDS

NONMAJOR FUNDS

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

Food Services (21000) - This fund is utilized to account for Federal and Local sources of income relating to the food service programs. The Food Service Fund is segregated into two categories, one being the Federal funds and the other being Non-Federal funds. Federal funds consist of National School Lunch Program, which is administered by the State of New Mexico for the purpose of making breakfast and lunch available to all school children and to encourage the domestic consumption of agricultural commodities and other food components. Authority for the creation of this fund is NMSA 22-13-13.

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

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

Fruits and Vegetables (24118) –To assist States, through cash grants, in providing free fresh fruits and vegetables to school children in designated participating schools beginning in school year 2004/2005. Authorized by National School Lunch Act, as amended, 42 U.S.C. 1769.

IDEA-B Risk Pool (24120) – Funding for students with disabilities who are parentally placed in private elementary and secondary schools (“equitable participation services”) located in the school district.

IDEA-B Results Plan (24132) – Funding supports school improvement through the implementation of the evidence-based practices identified in Results Driven Accountability professional development, and may be used for professional development, technology, and equipment, materials and supplies, and direct services as outlines in the approved Request for Information.

The Teacher/Principle Training Fund (24154)- is used to provide grants to State Education Agencies (SEAs) on a formula basis to increase student academic achievement through strategies such as improving teacher and principle quality and increasing the number of highly qualified teachers in the classroom and highly qualified principles and assistant principals in schools. Authorization is granted through the Elementary and Secondary Education Act of 1965, as amended, Title II, Part A, Public Law 107-110.

Rural and Low Income Schools Fund (24160) - To account for a grant with the purpose of providing financial assistance to rural districts to carry out activities to help improve the quality of teaching and learning in their schools. Authorized by Elementary and Secondary Education Act of 1965 (ESEA), Title VI, Part B, as amended.

Carl D Perkins Secondary – Redistribution Fund (24176) - The redistribution unused portion of Carl D. Perkins funds. The objective is to provide secondary education institutions the opportunity to develop, implement, and operate programs using different models of curricula that integrate vocation and academic learning. The purpose of Perkins is to provide individuals with the academic and technical skills needed to succeed in a knowledge- and skills-based economy. Perkins supports career and technical education that prepares its students both for postsecondary education and the careers of their choice.

Impact Aid Special Education (25145) and Indian Education (25147)– To provide funding for instructions of Indian children of all grades who require special instruction in addition to basic programs. Authorization is Public Law 81-874.

Title XIX Medicaid (25153) – To provide 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. (P.L. 105-33)

Child & Adult Food Program (25171) – To provide for instruction on proper nutrition for both children and adults.

Indian Education Formula Grant (25184) – To account for a program funded by a Federal grant to develop and carry out supplementary elementary and secondary school programs designed to meet the special educational and culturally related

NONMAJOR FUNDS

academic needs of Indian children, for example to: 1) Improve academic performance, 2) Reduce school dropout rates and improve attendance, and 3) Integrate the value of cultural education into the school curriculum for Indian children. Funding authorized by Indian Education Act of 1988, Title V, Part C, Subpart 1, as amended, Public Law 100-297 and 93-638, 25 U.S.C. 2601-2606

Gear Up NM State Initiatives (25205) – Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP) New Mexico is a seven-year initiative funded by the U.S. Department of Education and is a division of the New Mexico Higher Education Department.

Elementary School Counseling (25215) – This program provides funding to LEAs to establish or expand elementary and secondary school counseling programs, with special consideration given to applicants that can demonstrate the greatest need for counseling services, propose the most innovative and promising approaches, and to show the greatest potential for replication and dissemination.

LANL Foundation (26113) – To account for monies received from Los Alamos National Labs Foundation responding to the urgent needs in Northern New Mexico by assisting with small requests for community, cultural or educational projects. Authorization is the creation of the fund by PED and Authorization by the Foundation.

Drawing from the Well (26147) - To account for funds from a State grant to hire consultants, to purchase the updated and revised curriculum guides, and instructional material for the Drawing from the Well curriculum.

Dual Credit Instructional Materials (27103) – To provide instructional materials to be used for the dual credit course approved by Higher Education Department and through a college/university for which the District has an approved agreement.

2010 GO Bonds – Student Library Fund (SB1) (27106) – Funds used to purchase library books and library supplies for all school sites. Program is authorized by state statute.

Library GO Bonds 2012 (27107) – The Funds to be used for library books and library resources for public school libraries statewide. Senate Bill 66, Laws of 2012, 2nd Session, Chapter 54, Section 10.B(3).

NM Reads to Lead (27114) – Provides an aligned approach for districts and schools to ensure that children read by the end of the third grade – giving them essential skills for future career and college success. It also provides regional and district reading coaches, support for intervention and professional development for parents, teachers, reading coaches and administrators.

Truancy Initiative PED (27141) – To hire three truancy and dropout prevention coaches.

Pre-K Initiative (27149) – To provide high quality Pre-K services that align to NM Pre-K standards to underserved 4-year-olds in the District. To expand early childhood educational capacity so that all families of 4-year-olds in the district who want to enroll their child in a high quality Pre-K program can do regardless of income or ethnicity.

Indian Education Act (27150) – To increase academic achievement and provide culturally relevant learning experiences for American Indian students, to establish collaborative partnerships that engage active participation of American Indian parents, students, tribes, community based organizations, universities, private sector and/or other entities who work with American Indian Students; to establish a parent community advisory committee to participate in the development of an Indigenous curriculum framework and the profile Indigenous best practices.

