Gadsden Independent School District No. 16

Financial Statements
For the Year Ended June 30, 2018



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STATE OF NEW MEXICO
Gadsden Independent School District No. 16
June 30, 2018
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STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Official Roster
June 30, 2018

Name		Title
	Board of Education	
Daniel Castillo		President
Daniel Estupiñan		Vice President
Laura Salazar Flores		Secretary
Maria Saenz		Member
Jennifer Viramontes		Member
	Administrative Officials	
Travis L. Dempsey		Superintendent
Ludym Martinez		Associate Superintendent For Finance
Barbara Browder		Executive Associate Superintendent for Human Resources
Alfredo Holguin		Associate Superintendent for Support Services and Transportation
Susan Yturralde		Associate Superintendent for Curriculum, Instruction & Technology

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INDEPENDENT AUDITORS' REPORT

Board of Education and Management
Gadsden Independent School District No. 16
Wayne Johnson
New Mexico State Auditor
U.S. Office of Management and Budget
Sunland Park, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons of the General Fund and major special revenue funds of Gadsden Independent School District No. 16 (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District'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, the aggregate remaining fund information, and the budgetary comparisons of the General Fund and major special revenue funds of Gadsden Independent School District No.16, as of June 30, 2018, and the respective changes in financial position thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 11 through 18 and Schedules A-1 through B-2 and notes to the Required Supplementary Information on pages 74 through 81 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, the combining and individual fund financial statements, the combining financial statements for the general fund and related budgetary comparisons, 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* (Uniform Guidance) and Supporting Schedules I through IV required by 2.2.2 NMAC are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements, the combining financial statements for the general fund and related budgetary comparisons, the Schedule of Expenditures of Federal Awards and Supporting Schedules I through IV 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 auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements, the combining financial statements for the general fund and related budgetary comparisons, the Schedule of Expenditures of Federal Awards and Supporting Schedules I through IV required by 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Cordova CPAs LLC
Albuquerque, New Mexico
October 11, 2018

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State of New Mexico
Gadsden Independent School District No. 16

Management's Discussion and Analysis

As management of the Gadsden Independent School District No. 16 (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.

Financial Highlights

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

- The assets of the District exceeded its liabilities at the end of the fiscal year by $68,270,154 (net position). Of this amount, $299,362,737 is invested in capital assets, $19,509,342 is restricted for capital projects and debt service purposes, $22,430,665 is restricted for special revenue fund purposes and $(273,032,590) is unrestricted (deficit). The unrestricted (deficit) portion of the net position was impacted by the recognition of a net pension liability of $300,369,262 as well as a net OPEB liability of $81,251,538.
- Deferred outflows of resources of $100,033,985 related to employer contributions subsequent to the measurement date and deferred outflows and deferred inflows of resources of $4,668,676 related to the pension plan are reported in the Statement of Net Position at June 30, 2018. These items are the result of the implementation of GASB 68 as it relates to the District's proportionate share of the NM Educational Retirement Board Pension Plan, a multiple employer cost sharing defined benefit pension plan.
- Deferred outflows of resources of $1,468,259 related to employer contributions subsequent to the measurement date and deferred inflows of resources of $18,492,658 related to the OPEB plan are reported in the Statement of Net Position at June 30, 2018. These items are the result of this fiscal year's implementation of GASB 75 as it relates to the District's proportionate share of Post - Employment Benefits for the State Retiree Health Care Plan (Note 11).
- The District's liabilities increased by $188,278,750 in fiscal year 2018. This increase is due to an increase of $106,074,192 in the net pension liability along with increases in accounts payable, the current portion of bonds payable, and accrued compensated absences. As well as the recognition of $81,251,538 in OPEB liability. These increases were offset by decreases in accrued payroll, accrued interest, unamortized bond premium, and the non-current portion of the bonds payable.
- The District's change in net position is $(28,393,063) before the recognition of a prior period adjustment of $(96,513,898) is related to the implementation of GASB Statement No. 75 (Note 12). This is reflected in the District's Statement of Activities.
- At June 30, 2018, the fund balance for the operational fund was $31,121,860, which reflects an increase of $5,877,286 from 2017. General fund expenditures were managed through careful budget planning which resulted in an increase in fund balance. The District received additional State Funds in fiscal year 2018 compared to State cuts in the prior year. On June 28, 2018 the State of New Mexico appropriated a second State Equalization Guarantee (SEG) distribution to the District in the amount of $799,855. These additional funds went unspent before the end of the fiscal year on June 30, 2018. A combination of these factors resulted in an excess of revenues over expenditures of $5,877,286 in the Operational fund.
- The District's general obligation bond and lease purchase notes debt balance is $45,405,000, which reflects a $755,000 increase due to the net offset of issuing new debt and retiring old bonds. Voters authorized new bonds in the amount of $38,000,000 in an election in February 2018, which allows the District to issue new debt over a four-year period beginning with the fiscal year ending June 30, 2019.

