STATE OF NEW MEXICO

TULAROSA MUNICIPAL SCHOOL DISTRICT NO. 4

ANNUAL FINANCIAL REPORT
AND
SUPPLEMENTAL INFORMATION
YEAR ENDED JUNE 30, 2018
WITH
REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

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INTRODUCTORY SECTION

OF

TULAROSA MUNICIPAL SCHOOL DISTRICT NO. 4

FINANCIAL ANNUAL REPORT
FISCAL YEAR 2018

JULY 1, 2017 THROUGH JUNE 30, 2018

We are located at the junction of New Mexico highways 54 and 70, Tularosa is nestled at the bottom of the Sacramento Mountains and is the gateway to Ruidoso and the Mescalero Indian reservation, home of the Inn of the Mountain Gods. The Village lies northeast of White Sands Monument, north of Alamogordo, east of White Sands Missile Range, and west of the Lincoln National Forest.

MISSION

The mission of the Tularosa Municipal Schools Board of Education is to create an environment where lifelong learning is valued, excellence is expected, and improvement is continuous.

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OFFICIAL ROSTER

June 30, 2018

BOARD OF EDUCATION		SCHOOL OFFICIALS	
Cody Hill	President	Brenda Vigil	Superintendent
Freddy Leal	Vice-President	Kathleen Richardson	Business Manager
Lillian Duran	Secretary		
Teresa Marr	Member		
Erica Walters	Member		

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FINANCIAL SECTION

OF

TULAROSA MUNICIPAL SCHOOL DISTRICT NO. 4

ANNUAL FINANCIAL REPORT

FISCAL YEAR 2018

JULY 1, 2017 THROUGH JUNE 30, 2018

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INDEPENDENT AUDITORS' REPORT

Wayne Johnson, State Auditor,
The Board of Education and Audit Committee of
Tularosa Municipal School District No. 4

Report on the 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 fund and major special revenue funds of Tularosa Municipal School District No. 4, as of and for the year ended June 30, 2018, and the related notes to the financial statements which collectively comprise Tularosa Municipal School District No. 4 basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Tularosa Municipal School District No. 4'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 Tularosa Municipal School District No. 4, as of June 30, 2018, and the respective changes in financial position thereof and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note I.B and Note IV.C, during the year ended June 30, 2018 Tularosa Municipal School District No. 4 adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Note IV.F also discusses the restatement for prior year errors. Our opinions are not modified with respect to these matters.

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Fax (505) 566-1911

Wayne Johnson, State Auditor,
The Board of Education and Audit Committee of
Tularosa Municipal School District No. 4

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7-12. 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 for pensions and OPEB on pages 58 and 59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Tularosa Municipal School District No. 4's basic financial statements. The supplemental information such as the budgetary comparisons for the major capital project fund, the combining and individual nonmajor fund financial statements, the budgetary comparisons for non-major special revenue funds, capital projects funds, debt service funds, and the other information, such as the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the other schedules required by 2.2.2.NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated **October 30, 2018** on our consideration of the Tularosa Municipal School District No. 4'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 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 Tularosa Municipal School District No. 4's internal control over financial reporting and compliance.

Accounting & Financial Solutions, LLC
Farmington, New Mexico
October 30, 2018

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Farmington, NM 87401
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MANAGEMENT'S DISCUSSION & ANALYSIS

OF

TULAROSA MUNICIPAL SCHOOL DISTRICT NO. 4

AS OF AND FOR THE YEAR ENDED

JUNE 30, 2018

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State of New Mexico Tularosa Municipal School District No. 47
Management's Discussion and Analysis

As management of the Tularosa Municipal School District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2018. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

In June 1999, GASB approved Statement #34 "Basic Financial Statements and Management Discussion and Analysis for State and Local Government." In June 2001, the GASB approved Statement #37 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus" and Statement #38 "Certain Financial Statement Note Disclosures". Statement #37 clarifies and modifies Statement #34 and should be implemented simultaneously with Statement #34. Statement #38 modifies, establishes and rescinds certain financial statement disclosure requirements.

Financial Highlights

Key financial highlights for fiscal year ended June 30, 2018 are as follows:

- The assets of the District did not exceeded its liabilities at the end of the fiscal year by ($1,902,846) (net position), largely due to a restatement of last fiscal year's ending net position in the amount of $6,677,156 impacted by net pension liability. As reported, $15,128,031 is invested in capital assets, $3,784,377 is restricted for Capital Projects, $581,933 is restricted for Debt Service, $491,021 for Special Revenue Funds, $34,619 is restricted for General Fund, and $(21,922,827) is unrestricted which as stated above was impacted by the net pension liability.

- The District's total net position decreased by $10,531,010 which is reflected in the District's Statement of Activities.

- The District's total liabilities increased by $15,989,271 in fiscal year 2018. This increase is due to the impact of the changes in the net pension liability as a GASB 68 required reporting for the fiscal year 2016.

- At June 30, 2018, the unreserved and undesignated fund balance for the general fund was $1,094,563 which reflects a decrease of $235,985 from the previous fiscal year as a result of actual spending and the continued decrease in federal funding grant amounts.

- As part of the implementation of GASB 34, total accumulated depreciation on capital assets as of June 30, 2018 is $26,862,238. This includes current year depreciation in the amount of $930,521.

- Capital Outlay expenditures decreased from $1,179,992 in the year ending June 30, 2017 to $161,751 in the year ending June 30, 2018. The majority of capital expenditures (72%) relate to a construction project at the Tularosa Intermediate School for the architectural and structural renovation of an existing classroom. The project is ongoing and expected to be completed in the next school year. Other capital expenditures were equipment purchases (17%) and the construction of a block wall at the middle school (11%). The major source of funding for these projects is the Capital Outlay Bond Building Fund.

- The District's general obligation bond debt balance is $4,345,000 which reflects $85,000 increase due to the net offset of paying principle payments on old bonds and issuing new debt. There was a $800,000 new issuance of debt this year.

Basic Financial Statements

In general, the purpose of financial reports is to provide external parties reading the financial statements with information that will help them to make decisions or draw conclusions about the reporting entity. There are many external parties that read and use the District's financial statements; however, these parties do not always have the same objectives. This annual report consists of a series of financial statements and notes to those statements. These statements are organized so that the reader may understand the District's overall financial position. In accordance with required reporting requirements, the District presents (1) government-wide financial statements and (2) fund financial statements.

Government-wide financial statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to that of a private sector business.

The *statement* of *net position* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net position.* Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement* of *activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows only in future fiscal periods (e.g. uncollected taxes).

Both the *statement of net position* and the *statement of activities* distinguish functions of the District that are primarily supported by property taxes and state revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through fees and charges. The governmental activities of the District include education, pupil transportation, food service and community service. The District does not have any business-type activities.

The *government-wide financial statements* can be found on pages 14 through 16 of the financial statements.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities of objectives. The District, like other school districts, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds

Government Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available as the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of government funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. A reconciliation to facilitate the comparison of the governmental funds and governmental activities has been provided.

The District has four individual governmental fund groups. Information is presented separately in the governmental fund balance sheets and in the governmental funds statement of revenues, expenditures, and changes in fund balance for the following funds:

General Fund
Debt Service Fund
Capital Projects Fund
Special Revenue Funds

The basic governmental fund financial statements can be found on pages 17 through 25 of the financial statements.

Fiduciary Funds

Fiduciary Funds are used to account for resources held in trust for the benefit of parties outside the District. Fiduciary fund financial statements consist of a statement of fiduciary net assets and a statement of changes in fiduciary net assets. These funds are not reported in the government-wide financial statements.

The fiduciary fund financial statements can be found on page 26 of the financial statements.

Overview of the District's Financial Position and Operations the District's overall financial position and operations for the current year as compared to the previous fiscal year are as follows:

TULAROSA MUNICIPAL SCHOOL DISTRICT'S NET POSITION COMPARATIVE DATA

		Current Year **2018**		Prior Year **2017**
Assets				
Cash and Other Equivalents	$	4,356,305	$	4,959,127
Current and Other Assets		995,091		330,670
Capital Assets, Net		20,240,337		20,374,831
Deferred Outflows of Resources		8,612,924		1,679,063
TOTAL ASSETS		34,204,657		27,343,691
Liabilities				
Current Liabilities		961,076		1,330,452
Noncurrent Liabilities		33,339,404		16,980,757
TOTAL LIABILITIES		34,300,480		18,311,209
DEFERRED INFLOWS OF RESOURCES		1,807,023		404,318
Net Position				
Net Investment in Capital Assets		15,128,031		17,014,831
Restricted:				
Debt Services		581,933		1,202,150
Capital Projects		3,784,377		2,241,999
Special Revenue Funds		491,021		417,568
General Funds		34,619		42,078
Unrestricted		(21,922,827)		(12,290,462)
TOTAL NET POSITION	$	(1,902,846)	$	8,628,164

As noted in the schedule above, the District's unrestricted net position was greatly impacted by the net pension liability and $4,891,950 is restricted for the stated purposes. The remainder of the District's net position is net investment in capital assets. This indicates that the accumulated depreciation along with the asset values exceed existing debt.
Governmental activities decreased the District's overall net position by $10,531,010. This decrease was largely due to the decrease in total assets of $1,751,958 and the increase in total liabilities of $15,989,271, which is due to the reporting of the actuarial changes of the net pension liability as per GASB 68. Nonetheless, the District's liquidity, the ability to convert assets into cash to pay for obligations and commitments, remains secure. Cash and cash equivalents represent almost 82% of the District's current assets indicating a highly liquid position.

The major elements of the District's governmental activities contributing to the decrease in the change in net position are listed on the next page.

TULAROSA MUNICIPAL SCHOOL DISTRICT'S CHANGES IN NET POSITION
COMPARATIVE DATA

		Current Year **2018**		Prior Year **2017**
Revenues:				
Program Revenues				
Charges for Services	$	146,259	$	207,559
Operating Grants & Contributions		2,962,565		2,507,466
Capital Grants & Contributions		143,736		166,408
Total Program Revenues		3,252,560		2,881,433
General Revenues:				
Property Taxes				
General Purpose		38,164		36,584
Debt Service		859,837		831,357
Capital Projects		193,319		207,487
Grants & Contributions, not restricted		7,441,862		7,545,468
Unrestricted Investment Earnings		0		4,825
Miscellaneous Income		21,571		1,045
Total General Revenues		8,554,753		8,626,766
TOTAL REVENUES		11,807,313		11,508,199
Expenditures:				
Direct Instruction		9,947,165		8,531,429
Students		1,073,663		983,085
Instruction		417,271		380,661
General Administration		338,000		309,643
School Administration		666,484		724,387
Central Services		256,671		239,132
Operation & Maintenance of Plant		1,692,790		1,181,986
Student Transportation		596,375		529,078
Other Support Services		-		-
Food Services		569,716		511,054
Capital Outlay		0		377,167
Interest on Long term debt		103,032		109,653
TOTAL EXPENDITURES		15,661,167		13,877,275
Change in Net Position		(3,853,854)		(2,369,076)
Net Position, Beginning of Year		8,628,164		10,997,240
Restatement		(6,677,156)		-
Net Position, End of Year	$	(1,902,846)	$	8,628,164

As noted above, the District is heavily dependent on federal and state aid, which comprises 63% of its total revenues. Correspondingly, the District spends 73% of total revenues on direct instruction and instructional support the two primary functions that indicate direct school spending.

General Fund Budgetary Highlights

Budget to actual comparison schedules are presented for all major general funds and any major special revenue funds individually on pages 24 and 25. These schedules are prepared on a cash basis which is the format allowed by the District's oversight agency, the New Mexico Public Education Department.

The original expenditure budget for the District's general fund was $9,052,260. The State issued a .76% increase in the preliminary budget unit value for the state equalization guarantee funding which resulted in an increase to the District's budget of $57,744. Additionally, unbudgeted revenue was received from the Forest Reserve in the amount of $2,775. Lastly, the final unit value set by legislature through HB2, Chapter 73, Laws of 2018 and HB2, Chapter 135, Laws of 2018 increased the final unit value for the state equalization guarantee funding and resulted in an increase to the district's budget of $58,489. These budget adjustments increased the state equalization guarantee funding to the District by an additional $116,233. The final general fund expenditure budget was $9,171,268 of which $8,231,720 was expended in the current year. Budgets were not exceeded in any of the functions in the general fund.

Of the $7,852,504 total District revenue budget, the District received 1% more in actual revenue for an increase of $55,830 in actual revenue received over the budgeted revenue.

The original expenditure budget in the District's debt service fund did not increase for this year. Surplus cash balances were used to pay bond principal payments on old bond series. Even with this use of cash, the District maintains a strong financial position in the debt service fund.

Capital Assets and Debt Administration

Capital Assets

The District's current year investment in capital assets as of June 30, 2018 is $15,128,031. The District's assets include land and land improvements, building and building improvements, equipment, furniture, and vehicles. The District's only construction project was at the Tularosa Intermediate School for the architectural and structural renovation of an existing classroom. This project will continue into the next school year. The funds utilized for the funding of this project was the District's Bond Building Funds.

Depreciation calculated as a result of GASB 34 implementation resulted in an accumulated depreciation balance of $26,862,238, of which $1,063,551 is for depreciation in the current year. Additional information of the District's capital assets is presented on page 44 of the financial statements.

Long-term obligations

At the end of the current year, the district had $4,345,000 in long-term debt related to governmental activities. Of this debt, 100% was related to general obligation bonds still outstanding at the end of the year. The debt position of the District is summarized below and is more fully analyzed on page 45 of the financial statements.

TULAROSA MUNICIPAL SCHOOL DISTRICT'S LONG-TERM OBLIGATION

Governmental Activities:

General Obligation Debt

		Balance as of 7-1-17		Additions		Deletions		Balance as of 6-30-18		Due within One Year
TOTAL	$	4,260,000	$	800,000	$	715,000	$	4,345,000	$	805,000

During the fiscal year, the District increased bond debt by $800,000 but also had a reduction of total bond debt principle by $715,000 in accordance with schedule bond payments.

Relevant Current Economic Factors, Decisions and Conditions

The District continues to experience decreases in student population. Because the District, like all other New Mexico school districts, is funded on a prior year funding formula, (the student population from this year will determine the amount of funding received in the following year), it must maintain tight budgetary controls in order to meet current year needs with last year's funding. The District's primary general source of revenue is derived from the formula. The District does anticipate that the student population will continue to decrease from its approximate 858 students in the next few years due to a decrease in student enrollment in the lower grades.

With respect to property taxes, the District's tax rate has remained stable over the last few years due to the bond program implemented by the District. In general, as old debt is retired, new debt is issued, thereby maintaining a non-residential rate of approximately $2.00 per $1,000 assessed valuation. On February 2nd, 2016, the voters approved a $2.5 million bond election which allows a $2.00 mill levy for capital improvements. During the 2017-2018 fiscal year, the second $800,000 of the bonds approved by the voters was sold. The funds are typically used to improve school grounds, buildings and school furnishings, purchase new activity bus, purchase new vehicles for the fleet, upgrade equipment and software in computer labs, replace/upgrade copy machines, and continue to address technology and building adequacy. In order to accomplish this, the District requires funding from taxpayers as well as continued support through direct legislative appropriations.