Breakfast for Elementary Students (27155) - The 2005 Legislative General Appropriations Act allocated \$475,000 to implement Breakfast in the Classroom for elementary schools in need of improvement based on 2004-2005 AYP designation.

NM Arts Division (27166)- To account for the grant activity from the New Mexico Arts, a division of the Office of cultural Affairs. Special Revenue Fund established by the local school board.

2013 School Buses (27178) – To provide for the purchase of school buses.

NONMAJOR FUNDS

Workforce Readiness (27179) – Help students discover the wide range of career options available to them, chart the most efficient paths for students to achieve those goals and work directly with business and industry partners to ensure that their experience results in the most necessary skills, credentials and technical knowledge to be a success in the students' next step as they enter postsecondary or workforce engagement. Authorization: House Bill 2 of 2013 Legislative Session.

Early College HS Star-Up (27180) – To provide school district with funds to encourage students toward college preparation, career readiness and dropout prevention. Authorized through Senate Bill 313, the General Appropriations Act of 2014 of the regular 2014 Legislative Session.

STEM Teacher Initiative (27181) - The purpose of this fund is to provide a \$5,000 stipend per year to 15 highly effective STEM teachers to teach science, technology engineering or mathematics (grades 7-12) for two year to serve in hard to staff schools.

New Mexico Grown (27183) – Funds under this award are to be used to purchase locally grown New Mexico fresh fruits and vegetables to be made available as no charge to students. Funds have been received in appropriation through the General Appropriations Act to distribute to schools districts and charter schools.

College Counselor Initiative (27189) – The fund establishes a cohort of high school advisors whose role is dedicated to college and career readiness.

State Directed Activities Allocation IDEA-B (27200) – To account for money given to the District to help pay for payroll expenses certain state directed activities.

No Hungry Kid (29102) – To support the summer food program.

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Special Capital Outlay – State (31400) – To account for special appropriations monies received from the State of New Mexico under Chapter 4, Laws of 1996.

Public School Capital Outlay – 20% (32100) – A capital projects fund to capture the 20% of eligible federal (Forest Reserve and Impact Aid) and local revenue that must be budgeted in capital outlay. Provides financing for the construction and improvement of buildings and land and the purchase of equipment.

STATE OF NEW MEXICO
PENASCO INDEPENDENT SCHOOL DISTRICT No. 4
COMBINING BALANCE SHEET
NONMAJOR FUNDS
JUNE 30, 2018

	Food Services 21000	Athletics 22000	Preschool IDEA-B 24109	Fresh Fruits and Vegetables 24118
ASSETS				
<i>Current Assets</i>				
Cash and temporary investments	\$ 101,092	\$ -	\$ -	\$ -
Accounts receivable				
Taxes	-	-	-	-
Due from other governments	5,359	-	3,429	6,303
Interfund receivables	-	-	-	-
Inventory	13,047	-	-	-
	<u>119,498</u>	<u>-</u>	<u>3,429</u>	<u>6,303</u>
<i>Total assets</i>				
LIABILITIES AND FUND BALANCES				
<i>Current Liabilities:</i>				
Accounts payable	8,119	100	-	-
Accrued expenses	7,334	392	-	-
Interfund payables	-	-	3,429	6,303
	<u>15,453</u>	<u>492</u>	<u>3,429</u>	<u>6,303</u>
<i>Total liabilities</i>				
<i>Fund Balance:</i>				
Fund Balance:				
Nonspendable	13,047	-	-	-
Restricted	90,998	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	(492)	-	-
	<u>104,045</u>	<u>(492)</u>	<u>-</u>	<u>-</u>
<i>Total fund balance</i>				
<i>Total liabilities and fund balance</i>	<u>\$ 119,498</u>	<u>\$ -</u>	<u>\$ 3,429</u>	<u>\$ 6,303</u>

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

Teacher / Principal Training & Recruiting 24154	Rural and Low Income Schools 24160	Carl D. Perkins Secondary 24176	Impact Aid Indian Education 25145	Impact Aid Indian Education 25147	Title XIX Medicaid 3/21 Years 25153
\$ -	\$ -	\$ -	\$ 25,050	\$ 733	\$ 113,087
-	-	-	-	-	-
12,300	864	4,149	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>12,300</u>	<u>864</u>	<u>4,149</u>	<u>25,050</u>	<u>733</u>	<u>113,087</u>
-	-	-	-	-	-
158	-	571	-	733	1,355
12,142	864	3,578	-	-	-
<u>12,300</u>	<u>864</u>	<u>4,149</u>	<u>-</u>	<u>733</u>	<u>1,355</u>
-	-	-	-	-	-
-	-	-	25,050	-	111,732
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>25,050</u>	<u>-</u>	<u>111,732</u>
<u>\$ 12,300</u>	<u>\$ 864</u>	<u>\$ 4,149</u>	<u>\$ 25,050</u>	<u>\$ 733</u>	<u>\$ 113,087</u>