Basic Financial Statements

In general, the purpose of financial reporting is to provide external parties that read 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 deferred outflows, and liabilities and deferred inflows, with the difference 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 and earned but unused vacation leave).

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 in Exhibit A-1 and Exhibit A-2 of this report.

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 or 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

Governmental 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 at 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 eight individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balance for the following funds:

Operational Fund
Transportation Fund
Instructional Materials Fund
Food Services Fund
Title I – 24101 Fund
Bond Building Fund
Debt Service Fund

Other Governmental Funds

The first seven funds are considered major funds. Individual fund data for each of the funds included in the Other Governmental Funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found in Exhibit B-1 and Exhibit B-2 of this report.

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 position and a statement of changes in fiduciary net position. These funds are not reported in the government-wide financial statements.

The fiduciary fund financial statements can be found in Exhibit D-1 and Exhibit D-2 of this report.

Overview of the District's Financial Position and Operations

The District's overall financial position and operations for the current year are as follows:

Gadsden Independent School District No. 16 Net Position

	Governmental Activities	
	2018	2017
Current and other assets	$ 98,551,292	$ 91,741,323
Capital assets	328,231,028	322,793,229
Deferred outflows of resources	101,502,244	29,662,801
Total assets and deferred outflows of resources	$528,284,564	$444,197,353
Long-term liabilities	$419,026,109	$232,342,911
Other liabilities	17,826,967	16,231,415
Deferred inflows of resources	23,161,334	2,445,912
Total liabilities and deferred inflows of resources	$460,014,410	$251,020,238
Net position:		
Invested in capital assets, net of debt	$299,362,737	$297,144,231
Restricted for:		
Debt service	15,431,812	13,389,106
Capital projects	4,077,530	4,466,936
Special revenue	22,430,665	20,482,851
Unrestricted (deficit)	(273,032,590)	(142,306,009)
Total net position	$68,270,154	$193,177,115

Total Net position of the District's governmental activities decreased by 64.65% from 2017. *Unrestricted* net position-the part of net position that is unrestricted in nature and can be used at the discretion of the District and to meet ongoing obligations to creditors and stakeholders, decreased $130,726,581 to reflect a deficit of $(273,032,590). This deficit is the result of the implementation of GASB 68 and GASB 75 which require the District

to reflect the District's proportionate share of the NM Educational Retirement Board Pension Plan and the NM State Retiree Health Care Plan.

All other portions of net position are restricted for the stated purpose. The District's net position invested in capital assets, net of related debt reflects an increase of 0.75% from 2017. This indicates that the accumulated depreciation along with the asset value exceed existing debt. Net Position Invested in Capital Assets increased $2,218,506 due to the cost of completed buildings and building projects being more than depreciation expense. The District continues to utilize local Bond Funds and State Matching Funds to construct new schools and make improvements to existing facilities.

Current and other assets increased from 2017 to 2018 by $6,809,969. This increase was primarily due to an increase in cash in the General and Debt Service Funds offset by a decrease in cash in the Student Nutrition and Bond Building Fund. Long-term liabilities increased by $186,683,198 primarily due to the increase of net pension and OPEB liabilities.

Governmental activities decreased the District's net position by $(28,393,063) before a prior period adjustment of (96,513,898) related to the recognition of the OPEB liability. The decrease also resulted from the District's decrease in Program Revenues, predominantly Capital Grants and Contributions. General Revenue categories showed slight increases but not enough to offset the loss in revenue related to Capital Grants and Contributions. Governmental activities expense increased compared to 2017 expenses, which reflects an increase in expenses related to Direct Instruction and Student Support Services. Another important fact is the District's liquidity which is the ability to convert assets into cash to pay for obligations and commitments. Unrestricted and Restricted Cash and cash equivalents represent approximately 90% of the District's current and other assets.

The following are major elements of the District's governmental activities contributing to the decrease in the change in net position.