Request for Information

This financial report is designed to provide various interested parties with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or require additional information, contact the District's Finance Department as follows:

Kathleen Richardson Business Manager, 505-585-8819
Physical and Mailing Address:
504 First Street
Tularosa, NM 88352
e-mail: krichardson@tularosa.k12.nm.us

BASIC FINANCIAL STATEMENTS

OF

TULAROSA MUNICIPAL SCHOOL DISTRICT NO. 4

AS OF AND FOR THE YEAR ENDED

JUNE 30, 2018

STATE OF NEW MEXICO

TULAROSA MUNICIPAL SCHOOL DISTRICT NO. 4

STATEMENT OF NET POSITION

June 30, 2018

	Governmental Activities
Assets	
Cash and cash equivalents	$ 4,356,305
Investments	487,935
Receivables:	
Delinquent property taxes receivable	139,084
Grant	318,388
Due from other governments	15,065
Due from agency funds	27,861
Food inventory	6,758
Non-current:	
Restricted cash	767,306
Non-depreciable assets	50,000
Depreciable capital assets, net	19,423,030
Total Assets	25,591,732
Deferred Outflows of Resources:	
Contributions to pension subsequent to the measurement date	799,567
Difference between expected and actual pension experience	42,062
Net change in pension assumptions	6,840,155
Net change in proportionate share of pension liability	816,043
Contributions to OPEB subsequent to the measurement date	115,097
Total Deferred Outflows of Resources	$ 8,612,924

(cont'd; 1 of 2)

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

STATE OF NEW MEXICO

TULAROSA MUNICIPAL SCHOOL DISTRICT NO. 4

STATEMENT OF NET POSITION

June 30, 2018

	Governmental Activities
Liabilities	
Accounts payable	$ 123,336
Accrued interest	32,740
Compensated absences	28,411
Long-term liabilities other than pensions:	
Due within one year	805,000
Due in more than one year	3,540,000
Aggregate net pension liability	23,431,636
Aggregate OPEB liability	6,339,357
Total Liabilities	34,300,480
Deferred Inflows of Resources	
Difference between expected and actual pension experience	360,986
Net difference between projected and actual investment earnings on pension plan investments	3,214
Difference between expected and actual OPEB experience	243,271
Net difference between projected and actual investment earnings on OPEB plan investments	91,196
Net change in OPEB assumptions	1,108,356
Total Deferred Inflows of Resources	1,807,023
Net Position	
Net investment in capital assets	15,128,030
Restricted for:	
Inventories	34,619
Special revenue funds	491,021
Capital projects	3,784,377
Debt service	581,933
Unrestricted	(21,922,827)
Total Net Position	$ (1,902,847)

(2 of 2)

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

STATE OF NEW MEXICO

TULAROSA MUNICIPAL SCHOOL DISTRICT NO. 4

STATEMENT OF ACTIVITIES

Year Ended June 30, 2018

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
					Primary Government
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contibutions	Governmental Activities
Primary government:					
Governmental activities:					
Instruction	$ 9,947,165	$ 98,324	$ 1,634,389	$ 50,006	$ (8,164,446)
Support Services - Students	1,073,663	23,132	176,411	-	(874,120)
Support Services - Instruction	417,271	-	68,561	-	(348,710)
Support Services - General Administration	338,000	-	55,536	470	(281,994)
Support Services - School Administration	666,484	-	109,508	-	(556,976)
Central Services	256,671	-	42,173	-	(214,498)
Operations & Maintenance of Plant	1,692,791	-	278,138	93,260	(1,321,393)
Student Transportation	596,375	-	597,849	-	1,474
Food Services	569,716	24,803	-	-	(544,913)
Bond interest paid	103,032	-	-	-	(103,032)
Total governmental activities	$ 15,661,168	$ 146,259	$ 2,962,565	$ 143,736	(12,408,608)

General revenues:	
Taxes:	
Property Taxes:	
General purposes	38,164
Capital projects	193,319
Debt service	859,837
Grants and contributions not restricted	7,441,862
Miscellaneous income	21,571
Total general revenues	8,554,753
Change in net position	(3,853,855)
Net position - beginning	8,628,164
Restatement	(6,677,156)
Net position - beginning as restated	1,951,008
Net position - ending	$ (1,902,847)

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

GOVERNMENTAL FUNDS
Balance Sheet
June 30, 2018

	General Fund	Title I Fund #24101	Bond Building Fund #31100
Assets			
Cash and cash equivalents	$ 652,975	$ -	$ 2,585,295
Investments	124,668	-	348,073
Receivables:			
Property taxes	4,567	-	-
Grant	-	212,686	-
Due from other governments	479	-	-
Due from other funds	318,388	-	-
Due from agency funds	27,861	-	-
Food inventory	-	-	-
Restricted:			
Cash and cash equivalents	-	-	767,306
Total assets	$ 1,128,938	$ 212,686	$ 3,700,674
Liabilities, deferred inflows, and fund balance			
Liabilities:			
Accounts payable	$ 30,401	$ -	$ 78,672
Due to other funds	-	212,686	-
Total liabilities	30,401	212,686	78,672
Deferred inflows of resources:			
Delinquent property taxes	3,974	-	-
Fund balance:			
Non-spendable:			
Inventories	27,861	-	-
Restricted for:			
Special revenue funds	-	-	-
Capital projects funds	-	-	3,622,002
Debt service	-	-	-
Unassigned	1,066,702	-	-
Total fund balance	1,094,563	-	3,622,002
Total liabilities, deferred inflows of resources, and fund balance	$ 1,128,938	$ 212,686	$ 3,700,674

(cont'd; 1 of 2)

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

GOVERNMENTAL FUNDS
Balance Sheet
June 30, 2018

	Debt Service Fund #41000	Other Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	$ 477,518	$ 640,517	$ 4,356,305
Investments	15,194	-	487,935
Receivables:			
Property taxes	110,025	24,492	139,084
Grant	-	105,702	318,388
Due from other governments	11,936	2,650	15,065
Due from other funds	-	-	318,388
Due from agency funds	-	-	27,861
Food inventory	-	6,758	6,758
Restricted:			
Cash and cash equivalents	-	-	767,306
Total assets	$ 614,673	$ 780,119	$ 6,437,090
Liabilities, deferred inflows, and fund balance			
Liabilities:			
Accounts payable	$ -	$ 14,263	$ 123,336
Due to other funds	-	105,702	318,388
Total liabilities	-	119,965	441,724
Deferred inflows of resources:			
Delinquent property taxes	96,682	21,502	122,158
Fund balance:			
Non-spendable:			
Inventories	-	6,758	34,619
Restricted for:			
Special revenue funds	-	491,021	491,021
Capital projects funds	-	140,873	3,762,875
Debt service	517,991	-	517,991
Unassigned	-	-	1,066,702
Total fund balance	517,991	638,652	5,873,208
Total liabilities, deferred inflows of resources, and fund balance	$ 614,673	$ 780,119	$ 6,437,090

(2 of 2)

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

RECONCILIATION OF THE BALANCE SHEET - ALL GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

June 30, 2018

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

Fund balances - total governmental funds	$	5,873,208
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Capital assets		46,335,268
Accumulated depreciation		(26,862,238)
Other assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Property taxes receivable		122,158
Deferred outflow of resources are not financial resources, and therefore are not reported in the funds and include:		
Contributions to pension subsequent to the measurement date		799,567
Difference between expected and actual pension experience		42,062
Net change in pension assumptions		6,840,155
Net change in proportionate share of pension liability		816,043
Contributions to OPEB subsequent to the measurement date		115,097
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds		
Bonds payable		(4,345,000)
Accrued interest payable		(32,740)
Accrued vacation payable		(28,411)
Net pension liability		(23,431,636)
Net OPEB liability		(6,339,357)
Deferred inflow of resources are not financial resources, and therefore are not reported in the funds and include:		
Difference between expected and actual pension experience		(360,986)
Net difference between projected and actual investment earnings on pension plan investm		(3,214)
Difference between expected and actual OPEB experience		(243,271)
Net difference between projected and actual investment earnings on OPEB plan investme		(91,196)
Net change in OPEB assumptions		(1,108,356)
Net position of governmental activities	$	(1,902,847)

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

STATE OF NEW MEXICO

TULAROSA MUNICIPAL SCHOOL DISTRICT NO. 4

GOVERNMENTAL FUNDS

Statement of Revenues, Expenditures, and Changes in Fund Balance

Year Ended June 30, 2018

	General Fund	Title I Fund #24101	Bond Building Fund #31100
Revenues:			
Taxes:			
Property	$ 38,450	$ -	$ -
Intergovernmental - federal grants	405,577	705,155	-
Intergovernmental - state grants	8,064,281	-	-
Contributions - private grants	1,794	-	-
Charges for services	8,265	-	-
Investment and interest income	6,136	-	18,803
Miscellaneous	8,994	15	-
Total revenues	8,533,497	705,170	18,803
Expenditures:			
Current:			
Instruction	4,739,939	651,461	-
Support services:			
Students	875,204	538	-
Instruction	338,897	31,071	-
General Administration	282,343	18,437	-
School Administration	619,488	906	-
Central Services	224,114	-	-
Operation & Maintenance of Plant	1,147,117	-	107,788
Student transportation	555,607	-	-
Food services operations	-	-	-
Capital outlay	-	-	161,750
Debt service:			
Principal retirement	-	-	-
Bond interest paid	-	-	-
Bond issuance costs	-	-	44,780
Total expenditures	8,782,709	702,413	314,318
Excess (deficiency) of revenues over expenditures	(249,212)	2,757	(295,515)
Other financing sources:			
Sale of bonds	-	-	800,000
Net change in fund balance	(249,212)	2,757	504,485
Fund balance (deficit) as previously reported	1,343,775	(2,757)	2,261,865
Restatement	-	-	855,652
Fund balance (deficit) as restated	1,343,775	(2,757)	3,117,517
Fund balance at end of the year	$ 1,094,563	$ -	$ 3,622,002

(cont'd; 1 of 2)

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

GOVERNMENTAL FUNDS

Statement of Revenues, Expenditures, and Changes in Fund Balance

Year Ended June 30, 2018

	Debt Service Fund #41000	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes:			
Property	$ 865,596	$ 171,817	$ 1,075,863
Intergovernmental - federal grants	-	1,182,961	2,293,693
Intergovernmental - state grants	-	162,596	8,226,877
Contributions - private grants	-	-	1,794
Charges for services	-	137,994	146,259
Investment and interest income	536	324	25,799
Miscellaneous	-	12,562	21,571
Total revenues	866,132	1,668,254	11,791,856
Expenditures:			
Current:			
Instruction	-	601,168	5,992,568
Support services:			
Students	-	124,526	1,000,268
Instruction	-	13,707	383,675
General Administration	8,645	5,469	314,894
School Administration	-	529	620,923
Central Services	-	15,011	239,125
Operation & Maintenance of Plant	-	277,387	1,532,292
Student transportation	-	-	555,607
Food services operations	-	530,770	530,770
Capital outlay	-	-	161,750
Debt service:			
Principal retirement	715,000	-	715,000
Bond interest paid	95,480	-	95,480
Bond issuance costs	-	-	44,780
Total expenditures	819,125	1,568,567	12,187,132
Excess (deficiency) of revenues over expenditures	47,007	99,687	(395,276)
Other financing sources:			
Sale of bonds	-	-	800,000
Net change in fund balance	47,007	99,687	404,724
Fund balance (deficit) as previously reported	470,984	538,965	4,612,832
Restatement	-	-	855,652
Fund balance (deficit) as restated	470,984	538,965	5,468,484
Fund balance at end of the year	$ 517,991	$ 638,652	$ 5,873,208

(2 of 2)

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

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RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES ALL GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2018

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

Net change in fund balance - total governmental funds	$	404,724
Govermental funds report capital outlays as expenditures. However, in the statement of activites the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital oulays exceeded depreciation in the current year		
Capital outlay		161,750
Depreciation		(1,063,551)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Deferred property taxes at:		
June 30, 2017		(106,701)
June 30, 2018		122,158
The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. These differences in the treatment of long-term debt and related items consist of:		
Current year principal payments		715,000
Bonds sold		(800,000)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Compensated absences at:		
June 30, 2017		23,340
June 30, 2018		(28,411)
Accrued interest at:		
June 30, 2017		25,188
June 30, 2018		(32,740)
Deferred contributions to pension plan		799,567
Deferred contributions to OPEB plan		115,097
Pension expense		(3,937,247)
OPEB expense		(252,029)
Change in net position of governmental activities	$	(3,853,855)

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

STATE OF NEW MEXICO

TULAROSA MUNICIPAL SCHOOL DISTRICT NO. 4

GENERAL FUND

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive
	Original	Final	(Budgetary Basis)	(Negative)
Revenues:				
Taxes:				
Property	$ 37,148	$ 37,148	$ 38,432	$ 1,284
Intergovernmental - federal grants	341,715	344,490	405,577	61,087
Intergovernmental - state grants	7,954,896	8,093,979	8,064,281	(29,698)
Contributions - private grants	-	-	1,794	1,794
Charges for services	-	-	8,265	8,265
Investment and interest income	1,100	1,100	6,136	5,036
Miscellaneous	-	-	8,914	8,914
Total revenues	8,334,859	8,476,717	8,533,399	56,682
Expenditures:				
Current:				
Instruction	5,228,825	5,259,632	4,739,764	519,868
Support services:				
Students	999,783	1,045,783	875,204	170,579
Instruction	373,894	373,894	338,897	34,997
General Administration	298,329	298,329	283,561	14,768
School Administration	678,185	678,185	619,904	58,281
Central Services	229,797	229,797	224,518	5,279
Operation & Maintenance of Plant	1,206,039	1,263,783	1,179,656	84,127
Student transportation	577,422	598,301	556,438	41,863
Other Support services	61,383	61,383	-	61,383
Total expenditures	9,653,657	9,809,087	8,817,942	991,145
Excess (deficiency) of revenues over expenditures	(1,318,798)	(1,332,370)	(284,543)	1,047,827
Beginning cash balance budgeted	1,318,798	1,332,370	-	(1,332,370)
Fund balance at beginning of the year	-	-	1,343,775	1,343,775
Fund balance at end of the year	$ -	$ -	1,059,232	$ 1,059,232
RECONCILIATION TO GAAP BASIS:				
Change in property tax receivable			(746)	
Change in due from other governments			479	
Change in payables			35,312	
Change in deferred property taxes			286	
Fund balance at end of the year (GAAP basis)			$ 1,094,563	

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

STATE OF NEW MEXICO

TULAROSA MUNICIPAL SCHOOL DISTRICT NO. 4

TITLE I FUND - NO. 24101

Statement of Revenues, Expenditures, and

Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)

Year Ended June 30, 2018

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental - federal grants	$ 796,500	$ 743,906	$ 597,846	$ (146,060)
Miscellaneous	-	-	15	15
Total revenues	796,500	743,906	597,861	(146,045)
Expenditures:				
Current:				
Instruction	742,652	691,416	651,461	39,955
Support services:				
Students	516	516	538	(22)
Instruction	31,525	31,525	31,473	52
General Administration	20,662	19,304	18,494	810
School Administration	1,145	1,145	1,062	83
Total expenditures	796,500	743,906	703,028	40,878
Excess (deficiency) of revenues over expenditures	-	-	(105,167)	(105,167)
Fund balance (deficit) at beginning of the year	-	-	(2,757)	(2,757)
Fund balance at end of the year	$ -	$ -	(107,924)	$ (107,924)
RECONCILIATION TO GAAP BASIS:				
Change in grant receivable			107,309	
Change in payables			615	
Fund balance (deficit) at end of the year (GAAP basis)			$ -	

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

AGENCY FUNDS
Statement of Fiduciary Assets and Liabilities
June 30, 2018

ASSETS		
Pooled cash and investments	$	328,777
LIABILITIES		
Deposits held for others	$	328,777

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

NOTE		PAGE

I. SUMMARY OF ALL SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Tularosa Municipal School District No. 4 (District) is a special purpose government corporation governed by an elected five-member Board of Education. The Board of Education is the basic level of government, which has oversight responsibility and control over all activities related to the public school education in the City of Tularosa, New Mexico and the surrounding areas. The District is responsible for all activities related to public elementary and secondary school education within its jurisdiction. The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities.

The District's financial statements include all entities over which the Board of Education exercises oversight responsibility. Oversight responsibility includes such aspects as appointment of governing body members, designation of management, the ability to significantly influence operations, and accountability for fiscal matters. Based upon the application of these criteria, no component units or fiduciary units were included in the financial statements.

Generally Accepted Accounting Principles (GAAP) requires that financial statements present the District (primary government) and its component units. The District has no component units that are required to be presented in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 39*, Determining Whether Certain Organizations Are Component Units, an amendment of GASB Statement No. 14*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*.

1. Blended Component Units

   The District does not have any component units reported as blended component units.

2. Discretely Presented Component Units

   The District does not have any component units reported as discretely presented component units.

The summary of significant accounting policies of the District is presented to assist in the understanding of the District's financial statements. The financial statements and notes are the representation of the District's management who is responsible for their integrity and objectivity. The financial statements of the District conform to GAAP as applied to governmental units. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

B. Implementation of New Accounting Principles

During fiscal year 2018, the District adopted the following Governmental Accounting Standards Board (GASB) Statements:

- **GASB Statement No. 75**, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*

  This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, establishes new accounting and financial reporting requirements for OPEB plans. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. This Statement will be effective for the year ended June 30, 2018.

- **GASB Statement No. 81**, *Irrevocable Split-Interest Agreements*

  The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

  Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split-interest agreements can be created through trusts—or other legally enforceable agreements with characteristics that are equivalent to split-interest agreements—in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

B. Implementation of New Accounting Principles (cont'd)

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016 (FYE June 30, 2018) and should be applied retroactively. Earlier application is encouraged.

- **GASB Statement No. 82**, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*

The objective of this Statement 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. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016 (FYE June 30, 2017), except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017 (FYE June 30, 2018). Earlier application is encouraged.

- **GASB Statement No. 85**, *Omnibus 2017*

The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]).