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

STATE OF NEW MEXICO
PENASCO INDEPENDENT SCHOOL DISTRICT No. 4
COMBINING BALANCE SHEET
NONMAJOR FUNDS
JUNE 30, 2018

	Child & Adult Food Program 25171	Indian Ed Formula Grant 25184	Gear Up 25205	Elementary School Counseling 25215
ASSETS				
<i>Current Assets</i>				
Cash and temporary investments	\$ 214	\$ 1	\$ -	\$ 2
Accounts receivable				
Taxes	-	-	-	-
Due from other governments	-	-	128,174	-
Interfund receivables	-	-	-	-
Inventory	-	-	-	-
	<u>214</u>	<u>1</u>	<u>128,174</u>	<u>2</u>
<i>Total assets</i>	<u>214</u>	<u>1</u>	<u>128,174</u>	<u>2</u>
LIABILITIES AND FUND BALANCES				
<i>Current Liabilities:</i>				
Accounts payable	-	-	-	-
Accrued expenses	-	-	24,996	2
Interfund payables	-	-	103,178	-
	<u>-</u>	<u>-</u>	<u>128,174</u>	<u>2</u>
<i>Total liabilities</i>	<u>-</u>	<u>-</u>	<u>128,174</u>	<u>2</u>
<i>Fund Balance:</i>				
Fund Balance:				
Nonspendable	-	-	-	-
Restricted	214	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	1	-	-
	<u>214</u>	<u>1</u>	<u>-</u>	<u>-</u>
<i>Total fund balance</i>	<u>214</u>	<u>1</u>	<u>-</u>	<u>-</u>
<i>Total liabilities and fund balance</i>	<u>\$ 214</u>	<u>\$ 1</u>	<u>\$ 128,174</u>	<u>\$ 2</u>

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

LANL Foundation 26113	Drawing From The Well 26147	Dual Credit Instructional Materials 27103	2010 GO Bonds - Student Library Fund (SB1) 27106	2012 GO Bonds - Student Library Fund (SB66) 27107	NM Reads to Lead K-3 Reading Initiative 27114	PED Truancy Initiative 27141
\$ 641	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	3,259	-	9,875	27,503	51,657
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>641</u>	<u>-</u>	<u>3,259</u>	<u>-</u>	<u>9,875</u>	<u>27,503</u>	<u>51,657</u>
-	-	-	-	-	-	-
-	-	-	-	-	5,950	2,921
-	-	3,259	-	9,875	21,553	48,736
-	-	3,259	-	9,875	27,503	51,657
-	-	-	-	-	-	-
641	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>641</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 641</u>	<u>\$ -</u>	<u>\$ 3,259</u>	<u>\$ -</u>	<u>\$ 9,875</u>	<u>\$ 27,503</u>	<u>\$ 51,657</u>

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

STATE OF NEW MEXICO
PENASCO INDEPENDENT SCHOOL DISTRICT No. 4
COMBINING BALANCE SHEET
NONMAJOR FUNDS
JUNE 30, 2018

	Pre-K Initiative 27149	Indian Education Act 27150	Breakfast for Elementary Students 27155	Kindergarten Three Plus 27166	2013 School Buses 27178
ASSETS					
<i>Current Assets</i>					
Cash and temporary investments	\$ -	\$ -	\$ -	\$ 11	\$ -
Accounts receivable					
Taxes	-	-	-	-	-
Due from other governments	64,084	-	6,928	-	-
Interfund receivables	-	-	-	-	-
Inventory	-	-	-	-	-
<i>Total assets</i>	<u>64,084</u>	<u>-</u>	<u>6,928</u>	<u>11</u>	<u>-</u>
LIABILITIES AND FUND BALANCES					
<i>Current Liabilities:</i>					
Accounts payable	-	-	-	11	-
Accrued expenses	7,734	-	-	-	-
Interfund payables	56,350	-	6,928	-	-
<i>Total liabilities</i>	<u>64,084</u>	<u>-</u>	<u>6,928</u>	<u>11</u>	<u>-</u>
<i>Fund Balance:</i>					
Fund Balance:					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
<i>Total fund balance</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total liabilities and fund balance</i>	<u>\$ 64,084</u>	<u>\$ -</u>	<u>\$ 6,928</u>	<u>\$ 11</u>	<u>\$ -</u>

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

Workforce Readiness 27179	Early College HS Star-Up 27180	STEM Teacher Initiative 27181	NM Grown Fresh Fruit and Vegetables 27183	Teacher and School Leader Incentive Pay 27188	College Counselor Initiative 27189	State Discretionary IDEA-B 27200
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,007
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	2,007
-	-	-	-	-	-	-
-	-	-	-	(10,555)	-	-
-	-	-	-	10,555	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	2,007
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	2,007
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,007

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

STATE OF NEW MEXICO
PENASCO INDEPENDENT SCHOOL DISTRICT No. 4
COMBINING BALANCE SHEET
NONMAJOR FUNDS
JUNE 30, 2018

Statement B-1
(Page 7 of 7)

	Private Grants 29102	Special Capital Outlay - State 31400	Public School Capital Outlay - 20% 32100	Total Non-major Funds
ASSETS				
<i>Current Assets</i>				
Cash and temporary investments	\$ -	\$ 42,967	\$ 1,170	\$ 286,975
Accounts receivable				
Taxes	-	-	-	-
Due from other governments	-	20,000	-	343,884
Interfund receivables	-	-	-	-
Inventory	-	-	-	13,047
<i>Total assets</i>	<u>-</u>	<u>62,967</u>	<u>1,170</u>	<u>643,906</u>
LIABILITIES AND FUND BALANCES				
<i>Current Liabilities:</i>				
Accounts payable	-	-	-	8,230
Accrued expenses	-	-	-	41,591
Interfund payables	-	-	-	286,750
<i>Total liabilities</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>336,571</u>
<i>Fund Balance:</i>				
Fund Balance:				
Nonspendable	-	-	-	13,047
Restricted	-	62,967	1,170	294,779
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	(491)
<i>Total fund balance</i>	<u>-</u>	<u>62,967</u>	<u>1,170</u>	<u>307,335</u>
<i>Total liabilities and fund balance</i>	<u>\$ -</u>	<u>\$ 62,967</u>	<u>\$ 1,170</u>	<u>\$ 643,906</u>

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

STATE OF NEW MEXICO
PENASCO INDEPENDENT SCHOOL DISTRICT No. 4
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
FOR THE YEAR ENDING JUNE 30, 2018