Gadsden Independent School District No. 16 Changes in Net Position

	Governmental Activities	
	2018	2017
Revenues:		
Program revenues:		
Charges for services	$ 1,331,454	$ 1,255,120
Operating grants and contributions	33,603,801	36,397,530
Capital grants and contributions	8,198,082	22,420,067
General revenues:		
Local property taxes	16,192,647	15,403,549
Federal and state aid	101,744,886	97,343,362
Interest and investment earnings	147,947	31,302
Gain / (Loss) on disposal of assets	24,941	14,832
Other	8,899	7,663
Total revenues	$161,252,657	$172,873,425

Gadsden Independent School District No. 16 Changes in Net Position (continued)

Expenses:		
Direct Instruction	$105,341,778	$ 84,195,079
Support services-Student/Instruction/School Admin	36,475,562	26,306,302
Support services-General Administration/Other	1,139,425	1,088,760
Central Services	3,838,715	2,820,700
Operation and maintenance of plant	20,945,052	28,482,967
Food Services	12,321,871	10,750,403
Community Service	13,592	51,623
Student Transportation	6,166,061	5,973,265
Interest on long-term debt	731,358	858,217
Depreciation-facilities acquisition and construction	2,672,306	1,233,447
Total expenses	$189,645,720	$161,760,763
Change in net position	$(28,393,063)	$ 11,112,662
Net position – beginning – July 1	193,177,115	182,064,453
Prior period adjustment	(96,513,898)	-
Net position – ending – June 30	$ 68,270,154	$193,177,115

As noted in the preceding schedule, the District is heavily dependent on federal and state aid which comprises 63% of total revenues. In addition, the District received $6,549,087 from State Capital Outlay Matching funds included in Operating Grants and Contributions which represents 4% of total revenues. Correspondingly, it spends almost 75% of total expenditures on direct instruction and support services-student/instruction/school admin., the two primary functions that indicate direct school spending.

The District experienced an increase of $789,098 in property tax revenues. Federal and State Aid experienced an increase of $4,401,524 compared to 2017. Operating Grants and Contributions decreased by $2,793,730 compared to 2017. Due to the economic factors of the communities we serve, the District qualifies for substantial Federal assistance. The ability to obtain Capital Funding from the State is related to the student growth that the District experiences as well as the ranking of its facilities by the NM Public School Facility Authority which determines when facilities are to be replaced, upgraded, or added.

General Fund Budgetary Highlights

Budget to actual comparison schedules are presented for all major funds in Exhibits C-1 to C3. These schedules are prepared on a non-GAAP budgetary 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 operational fund was increased by $8,917,838 due to changes in the designated cash balance available for budgeting. The final expenditure budget was $123,808,828, of which $96,941,970 was expended in the current year. Of the $102.3 million revenue budget, 101% of the budgeted amount was received during the year.

The District continues to maintain a strong financial position in the food services fund and the debt service fund. The Bond Building Fund decreased due to the completion on construction projects as well as the status of construction projects currently in progress.

Capital Assets and Debt Administration

Capital Assets

The District's investment in capital assets as of June 30, 2018 is $328,231,028. These assets include land and land improvements, building and building improvements, equipment and furniture, vehicles, and construction in progress. Construction in progress consisted of major construction projects currently underway in the District which includes additions and improvements to existing high schools and other various remodel/addition projects throughout the District. Capital Assets increased approximately 1.68% from the prior year due to adding the value of matching construction costs received from the State of New Mexico and the status of completed construction projects compared to the prior year.

Depreciation calculated during years 2006 through 2018 as a result of GASB 34 implementation resulted in a balance of $158,390,683 of which $14,423,031 is for depreciation in the current year. Additional information of the District's capital assets is presented in Note 6 of the financial statements.

Long-term obligations

At the end of the current year, the district had $46,817,109 in long-term debt related to governmental activities. Of this debt, $45,405,000 was related to general obligation bonds and $0.00 was related to educational technology lease purchase notes outstanding at year end. The debt position of the District is summarized below and is more fully analyzed in Note 7 of the financial statements.

	Governmental Activities				
	Balance 7/1/17	Additions	Deletions	Balance 6/30/18	Amounts Due In One Year
Compensated Absences	$ 1,378,485	$ 445,266	$ 411,642	$ 1,412,109	$ 453,429
Lease Purchase Notes	-	2,000,000	4,000,000	-	-
General Obligation Bonds	44,650,000	9,500,000	8,745,000	45,405,000	9,950,000
Total Long Term Debt	$46,028,485	$11,945,266	$11,156,642	$46,817,109	$10,403,429

The District issued General Obligation Bonds in the amount of $9,500,000 in October 2017. On August 15, 2017 and June 1, 2018, the District reduced the general obligation bond debt principal by $7,495,000 and $1,250,000, respectively, in accordance with scheduled bond payments.