Specifically, this Statement addresses the following topics:

• Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation

• Reporting amounts previously reported as goodwill and "negative" goodwill • Classifying real estate held by insurance entities

• Measuring certain money market investments and participating interest earning investment contracts at amortized cost

• Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus

• Recognizing on-behalf payments for pensions or OPEB in employer financial statements

• Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB

• Classifying employer-paid member contributions for OPEB

• Simplifying certain aspects of the alternative measurement method for OPEB

• Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2017 (FYE June 30, 2018). Earlier application is encouraged.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

B. Implementation of New Accounting Principles (cont'd)

- **GASB Statement No. 86**, *Certain Debt Extinguishment Issues*

  The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

  In-Substance Defeasance of Debt Using Only Existing Resources Statement No. 7, Advance Refundings Resulting in Defeasance of Debt, requires that debt be considered defeased in substance when the debtor irrevocably places cash or other monetary assets acquired with refunding debt proceeds in a trust to be used solely for satisfying scheduled payments of both principal and interest of the defeased debt. The trust also is required to meet certain conditions for the transaction to qualify as an in-substance defeasance. This Statement establishes essentially the same requirements for when a government places cash and other monetary assets acquired with only existing resources in an irrevocable trust to extinguish the debt. However, in financial statements using the economic resources measurement focus, governments should recognize any difference between the reacquisition price (the amount required to be placed in the trust) and the net carrying amount of the debt defeased in substance using only existing resources as a separately identified gain or loss in the period of the defeasance. Governments that defease debt using only existing resources should provide a general description of the transaction in the notes to financial statements in the period of the defeasance. In all periods following an in-substance defeasance of debt using only existing resources, the amount of that debt that remains outstanding at period-end should be disclosed.

  Prepaid Insurance Related to Extinguished Debt – For governments that extinguish debt, whether through a legal extinguishment or through an in-substance defeasance, this Statement requires that any remaining prepaid insurance related to the extinguished debt be included in the net carrying amount of that debt for the purpose of calculating the difference between the reacquisition price and the net carrying amount of the debt.

  Additional Disclosure for All In-Substance Defeasance Transactions – One of the criteria for determining an in-substance defeasance is that the trust hold only monetary assets that are essentially risk-free. If the substitution of essentially risk-free monetary assets with monetary assets that are not essentially risk-free is not prohibited, governments should disclose that fact in the period in which the debt is defeased in substance. In subsequent periods, governments should disclose the amount of debt defeased in substance that remains outstanding for which that risk of substitution exists.

  The requirements of this Statement are effective for reporting periods beginning after June 15, 2017 (FYE June 30, 2018). Earlier application is encouraged.

Other accounting standards that the District is currently reviewing for applicability and potential impact on the financial statements include:

- **GASB Statement No. 83**, *Certain Asset Retirement Obligations*

  This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

  This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

B. Implementation of New Accounting Principles (cont'd)

This Statement requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred. The best estimate should include probability weighting of all potential outcomes, when such information is available or can be obtained at reasonable cost. If probability weighting is not feasible at reasonable cost, the most likely amount should be used. This Statement requires that a deferred outflow of resources associated with an ARO be measured at the amount of the corresponding liability upon initial measurement.

This Statement requires the current value of a government's AROs to be adjusted for the effects of general inflation or deflation at least annually. In addition, it requires a government to evaluate all relevant factors at least annually to determine whether the effects of one or more of the factors are expected to significantly change the estimated asset retirement outlays. A government should remeasure an ARO only when the result of the evaluation indicates there is a significant change in the estimated outlays. The deferred outflows of resources should be reduced and recognized as outflows of resources (for example, as an expense) in a systematic and rational manner over the estimated useful life of the tangible capital asset.

A government may have a minority share (less than 50 percent) of ownership interest in a jointly owned tangible capital asset in which a nongovernmental entity is the majority owner and reports its ARO in accordance with the guidance of another recognized accounting standards setter. Additionally, a government may have a minority share of ownership interest in a jointly owned tangible capital asset in which no joint owner has a majority ownership, and a nongovernmental joint owner that has operational responsibility for the jointly owned tangible capital asset reports the associated ARO in accordance with the guidance of another recognized accounting standards setter. In both situations, the government's minority share of an ARO should be reported using the measurement produced by the nongovernmental majority owner or the nongovernmental minority owner that has operational responsibility, without adjustment to conform to the liability measurement and recognition requirements of this Statement.

In some cases, governments are legally required to provide funding or other financial assurance for their performance of asset retirement activities. This Statement requires disclosure of how those funding and assurance requirements are being met by a government, as well as the amount of any assets restricted for payment of the government's AROs, if not separately displayed in the financial statements. This Statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. If an ARO (or portions thereof) has been incurred by a government but is not yet recognized because it is not reasonably estimable, the government is required to disclose that fact and the reasons therefor. This Statement requires similar disclosures for a government's minority shares of AROs.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018 (FYE June 30, 2019). Earlier application is encouraged.

- **GASB Statement No. 84**, *Fiduciary Activities*

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. A fiduciary component unit, when reported in the fiduciary fund financial statements of a primary government, should combine its information with its component units that are fiduciary component units and aggregate that combined information with the primary government's fiduciary funds. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018 (FYE June 30, 2020). Earlier application is encouraged.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

B. Implementation of New Accounting Principles (cont'd)

- **GASB Statement No. 87**, *Leases*

The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

Definition of a Lease - A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Any contract that meets this definition should be accounted for under the leases guidance, unless specifically excluded in this Statement.

The provisions of this Statement are effective for reporting periods beginning after December 15, 2019 (FYE June 30, 2021).

- **GASB Statement No. 88**, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*

The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

Requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018 (FYE June 30, 2019). Earlier application is encouraged.

- **GASB Statement No. 89**, *Accounting for Interest Cost Incurred before the End of a Construction Period*

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. The requirements of this Statement apply to the financial statements of all state and local governments. In financial statements prepared using the economic resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expense in the period in which the cost is incurred. Such interest cost should not be capitalized as part of the historical cost of a capital asset. In financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019 (FYE June 30, 2021). Earlier application is encouraged.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

C. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the school district. For the most part, the effect of inter-fund activity has been removed from these statements.

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. Other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

D. 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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues.

The District reports all direct expenses by function in the statement of activities. Direct expenses are those that are clearly identifiable with a function. The District does not currently employ indirect cost allocation systems. Depreciation expense is specifically identified by function and is included in the direct expense of each function, except for that portion of depreciation that is identified as unallocated on the statement of activities.

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. Revenues received during the year but are applicable to subsequent years are reported as deferred inflows of resources. 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. Expenditures incurred during the year that are for the benefit of subsequent years are reported as deferred outflows of resources.

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. All other revenue items are considered to be measurable and available only when cash is received by the government.

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

General Fund – The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

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

Debt Service Funds are used to account for the payment of principal and interest on long-term debt. Debt service revenues are from taxes and other operating revenues, some of which are pledged specifically to repay certain outstanding bond issues.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (cont'd)

GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis* requires the District to present certain governmental funds as major funds. In addition to the General Fund, the District reports the following major governmental funds:

- SPECIAL REVENUE FUNDS

  Title I (Fund No. 24101) Minimum Balance: None
  To help local education agencies (LEAs) and schools improve the teaching and learning of children failing, or most at-risk of failing, to meet challenging State academic standards. Funding authorization: Elementary and Secondary Education Act of 1965, Title I, Part A, 20 U.S.C. 6301 et seq.

- CAPITAL PROJECTS FUNDS

  Bond Building (Fund No. 31100) Minimum Balance: None
  This fund provides financing for the construction of buildings, the purchase of equipment, and the acquisition and improvement of land. Funding is provided by the sale of general obligation bonds, which have been approved by the voters of the district.

- DEBT SERVICE FUNDS

  Debt Service Fund (Fund No. 41000) Minimum Balance: None
  The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Additionally, the government reports the following fund types:

Fiduciary Funds are agency funds used to account for financial resources used by the student activity groups for which the District has stewardship

E. Assets, Liabilities, and Net Position or Equity

1. *Deposits and investments*

The government'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 investment of the District's funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, and money market accounts. The District is also allowed to invest in United States Government obligations. All funds for the District must follow the above investment policies.

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

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

E. Assets, Liabilities, and Net Position or Equity (cont'd)

2. *Receivables and payables*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due from/to other funds" (i.e., the current portion of inter-fund loans) or "advances to/from other funds" (i.e., the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as "due from/to other funds."

The District's property taxes are levied each year on the assessed valuation of property located in the District as of the preceding January 1st. Mill levy rates are set by the State of New Mexico each year for the General Fund, Capital Improvements SB – 9 Fund, and Debt Service Funds. Taxes are payable in two equal installments on November 10th and April 10th following the levy and become delinquent after 30 days.

Under GASB Statement 33, property taxes are impressed non-exchange revenue. Assets from impressed non-exchange transactions are reported when the District has an enforceable legal claim to the asset. The enforceable legal claim date for property taxes is the assessment date. Taxes are payable in two equal installments on November 10 and April 10th following the levy and become delinquent after 30 days. Therefore, the District has recorded a delinquent tax receivable and revenue for taxes received within the sixty days following year-end. A receivable and deferred revenue have been recorded for uncollected delinquent taxes. On the government-wide financial statements, the district has recorded delinquent property taxes receivable and revenue for taxes assessed as of year-end that have not be collected, as prescribed in GASB 34. An allowance for refunds and uncollectible amounts has not been recorded.

3. *Inventories*

The District's method of accounting for inventory is the consumption method. Under the consumption approach, governments report inventories they purchase as an asset and defer the recognition of the expenditures until the period in which the inventories are actually consumed. Inventory is valued at cost. Inventory in the Food Service Fund consists of U.S.D.A. commodities and other purchased food and non-food supplies. The cost of purchased inventory is recorded as an expenditure at the time individual inventory items are consumed. Commodities consumed during the year are reported as revenues and expenditures; unused commodities are reported as inventories.

4. *Capital assets*

Capital assets, which include property, plant, and equipment (software), are reported in the applicable governmental-wide financial statements. Beginning July 1, 2005, the threshold for defining Capital assets by the government was raised from $1,000 to assets with an initial, individual cost of more than $5,000 (amount not rounded) and an estimated useful life in excess of two years. 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.

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. Software costs have been included with the cost of computer equipment and are capitalized with that equipment. The District does not develop software for internal use or any other use.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest on construction projects has not been capitalized.

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

ESTIMATED USEFUL LIVES

ASSETS	YEARS
Buildings	40-50
Building improvements	20
Land Improvements	10-20
Vehides	5-7
Office equipment	5
Computer equipment	3-5

5. *Compensated absences*

It is the District's policy to permit employees to accumulate 20 days of earned but unused vacation, which will be paid to employees upon retirement from the District's service. The amount for liability has been reported in the government-wide financial statements.

Accumulated sick leave is not payable upon termination and is recorded as expenditures when it is paid.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

E. Assets, Liabilities, and Net Position or Equity (cont'd)

6. *Long-term obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, statement of Net Position. Bond premiums and discounts, as well as issuance costs, are 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 discounts.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of 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 capital projects expenditures.

7. *Pensions*

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

8. *Postemployment Benefits Other Than Pensions (OPEB)*

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the New Mexico Retiree Health Care Fund (RHCA) and additions to/deductions from RHCA's fiduciary net position have been determined on the same basis as they are reported by RHCA. For this purpose, RHCA recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

9. *Deferred Outflows/Inflows of Resources*

Both deferred inflows and outflows are reported in the Statement of Net Position but are not recognized in the financial statements as revenues, expenses, and reduction of liabilities or increase in assets until the period(s) to which they relate.

In addition to assets, the District reports a separate section for deferred outflows of resources. This separate financial statement element represents a use of net position/fund balance that applies to future periods and will not be recognized as an expenditure until that time.

The District also reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position/fund balance that applies to future periods and so will not be recognized as a revenue until that time. Revenue must be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period) to be recognized. 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 offset by a corresponding liability for deferred inflows of resources.

The District reports deferred outflows of resources for pension-related amounts for the District's share of the difference between projected and actual earnings, for the District's share of the difference between contributions to the individual plans and the proportionate share of the contributions, and for changes of assumptions or other inputs.

The District reports deferred inflows of resources for pension-related amounts in the government wide financial statements or the District's share of the difference between expected and actual experience and for the District's share of the difference between contributions to the individual plans and the proportionate share of the contributions.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

E. Assets, Liabilities, and Net Position or Equity (cont'd)

Under the modified accrual basis of accounting, revenue and other fund financial resources are recognized in the period in which they become both measurable and available. Assets recorded in the fund financial statements for which the revenues are not available are reported as a deferred inflow of resources. Deferred inflows of resources are also comprised of property tax and long-term receivables that are unavailable in the fund statements.

10. *Fund balance*

a. Non-Spendable

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

b. Restricted

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

c. Committed

Amounts that can only be used for specific purposes pursuant to constraints imposed by the formal action of the District's Board of Education should be reported as committed fund balance. The committed amounts cannot be used for any other purpose unless the District's Board of Education removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. The District did not have committed fund balances for the year ended June 30, 2018.

d. Assigned

Assigned fund balance includes (a) all remaining amounts, except for negative balances, that are reported in governmental funds, other than the general fund, that are not classified as non-spendable and are neither restricted nor committed and amounts in the general fund that are constrained by the District's intent to be used for specific purposes but are neither restricted nor committed. Intent, and removal of, is expressed by the Board of Education or the Finance Committee. The District did not have assigned fund balances for the year ended June 30, 2018.

e. Unassigned

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

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

11. *Net Position*

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

a. Net investment in capital assets

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

E. Assets, Liabilities, and Net Position or Equity (cont'd)

b. Restricted Net Position

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

c. Unrestricted Net Position

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

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

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

12. *Indirect Costs*

The District's General Fund receives indirect cost reimbursements from the various federal programs it administers. These reimbursements are for expenses incurred in performing administrative functions on behalf of the Special Revenue Funds. They are shown as expenditures in the Special Revenue Funds, and as other special federal revenue in the General Fund.

13. *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.

14. *Inter-fund Transactions*

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund from expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. All other inter-fund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other inter-fund transfers are reported as operating transfers.

15. *Revenues*

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

A school district's program costs are determined 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 $7,440,068 in state equalization guarantee distributions during the year ended June 30, 2018.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

E. Assets, Liabilities, and Net Position or Equity (cont'd)

Transportation Distribution: School districts in the State of New Mexico received 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 $597,849 in transportation distributions during the year ended June 30, 2018.

Instructional Materials: The New Mexico Public Education Department (PED) receives federal mineral leasing funds from which it makes annual allocations to the various school districts for the purchase of educational materials. Of each allocation, fifty percent is restricted to the purchase of material listed on the PED 'Multiple List", while fifty percent of each allocation is available for purchases directly from vendors or transfer to the fifty percent account for purchase of material from the "Multiple List". Districts are allowed to carry forward unused textbook funds from year to year. The District received $26,364 in instructional materials distributions during the year ended June 30, 2018.

16. *Tax Abatements*

Governmental Accounting Standards Board Statement No. 77 requires the District to disclose information on certain tax abatement agreements effecting the District. Accordingly, the District did not have any tax abatements effecting the District during the year ended June 30, 2018.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. 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 Public School Budget and Planning Unit of the Department of Education. Auxiliary student activity accounts are not budgeted.

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 beginning cash balance be appropriated in the budget of the subsequent fiscal year. Such appropriated balance is legally restricted and is therefore presented as a reserved portion of fund balance.

Actual expenditures may not exceed the budget on a line item basis, i.e., each budgeted expenditure must be within budgeted amounts. 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 budgetary information presented in these financial statements has been amended in accordance with the above procedures.

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

1. In April or May, the superintendent submits to the Board of Education a proposed operating budget of the fiscal year commencing the following July. The operating budget includes proposed expenditures and the means of financing them, and has approval by the Department of Education.
2. In May or June, the budget is approved by the Board of Education.
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 for.
4. 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 Department of Education.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (cont'd)

A. Budgetary Information (cont'd)

5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Funds and Capital Projects Funds.

6. Budgets for the General, Special Revenue, Capital Projects, and Debt Service Funds are adopted on a basis not consistent with generally accepted accounting principles (GAAP). Encumbrances are treated the same way for GAAP purposes and for Budget purposes.

The Board of Education may approve amendments to the appropriated budget, which are required when a change is made affecting budgeted ending fund balance. The appropriated budget for the year ended June 30, 2018 was properly amended by the Board through the year. New Mexico state law prohibits a Governmental Agency to exceed an individual line item. These amendments resulted in the following changes:

	ORIGINAL	FINAL
Major Funds:		
General Funds	$ 9,653,657	$ 9,809,087
Special Revenue Funds:		
Title I	796,500	743,906
Capital Projects Funds:		
Bond Building	3,043,878	3,043,878
Debt Service Funds:		
Debt Service	1,194,879	1,194,879
Nonmajor Funds:		
Special Revenue Funds	1,658,833	1,829,863
Capital Projects Funds	434,889	560,424
Total Budget	$ 16,782,636	$ 17,182,037

B. Budgetary Violations

The District exceeded its legal budget in individual funds during the year ended June 30, 2018 as follows:

Libraries GO Bond 2012	Support Services	$ 12,536

The District is aware of legal binding of budgets and has implemented a system of checks that will help prevent any further violations of budgetary control.