	Food Services 21000	Athletics 22000	Preschool IDEA-B 24109	Fresh Fruits and Vegetables 24118
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
State grants	-	-	-	-
Federal grants	238,475	-	3,630	6,303
Charges for services	5,061	54,998	-	-
Miscellaneous	-	2,311	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>243,536</u>	<u>57,309</u>	<u>3,630</u>	<u>6,303</u>
<i>Expenditures:</i>				
Current:				
Instruction	-	57,800	3,411	-
Support Services				
Students	-	-	-	-
Instruction	-	-	-	-
General Administration	-	-	219	-
School Administration	-	-	-	-
Central Services	-	-	-	-
Operation & Maintenance of Plant	-	-	-	-
Student Transportation	-	-	-	-
Other Support Services	-	-	-	-
Food Services Operations	211,084	-	-	6,303
Community Service	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>211,084</u>	<u>57,800</u>	<u>3,630</u>	<u>6,303</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>32,452</u>	<u>(491)</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses):</i>				
Operating transfers	-	-	-	-
Proceeds from bond issues	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net changes in fund balances</i>	<u>32,452</u>	<u>(491)</u>	<u>-</u>	<u>-</u>
<i>Fund balances - beginning of year</i>	<u>71,593</u>	<u>(1)</u>	<u>-</u>	<u>-</u>
<i>Fund balances - end of year</i>	<u>\$ 104,045</u>	<u>\$ (492)</u>	<u>\$ -</u>	<u>\$ -</u>

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

Teacher / Principal Training & Recruiting 24154	Rural and Low Income Schools 24160	Carl D. Perkins Secondary 24176	Impact Aid Special Education 25145	Impact Aid Indian Education 25147	Title XIX Medicaid 3/21 Years 25153
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
12,451	864	4,149	2,169	7,240	77,259
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>12,451</u>	<u>864</u>	<u>4,149</u>	<u>2,169</u>	<u>7,240</u>	<u>77,259</u>
11,699	812	3,898	-	16,109	517
-	-	-	-	-	29,492
-	-	-	-	-	-
752	52	251	-	-	6,633
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>12,451</u>	<u>864</u>	<u>4,149</u>	<u>-</u>	<u>16,109</u>	<u>36,642</u>
-	-	-	2,169	(8,869)	40,617
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	2,169	(8,869)	40,617
-	-	-	22,881	8,869	71,115
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,050</u>	<u>\$ -</u>	<u>\$ 111,732</u>

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

STATE OF NEW MEXICO
PENASCO INDEPENDENT SCHOOL DISTRICT No. 4
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
FOR THE YEAR ENDING JUNE 30, 2018

	Child & Adult Food Program 25171	Indian Ed Formula Grant 25184	Gear Up 25205	Elementary School Counseling 25215
<i>Revenues:</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	-	-	-	-
Federal grants	-	-	331,073	-
Charges for services	-	-	-	-
Miscellaneous	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>331,073</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
Instruction	-	-	116,365	-
Support Services				
Students	-	-	94,899	-
Instruction	-	-	90,552	-
General Administration	-	-	15,988	-
School Administration	-	-	-	-
Central Services	-	-	-	-
Operation & Maintenance of Plant	-	-	-	-
Student Transportation	-	-	-	-
Other Support Services	-	-	-	-
Food Services Operations	-	-	-	-
Community Service	-	-	13,269	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>331,073</u>	<u>-</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses):</i>				
Operating transfers	-	-	-	-
Proceeds from bond issues	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net changes in fund balances</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances - beginning of year</i>	<u>214</u>	<u>1</u>	<u>-</u>	<u>-</u>
<i>Fund balances - end of year</i>	<u>\$ 214</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ -</u>

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

LANL Foundation 26113	Drawing From The Well 26147	Dual Credit Instructional Materials 27103	2010 GO Bonds - Student Library Fund (SB1) 27106	2012 GO Bonds - Student Library Fund (SB66) 27107	NM Reads to Lead K-3 Reading Initiative 27114	PED Truancy Initiative 27141
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	3,259	-	9,875	73,688	51,657
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	3,259	-	9,875	73,688	51,657
-	-	6,319	-	-	69,184	-
-	-	-	-	-	-	51,657
-	-	-	-	9,875	-	-
-	-	-	-	-	4,504	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	6,319	-	9,875	73,688	51,657
-	-	(3,060)	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	(3,060)	-	-	-	-
641	-	3,060	-	-	-	-
\$ 641	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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

STATE OF NEW MEXICO
PENASCO INDEPENDENT SCHOOL DISTRICT No. 4
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
FOR THE YEAR ENDING JUNE 30, 2018

	Pre-K Initiative 27149	Indian Education Act 27150	Breakfast for Elementary Students 27155	Kindergarten Three Plus 27166	2013 School Buses 27178
<i>Revenues:</i>					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
State grants	103,945	-	6,928	-	-
Federal grants	-	-	-	-	-
Charges for services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Interest	-	-	-	-	-
<i>Total revenues</i>	<u>103,945</u>	<u>-</u>	<u>6,928</u>	<u>-</u>	<u>-</u>
<i>Expenditures:</i>					
Current:					
Instruction	95,332	-	-	11	-
Support Services					
Students	-	-	-	-	-
Instruction	-	-	-	-	-
General Administration	-	-	-	-	-
School Administration	-	-	-	-	-
Central Services	-	-	-	-	-
Operation & Maintenance of Plant	-	-	-	-	-
Student Transportation	8,613	-	-	-	-
Other Support Services	-	-	-	-	-
Food Services Operations	-	-	6,928	-	-
Community Service	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
<i>Total expenditures</i>	<u>103,945</u>	<u>-</u>	<u>6,928</u>	<u>11</u>	<u>-</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(11)</u>	<u>-</u>
<i>Other financing sources (uses):</i>					
Operating transfers	-	-	-	-	-
Proceeds from bond issues	-	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net changes in fund balances</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(11)</u>	<u>-</u>
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11</u>	<u>-</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Workforce Readiness 27179	Early College HS Star-Up 27180	STEM Teacher Initiative 27181	NM Grown Fresh Fruit and Vegetables 27183	Teacher and School Leader Incentive Pay 27188	College Counselor Initiative 27189	State Discretionary IDEA-B 27200
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	2,007
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,007