Overall, the District increased its debt balances by $788,624, which was due to the issuance of new bonds and an increase in compensated absences.

The most recent issuances by the District have received the following credit ratings:

- The $9,800,000 bonds issued in September 2003 received an upgraded Moody's rating of Enhanced Aa2 and an A3 underlying rating. The upgrade in rating was partly due to recent legislative action that guarantees payment to the bond holders in the event of default by the District.
- The $8,000,000 bonds issued in September 2004 received a Moody's rating of Aa2.
- The $3,200,000 bonds issued in August 2005 received a Moody's rating of Enhanced Aa2 and an A3 underlying rating.

- The $12,250,000 bonds issued in November 2006 were privately placed with the New Mexico Finance Authority.

- The $8,900,000 bonds issued in September 2007 were privately placed with the New Mexico Finance Authority.

- The $7,000,000 bonds issued in August 2008 received a Moody's rating of Enhanced Aa2 and a Baa1 underlying rating.

- The $9,075,000 bonds issued in November 2009 were privately placed with the New Mexico Finance Authority.

- The $7,250,000 bonds issued in November 2010 were privately placed with the New Mexico Finance Authority.

- The $8,250,000 bonds and $12,300,000 bonds issued in October 2011 received a Moody's rating of Enhanced Aa1/NEG and a Baa1 underlying rating.

- The $11,000,000 bonds and $1,180,000 bonds issued in December 2012 received a Moody's rating of Enhanced Aa1/NEG and an A3 underlying rating.

- The $9,500,000 bonds issued in October 2013 received a Moody's rating of Enhanced Aa1 and an A2 underlying rating.

- The $9,500,000 bonds issued in October 2014 received a Moody's rating of Enhanced Aa1 and an A2 underlying rating.

- The $9,500,000 bonds issued in October 2015 received a Moody's rating of Enhanced Aa1 and an A1 underlying rating.

- The $9,500,000 bonds issued in October 2016 received a Moody's rating of Enhanced Aa1 and an A1 underlying rating.

- The $9,500,000 bonds issued October 2017 were privately placed with the New Mexico Finance Authority.

Relevant Current Economic Factors, Decisions and Conditions

The District has experienced a slowing in the growth in student population, which has an effect on the amount of state revenues as well as on future construction needs. Since the District, like all other New Mexico school districts, is funded on a prior year funding formula, (i.e. 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 the prior year's funding base. The District's primary general source of revenues is derived from the state funding formula. The District anticipates that the student population will remain at the same level.

Even with a slowing in growth of the overall student population, growth continues in the southern and Chaparral areas of the District, the need exists to continue to add new schools and/or construct major additions to its existing schools.

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. As old debt is retired, new debt is issued, thereby maintaining a non-residential rate of approximately $14.4 per $1,000 assessed valuation.

In February 2003 new bonds in the amount of $21 million were approved by voters, as well as a $2.00 mill levy for capital improvements. In August 2003, $9.8 million of these bonds were sold, in August 2004, an additional $8 million bonds were sold and the balance of this authorization, $3.2 million were sold in August 2005.

In February 2006 new bonds in the amount of $38,000,000 were approved by voters, as well as the continuation of the $2.00 mill levy for capital improvements. This debt authorization was sold over a four-year period from 2006 to 2009. In November 2006, $12.25 million of these bonds were sold, in September 2007, $8.9 million of these bonds were sold, in August 2008, $7.0 million of these bonds were sold and in November 2009, $9.075 million of these bonds were sold. The remaining authorized amount of $775,000 was not issued due to the lack of adequate bonding capacity and the expiration of the authorization period.

In February 2010 new bonds in the amount of $36,000,000 were approved by voters. This debt authorization was sold over a four-year period from 2010 to 2013. $7,250,000 of this debt authorization was sold in 2010. $8,250,000 of this debt authorization was sold in 2011, $11,000,000 of this debt authorization was sold in 2012 and the remaining debt authorization amount of $9,500,000 was sold in 2013.

In February 2014 new bonds in the amount of $38,000,000 were approved by voters. This debt authorization will be sold over a four-year period from 2014 to 2017. $9,500,000 of this debt authorization was sold in 2014, $9,500,000 of this debt authorization was sold in 2015, $9,500,000 of this debt authorization was sold in 2016, and the remaining debt authorization amount of $9,500,000 was sold in October 2017.