C. Deficit Fund Equity

The District did not have any deficit fund balances as of June 30, 2018.

III. DETAILED NOTES ON ALL FUNDS

A. Cash and Temporary Investments

Reconciliation of bank balances to the financial statements:

	AMOUNT
Financial institution:	
First National	$ 5,111,662
Western	277,582
State agencies:	
New Mexico Finance Authority	767,306
Less:	
Agency cash	(328,777)
Restricted Cash	(767,306)
Net reconciling items	(704,162)
Total cash and equivalents	$ 4,356,305

At June 30, 2018, the carrying amount of the District's deposits were $5,452,388 and the bank balance was $6,156,550 with the difference consisting of outstanding checks. Of the total cash and cash equivalents balance, $527,582 was covered by federal depository insurance and $5,866,917 was covered by collateral held in joint safekeeping by a third party.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. New Mexico 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 at least one half of the amount on deposit with the institution. The District does not have a deposit policy for custodial credit risk, other than the following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). The statement listed below will meet the State of New Mexico Office of the State Auditor's requirement in reporting the uninsured portion of the deposits. As of June 30, 2018, none of the District's bank deposits were exposed to custodial risk as follows:

	INSURED	UNDER INSURED	TOTAL
Bank deposits:			
Uninsured and uncollateralized	$ -	$ -	$ -
Uninsured and collateral held by pledging bank's trust dept not in the District's name	5,628,968	-	5,628,968
Total uninsured	5,628,968	-	5,628,968
Insured (FDIC)	527,582	-	527,582
Total deposits	$ 6,156,550	$ -	$ 6,156,550
State of New Mexico collateral requirement:			
50% of uninsured public fund bank deposits	$ 2,933,459	$ -	$ 2,933,459
Pledged security	6,261,456	-	6,261,456
Over collateralization	$ 3,327,997	$ -	$ 3,327,997

The collateral pledged is listed on Schedule of Pledged Collateral in the Other Supplemental Information section of this report. 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 Authority, public unit deposits are funds owned by the District. 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.

III. DETAILED NOTES ON ALL FUNDS (cont'd)

A. Cash and Temporary Investments (cont'd)

Investments

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District does not have a written policy for limiting interest rate risk.

Concentration Credit Risk

Investments. For an investment, concentration credit risk is when any one issuer is 5% or more of the investment portfolio of the District. The investments in the State Pool-4101 LGIP Fund represent 100% of the investment portfolio. Since the District only purchases investments with the highest credit rating, the additional concentration is not viewed to be an additional risk by the District. The District's policy related to concentration risk is to comply with the state statute as put forth in the Public Money Act (Section 6-10-1 to 6-10- 63, NMSA 1978).

The State Treasurer Local Government Investment Pool is not SEC Registered. Section 6-10-10 I, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment funds in the securities that are issued by the United States government or by its departments or agencies and are either backed by the full faith and credit of the United States government or are agencies sponsored by the United States government. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments. The pool does not have unit shares; at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in the amounts of the fund were invested. Any realized gain or loss on the portfolio is distributed through the investment yield on distribution dates. The carrying amount of the portfolio approximates the fair value of all investments at June 30, 2018. The State of New Mexico is regulatory oversight entity and participation in the pool is voluntary.

Investments for the District are reported at fair value. The State Treasurer's Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares

Investment Type	Maturities	Fair Value	Rating (S&P)
State Investment Pool – 4101 LGIP Fund	50 days (WAM-R)	$487,935	AAAm

B. Receivables

Receivables as of June 30, 2018 for the government's individual major funds and non-major funds in the aggregate, including the following:

	RECEIVABLES		DUE FROM OTHER	
	Property Taxes	Grants	Governments	Funds
Major Funds:				
General Funds	$ 4,567	$ -	$ 479	$ 318,388
Title I	-	212,686	-	-
Debt Service	110,025	-	11,936	-
Other Governmental Funds	24,492	105,702	2,650	-
Total	$ 139,084	$ 318,388	$ 15,065	$ 318,388

An allowance for doubtful accounts has not been established. All receivables are expected to be collectible.

III. DETAILED NOTES ON ALL FUNDS (cont'd)

B. Receivables

Governmental funds reported deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	UNAVAILABLE	UNEARNED
Grant drawdowns prior to meeting all eligibility requirements		
Other Governmental Funds	$ -	$ -
Delinquent property taxes		
General Fund	3,974	-
Debt Service	96,682	-
Other Governmental Funds	21,502	-
Total	$ 122,158	$ -

C. Inter-Fund Receivables and Payables

The inter-fund receivables and payables at June 30, 2018 were:

	RECEIVABLES	PAYABLES
Major Funds:		
General Funds	$ 318,388	$ -
Title I	-	212,686
Other Governmental Funds	-	105,702
Total	$ 318,388	$ 318,388

The inter-fund loans were made for the purposes of cash shortfalls within the individual funds. The loans are expected to be repaid within the next fiscal year.

III. DETAILED NOTES ON ALL FUNDS (cont'd)

D. Capital Assets

Capital asset activity for the year ended June 30, 2018 was as follows:

	BEGINNING	INCREASES	DECREASES	ENDING
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 50,000	$ -	$ -	$ 50,000
Capital assets being depreciated:				
Land improvements	1,077,124	18,102	-	1,095,226
Buildings and improvements	42,249,464	116,619	-	42,366,083
Furniture, fixtures, and equipment	2,796,930	27,029	-	2,823,959
Total capital assets being depreciated	46,123,518	161,750	-	46,285,268
Less accumulated depreciation for:				
Land improvements	(579,386)	(41,514)	-	(620,900)
Buildings and improvements	(22,925,721)	(925,208)	-	(23,850,929)
Furniture, fixtures, and equipment	(2,293,580)	(96,829)	-	(2,390,409)
Total accumulated depreciation	(25,798,687)	(1,063,551)	-	(26,862,238)
Total capital assets being depreciated, net	20,324,831	(901,801)	-	19,423,030
Total capital assets, net	$ 20,374,831	$ (901,801)	$ -	$ 19,473,030

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

	AMOUNT
Instruction	$ 679,985
Support Services - Students	73,395
Support Services - Instruction	28,525
Support Services - General Administration	23,106
Support Services - School Administration	45,561
Central Services	17,546
Operations & Maintenance of Plant	115,719
Student Transportation	40,768
Food Services	38,946
Total Depreciation Expense	$ 1,063,551

The Schedule of Capital Assets Used by Source, and the Schedule of Changes in Capital Assets by Function and Activity have not been prepared because the detailed information is unavailable.

Construction commitments

The District is involved in long-term construction projects as part of their master plan for upgrading the district buildings. The amount in the capital projects funds designated for subsequent years expenditures are committed for funding these projects. Interest on construction projects is not capitalized.

III. DETAILED NOTES ON ALL FUNDS (cont'd)

E. Long-Term Debt

General Obligation Bonds

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. Bonds are direct obligations and pledge the full faith and credit of the District. The bonds will be paid from taxes levied against property owners living within the School District boundaries. The details of the bonds and notes as of June 30, 2018 are as follows:

BOND ISSUES		ORIGINAL AMOUNT	INTEREST RATES	BALANCE	CURRENT PORTION
Series	05/01/08	$ 500,000	2.75% to 4.10%	$ -	$ -
Series	09/15/09	770,000	3.65% to 5.65%	200,000	200,000
Series	05/01/10	525,000	2.85% to 3.55%	-	-
Series	01/15/11	600,000	2.50% to 2.88%	450,000	450,000
Series	10/15/11	305,000	2.00% to 3.00%	160,000	35,000
Series	10/01/12	850,000	1.90% to 2.00%	750,000	25,000
Series	10/15/13	720,000	2.63% to 3.50%	455,000	70,000
Series	08/13/14	630,000	2.70% to 2.80%	630,000	20,000
Series	10/21/16	900,000	0.10% to 1.61%	900,000	-
Series	10/11/17	800,000	1.12% to 2.91%	800,000	5,000
Total		$ 6,600,000		$ 4,345,000	$ 805,000

Annual debt service requirements to maturity for general obligation bonds are as follows:

YEAR ENDING JUNE 30,	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS
2019	$ 805,000	$ 92,292	$ 897,292
2020	285,000	66,420	351,420
2021	705,000	55,598	760,598
2022	487,000	42,792	529,792
2023	378,000	33,165	411,165
2024 - 2028	1,226,000	71,776	1,297,776
2029 - 2033	459,000	11,186	470,186
Total	$ 4,345,000	$ 373,230	$ 4,718,230

III. DETAILED NOTES ON ALL FUNDS (cont'd)

F. Long-Term Debt (cont'd)

Changes in long term debt – During the year ended June 30, 2018 the following changes occurred in liabilities reported in the general obligation bonds account group:

		BEGINNING BALANCE	ADDITIONS	RETIREMENTS	ENDING BALANCE	DUE WITHIN ONE YEAR
Compensated absences:						
Compensated vacation		$ 23,340	$ 31,706	$ 26,634	$ 28,411	$ 28,411
Bonds payable						
Original Amount	Issue					
$ 500,000	05/01/08	40,000	-	40,000	-	200,000
770,000	09/15/09	420,000	-	220,000	200,000	-
525,000	05/01/10	225,000	-	225,000	-	450,000
600,000	01/15/11	550,000	-	100,000	450,000	35,000
305,000	10/15/11	195,000	-	35,000	160,000	25,000
850,000	10/01/12	775,000	-	25,000	750,000	70,000
720,000	10/15/13	525,000	-	70,000	455,000	20,000
630,000	08/13/14	630,000	-	-	630,000	-
900,000	10/21/16	900,000	-	-	900,000	5,000
800,000	10/11/17	-	800,000	-	800,000	-
Total Bonds payable		4,260,000		715,000	4,345,000	805,000
		$ 4,283,340	$ 831,706	$ 741,634	$ 4,373,411	$ 833,411

The liability of compensated absences is liquidated with resources from the general fund and several special revenue funds. The liquidation of bonds payable is done with resources from the debt service fund.

Balances shown for bonds and notes do not include unamortized premiums or deferred amounts on refinancing.

New Debt

The District issued Series 2017 General Obligation Bonds in the amount of $800,000 on November 17, 2017. The District will make the first interest payment on August 1, 2018 and will make the first principal payment on August 1, 2018. The bond series will mature on August 1, 2030 with interest rate of 1.11574% to 2.91%. The District was at 79% bonding capacity after the issuance of GO Series 2017.

IV. OTHER INFORMATION

A. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injury to employees; and natural disasters. The New Mexico Public Schools Insurance Authority (NMPSIA) was formed on April 5, 1985 under the New Mexico Public Schools Insurance Authority Act, Chapter 22, Section 2 of the New Mexico Statutes Annotated (NMSA 1978), as amended, as an insurance fund to provide health, disability and life insurance coverage (benefits coverage), and property, casualty and workers' compensation insurance coverage (risk coverage) to participating public schools, school board members, public school employees, and retirees within the State of New Mexico. The District is one of 91 members that participate in NMPSIA. Participation in NMPSIA is mandatory for all K-12 public schools except those with enrollment exceeding 60,000 students. Participation is voluntary for other public education institutions. The District pays an annual premium to the pool for its general insurance coverage. The agreement for formation of NMPSIA provides that the pool will be self-sustaining through member premiums. NMPSIA establishes self-insured retentions by line of coverage and procures insurance or reinsurance, where indicated, in excess of the self-insured retention on a per occurrence basis. NMPSIA will publish its own financial report for the year ended June 30, 2018.

B. Employee Retirement Plan

Plan Description - Substantially all of the District's full-time employees participate in a public employee retirement system authorized under the Educational Retirement Act (Chapter 22, Article 11, Sections 1 through 52, NMSA 1978). The Educational Retirement Board (ERB) is the administrator of the New Mexico Educational Employees' Retirement Plan (Plan), which is a cost-sharing multiple-employer defined benefit retirement plan. ERB issues a separate, publicly available financial report that includes the financial statements and required supplementary information for the plan. That report may be obtained www.nmerb.org, www.saonm.org, or by writing to:

ERB
P.O. Box 26129
Santa Fe, New Mexico 87502-6129
www.nmerb.org

Membership in the Plan is a condition of employment. Employees of public schools, universities, regional cooperatives, special schools and state agencies providing educational programs, who are employed at more than 25% of a full-time equivalency, are required to be members of the Plan. There were 150,082 active, retired, and inactive members in fiscal year 2016; there were 146,089 active, retired, and inactive members in fiscal year 2015.

Benefits Provided - The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members (certified teachers, and other employees of State public school districts, colleges and universities) and beneficiaries. Benefits are based on three components: Final Average Salary (FAS), years of both earned and allowed service credits, and a 2.35% factor. The gross annual benefit is determined by multiplying the three components together. FAS is the higher of annual earnings for the previous 20 calendar quarters prior to retirement or the highest average annual earnings for any 20 consecutive calendar quarters.

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.

IV. OTHER INFORMATION (cont'd)

B. Employee Retirement Plan (cont'd)

Retired members and surviving beneficiaries receiving benefits receive an automatic cost of living adjustment (COLA) to their benefit commencing on July 1 following the later of: (i) the year a member retires, or (ii) the year in which a member attains age 65 (Tier 1 and Tier 2) or age 67 (Tier 3).

If the plan's funded ratio for the next preceding fiscal year is 100%, or greater, Section 22-11-31(C)(1) of the New Mexico Statutes Annotated defines the adjustment factor as ½ of the percentage increase of the consumer price index between the next preceding calendar year and the preceding calendar year. The adjustment factor cannot exceed four percent, nor be less than two percent. However, if the percentage increase of the consumer price index is less than two percent, the adjustment factor will be equal to the percentage increase of the consumer price index.

If the plan's funded ratio for the next preceding fiscal year is greater than 90%, but less than 100%, Section 22-11-31(C)(2) indicates that the adjustment factor for all non-disability retirements will be 95% of the adjustment factor defined in Section 22-11-31(C)(1) if the member had 25 or more years of service credit at retirement and whose annuity is less than or equal to the median adjusted annuity for the fiscal year next preceding the adjustment date. For all other retirees eligible for an adjustment, the adjustment factor will be 90% of the adjustment factor defined in Section 22-11-31(C)(1).

If the plan's funded ratio for the next preceding fiscal year is 90%, or less, Section 22-11-31(C)(3) indicates that the adjustment factor for all non-disability retirements will be 90% of the adjustment factor defined in Section 22-11-31(C)(1) if the member had 25 or more years of service credit at retirement and whose annuity is less than or equal to the median adjusted annuity for the fiscal year next preceding the adjustment date. For all other retirees eligible for an adjustment, the adjustment factor will be 80% of the adjustment factor defined in Section 22-11-31(C)(1).

Finally, annuities shall not be decreased in the event that there is a decrease in the consumer price index between the next preceding calendar year and the preceding calendar year.

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 1.5%. 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 1.7%. 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 to receive the benefit.

Option A – If the member elects the Option A, there is no reduction to the monthly benefit other than any "Rule of 75" deductions 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 is calculated by using both the age of the member and the beneficiary. If the beneficiary predeceases the member, the member's benefit will be adjusted by returning it to the Option A Benefit amount. The IRS prohibits selection of Option B for a non-spouse beneficiary more than ten years younger than the member.

IV. OTHER INFORMATION (cont'd)

B. Employee Retirement Plan (cont'd)

Option C – If the member elects Option C, the monthly benefit is reduced to provide for 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 is adjusted by returning it to the Option A Benefit amount.

Under the provisions of Options B and 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.

Member Contributions – Plan members whose annual salary is $20,000 or less are required by statute to contribute 7.9% of their gross salary. Plan members whose annual salary is over $20,000 are required to make the following contributions to the Plan: 10.7% of their gross salary in fiscal year 2018.

Employer Contributions – In fiscal year 2018, the District was required to contribute 13.9% of the gross covered salary for employees whose annual salary is $20,000 or less, and 13.9% of the gross covered salary for employees whose annual salary is more than $20,000. The contribution requirements of plan members and the District are established in State statute under Chapter 22, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The District's contributions to ERB for the fiscal years ending June 30, 2018 were $799,567, which equal the amount of the required contributions for year ended June 30, 2018.

Employers

The Educational Retirement Act designates employers as Local Administrative Units, directly responsible for payment of compensation for the employment of members or participants of this Plan. There were 218 contributing employers in fiscal year 2017; there were 218 contributing employers in fiscal year 2016.