The accompanying notes are an integral part of these financial statements.
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STATE OF NEW MEXICO
PENASCO INDEPENDENT SCHOOL DISTRICT No. 4
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
FOR THE YEAR ENDING JUNE 30, 2018

Statement B-2
(Page 7 of 7)

	Private Grants 29102	Special Capital Outlay - State 31400	Public School Capital Outlay - 20% 32100	Total Non-major Funds
<i>Revenues:</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	-	20,000	-	269,352
Federal grants	-	-	-	683,613
Charges for services	-	-	-	60,059
Miscellaneous	-	-	-	2,311
Interest	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>20,000</u>	<u>-</u>	<u>1,015,335</u>
<i>Expenditures:</i>				
Current:				
Instruction	-	-	-	381,457
Support Services				
Students	-	-	-	176,048
Instruction	-	-	-	100,427
General Administration	-	-	-	28,399
School Administration	-	-	-	-
Central Services	-	-	-	-
Operation & Maintenance of Plant	-	-	-	-
Student Transportation	-	-	-	8,613
Other Support Services	-	-	-	-
Food Services Operations	-	-	-	224,315
Community Service	-	-	-	13,269
Capital outlay	-	20,000	-	20,000
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>20,000</u>	<u>-</u>	<u>952,528</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>62,807</u>
<i>Other financing sources (uses):</i>				
Operating transfers	-	-	-	-
Proceeds from bond issues	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net changes in fund balances</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>62,807</u>
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>62,967</u>	<u>1,170</u>	<u>244,528</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ 62,967</u>	<u>\$ 1,170</u>	<u>\$ 307,335</u>

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

OTHER SUPPLEMENTAL INFORMATION

STATE OF NEW MEXICO

Schedule I

PENASCO INDEPENDENT SCHOOL DISTRICT No. 4

AGENCY FUNDS

SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES

FOR THE YEAR ENDED JUNE 30, 2018

Activity	Balance June 30, 2017	Additions	Adjustments	Deletions	Balance June 30, 2018
Elementary School	43,171	27,607	\$ -	15,855	\$ 54,923
Junior High School	56,168	12,322	-	10,457	58,033
Primeros Pasos Pre-K	2,612	0	-	151	2,461
Total All Schools	<u>\$ 101,951</u>	<u>\$ 39,929</u>	<u>\$ -</u>	<u>\$ 26,463</u>	<u>\$ 115,417</u>

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

STATE OF NEW MEXICO
PENASCO INDEPENDENT SCHOOL DISTRICT No. 4
SCHEDULE OF DEPOSITS
JUNE 30, 2018

Schedule II

Bank Account Type/Name	Bank Balance	Deposits in Transit	Outstanding Checks	Book Balance
Centennial Bank				
Checking - Payroll Account	\$ 19,624	\$ -	\$ 211	\$ 19,413
Checking - General Account	270,960	-	85,042	185,918
Checking - Federal Project Account	207,570	-	750	206,820
Checking - District Building Account	464,795	-	4,437	460,358
Checking - Activity Account	117,662	-	719	116,943
Total Wells Fargo Bank	1,080,611	-	85,253	989,452
Total cash in bank	\$ 1,080,611	\$ -	\$ 85,253	\$ 989,452
Cash per financial statements				
Cash and cash equivalents-Governmental Activities Exhibit A-1				874,035
Fiduciary funds - Exhibit D-1				115,417
Total cash and cash equivalents				\$ 989,452

SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY

Name of Depository	Description of Pledged Collateral	Cusip Number	Maturity	Fair Market Value June 30, 2018	Name and Location of Safekeeper
Centinel Bank of Taos	Grants & Cibola Cnty	388240JB0	10/1/2027	65,000	TIB
Centinel Bank of Taos	Clovis Sch Dist, 2.00%	189414JQ9	8/1/2025	300,000	TIB
Centinel Bank of Taos	Jemez Sch Dist GO, 1.90%	475868EG6	8/1/2023	210,000	TIB
Centinel Bank of Taos	Ruidoso SD #3, 1.40%	781338JD1	8/1/2020	125,000	TIB
Centinel Bank of Taos	Ruidoso nm Muni Sch Dist, 4.40%	781338KZ0	8/1/2025	110,000	TIB
Centinel Bank of Taos	Espanola SD #55, 1.45%	29662RAW8	9/1/2025	270,000	TIB
				1,080,000	