In February 2018 new bonds in the amount of $38,000,000 were approved by voters. This debt authorization will be sold over a four-year period from 2018 to 2021. $9,500,000 of this debt authorization was sold in 2018. It is anticipated that $9,500,000 will be issued in 2019. The remaining amount to be issued will be dependent on the available bonding capacity which is impacted by the assessed valuation of the property within the boundaries of the District.

In February 2018 the continuation of the $2.00 mill levy for capital improvements was approved by voters.

Continuing construction needs due to changes in the student population as well as aging of facilities requires funding from taxpayers as well as continued support through direct legislative appropriations and legislative funded matching funds from the State.

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:

Ludym Martinez
Associate Superintendent for Finance
(575) 882-6243
lumartinez@gisd.k12.nm.us

Physical Address:
4950 McNutt
Sunland Park, NM 88063

Mailing Address:
P. O. Drawer 70
Anthony, NM 88021

BASIC

FINANCIAL STATEMENTS

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Statement of Net Position
June 30, 2018

	Governmental Activities
Assets	
Current assets	
Cash and cash equivalents	$ 74,853,497
Receivables:	
Property taxes	2,265,723
Due from other governments	6,600,723
Inventory	1,318,234
Total current assets	85,038,177
Noncurrent assets	
Restricted assets:	
Restricted cash and cash equivalents	13,399,776
Bond discounts, net of accumulated amortization of $142,794	113,339
Capital assets	486,621,711
Less: accumulated depreciation	(158,390,683)
Total noncurrent assets	341,744,143
Total assets	426,782,320
Deferred outflows of resources	
Deferred outflows - pension	100,033,985
Deferred outflows - OPEB	1,468,259
Total deferred outflows of resources	101,502,244
Total assets and deferred outflows of resources	$ 528,284,564

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

	Governmental Activities
Liabilities	
Current liabilities	
Accounts payable	$ 1,687,705
Accrued payroll	5,441,279
Accrued interest	294,554
Accrued compensated absences	453,429
Current portion of bonds payable	9,950,000
Total current liabilities	17,826,967
Noncurrent liabilities	
Accrued compensated absences	958,680
Bonds payable	35,455,000
Bond premium, net of accumulated amortization of $1,865,634	991,629
Net pension liability	300,369,262
Net OPEB Liability	81,251,538
Total noncurrent liabilities	419,026,109
Total liabilities	436,853,076
Deferred inflows of resources	
Deferred inflows - pension	4,668,676
Deferred inflows - OPEB	18,492,658
Total deferred inflows of resources	23,161,334
Net position	
Net investment in capital assets	299,362,737
Restricted for:	
Debt service	15,431,812
Capital projects	4,077,530
Special revenue	22,430,665
Unrestricted	(273,032,590)
Total net position	68,270,154
Total liabilities, deferred inflows of resources, and net position	$ 528,284,564

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

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Statement of Activities
For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions
Primary government:			
Governmental Activities:			
Instruction	$ 105,341,778	$ 836,090	$ 12,076,344
Support services - students	18,475,146	146,636	2,117,984
Support services - instruction	7,769,207	61,664	890,659
Support services - general administration	1,139,425	9,044	130,623
Support services - school administration	10,231,209	81,204	1,172,902
Central services	3,838,715	30,468	440,069
Operation and maintenance of plant	20,945,052	166,240	2,401,133
Student transportation	6,166,061	-	5,034,496
Food services operations	12,321,871	-	9,338,033
Community services operations	13,592	108	1,558
Depreciation - unallocated	2,672,306	-	-
Interest and other charges	731,358	-	-
Total governmental activities	$ 189,645,720	$ 1,331,454	$ 33,603,801

General Revenues:
Taxes:
Property taxes, levied for operating programs
Property taxes, levied for debt services
Property taxes, levied for capital projects
State equalization guarantee
Investment income
Miscellaneous income
Gain on disposition of assets

Total general revenues

Change in net position

Net position, beginning
Net position - restatement (Note 12)

Net position - as restated

Net position, ending

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

Program Revenues		Net (Expense) Revenue and Changes in Net Position
Capital Grants and Contributions		Governmental Activities
$	5,148,014	$ (87,281,330)
	902,874	(15,307,652)
	379,678	(6,437,206)
	55,683	(944,075)
	499,995	(8,477,108)
	187,597	(3,180,581)
	1,023,577	(17,354,102)
	-	(1,131,565)
	-	(2,983,838)
	664	(11,262)
	-	(2,672,306)
	-	(731,358)
$	8,198,082	(146,512,383)
		385,540
		13,912,408
		1,894,699
		101,744,886
		147,947
		8,899
		24,941
		118,119,320
		(28,393,063)
		193,177,115
		(96,513,898)
		96,663,217
		$ 68,270,154