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

At June 30, 2018, the District reported a liability of $23,431,636 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and regional education cooperatives, actuarially determined. At June 30, 2017, the District's proportion was 0.21084 percent, which was an increase of 0.01168 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of $3,937,247.

PENSION EXPENSE CALCULATION		
Net pension liability - end of the year	$	23,431,636
Net pension liability - beginning of the year		(14,332,417)
Deferred outflows of resources during the year		(6,063,334)
Deferred inflows of resources during the year		66,583
Reductions to ending net pension liability due contributions paid		834,779
Total Pension Expense	$	3,937,247

IV. OTHER INFORMATION (cont'd)

B. Employee Retirement Plan (cont'd)

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OUTFLOWS	INFLOWS
Difference between expected and actual experience	$ 42,062	$ 360,986
Change of assumptions	6,840,155	-
Net difference between projected and actual earnings on pension plan investments	-	3,214
Changes in proportion and differences between District contributions and proportionate share of contributions	816,043	-
District contributions subsequent to the measurement date	799,567	-
Total	$ 8,497,827	$ 364,200

Deferred outflows of resources related to pensions in the amount of $799,567 resulted from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

JUNE 30,	AMORTIZATION
2019	$ (2,860,094)
2020	(2,937,050)
2021	(1,729,857)
2022	192,941
2023	-
Thereafter	-
Total	$ (7,334,060)

Actuarial Assumptions

A single discount rate of 5.90% was used to measure the total pension liability as of June 30, 2017. This single discount rate was based on the expected rate of return on pension plan investments of 5.90%. Based on the assumptions described below and the projection of cash flows, pension plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. The long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2016. The total pension liability was rolled forward from the valuation date to the Plan's year ended June 30, 2017 using generally accepted actuarial principles. The roll-forward incorporates the impact of the new assumptions adopted by the Board on April 21, 2017. There were no other significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2017. The liabilities reflect the impact of the new assumptions adopted by the Board of Trustees on April 21, 2017 as well as the change in the single discount rate between June 30, 2016 and June 30, 2017. Specifically, the liabilities measured as of June 30, 2017 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 thereafter.
2) Members hired after June 30, 2013 will have an actuarially reduced retirement benefit if they retire before age 55 and their Cost of Living Adjustment (COLA) will be deferred until age 67.
3) COLAs for most retirees are reduced until ERB attains a 100% funded status.
4) The new assumptions adopted by the Board on April 21, 2017 in conjunction with the change in the single discount rate, and
5) For purposes of projecting future benefits, it is assumed that the full COLA is paid in all future years.

IV. OTHER INFORMATION (cont'd)

B. Employee Retirement Plan (cont'd)

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 contributions rates included in the measurement are as follows:

Actuarial Cost Method Entry Age:	Normal
Amortization Method:	Level Percentage of Payroll
Remaining Period:	Amortized - closed 30 years from June 30, 2012 to June 30, 2042
Asset Valuation Method:	5 year smoothed market for funding valuation (fair value for financial valuation)
Inflation:	2.50%
Salary Increases:	Composition: 3.00% inflation, plus 0.75% productivity increase rate, plus step rate promotional increases for members with 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 Males – RP-2000 Combined Mortality Table with white collar adjustments, 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 the table's base year of 2012.

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. Best estimates of geometric real rates of return for each major asset class included in the Plan's target asset allocation for 2017 and 2016 for 30-year return assumptions are summarized in the following table:

Asset Class	2017 Long-Term Expected Real Rate of Return	2016 Long-Term Expected Real Rate of Return
Cash	-0.25%	-0.25%
U.S. Treasuries	0.25%	0.00%
IG Corp Credit	1.75%	1.75%
Mortgage Backed Securities	0.25%	0.25%
Core Bonds*	0.75%	0.64%
Treasury Inflation Protected Securities	0.50%	0.75%
High-Yield Bonds	2.50%	2.50%
Bank Loans	2.75%	2.75%
Global Bonds (Unhedged)	-0.50%	-0.50%
Global Bonds (Hedged)	-0.38%	-0.38%
Emerging Market Debt External	2.50%	2.75%
Emerging Market Debt Local Currency	3.25%	3.25%
Large Cap Equities	4.25%	4.25%
Small/ Mid Cap Equities	4.50%	4.50%
International Equities (Unhedged)	4.50%	4.75%
International Equities (Hedged)	4.89%	5.14%
Emerging International Equities	6.25%	6.25%
Private Equity	6.25%	6.25%
Private Debt	4.75%	4.75%
Private Real Assets	5.90%	4.50%
Real Estate	3.25%	3.25%
Commodities	2.25%	2.25%
Hedge Funds	3.22%	3.25%

IV. OTHER INFORMATION (cont'd)

B. Employee Retirement Plan (cont'd)

Rate of Return

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

1) Rate of return projections are the sum of current yield plus projected changes in price (valuation, defaults, etc.),
2) Application of key economic projections (inflation, real growth, dividends, etc.), and
3) Structural themes (supply and demand imbalances, capital flows, etc.).

These items are developed for each major asset class.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate Assumption

The following table shows the sensitivity of the net pension liability to changes in the discount rate as of fiscal year end 2017, 2016, and 2015. In particular, the table presents the Plan's net pension liability under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower or one percentage point higher than the single discount rate.

		CURRENT SINGLE RATE			
		Discount Rate	1% Decrease	Single Rate Assumption	1% Increase
ERB (All Employers)					
	2017	5.90%	$ 14,466,972,041	$ 11,113,468,217	$ 8,372,251,980
	2016	7.75%	9,531,509,131	7,196,433,561	5,258,980,529
	2015	7.75%	8,715,594,530	6,477,266,299	4,596,837,569
Tularosa Municipal School School District No. 4					
	2017	5.90%	$ 30,502,164	$ 23,431,636	$ 17,652,056
	2016	7.75%	18,982,954	14,332,417	10,473,786
	2015	7.75%	16,806,281	12,490,113	8,864,082

C. Post-Retirement Health Care Benefits

Plan Description - The District, as an employer, contributes to the New Mexico Retiree Health Care Fund (RHCA), a cost-sharing multiple-employer defined benefit postemployment healthcare plan. The plan provides healthcare insurance and prescription drug benefits to retired employees of participating employers, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies. RHCA issues a separate, publicly available financial report that includes the financial statements and required supplementary information for the plan. That report may be obtained www.nmrhca.org, www.saonm.org, or by writing to:

Retiree Health Care Authority
4308 Carlisle NE, Suite 104
Albuquerque, NM 87107

The plan is used to provide postemployment benefits other than pensions (OPEB) for retirees who were an employee of participating employer in either the New Mexico Public Employees Retirement Association (PERA) or Educational Retirement Board (ERB), eligible to receive a pension. For employers who "buy-in" to the plan, retirees are eligible for benefits six months after the effective date of employer participation. Retirees not in a PERA enhanced (Fire, Police, Corrections) pension plan who commence benefits on or after January 1, 2020 will not receive any subsidy from RHCA before age 55.

IV. OTHER INFORMATION (cont'd)

C. Post-Retirement Health Care Benefits (cont'd)

Eligible retirees are:

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

There were 160,035 active, retired, surviving spouses, and inactive members in fiscal year 2017; there were 159,642 active, retired, surviving spouses, and inactive members in fiscal year 2016.

Funding Policy

The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service-based subsidy rate schedule for the medical, plus basic life plan, plus an additional participation fee of five dollars ($5) if the eligible participant retired prior to the employer's effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from RHCA or viewed on their website at www.nmrhca.org.

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

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

Benefits Provided - Retirees and spouses are eligible for medical and prescription drug benefits. Dental and vision benefits are also available but were not included in any valuation since they are 100% retiree-paid. A description of these benefits may be found in Enrolled Participants at www.nmrhca.org.

Member Contributions – Employees that were not members of an enhanced plan, the statute required each participating employee was required to contribute 1% of their gross salary in fiscal year 2018.

Employer Contributions – In fiscal year 2018, the District was required to contribute 2% of the gross covered salary for employees who are entitled to RHCA benefits. The District's contributions to RHCA for the fiscal year ending June 30, 2018 was $115,097, which equal the amount of the required contributions for each fiscal year.

Employers - The Educational Retirement Act designates employers as Local Administrative Units, directly responsible for payment of compensation for the employment of members or participants of this Plan. There were 301 contributing employers in fiscal year 2017.

IV. OTHER INFORMATION (cont'd)

C. Post-Retirement Health Care Benefits (cont'd)

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

At June 30, 2018, the District reported a liability of $6,339,357 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District 's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2017, the District's proportion was 0.13989 percent.

For the year ended June 30, 2018, the District recognized OPEB expense of $252,027.

OPEB EXPENSE CALCULATION		
Net OPEB liability - end of the year	$	6,339,357
Net OPEB liability - beginning of the year		(7,650,255)
Deferred outflows of resources during the year		-
Deferred inflows of resources during the year		1,442,823
Reductions to ending net OPEB liability due contributions paid		120,102
Total OPEB Expense	$	252,027

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OUTFLOWS		INFLOWS	
Difference between expected and actual experience	$	-	$	243,271
Change of assumptions		-		1,108,356
Net difference between projected and actual earnings on OPEB plan investments		-		91,196
Changes in proportion and differences between District contributions and proportionate share of contributions		-		-
District contributions subsequent to the measurement date		115,097		-
Total	$	115,097	$	1,442,823

Deferred outflows of resources related to OPEB in the amount of $115,097 resulted from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2018. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

JUNE 30,	AMORTIZATION	
2019	$	306,754
2020		306,754
2021		306,754
2022		306,754
2023		215,807
Thereafter		-
Total	$	1,442,823

IV. OTHER INFORMATION (cont'd)

C. Post-Retirement Health Care Benefits (cont'd)

Actuarial Assumptions

The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the OPEB plan'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.

A blended rate of the assumed investment return on Plan assets (e.g. 7.25% for the June 30, 2017 valuation) and the rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (e.g. 3.58% as of June 30, 2017). The 7.25% discount rate was used to calculate the net OPEB liability through June 30, 2029. Benefit payments after June 30, 2029 are then discounted by the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher, currently 3.58%. The blended discount rate of 3.81% was used to measure the total OPEB liability as of June 30, 2017.

The total OPEB liability was determined by an actuarial valuation as of June 30, 2017 using the following actuarial assumptions:

Valuation Date:	June 30, 2017
Actuarial Cost Method Entry Age:	Entry age normal, level percent of pay, calculated on individual employee basis
Amortization Method:	30-year open-ended amortization, level percent of payroll
Remaining Period:	30 years as of June 30, 2016
Asset Valuation Method:	Market value of assets
Actuarial assumptions	
Inflation:	2.50% for ERB; 2.25% for PERA
Projected Salary 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 future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumptions. The target allocation and best estimates for the long-term expected rate of return is summarized as follows:

Asset Class	Target Allocation %	2017 Long-Term Expected Real Rate of Return %
U.S. core fixed income	20	9.1
U.S. equity - large cap	20	9.1
Non U.S. - emerging markets	15	12.2
Non U.S. - developed equities	12	9.8
Private equity	10	13.8
Credit and structured finance	10	7.3
Real estate	5	6.9
Absolute return	5	6.1
U.S. equity - small/mid cap	3	9.1

IV. OTHER INFORMATION (cont'd)

C. Post-Retirement Health Care Benefits (cont'd)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate Assumption

The following table shows the sensitivity of the net OPEB liability to changes in the discount rate as of June 30, 2017. In particular, the table presents the Plan's net OPEB liability under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (1% decrease) or one percentage point higher (1% increase) than the single discount rate.

CURRENT SINGLE RATE					
		Discount Rate	1% Decrease	Single Rate Assumption	1% Increase
RHCA (All Employers)					
	2017	3.81%	$ 5,496,848,763	$ 4,531,673,018	$ 3,774,405,896
Tularosa Municipal School School District No. 4					
	2017	3.81%	$ 7,689,542	$ 6,339,357	$ 5,280,016

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

HEALTH COST TREND RATE				
		1% Decrease	Current Trend Rates	1% Increase
RHCA (All Employers)				
	2017	$ 3,854,499,980	$ 4,531,673,018	$ 5,059,700,584
Tularosa Municipal School School District No. 4				
	2017	$ 5,392,060	$ 6,339,357	$ 7,078,015

D. Contingent Liabilities

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

The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the government's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the government.

E. Cash Flows

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

IV. OTHER INFORMATION (cont'd)

F. Restatement

There was a restatement of the basic financial statements for $6,677,156. There was decrease of net position of $7,530,151 that was for the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* which requires the recognition of the District's portion of the cost-sharing OPEB liability. The prior year deferred property tax revenue of $106,701 from the modified accrual governmental financial statements was not adjusted and recognized as revenue in the government wide full accrual financial statements. This resulted in a restatement to increase the net position. Net position is also being increased because the District did not defer the fiscal year 2017 contributions to the pension plan in the amount of $790,642, as required by GASB 68. A bond issue from the prior year in the amount of $900,000 was not reported in the prior year and resulted in a decrease of net position.

The remainder of the restatement was due to a restatement to increase fund balance by $855,652. This was for the bond issue mentioned in the previous paragraph that resulted in an increase of fund balance in the Bond Building Capital Projects Fund.

G. Subsequent Events

Subsequent events were evaluated through October 30, 2018 which is the date the financial statements were available to be issued.

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Educational Retirement Board (ERB) Pension Plan
Last 10 Fiscal Years*

	2018	2017	2016	2015
District's proportion of the net pension liability	0.210840%	0.199160%	0.192830%	0.188700%
District's proportionate share of the net pension liability	$ 23,431,636	$ 14,332,417	$ 12,490,113	$ 10,766,707
District's covered-employee payroll	$ 6,005,811	$ 5,264,877	$ 5,481,320	$ 5,201,308
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	390.15%	272.23%	227.87%	207.00%
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 will present information for those years for which information is available.

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

	2018	2017	2016	2015
Contractually required contribution	$ 799,567	$ 834,779	$ 790,645	$ 761,904
Contributions in relation to the contractually required	(799,567)	(834,779)	(790,645)	(761,904)
Contribution deficeiency (excess)	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 5,754,300	$ 6,005,811	$ 5,264,877	$ 5,481,320
Contribution as a percentage of covered-employee payroll	13.90%	13.90%	15.02%	13.90%

* 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.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2018

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 30, 2016, ERB implemented the following changes in assumptions for fiscal years 2017.

1) Fiscal year 2017 valuation assumptions that changed based on this study:
   a. Lower wage inflation from 3.75% to 3.25%
   b. Lower payroll growth from 3.50% to 3.00%
   c. Minor changes to demographic assumptions
   d. Lower Inflation rate from 3.00% to 2.50%
   e. Lower Investment return from 7.75% to 7.25%
   f. Lower COLA assumption from 2.00% per year to 1.90%
2) Assumptions that were not changed:
   a. Population growth per year at 0.00%
   b. Salary increases at 3.00% inflation, plus 0.75% productivity increase rate, plus step-rate promotional increases for less than ten years of service
   c. Net real return remains at 4.75%

See also the Note VI (B) *Actuarial Assumptions* of the financial statement note disclosure on the Pension Plan.

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
Retiree Health Care Authority (RHCA) OPEB Plan
Last 10 Fiscal Years*

	2018
District's proportion of the net OPEB liability	0.139890%
District's proportionate share of the net OPEB liability	$ 6,339,357
District's covered-employee payroll	$ 6,005,450
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	105.56%
Plan fiduciary net position as a percentage of the total OPEB 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 will present information for those years for which information is available.

SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
Retiree Health Care Authority (RHCA) OPEB Plan
Last 10 Fiscal Years*

	2018
Contractually required contribution	$ 115,097
Contributions in relation to the contractually required	(115,097)
Contribution deficeiency (excess)	$ -
District's covered-employee payroll	$ 5,754,855
Contribution as a percentage of covered-employee payroll	2.00%

* 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.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2018

Changes of assumptions: RHCA 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 30, 2017, RHCA implemented the following changes in assumptions for fiscal years 2017 and 2016.

The total OPEB liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2017. The mortality, retirement, disability, turnover and salary increase assumptions are based on the PERA annual valuation as of June 30, 2016 and the ERB actuarial experience study as of June 30, 2016.

1) Fiscal year 2017 valuation assumptions that changed based on this study:
   a. Lower Investment return from 7.75% to 7.25%
   b. Lower Inflation rate from 3.00% to 2.50%
   c. Minor changes to demographic assumptions

2) Assumptions that were not changed:
   a. Population growth per year at 0.00%
   b. 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

See also the Note IV (C) *Actuarial Assumptions* of the financial statement note disclosure on the OPEB Plan.