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

STATE OF NEW MEXICO
PENASCO INDEPENDENT SCHOOL DISTRICT No. 4
CASH RECONCILIATION
JUNE 30, 2018

	Operational Account 11000	Teacherege Account 12000	Transportation Account 13000	Instructional Materials 14000	Food Services Account 21000
Cash, June 30, 2017	904,224	-	26,074	2,656	60,504
Restatement	-	-	-	-	-
Add:					
2017-18 revenues	3,663,732	-	270,425	11,142	238,177
Permanent Cash Transfers	-	-	-	-	-
Loans from other funds	-	-	-	-	-
Total cash available	4,567,956	-	296,499	13,798	298,681
Less:					
2017-18 expenditures	(4,169,813)	-	(271,518)	(6,419)	(204,921)
Payroll liabilities	185,264	-	7,406	-	7,332
Permanent Cash Transfers	-	-	(13,037)	-	-
Loans to other funds	(554,031)	-	-	-	-
Cash, June 30, 2018	<u>\$ 29,376</u>	<u>\$ -</u>	<u>\$ 19,350</u>	<u>\$ 7,379</u>	<u>\$ 101,092</u>

The accompanying notes are an integral part of these financial statements

Athletics Account 22000	Federal Flowthrough 24000	Federal Direct 25000	Local Grants 26000	State Flowthrough 27000
-	(183,768)	44,720	641	(391,961)
-	-	-	-	-
57,309	249,287	347,928	-	483,088
-	-	-	-	-
-	-	-	-	-
57,309	65,519	392,648	641	91,127
(57,700)	(260,440)	(383,824)	-	(249,352)
391	16,630	27,085	-	6,051
-	-	-	-	-
-	178,291	103,178	-	154,196
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 139,087</u>	<u>\$ 641</u>	<u>\$ 2,022</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
PENASCO INDEPENDENT SCHOOL DISTRICT No. 4
CASH RECONCILIATION
JUNE 30, 2018

	State Direct 28000	Local / State 29000	Bond Building Account 31100	Spec. Capital Outlay-State 31400	Federal Capital Outlay 31500
Cash, June 30, 2017	-	-	75,739	62,967	-
Restatement	-	-	-	-	-
Add:					
2017-18 revenues	-	-	25,246	-	-
Permanent Cash Transfers	-	-	-	-	-
Loans from other funds	-	-	-	-	-
Total cash available	-	-	100,985	62,967	-
Less:					
2017-18 expenditures	-	-	(219,351)	(20,000)	-
Payroll liabilities	-	-	-	-	-
Permanent Cash Transfers	-	-	-	-	-
Loans to other funds	-	-	118,366	-	-
Cash, June 30, 2018	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,967</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

Cap. Improv. SB 9 - Local 31701	Cap. Improv. SB 9 - Local 31701	Energy Efficiency 31800	Public School Capital Outlay - 20% 32100	Debt Service Fund 41000	Education Tech Debt Service Fund 43000	Total
388,075	-	-	1,169	166,560	-	\$ 1,157,600
-	-	-	-	-	-	-
106,278	-	-	-	223,248	-	5,675,860
-	-	-	-	-	-	-
-	-	-	-	-	-	-
494,353	-	-	1,169	389,808	-	6,833,460
(170,778)	-	-	-	(182,431)	-	(6,196,547)
-	-	-	-	-	-	250,159
-	-	-	-	-	-	(13,037)
-	-	-	-	-	-	-
<u>\$ 323,575</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,169</u>	<u>\$ 207,377</u>	<u>\$ -</u>	<u>\$ 874,035</u>

The accompanying notes are an integral part of these financial statements

COMPLIANCE SECTION



Griego Professional Services, LLC
Certified Public Accountants

**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

Wayne Johnson
New Mexico State Auditor
The Office of Management and Budget
To the Board of Education
Penasco Independent School District
Penasco, New Mexico

We have audited, 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, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general funds and major special revenue funds, of the Penasco Independent School District, New Mexico, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Penasco Independent School District's basic financial statements, and the combining and individual funds and related budgetary comparisons of the Penasco Independent School District, presented as supplemental information, and have issued our report thereon dated November 15, 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 questioned costs, which we consider to significant deficiencies as item FS 2017-002.

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8500 Menaul Blvd. NE, Ste. B295 Albuquerque, NM 87112
Phone: 505.856.2741 - Fax: 505.856.7510

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*, which are described in the accompanying schedule of findings and questioned costs as items FS 2015-001, FS 2015-003, and FS 2017-005.

Responses to Findings

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

Purpose of the Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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.

Grigo Professional Services, LLC

Albuquerque, New Mexico
November 15, 2018

FEDERAL FINANCIAL ASSISTANCE



REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH UNIFORM GUIDANCE

Wayne Johnson
New Mexico State Auditor
The Office of Management and Budget
To the Board of Education
Penasco Independent School District
Penasco, New Mexico

Report on Compliance for Each Major Federal Program

We have audited Penasco Independent School District (the District) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2018. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the requirements of Title 2 U.S. Code of federal regulations 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control over Compliance

Management of Penasco Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Arigo Professional Services, LLC

Albuquerque, New Mexico
November 15, 2018

STATE OF NEW MEXICO
PENASCO INDEPENDENT SCHOOL DISTRICT No. 4
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2018

Schedule IV

Federal Grantor or Pass-Through Grantor / Program Title	Passthrough Number	Federal CFDA	Federal Expenditures
U.S. Department of Agriculture			
<i>Pass-through State of New Mexico Department of Education</i>			
Forest Reserve	11000	10.672	\$ 15,988
School Lunch Program	21000	10.555	229,045
Fresh Fruits and Vegetables	24118	10.582	6,303
<i>Subtotal - Pass-through State of New Mexico Department of Education</i>			<u>251,336</u>
 <i>Pass-through State of New Mexico Department of Health and Human Services</i>			
Food Distribution (Commodities)	21000	10.550	9,430
<i>Subtotal - Pass-through State of New Mexico Department of Health and Human Services</i>			<u>9,430</u>
Total U.S. Department of Agriculture			<u>260,766</u>
 U.S. Department of Education			
Impact Aid	11000	84.041	29,661
Impact Aid Indian Education	25147	84.041	16,109
 <i>Subtotal - U.S. Department of Education Direct</i>			<u>45,770</u>
 <i>Passthrough State of New Mexico Department of Education</i>			
Title I - IASA	24101	84.010	107,900
Entitlement IDEA B	24106	84.027	125,143
Preschool IDEA-B	24109	84.173	3,630
Teacher / Principal Training / Recruiting	24154	84.367A	12,451
Rural and Low Income Schools	24160	84.358B	864
Carl D. Perkins - Secondary	24176	84.048	4,149
 <i>Passthrough State of New Mexico Higher Education Department</i>			
GEAR UP (1)	25205	84.334	331,073
Total U.S. Department of Education			<u>630,980</u>
Total Federal Financial Assistance			<u>\$ 891,746</u>

(1) Denotes Major Federal Financial Assistance Program

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

STATE OF NEW MEXICO
PENASCO INDEPENDENT SCHOOL DISTRICT No. 4
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2018

Schedule IV

Notes to Schedule of Expenditures of Federal Awards

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of the Penasco Independent School District and is presented on the modified accrual basis of accounting, which is the same basis as was used to prepare the fund financial statements. The information in this Schedule is presented in accordance with the requirements of OMB Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

2. Subrecipients

The District did not provide any federal awards to subrecipients during the year

3. Non-Cash Federal Assistance

The District received \$9,430 in non-cash federal assistance in the form of commodities assistance.

4. Indirect Cost Rate

The District has not elected to use the 10% de minimus indirect cost rate as allowed under the Uniform Guidance.

Reconciliation of Schedule of Expenditures of Federal Awards to Financial Statements:

Total federal awards expended per Schedule of Expenditures of Federal Awards	\$ 891,746
Total expenditures funded by other sources	<u>5,314,791</u>
Total expenditures	<u><u>\$ 6,206,537</u></u>

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

STATE OF NEW MEXICO
PENASCO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

Section I – Summary of Audit Results

Financial Statements:

- | | |
|----------------------------------------------------------------------------------|------------|
| 1. Type of auditors’ report issued | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weakness identified? | No |
| b. Significant deficiency identified not considered to be a material weaknesses? | Yes |
| c. Control deficiency identified not considered to be a significant deficiency? | Yes |
| d. Noncompliance material to financial statements noted? | No |

Federal Awards:

- | | |
|-----------------------------------------------------------------------------------------------------------------------|------------|
| 1. Internal control over major programs: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiency identified not considered to be material weaknesses? | No |
| c. Control deficiency identified not considered to be a significant deficiency? | No |
| 2. Type of auditors’ report issued on compliance for major programs | Unmodified |
| 3. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? | No |
| 4. Identification of major programs: | |

CFDA Number	Federal Program
84.334	GEAR UP

- | | |
|-----------------------------------------------------------------------------|-----------|
| 5. Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| 6. Auditee qualified as low-risk auditee? | Yes |

STATE OF NEW MEXICO
PENASCO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

Section II – Financial Statement Findings

FS 2015-001 Purchase Orders and Documentation (Other Non-compliance)

Criteria: Per District Purchasing Procedures and the New Mexico Manual of Procedures for Public School Accounting and Budgeting, Supplement 13 – Purchasing, “the preparation and execution of a duly authorized purchase order must precede the placement of any order for goods, services or construction.” Additionally, all receipts should clearly indicate the individual receiving the goods or service and sign on the document that the invoice is proper to pay with the receiver’s name and date.

Condition: During our testing of cash disbursements and for individually significant transactions, we identified instances of a lack of control and adherence to procedures and policy:

- Two out of thirty-five instances in which the purchase order was issued after the purchase. The amount of these purchases total \$73.44.

Management and governance council are aware of this issue and have designated the finance department to oversee progress. Management is attempting to resolve this issue with the new business manager as of December 2018. This process has been delayed from previous year due to staff turnover.

Cause: District personnel have not followed state guidelines or internal procedures in the purchase of items. Policy clearly states that the individual must have an approved purchase order. At times, employees are inputting a purchase order and then purchasing items prior to the purchase order being approved. In other instances, purchases are occurring prior to a purchase order being initiated.

Effect: Internal control over expenditures and the ability of responsible parties to appropriately monitor budgets for which they bear responsibility may be compromised. Not being in compliance with these requirements places the Board at risk for fraud or misuse of public funds

Auditor’s Recommendation: We recommend that all personnel be reminded of, or trained in, district and state policy in regards to purchasing of goods, services, or construction. All District personnel should be reminded that initiation of a purchase order is not sufficient for ordering, that an approved purchase order is required per policy and state guidelines.

Responsible Official’s View: Each year, Central Office staff and Superintendent discuss this with all PISD faculty and staff. They are required to sign and acknowledgement that they received this information. The Superintendent and new administrative members, including the business manager, will oversee the controls over paying vendors.

Corrective Action: The Finance Departments has been assigned responsibility to address proper purchase order procedures through communication to staff and internal control processes. The District believes this will be addressed by June 30, 2019. These instances have decreased from the prior year.

FS 2015-003— Inactive Funds – (Other Non-compliance)

Criteria: Good accounting policy indicates that funds that are no longer being used should be adjusted to \$0, closed out and no longer used.

Condition: During our review of the District’s trial balance, we noted several funds which are carrying balances forward from year-to-year, but are no longer active funds of the District:

	\$	214
Child and Adult Food Program (25171)		2,007
State Discretionary IDEA-B (27200)		641
LANL Foundation (26113)		1,170
Public School Capital Outlay – 20% (32100)		4,032
Total	\$	4,032

STATE OF NEW MEXICO
PENASCO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

The District continues to address the inactive funds with the State of New Mexico Public Education Department.