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OTHER SUPPLEMENTAL INFORMATION

OF

TULAROSA MUNICIPAL SCHOOL DISTRICT NO. 4

AS OF AND FOR THE YEAR ENDED

JUNE 30, 2018

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OTHER SUPPLEMENTAL INFORMATION

(GENERAL FUNDS)

Operating Fund (Fund No. 11000)
The government's primary fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Transportation Fund (Fund No. 13000)
Accounts for all the Transportation funds received through the state that are used in the maintaining and operating vehicles used to transport students.

Instructional Materials Fund (Fund No. 14000)
Accounts for all the Instructional Materials funds received through the state for the purpose of acquiring study materials for the students.

GENERAL FUNDS
Combining Balance Sheet
June 30, 2018

	Operational Fund #11000	Transportation Fund #13000	Instructional Materials Fund #14000	Total General Funds
Assets				
Cash and cash equivalents	$ 600,670	$ 42,374	$ 9,931	$ 652,975
Investments	124,668	-	-	124,668
Receivables:				
Property taxes	4,567	-	-	4,567
Due from other governments	479	-	-	479
Due from other funds	318,388	-	-	318,388
Due from agency funds	27,861	-	-	27,861
Total assets	$ 1,076,633	$ 42,374	$ 9,931	$ 1,128,938
Liabilities, deferred inflows and fund balance				
Liabilities:				
Accounts payable	$ 30,401	$ -	$ -	$ 30,401
Deferred inflows of resources:				
Delinquent property taxes	3,974	-	-	3,974
Fund balance:				
Non-spendable:				
Inventories	27,861	-	-	27,861
Unassigned	1,014,397	42,374	9,931	1,066,702
Total fund balance	1,042,258	42,374	9,931	1,094,563
Total liabilities, deferred inflows of resources, and fund balance	$ 1,076,633	$ 42,374	$ 9,931	$ 1,128,938

GENERAL FUNDS
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Year Ended June 30, 2018

	General Funds			
	Operational Fund #11000	Transportation Fund #13000	Instructional Materials Fund #14000	Total General Fund
Revenues:				
Taxes:				
Property	$ 38,450	$ -	$ -	$ 38,450
Intergovernmental - federal grants	405,577	-	-	405,577
Intergovernmental - state grants	7,440,068	597,849	26,364	8,064,281
Contributions - private grants	1,794	-	-	1,794
Charges for services	8,265	-	-	8,265
Investment and interest income	6,077	59	-	6,136
Miscellaneous	8,796	-	198	8,994
Total revenue	7,909,027	597,908	26,562	8,533,497
Expenditures:				
Current:				
Instruction	4,710,154	-	29,785	4,739,939
Support services:				
Students	875,204	-	-	875,204
Instruction	338,897	-	-	338,897
General Administration	282,343	-	-	282,343
School Administration	619,488	-	-	619,488
Central Services	224,114	-	-	224,114
Operation & Maintenance of Plant	1,147,117	-	-	1,147,117
Student transportation	-	555,607	-	555,607
Total expenditures	8,197,317	555,607	29,785	8,782,709
Excess (deficiency) of revenues over expenditures	(288,290)	42,301	(3,223)	(249,212)
Fund balance at beginning of the year	1,330,548	73	13,154	1,343,775
Fund balance at end of the year	$ 1,042,258	$ 42,374	$ 9,931	$ 1,094,563

STATE OF NEW MEXICO

TULAROSA MUNICIPAL SCHOOL DISTRICT NO. 4

OPERATIONAL FUND - NO. 11000

Statement of Revenues, Expenditures, and

Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)

Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive
	Original	Final	(Budgetary Basis)	(Negative)
Revenues:				
Taxes:				
Property	$ 37,148	$ 37,148	$ 38,432	$ 1,284
Intergovernmental - federal grants	341,715	344,490	405,577	61,087
Intergovernmental - state grants	7,353,533	7,469,766	7,440,068	(29,698)
Contributions - private grants	-	-	1,794	1,794
Charges for services	-	-	8,265	8,265
Investment and interest income	1,100	1,100	6,077	4,977
Miscellaneous	-	-	8,716	8,716
Total revenues	7,733,496	7,852,504	7,908,929	56,425
Expenditures:				
Current:				
Instruction	5,204,850	5,220,114	4,709,979	510,135
Support services:				
Students	999,783	1,045,783	875,204	170,579
Instruction	373,894	373,894	338,897	34,997
General Administration	298,329	298,329	283,561	14,768
School Administration	678,185	678,185	619,904	58,281
Central Services	229,797	229,797	224,518	5,279
Operation & Maintenance of Plant	1,206,039	1,263,783	1,179,656	84,127
Other Support services	61,383	61,383	-	61,383
Total expenditures	9,052,260	9,171,268	8,231,719	939,549
Excess (deficiency) of revenues over expenditures	(1,318,764)	(1,318,764)	(322,790)	995,974
Beginning cash balance budgeted	1,318,764	1,318,764	-	(1,318,764)
Fund balance at beginning of the year	-	-	1,330,548	1,330,548
Fund balance at end of the year	$ -	$ -	1,007,758	$ 1,007,758
RECONCILIATION TO GAAP BASIS:				
Change in property tax receivable			(746)	
Change in due from other governments			479	
Change in payables			34,481	
Change in deferred property taxes			286	
Fund balance at end of the year (GAAP basis)			$ 1,042,258	

TRANSPORTATION FUND - NO. 13000

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)

Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive
	Original	Final	(Budgetary Basis)	(Negative)
Revenues:				
Intergovernmental - state grants	$ 577,422	$ 597,849	$ 597,849	$ -
Investment and interest income	-	-	59	59
Total revenues	577,422	597,849	597,908	59
Expenditures:				
Current:				
Support services:				
Student transportation	577,422	598,301	556,438	41,863
Excess (deficiency) of revenues over expenditures	-	(452)	41,470	41,922
Beginning cash balance budgeted	-	452	-	(452)
Fund balance at beginning of the year	-	-	73	73
Fund balance at end of the year	$ -	$ -	41,543	$ 41,543
RECONCILIATION TO GAAP BASIS:				
Change in payables			831	
Fund balance at end of the year (GAAP basis)			$ 42,374	

STATE OF NEW MEXICO

TULAROSA MUNICIPAL SCHOOL DISTRICT NO. 4

INSTRUCTIONAL MATERIALS FUND - NO. 14000

Statement of Revenues, Expenditures, and

Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)

Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive
	Original	Final	(Budgetary Basis)	(Negative)
Revenues:				
Intergovernmental - state grants	$ 23,941	$ 26,364	$ 26,364	$ -
Miscellaneous	-	-	198	198
Total revenues	23,941	26,364	26,562	198
Expenditures:				
Current:				
Instruction	23,975	39,518	29,785	9,733
Excess (deficiency) of revenues over expenditures	(34)	(13,154)	(3,223)	9,931
Beginning cash balance budgeted	34	13,154	-	(13,154)
Fund balance at beginning of the year	-	-	13,154	13,154
Fund balance at end of the year	$ -	$ -	9,931	$ 9,931
RECONCILIATION TO GAAP BASIS:				
Change in payables			-	
Fund balance at end of the year (GAAP basis)			$ 9,931	

OTHER SUPPLEMENTAL INFORMATION

(NONMAJOR GOVERNMENTAL FUNDS)

Funds that did not meet the requirements of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis* to be considered Major Funds and have not been identified as Major Funds by management.

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Nonmajor Special Revenue Funds

Special revenue funds are operating funds used to account for the proceeds of specific revenue sources that are intended for specific purposes other than special assessments or major capital projects.

Food Service (Fund No. 21000) Minimum Balance: None

This program provides financing for the school breakfast and lunch program. Funding is provided from fees from patrons and USDA food reimbursements, under the National School Lunch Act of 1946, as amended, Public Law 79-396, Sections 2-4, 60 Stat. 230, 42 U.S.C. 1751 et seq.; 80 stat. 889, as amended; 84 stat. 270; and the Child Nutrition Act of 1966, as amended, Sections 4 and 10. Public Law 89-642, 80 sat. 886, 889, 42 U.S.C. 1773, 1779; Public Law 99-591, 100 stat. 3341; Public Law 100-71, 101 stat. 430.

Athletics (Fund No. 22000) Minimum Balance: None

This fund provides financing for school athletic activities. Funding is provided by fees from patrons.

Activities (Fund No. 23000) Minimum Balance: None

To account for revenue and expenditures associated with the District's non-instructional support activities (primarily after-school activities).

Entitlement IDEA-B (Fund No. 24106) Minimum Balance: None

Program provides grants to states that flow-through to schools, to assist them in providing a free appropriate public education to all children with disabilities. The program is funded by the United States government, under the Individuals with Disabilities Education Act, Part B, Section 611-617, and part D, Section 674 as amended, 20 U.S.C. 1711-1417 and 1420.

IDEA-B Autism (Fund No. 24108) Minimum Balance: None

The objective of this grant is to support the district's implementation of NMAP and improve the outcomes for students with Autism Spectrum Disorders through professional development, curriculum materials, trainings and travel expenses and supplies related to NMAP. Federal revenues accounted for in this fund are authorized by NMPED. No minimum balance required according to legislation.

Preschool IDEA-B (Fund No. 24109) Minimum Balance: None

The Preschool program is for the purpose of enhancing Special Education for handicapped children from ages 3 to 5. The program is funded by the United States government, under the Individuals With Disabilities Act, Part B, Section 619, as amended, Public Laws 94-142, 99-457, 100-630, 101-497, and 101-476.

IDEA-B Student Success (Fund No. 24132) Minimum Balance: None

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

Title II Teacher Quality (Fund No. 24154) Minimum Balance: None

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

Rural & Low-Income Schools (Fund No. 24160) Minimum Balance: None

To provide financial assistance to rural districts to carry out activities to help improve the quality of teaching and learning in their schools. Elementary and Secondary Education Act, Title VI, Part B.

Title I School Improvement (Fund No. 24162) Minimum Balance: None

To develop parental involvement in the school curriculum. The program is funded by the United States government under P.L. 100-297.

Impact Aid Special/Indian Education (Fund No. 25145 & 25147) Minimum Balance: None

To provide financial assistance to local educational agencies (LEA'S) where enrollments or availability of revenue are adversely affected by Federal activities, i.e. where the tax base of a district is reduced through the Federal acquisition of real property (Section 2), where there is a significant number of children who reside on Federal (including Indian) lands and/or children whose parents are employed on Federal property or in the Uniformed Services (Section 3(a) and 3 (b); where there is a significant decrease (Section 3(c)) or a sudden and substantial increase (Section 4) in school enrollment as the result of Federal activities; to provide disaster assistance for reduced or increased operating costs (Section 7(a)), for replacing or repairing damaged or destroyed supplies, equipment, and books, and for repairing minor damage to facilities. Funding authorized by Public Law 81-874.

Nonmajor Special Revenue Funds (cont'd)

Title XIX Medicaid (Fund No. 25153) Minimum Balance: None

To provide financial assistance from the Federal government which flows-through the State of New Mexico to school districts, for payments of medical assistance on behalf of cash assistance recipients, children, pregnant women and the aged who meet income and resource requirements, and other categorically-eligible groups. The program is funded by the U.S. government under the Social Security Act, Title XIX, as amended; Public Laws 92-223, 92-602, 93-66, 93-233, 96-499, 97-35, 97-2248, 98-369, 99-272, 99-509, 100-93, 100-202, 100-203, 100-360, 100-436, 100-485, 100-647, 101-166, 101-234, 101-239, 101-508, 101-517, 102-234, 102-170, 102-394, 103-66, 103-14, 103-333, 104-91, 104-191, 104-193, 104-208, and 104-134; Balanced Budget Act of 1997, Public Law 105-33.

Indian Ed Formula Grant (Fund No. 25184) Minimum Balance: None

The purpose of this program is to support projects which improve educational opportunities and achievement of Native American children. Funding is provided by the Federal Government, under the Elementary and Secondary Education Act of 1965, Title IX, Part A, Subpart 1, as amended, Public Law 103-382, 20 U.S.C. 7811-7818; 25 U.S.C. 2002.

Dual Credit Instructional Materials (Fund No. 27103) Minimum Balance: None

To be used for courses approved by Higher Education Department (HED) and through a college/university for which the district has an approved agreement.

Library Go Bonds 2012 (Fund No. 27107) Minimum Balance: None

Funds to be used for library books and library resources for public school libraries statewide. Library resources include computers, software, projectors, televisions, other related hardware and software, shelving, desks, chairs, and book trucks/carts. Senate Bill 66, Laws of 2012, 2nd Session, Chapter 54, Section 10.B.(3).

Recruitment Support (Fund No. 27128) Minimum Balance: None

To provide support to implement a recruitment, training, and support program to ensure effective, culturally competent, and qualified teachers are placed in New Mexico public schools that have high American Indian student enrollment.

Breakfast For Elementary Students (Fund No. 27155) Minimum Balance: None

To provide elementary students with the nutrition necessary to facilitate learning.

Nonmajor Capital Projects Funds

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

State SB – 9 Match (Fund No. 31700) Minimum Balance: None

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 as authorized by the Public School District Capital Improvements Act (22-25-1 to 22-25-10 NMSA 1978).

Capital Improvements SB – 9 (Fund No. 31701) Minimum Balance: None

This fund provides financing for the purchase of equipment and capital improvements to School District property. Funding is received from a 2 mill property tax levy and interest earned on investments, under New Mexico Senate Bill 9.

NON-MAJOR GOVERNMENTAL FUNDS
Combining Balance Sheet
June 30, 2018

	Special Revenue Funds				
	Food Service Fund #21000	Athletics Fund #22000	Activities Fund #23000	Entitlement IDEA-B Fund #24106	IDEA-B Autism Fund #24108
Assets					
Cash and cash equivalents	$ 325,827	$ 2	$ 29,953	$ -	$ -
Receivables:					
Property taxes	-	-	-	-	-
Grant	-	-	-	52,007	865
Due from other governments	-	-	-	-	-
Food inventory	6,758	-	-	-	-
Total assets	$ 332,585	$ 2	$ 29,953	$ 52,007	$ 865
Liabilities, deferred inflows and fund balance					
Liabilities:					
Accounts payable	$ -	$ -	$ -	$ -	$ -
Due to other funds	-	-	-	52,007	865
Total liabilities	-	-	-	52,007	865
Deferred inflows of resources:					
Delinquent property taxes	-	-	-	-	-
Fund balance:					
Non-spendable:					
Inventories	6,758	-	-	-	-
Restricted for:					
Special revenue funds	325,827	2	29,953	-	-
Capital projects funds	-	-	-	-	-
Total fund balance	332,585	2	29,953	-	-
Total liabilities, deferred inflows of resources, and fund balance	$ 332,585	$ 2	$ 29,953	$ 52,007	$ 865

(cont'd; 1 of 5)

NON-MAJOR GOVERNMENTAL FUNDS
Combining Balance Sheet
June 30, 2018

	Special Revenue Funds				
	Preschool IDEA-B Fund #24109	IDEA-B Student Success Fund #24132	Title II Teacher Quality Fund #24154	Rural & Low-Income Schools Fund #24160	Title I School Improvement Fund #24162
Assets					
Cash and cash equivalents	$ -	$ -	$ -	$ -	$ -
Receivables:					
Property taxes	-	-	-	-	-
Grant	2,059	2,522	25,603	6,677	-
Due from other governments	-	-	-	-	-
Food inventory	-	-	-	-	-
Total assets	$ 2,059	$ 2,522	$ 25,603	$ 6,677	$ -
Liabilities, deferred inflows and fund balance					
Liabilities:					
Accounts payable	$ -	$ -	$ -	$ -	$ -
Due to other funds	2,059	2,522	25,603	6,677	-
Total liabilities	2,059	2,522	25,603	6,677	-
Deferred inflows of resources:					
Delinquent property taxes	-	-	-	-	-
Fund balance:					
Non-spendable:					
Inventories	-	-	-	-	-
Restricted for:					
Special revenue funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Total fund balance	-	-	-	-	-
Total liabilities, deferred inflows of resources, and fund balance	$ 2,059	$ 2,522	$ 25,603	$ 6,677	$ -

(cont'd; 2 of 5)