Cause: The District has funds on its books which are no longer active funds, but these funds have never been truly closed out.

Effect: The District's general ledger is full of many funds which are no longer active funds. These additional funds are creating more work for the District as procedures such as reconciliations and reports are completed.

Auditors' Recommendations: We recommend that the District go through the list of inactive funds and determine whether funds need to be returned to the grantor or transferred to the general fund. In cases where the fund has a deficit balance, the District needs to determine whether the balance can be received from the grantor, or if the funds need to be transferred from the general fund to cover the deficit.

Responsible Official's Views: The District is in the process of requesting permanent cash transfer requests. Research is still needed to determine the best course of action.

Corrective Action: The Finance Department has been assigned responsibility to address inactive funds through continued communication and guidance from the Public Education Department. The District believes this will be addressed by December 31, 2018 as remaining balances due to activity in past years and must be researched.

FS 2017-002 Accounts Receivable and Cash Management (Significant Deficiency)

Criteria: According to NMAC 6.20.2.14 Cash Control Standards – A, "School districts shall establish and maintain a cash management program to safeguard cash and provide prompt and accurate reporting that adheres to cash management requirements of the Office of Management and Budget (OMB) Circular A-102, and applicable state and federal laws and regulations" and NMAC 6.20.2.14 Cash Control Standards- E, "The school shall verify that there is sufficient cash and budget prior to the disbursement of cash. A revenue ledger is required for each revenue code as approved in the finalized budget, and additional revenue ledgers may be added as necessary."

Condition: The School maintained deficient funds in the Bond Building fund at June 30, 2018. The District is in the process of requesting reimbursement related to expenditures within this fund as of November 2018. This fund had to borrow \$118,366 from the Operational Fund to cover the temporary deficiency. The request for reimbursement should have been processed within one month of year end.

Effect: Improper cash management may result in the need to finance normal operations and may potentially result in a cash management issue for the school.

Cause: This is due to the School continuing to expend funds within the Bond Building fund noted above without timely submission of a request for reimbursement from the awarding agency. This issue was due to the School not submitting request for reimbursement (RfR) from the fund. The reimbursement request was in process in November 2018; the School has yet to receive the funds.

Auditor's Recommendation: It is recommended that the school implement policies and procedures to ensure that this situation does not continue to occur in the future. Controls must require the monitoring of cash balances within funds to ensure compliance with state and federal guidelines. Policies and procedures should require the review of budgeted amounts to ensure expenditures do not exceed budgeted amounts and restrictions. The school must submit timely requests for reimbursement when funds are available.

Responsible Official's View: The District has been transitioning several positions within the finance department; as a result, some requests for reimbursement were not processed timely.

STATE OF NEW MEXICO
PENASCO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

Corrective Action: The Business Manager will be assigned the task of following up on all RfR's submitted to the PED to insure timely reimbursement is received to mitigate any cash management issue this may cause. Procedures to be put in place immediately.

FS 2017-005 Exceeded Budget Authority (Other Non-compliance)

Criteria: Sound financial management and 6-6-6 NMSA 1978 require that budgets not be exceeded at the legal level of control. For school districts, the expenditure function is the legal level of control.

Condition: The District had the following expenditure functions where actual expenditures exceeded budgetary authority:

Athletics – Instruction	\$	8,750
Impact Aid Indian Education – Instruction		10,522
Gear-up – Support Services		<u>14,943</u>
Total		<u><u>\$ 34,215</u></u>

Cause: The District did not make the appropriate budgetary adjustment requests and transfers prior to year-end to alleviate the over-expenditure.

Effect: The District is in noncompliance with New Mexico law, and the control established by the use of budgets has been compromised.

Auditor's Recommendation: The District should establish a policy of budgetary review at year-end, and make the necessary budget adjustments.

Responsible Official's Views: The District will ensure that all Budget Adjustment Requests are completed in a timely manner so that expenditures are not made without proper budget authority.

Corrective Action: The District has assigned the Business Manager and Superintendent the responsibility to review the budgets prior to year-end to insure budget over-expenditures are not repeated. The District will implement year end closing procedures to insure the final budget adjustment requests are submitted and approved by June 30, 2019

Section III – Findings – Federal Awards

None

Section IV – Prior Year Audit Findings

- FS 2015-001 – Purchase Orders and Documentation – Revised and Repeated
- FS 2015-003 – Inactive Funds – Revised and Repeated
- FS 2016-001 – Deficiencies in Internal Control Design, Operation and Oversight – Resolved
- FS 2017-001 – Capital Assets – Resolved
- FS 2017-002 – Accounts Receivable and Cash Management – Revised and Repeated
- FS 2017-003 – PED Cash Report – Revised and Repeated
- FS 2017-004 – Late Submission of Audit Report – Resolved
- FS 2017-005 – Exceeded Budget Authority – Repeated and Revised

STATE OF NEW MEXICO
PENASCO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

Section V – Other Disclosures

Auditor Prepared Financials

Griego Professional Services, LLC assisted in the preparation of the financial statements presented in this report. The District's management has reviewed and approved the financial statements and related notes and they believe that their records adequately support the financial statements.

Exit Conference

The contents of this report were discussed on November 14, 2018. The following individuals were in attendance.

Penasco Independent School District

Mary Mascarenas, Board Member

Leroy Lopez, Board Member

Marvin MacAuley, Superintendent

Jolene Jaramillo, Contracted Business Manager

Griego Professional Services, LLC

JJ Griego, CPA