NON-MAJOR GOVERNMENTAL FUNDS
Combining Balance Sheet
June 30, 2018

	Special Revenue Funds				
	Impact Aid Special Education Fund #25145	Impact Aid Indian Education Fund #25147	Title XIX Medicaid Fund #25153	Indian Ed Formula Grant Fund #25184	Dual Credit Instructional Materials Fund #27103
Assets					
Cash and cash equivalents	$ -	$ 24,528	$ 110,711	$ -	$ -
Receivables:					
Property taxes	-	-	-	-	-
Grant	-	-	-	-	205
Due from other governments	-	-	-	-	-
Food inventory	-	-	-	-	-
Total assets	$ -	$ 24,528	$ 110,711	$ -	$ 205
Liabilities, deferred inflows and fund balance					
Liabilities:					
Accounts payable	$ -	$ -	$ -	$ -	$ -
Due to other funds	-	-	-	-	205
Total liabilities	-	-	-	-	205
Deferred inflows of resources:					
Delinquent property taxes	-	-	-	-	-
Fund balance:					
Non-spendable:					
Inventories	-	-	-	-	-
Restricted for:					
Special revenue funds	-	24,528	110,711	-	-
Capital projects funds	-	-	-	-	-
Total fund balance	-	24,528	110,711	-	-
Total liabilities, deferred inflows of resources, and fund balance	$ -	$ 24,528	$ 110,711	$ -	$ 205

(cont'd; 3 of 5)

STATE OF NEW MEXICO
TULAROSA MUNICIPAL SCHOOL DISTRICT NO. 4

NON-MAJOR GOVERNMENTAL FUNDS
Combining Balance Sheet
June 30, 2018

	Special Revenue Funds			
	Libraries GO Bond 2012 Fund #27107	Recruitment Support Fund #27128	Breakfast for Elementary Students Fund #27155	Total Non-Major Special Revenue Funds
Assets				
Cash and cash equivalents	$ -	$ -	$ -	$ 491,021
Receivables:				
Property taxes	-	-	-	-
Grant	12,263	980	2,521	105,702
Due from other governments	-	-	-	-
Food inventory	-	-	-	6,758
Total assets	$ 12,263	$ 980	$ 2,521	$ 603,481
Liabilities, deferred inflows and fund balance				
Liabilities:				
Accounts payable	$ -	$ -	$ -	$ -
Due to other funds	12,263	980	2,521	105,702
Total liabilities	12,263	980	2,521	105,702
Deferred inflows of resources:				
Delinquent property taxes	-	-	-	-
Fund balance:				
Non-spendable:				
Inventories	-	-	-	6,758
Restricted for:				
Special revenue funds	-	-	-	491,021
Capital projects funds	-	-	-	-
Total fund balance	-	-	-	497,779
Total liabilities, deferred inflows of resources, and fund balance	$ 12,263	$ 980	$ 2,521	$ 603,481

(cont'd; 4 of 5)

NON-MAJOR GOVERNMENTAL FUNDS
Combining Balance Sheet
June 30, 2018

	Capital Projects Funds			
	State SB-9 Match Fund #31700	Capital Improvements SB-9 Fund #31701	Total Non-Major Capital Projects Funds	Total Nonmajor Governmental Funds
Assets				
Cash and cash equivalents	$ -	$ 149,496	$ 149,496	$ 640,517
Receivables:				
Property taxes	-	24,492	24,492	24,492
Grant	-	-	-	105,702
Due from other governments	-	2,650	2,650	2,650
Food inventory	-	-	-	6,758
Total assets	$ -	$ 176,638	$ 176,638	$ 780,119
Liabilities, deferred inflows and fund balance				
Liabilities:				
Accounts payable	$ -	$ 14,263	$ 14,263	$ 14,263
Due to other funds	-	-	-	105,702
Total liabilities	-	14,263	14,263	119,965
Deferred inflows of resources:				
Delinquent property taxes	-	21,502	21,502	21,502
Fund balance:				
Non-spendable:				
Inventories	-	-	-	6,758
Restricted for:				
Special revenue funds	-	-	-	491,021
Capital projects funds	-	140,873	140,873	140,873
Total fund balance	-	140,873	140,873	638,652
Total liabilities, deferred inflows of resources, and fund balance	$ -	$ 176,638	$ 176,638	$ 780,119

(5 of 5)

STATE OF NEW MEXICO
TULAROSA MUNICIPAL SCHOOL DISTRICT NO. 4

NON-MAJOR GOVERNMENTAL FUNDS
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance
Year Ended June 30, 2018

	Special Revenue Funds				
	Food Service Fund #21000	Athletics Fund #22000	Activities Fund #23000	Entitlement IDEA-B Fund #24106	IDEA-B Autism Fund #24108
Revenues:					
Taxes:					
Property	$ -	$ -	$ -	$ -	$ -
Intergovernmental - federal grants	486,595	-	-	241,849	865
Intergovernmental - state grants	-	-	-	-	-
Charges for services	24,803	23,132	90,059	-	-
Investment and interest income	299	25	-	-	-
Miscellaneous	-	156	706	-	-
Total revenues	511,697	23,313	90,765	241,849	865
Expenditures:					
Current:					
Instruction	-	20,281	102,778	176,043	726
Support services:					
Students	-	-	-	65,652	-
Instruction	-	-	-	-	-
General Administration	-	-	-	-	-
School Administration	-	-	-	-	-
Central Services	-	-	-	-	-
Operation & Maintenance of Plant	-	-	-	-	-
Food services operations	500,724	-	-	-	-
Total expenditures	500,724	20,281	102,778	241,695	726
Excess (deficiency) of revenues over expenditures	10,973	3,032	(12,013)	154	139
Fund balance (deficit) at beginning of the	321,612	(3,030)	41,966	(154)	(139)
Fund balance at end of the year	$ 332,585	$ 2	$ 29,953	$ -	$ -

(cont'd; 1 of 5)

STATE OF NEW MEXICO

TULAROSA MUNICIPAL SCHOOL DISTRICT NO. 4

NON-MAJOR GOVERNMENTAL FUNDS

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance

Year Ended June 30, 2018

	Special Revenue Funds				
	Preschool IDEA-B Fund #24109	IDEA-B Student Success Fund #24132	Title II Teacher Quality Fund #24154	Rural & Low-Income Schools Fund #24160	Title I School Improvement Fund #24162
Revenues:					
Taxes:					
Property	$ -	$ -	$ -	$ -	$ -
Intergovernmental - federal grants	8,820	40,000	102,365	16,221	29,977
Intergovernmental - state grants	-	-	-	-	-
Charges for services	-	-	-	-	-
Investment and interest income	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total revenues	8,820	40,000	102,365	16,221	29,977
Expenditures:					
Current:					
Instruction	8,820	40,000	99,509	13,853	29,977
Support services:					
Students	-	-	-	-	-
Instruction	-	-	-	1,444	-
General Administration	-	-	2,100	395	-
School Administration	-	-	-	529	-
Central Services	-	-	-	-	-
Operation & Maintenance of Plant	-	-	-	-	-
Food services operations	-	-	-	-	-
Total expenditures	8,820	40,000	101,609	16,221	29,977
Excess (deficiency) of revenues over expenditures	-	-	756	-	-
Fund balance (deficit) at beginning of the	-	-	(756)	-	-
Fund balance at end of the year	$ -	$ -	$ -	$ -	$ -

(cont'd; 2 of 5)

NON-MAJOR GOVERNMENTAL FUNDS

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance

Year Ended June 30, 2018

	Special Revenue Funds				
	Impact Aid Special Education Fund #25145	Impact Aid Indian Education Fund #25147	Title XIX Medicaid Fund #25153	Indian Ed Formula Grant Fund #25184	Dual Credit Instructional Materials Fund #27103
Revenues:					
Taxes:					
Property	$ -	$ -	$ -	$ -	$ -
Intergovernmental - federal grants	30,660	125,947	55,175	44,487	-
Intergovernmental - state grants	-	-	-	-	1,370
Charges for services	-	-	-	-	-
Investment and interest income	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total revenues	30,660	125,947	55,175	44,487	1,370
Expenditures:					
Current:					
Instruction	28,440	39,537	-	39,834	1,370
Support services:					
Students	2,220	47,851	8,803	-	-
Instruction	-	-	-	-	-
General Administration	-	-	-	1,033	-
School Administration	-	-	-	-	-
Central Services	-	14,031	-	-	-
Operation & Maintenance of Plant	-	-	-	-	-
Food services operations	-	-	-	-	-
Total expenditures	30,660	101,419	8,803	40,867	1,370
Excess (deficiency) of revenues over expenditures	-	24,528	46,372	3,620	-
Fund balance (deficit) at beginning of the	-	-	64,339	(3,620)	-
Fund balance at end of the year	$ -	$ 24,528	$ 110,711	$ -	$ -

(cont'd; 3 of 5)

NON-MAJOR GOVERNMENTAL FUNDS

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance

Year Ended June 30, 2018

	Special Revenue Funds			
	Libraries GO Bond 2012 Fund #27107	Recruitment Support Fund #27128	Breakfast for Elementary Students Fund #27155	Total Nonmajor Special Revenue Funds
Revenues:				
Taxes:				
Property	$ -	$ -	$ -	$ -
Intergovernmental - federal grants	-	-	-	1,182,961
Intergovernmental - state grants	12,263	980	30,046	44,659
Charges for services	-	-	-	137,994
Investment and interest income	-	-	-	324
Miscellaneous	-	-	-	862
Total revenues	12,263	980	30,046	1,366,800
Expenditures:				
Current:				
Instruction	-	-	-	601,168
Support services:				
Students	-	-	-	124,526
Instruction	12,263	-	-	13,707
General Administration	-	-	-	3,528
School Administration	-	-	-	529
Central Services	-	980	-	15,011
Operation & Maintenance of Plant	-	-	-	-
Food services operations	-	-	30,046	530,770
Total expenditures	12,263	980	30,046	1,289,239
Excess (deficiency) of revenues over expenditures	-	-	-	77,561
Fund balance (deficit) at beginning of the	-	-	-	420,218
Fund balance at end of the year	$ -	$ -	$ -	$ 497,779

(cont'd; 4 of 5)

NON-MAJOR GOVERNMENTAL FUNDS

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance

Year Ended June 30, 2018

	Capital Projects Funds			
	State SB-9 Match Fund #31700	Capital Improvements SB-9 Fund #31701	Total Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues:				
Taxes:				
Property	$ -	$ 171,817	$ 171,817	$ 171,817
Intergovernmental - federal grants	-	-	-	1,182,961
Intergovernmental - state grants	117,937	-	117,937	162,596
Charges for services	-	-	-	137,994
Investment and interest income	-	-	-	324
Miscellaneous	-	11,700	11,700	12,562
Total revenues	117,937	183,517	301,454	1,668,254
Expenditures:				
Current:				
Instruction	-	-	-	601,168
Support services:				
Students	-	-	-	124,526
Instruction	-	-	-	13,707
General Administration	-	1,941	1,941	5,469
School Administration	-	-	-	529
Central Services	-	-	-	15,011
Operation & Maintenance of Plant	-	277,387	277,387	277,387
Food services operations	-	-	-	530,770
Total expenditures	-	279,328	279,328	1,568,567
Excess (deficiency) of revenues over expenditures	117,937	(95,811)	22,126	99,687
Fund balance (deficit) at beginning of the	(117,937)	236,684	118,747	538,965
Fund balance at end of the year	$ -	$ 140,873	$ 140,873	$ 638,652

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OTHER SUPPLEMENTAL INFORMATION

(STATE REQUIRED DISCLOSURES)

Supplemental schedules required by the State of
New Mexico to provide additional analysis.

STATE OF NEW MEXICO

TULAROSA MUNICIPAL SCHOOL DISTRICT NO. 4

FIDUCIARY FUNDS

Schedule of Changes in Assets and Liabilities - All Agency Funds

Year Ended June 30, 2018

ASSETS	Balance June 30, 2017	Receipts	Disbursements	Balance June 30, 2018
Cash and cash equivalents:				
Central Office	$ -	$ -	$ -	$ -
High School	6,342	89,501	63,015	32,828
Middle School	2,947	15,648	14,768	3,827
Elementary School	-	28,071	21,204	6,867
Scholarships	287,184	29,421	31,350	285,255
	$ 296,473	$ 162,641	$ 130,337	$ 328,777
LIABILITIES				
Deposits held for others	$ 296,473	$ 162,641	$ 130,337	$ 328,777

SCHEDULE OF PLEDGED COLLATERAL
June 30, 2018

	First National Bank	Western Bank	New Mexico Finance Authority	Total
Cash on deposit at June 30, 2018:				
Checking and savings	$ 5,111,662	$ 277,582	$ 767,306	$ 6,156,550
Less: FDIC coverage	(250,000)	(277,582)	-	(527,582)
Uninsured funds	$ 4,861,662	$ -	$ 767,306	$ 5,628,968
Amount requiring pledged collateral:				
50% collateral requirement	$ 2,430,831	$ -	$ 383,653	$ 2,814,484
Pledged collateral	5,494,150	-	767,306	6,261,456
Excess (deficiency) of pledged collateral	$ 3,063,319	$ -	$ 383,653	$ 3,446,972

Pledged collateral of financial institutions consists of the following at June 30, 2018

First National Bank:	Maturity	CUSIP #	Market Value
FHLMC Pool #G18053	5/1/2020	3128MMBXO	$ 7,691
FNMA Pool #745004	2/1/2025	31403CU58	47,062
FNMA Pool #MA2214	3/1/2025	31418BN85	562,389
FHLMC Pool #J14785	3/1/2026	3128PUJ60	615,893
FNMA Pool #AB3172	6/1/2026	31416YQ27	285,685
FHLMC Pool #E09010	9/1/2027	31294UAK9	369,283
FNMA Pool #MA0756	6/1/2031	31417YZWO	208,391
FNMA Pool #MA0952	1/1/2032	31418ABW7	564,447
FHLMC Pool #C91388	2/1/2032	3128P7RH8	416,727
FHLMC Pool #C91557	9/1/2032	3128P7WS8	512,044
FHLMC Pool #C91871	5/1/2036	3128P8CG4	1,507,481
FNMA Pool #256530	12/1/2036	31371M4P9	9,518
FNMA Pool #256721	5/1/2037	31371ND28	37,601
FNMA Pool #256809	7/1/2037	31371NGS8	28,057
QUESTA NM SCH DIST	9/1/2025	748352CY5	315,795
FHR 1382 KA	10/15/2022	312912WF1	6,086
			$ 5,494,150

The above securities are held at Bank of New York Mellon, New York, NY.

State of New Mexico:

Detail of the pledged collateral to the District is unavailable because the bank commingles pleged collateral for all state funds it holds. However, the State Treasurer's Office Collateral Bureau monitors the pledged collateral for all state funds.

STATE OF NEW MEXICO

TULAROSA MUNICIPAL SCHOOL DISTRICT NO. 4

CASH RECONCILIATION

Year Ended June 30, 2018

	Beginning Cash	Receipts	Distributions	Other	Net Cash End of Period	Adjustments to the report	Total Cash on Report
Operations	$ 1,365,554	$ 7,908,334	$ 8,231,720	$ 1,558	$ 1,043,726	$ (318,388)	$ 725,338
Teacherage	-	-	-	-	-	-	-
Transportation	904	597,908	556,438	-	42,374	-	42,374
Instructional Materials	13,155	26,562	29,786	-	9,931	-	9,931
Food Services	314,804	475,175	464,152	-	325,827	-	325,827
Athletics	(2,920)	23,157	20,391	156	2	-	2
Activity Funds	42,556	90,059	103,368	706	29,953	-	29,953
Federal Flowthrough Funds	(160,028)	999,830	1,142,236	15	(302,419)	302,419	-
Federal Direct Funds	130,697	186,308	181,766	-	135,239	-	135,239
State Flowthrough Funds	-	28,690	44,659	-	(15,969)	15,969	-
Bond Building	2,308,049	19,856	223,929	1,596,698	3,700,674	-	3,700,674
State SB-9 Match	(117,937)	117,937	-	-	-	-	-
Capital Improvements SB-9	242,994	205,828	299,326	-	149,496	-	149,496
Debt Service	446,759	865,078	819,125	-	492,712	328,777	821,489
Agency Funds	-	-	-	-	-	328,777	328,777
Total	$ 4,584,587	$ 11,544,722	$ 12,116,896	$ 1,599,133	$ 5,611,546	$ 657,554	$ 6,269,100

Account Name	Account Type	Bank Name	Bank Amount
Operational	Checking - Interest	First National Bank	$ 736,743
Transportation	Checking - Interest	First National Bank	42,374
Cafeteria	Checking - Interest	First National Bank	325,962
Non-Instructional	Checking - Interest	Western Bank	31,354
Building	Checking - Interest	First National Bank	2,740,018
Bond	Checking - Interest	First National Bank	477,518
Elementary	Checking - Interest	Western Bank	6,911
Intermediate	Checking - Interest	Western Bank	22,715
Middle School	Checking - Interest	Western Bank	3,901
High School	Checking - Interest	Western Bank	10,915
Activities	Checking - Interest	First National Bank	193
PR Clearing	Checking - Interest	First National Bank	705,388
Bond Building	Checking - Interest	First National Bank	5,649
Bond Building	Checking - Interest	First National Bank	761,657
LGIP 146	Investment Pool	State Treasurer	348,074
LGIP 146	Investment Pool	State Treasurer	124,668
LGIP 146	Investment Pool	State Treasurer	15,194
Scholarship	CD	Western Bank	25,268
Scholarship	CD	Western Bank	10,000
Scholarship	Checking - Interest	First National Bank	68,967
Scholarship	Checking - Interest	Western Bank	166,519
Scholarship	Checking - Interest	First National Bank	14,500
			$ 6,644,488

Adjustments to report:	
Agency funds	$ 328,777
Interfund loans - pooled cash [1]	(318,388)
Interfund loans - pooled cash [1]	318,388
Clearing account	-
Total adjustment to the report	$ 328,777

Adjustments to cash:	
Bank Balance	$ 6,644,488
Cash on hand	-
Outstanding deposits	-
Outstanding checks	(704,165)
Errors	-
Total adjusted cash	$ 5,940,323

COMPLIANCE SECTION

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

§

Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance; and
Report on the Schedule of Expenditures of
Federal Awards Required By Uniform Guidance

§

Schedule of Findings and Questioned Costs:
Summary of Auditor's Results
Financial Statement Findings
Federal Award Findings

§

Summary Schedule of Prior Year Audit Findings

§

Schedule of Expenditures of Federal Awards
Notes to the Schedule of Expenditures of Federal Awards

§

Required Disclosure

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

INDEPENDENT AUDITORS' REPORT

Wayne Johnson, State Auditor,
The Board of Education and Audit Committee of
Tularosa Municipal School District No. 4

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue funds, of the Tularosa Municipal School District No. 4 as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Tularosa Municipal School District No. 4' basic financial statements, and the combining and individual funds and related budgetary comparisons of Tularosa Municipal School District No. 4, presented as supplemental information, and have issued our report thereon dated October 30, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit, of the financial statements, we considered Tularosa Municipal School District No. 4' 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 Tularosa Municipal School District No. 4' internal control. Accordingly, we do not express an opinion on the effectiveness of Tularosa Municipal School District No. 4' 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 Tularosa Municipal School District No. 4' financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a *material weakness*, yet important enough to merit attention by those charged with governance.

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 Tularosa Municipal School District No. 4's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a *material weakness*, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies. Finding 2018-002. However, material weaknesses may exist that have not been identified.

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Wayne Johnson, State Auditor,
The Board of Education and Audit Committee of
Tularosa Municipal School District No. 4

Compliance and other matters

As part of obtaining reasonable assurance about whether Tularosa Municipal School District No. 4' 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. We also noted certain other matters that are required to be reported pursuant to *Government Auditing Standards* and pursuant to Section 12-6-5, NMSA 1978, which are described in the accompanying schedule of findings and questioned costs as finding 2018-001.

Tularosa Municipal School District No. 4' Response to Findings

Tularosa Municipal School District No. 4' responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Tularosa Municipal School District No. 4' 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 this 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 Tularosa Municipal School District No. 4' 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.

Accounting & Financial Solutions, LLC
Farmington, New Mexico
October 30, 2018

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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY UNIFORM GUIDANCE

INDEPENDENT AUDITOR'S REPORT

Wayne Johnson, State Auditor,
The Board of Education and Audit Committee of
Tularosa Municipal School District No. 4

Report on Compliance for Each Major Federal Program

We have audited Tularosa Municipal School District No. 4' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Tularosa Municipal School District No. 4' major federal programs for the year ended June 30, 2018. Tularosa Municipal School District No. 4' 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 federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Tularosa Municipal School District No. 4' 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 audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) Those standards and the 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 Tularosa Municipal School District No. 4' 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 Tularosa Municipal School District No. 4' compliance.

Opinion on Each Major Federal Program

In our opinion, Tularosa Municipal School District No. 4 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.

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Wayne Johnson, State Auditor,
The Board of Education and Audit Committee of
Tularosa Municipal School District No. 4

Report on Internal Control Over Compliance

Management of Tularosa Municipal School District No. 4 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 Tularosa Municipal School District No. 4' 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 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 Tularosa Municipal School District No. 4' 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Accounting & Financial Solutions, LLC
Farmington, New Mexico
October 30, 2018

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

OF

TULAROSA MUNICIPAL SCHOOL DISTRICT NO. 4

AS OF AND FOR THE YEAR ENDED

JUNE 30, 2018

STATE OF NEW MEXICO

TULAROSA MUNICIPAL SCHOOL DISTRICT NO. 4

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2018

Federal Grantor/Pass - Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed To Subrecipients	Cluster Programs	Federal Expenditures
U.S. Department of Agriculture:					
Direct Program:					
Forest Reserve	10.665	11000	$ -		$ 29,660
Pass-Through Program From:					
New Mexico Department of Education:					
Child Nutrition Cluster:					
USDA National School Lunch Program	10.555	21000	-	$ 257,453	
USDA School Breakfast Program	10.553	21000	-	192,621	
Total Child Nutrition Cluster					450,074
Pass-Through Program From:					
New Mexico Human Service Department:					
USDA Commodities Program	10.565	21000	-		36,521
Subtotal Pass-Through Programs					486,595
Total U.S. Department of Agriculture					516,255
U.S. Department of Education:					
Direct Programs:					
Impact Aid Indian Education	84.041	11000	-		354,216
Impact Aid Special Education	84.041	25145	-		30,660
Impact Aid Indian Education	84.041	25147	-		101,419
Indian Ed Formula Grant	84.060	25184	-		40,867
Subtotal Direct Programs					527,162
Pass-Through Programs From:					
New Mexico Department of Education:					
Special Education (IDEA) Cluster:					
Entitlement IDEA-B	84.027	24106	-	$ 241,695	
IDEA-B Autism	84.027A	24108	-	726	
Preschool IDEA-B	84.173A	24109	-	8,820	
IDEA-B Student Success	84.027	24132	-	40,000	
Total Special Education (IDEA) Cluster					291,241
Title I	84.010	24101	-		702,413
Title II Teacher Quality	84.367	24154	-		101,609
Rural & Low-Income Schools	84.358	24160	-		16,221
Title I School Improvement	84.010	24162	-		29,977
Subtotal Pass-Through Programs					1,141,461
Total U.S. Department of Education					1,668,623
Total Expenditures of Federal Awards			$ -		$ 2,184,878

See the accompanying notes to the Schedule of Expenditures of Federal Awards.

1. Scope of audit pursuant to OMB Uniform Grant Guidance

All federal grant operations of Tularosa Municipal School District No. 4 (the "District") are included in the scope of the Office of Management and Budget ("OMB") Uniform Grant Guidance audit (the "Single Audit"). The Single Audit was performed in accordance with the provisions of the OMB Circular Compliance Supplement (Revised May 2018 the "Compliance Supplement"). Compliance testing of all requirements are described in the Compliance Supplement, was performed for the grants programs noted below. These programs represent all federal award programs and other grants with fiscal year 2018 cash and non-cash expenditures to ensure coverage of at least 20% (LOW risk auditee) of federally granted funds. Actual coverage is approximately 43% of total cash and non-cash federal award program expenditures. Total cash expenditures were in the amount of $2,184,878 and all non-cash expenditures amounted to $36,521.

MAJOR FEDERAL PROGRAM	CFDA	FUND	EXPENDITURE
Cash Assistance:			
Child Nutrition (USDA) Cluster	10.553 & 10.555	21000	$ 450,074
Impact Aid Indian Education	10.041	11000	354,216
Impact Aid Special Education	10.041	25145	30,660
Impact Aid Indian Education	10.041	25147	101,419
Total			$ 936,369

The District did not have any federal programs considered Type A programs for the year ended June 30, 2018.

The U.S. Department of Education is the District's oversight agency for single audit.

2. Summary of significant accounting policies

Basis of presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of the District under programs of the federal government for the year ended June 30, 2018. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Uniform Grant Guidance. Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position and changes in net position of the District. All federal programs considered active during the year ended June 30, 2018, are reflected on the Schedule. An active federal program is defined as a federal program for which there were receipts or disbursements of funds or accrued (deferred) grant revenue adjustments during the fiscal year or a federal program considered as not completed or closed out at the beginning of the fiscal year. The Schedule is prepared using the accrual basis of accounting. Grant revenues are recorded for financial reporting purposes when the District has met the qualifications for the respective grant. Grant revenues for the Food Donation Program are based upon commodities received, at amounts per standard price listing, published quarterly by the United States Department of Agriculture (the "USDA"). In addition, there is no federal insurance in effect during the year and loan or loan guarantee outstanding at year end.

Accrued and deferred reimbursements

Various reimbursement procedures are used for Federal awards received by the District. Consequently, timing differences between expenditures and program reimbursements can exist at the beginning and end of the year. Accrued balances at year end represent an excess of reimbursable expenditures over receipts to date. Deferred balance at year-end represent an excess of cash receipts over reimbursable expenditure to date. Generally, accrued or deferred balances covered by differences in the timing of cash receipts and expenditures will be reversed in the remaining grant period.

3. Reconciliation of Federal Awards to Expenditure of Federal Awards

The differences between the federal awards received (Intergovernmental sources – federal) during the year ended June 30, 2018 and the federal awards expended during the year are as follows:

	BALANCE
Federal Sources	$ 2,293,691
Indirect costs from federal programs	(21,701)
Unexpended federal sources from current year	(24,528)
Prior year federal sources expended	(7,329)
Revenues received as vendor	(55,255)
Total Expenditures of Federal Awards	$ 2,184,878

4. Unexpended Federal Awards

There were federal awards received during the year ended June 30, 2018 that were not expended during the year. These awards will be reported in subsequent years when they have been expended. Those amounts are as follows:

			UNEXPENDED AWARDS			
	CFDA #	FUND #	CARRYOVER FROM PY	2018 AWARDS	EXPENDED	TOTAL UNEXPENDED
Impact Aid Special Education	84.041	25145	$ -	$ 30,660	$ (30,660)	$ -
Impact Aid Indian Education	84.041	25147	1	125,946	(101,419)	24,528
			$ 1	$ 156,606	$ (132,079)	$ 24,528

5. Federal Awards Receivable

There are federal programs that have not received reimbursement for expenditures made within those programs. The District expects to receive all reimbursement of federal awards in the following year. The following programs reported a receivable for the expenditures that had not been reimbursed as of June 30, 2018.

	CFDA #	FUND	RECIEVABLE
Title I	84.010	24101	$ 212,686
Entitlement IDEA-B	84.027	24106	52,007
NM Autism	84.027	24108	865
Preschool IDEA-B	84.173	24109	2,522
Title II Teacher Quality	84.367	24154	25,603
Rural & Low-Income Schools	84.358	24160	6,677
			$ 300,360

6. Indirect Costs

The District has not elected the 10% de minimis indirect cost during the year ended June 30, 2018.

I. SUMMARY OF AUDIT RESULTS

	Yes	No	Occurrences
FINANCIAL STATEMENTS:			
Type of auditor's report issued: Unmodified			
Internal control over financial reporting:			
Material weakness(es) identified?		✓	-
Significant deficiency(ies) identified?	✓		1
Noncompliance material to financial statements noted?		✓	-
FEDERAL AWARDS:			
Internal control over major programs:			
Material weakness(es) identified?		✓	-
Significant deficiency(ies) identified?		✓	-

Type of auditor's report issued on compliance with major programs: Unmodified

	Yes	No	Occurrences
Any audit findings disclosed that are required to be reported in accordance with Section 200.516 of the Uniform Guidance?		✓	-

The programs treated as major programs include:

Name of Federal Program or Cluster	CFDA Number
Child Nutrition (USDA) Cluster	10.553 & 10.555
Impact Aid Indian/Special Education	10.041

The threshold for distinguishing types A and B programs: $750,000

	Yes	No
Auditee qualified as low-risk auditee?	✓	

II. FINDINGS RELATED TO FINANCIAL STATEMENTS

2018 – 001 LACK OF TIMELY MONITORING OF BUDGET

Other Matter – Does not rise to the level of significant deficiency

Condition: There was an unfavorable variance between actual and budgeted line item expenditures. The District had one over expenditure of line items at the end of June 30, 2018. The following funds had unfavorable variances between budgeted amounts at fiscal yearend:

Libraries GO Bond 2012	Support services	$ 12,536

Criteria: According to NMSA 1978 Section 22-8-11 B all fiscal agents of public monies have a responsibility to monitor spending to comply with established budget guidelines.

Cause: Improper monitoring of line item expenditures by comparing budgeted amounts and actual amounts spent allowed unfavorable (negative) variances, overspending of line item budgets, to occur.

Effect of condition: Violation of NMSA 1978 Section 22-8-11 B, over spending of public monies. The condition could lead to expenditures being paid in excess of total budgeted amounts.

Recommendation: Management should implement immediate steps to provide adequate financial reports to allow for proper and timely monitoring of line item expenditures. Budget adjustment requests should be approved by the Board of Education and State Public Education Department (when required) to receive approval to make necessary changes to the records prior to being presented for audit.

Management's response: The unfavorable variance between actual and budgeted line-item expenditures in the Libraries GO Bond 2012 fund occurred because of clerical error. Budget was submitted to PED and approved by PED in the wrong function (1000) but was entered and expensed in the District's financial system in the correct function (2200). Despite the fact that quarterly reviews of the District's budget are performed, the error went unnoticed by both PED and the District until submittal of the final quarterly report which was too late to request a budget adjustment to correct the error. Additional steps will be taken to ensure the budget in the District's financial system matches the budget submitted to the Business Manage to ensure no violation of over spending of public monies occurs.

Responsible party(ies) for corrective action(s): Business Manager and Superintendent

Corrective action(s) timeline: October 30, 2018.

II. FINDINGS RELATED TO FINANCIAL STATEMENTS (cont'd)

2018 – 002 PRIOR PERIOD ADJUSTMENT FOR ERRORS
Significant Deficiency

Condition: The following concerns were encountered during the audit:

The prior year deferred property tax revenue of $106,701 from the modified accrual governmental financial statements was not adjusted and recognized as revenue in the government wide full accrual financial statements.

Net position is also being increased because the District did not defer the fiscal year 2017 contributions to the pension fund in the amount of $790,642, as required by GASB 68.

Fund balance was increased by $855,652 in the Bond Building Fund due to bond a revenue received during fiscal year 2017 that was related to an unrecorded bond issue in fiscal year 2017. The bond issue was $900,000 with $44,348 of issue costs. The bond issue also resulted in the restatement of net position in the government wide financial statements in the amount of $900,000 for the recognition of the long-term debt of the GO bond.

Criteria: Per NMAC 6.20.2.11 Internal Control Structure Standards, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safe-guarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP.

Cause: The District's internal control system did not allow for a proper review of the prior year financial statements. As a result, balances which were not accurate were recorded and reported.

Effect of condition: The District did not record all transactions that effect the District and misstated the prior year financial statements. The District is not following the state law and is not following good accounting practices related to financial reporting.

Recommendation: Management needs to ensure that all transactions that pertain to the District are recorded and reconciled, even when those transactions are controlled and overseen by another entity. We also recommend that the District adjust the internal control policies to ensure that financial statement reconciliations are completed, reviewed, and approved on a timely basis and thoroughly enough to ensure accurate reporting.

Management's response: The misstated prior year financial statements occurred despite the review of the financials by both the external audit team and the internal review by the district's business manager. The district's review failed to catch the non-adjustment of both the deferred property tax and the 2017 contributions to the pension fund primarily due to insufficient knowledge regarding these re-classifications. The District's Business Manager will seek more training in the preparation of the District's financial reports.

The unrecorded bond issue transaction related to the bond sale was an error resulting from staffs misunderstanding of the nature of the relationship between the District and the holder of the bond funds, New Mexico Finance Authority. The district had never done a bond sale in which the funds were held by a second party and would need to be expensed prior to receiving reimbursement from the second party. The district's staff has received training in handling this type of transactions and has been encouraged to be more proactive in seeking guidance when confronted with unfamiliar transactions.

Responsible party(ies) for corrective action(s): Business Manager and Superintendent

Corrective action(s) timeline: October 30, 2018.

III. AUDIT FINDINGS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

There were no findings required to be reported relating to federal awards.

I. NOT RESOLVED – REPEATED IN THE CURRENT YEAR

There were not any findings to be reported from the prior year.

II. RESOLVED

2017-001 DEFICIT ACTIVITY FUND BALANCES
Current Status: Resolved. Not repeated in the current year.

The independent public accountants assisted in the preparation of the financial statements.

An exit conference was held October 31, 2018 and was attended by the following individuals:

TULAROSA MUNICIPAL SCHOOL DISTRICT NO. 4

Cody Hill	President, Board of Education
Brenda Vigil	Superintendent
Kathleen Richardson	Business Manager

ACCOUNTING & FINANCIAL SOLUTIONS, LLC

Terry Ogle, CPA	Partner