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

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Balance Sheet
Governmental Funds
June 30, 2018

	General Fund 11000, 13000, 14000	Student Nutrition Program 21000	Title I 24101
Assets			
Cash and cash equivalents	$ 31,318,624	$ 13,631,638	$ -
Receivables:			
Property taxes	49,018	-	-
Due from other governments	-	147,983	2,139,278
Inventory	682,160	636,074	-
Due from other funds	4,918,964	-	-
Total assets	$ 36,968,766	$ 14,415,695	$ 2,139,278
Liabilities, deferred inflows of resources, and fund balances			
Liabilities			
Accounts payable	$ 369,721	$ 82,015	$ 1,237
Accrued payroll	4,562,118	172,343	248,302
Due to other funds	-	-	1,889,739
Total liabilities	4,931,839	254,358	2,139,278
Deferred inflows of resources			
Unavailable revenue - property taxes	40,524	-	-
Total deferred inflows of resources	40,524	-	-
Fund balances			
Nonspendable:			
Inventory	682,160	636,074	-
Spendable:			
Restricted for:			
Transportation	4,599	-	-
Instructional materials	869,944	-	-
Food services	-	13,525,263	-
Extracurricular activities	-	-	-
Education	-	-	-
Capital acquisitions and improvements	-	-	-
Debt service	-	-	-
Committed for:			
Subsequent year's expenditures	16,757,700	-	-
Unassigned	13,682,000	-	-
Total fund balances	31,996,403	14,161,337	-
Total liabilities, deferred inflows of resources, and fund balances	$ 36,968,766	$ 14,415,695	$ 2,139,278

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

Bond Building Capital Projects Fund 31100	Debt Service Fund 41000	Other Governmental Funds	Total
$ 18,403,396	$ 10,906,191	$ 13,993,424	$ 88,253,273
-	1,601,609	615,096	2,265,723
-	-	4,313,462	6,600,723
-	-	-	1,318,234
-	-	-	4,918,964
$ 18,403,396	$ 12,507,800	$ 18,921,982	$ 103,356,917
$ 988,397	$ -	$ 246,335	$ 1,687,705
-	-	458,516	5,441,279
-	-	3,029,225	4,918,964
988,397	-	3,734,076	12,047,948
-	1,335,529	507,135	1,883,188
-	1,335,529	507,135	1,883,188
-	-	-	1,318,234
-	-	-	4,599
-	-	-	869,944
-	-	-	13,525,263
-	-	1,439,376	1,439,376
-	-	6,829,952	6,829,952
17,414,999	-	3,854,964	21,269,963
-	11,172,271	2,556,479	13,728,750
-	-	-	16,757,700
-	-	-	13,682,000
17,414,999	11,172,271	14,680,771	89,425,781
$ 18,403,396	$ 12,507,800	$ 18,921,982	$ 103,356,917

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

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STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Reconciliation of the Balance Sheet to the Statement of Net Position
Governmental Funds
June 30, 2018

Amounts reported for governmental activities in the Statement of Net Position are different because:	
Fund balances - total governmental funds	$ 89,425,781
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds	328,231,028
Delinquent property taxes not collected within sixty days after year end are not considered "available" revenues and are considered to be unavailable revenue in the fund financial statements, but are considered revenue in the Statement of Activities	1,883,188
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and therefore, are not reported in funds:	
Deferred outflows - pension	100,033,985
Deferred outflows - OPEB	1,468,259
Deferred inflows - pension	(4,668,676)
Deferred inflows - OPEB	(18,492,658)
Liabilities, including bonds payable, and net pension and OPEB liability are not due and payable in the current period and, therefore, are not reported in the funds:	
Accrued compensated absences not due and payable	(1,412,109)
Accrued interest payable	(294,554)
Bonds payable	(45,405,000)
Bond discounts (net of amortization)	113,339
Bond premiums (net of amortization)	(991,629)
Net pension liability	(300,369,262)
Net OPEB Liability	(81,251,538)
Total net position - governmental activities	$ 68,270,154

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

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2018

	General Fund 11000, 13000, 14000	Student Nutrition Program 21000	Title I 24101
Revenues			
Property taxes	$ 383,367	$ -	$ -
Intergovernmental revenue:			
Federal flowthrough	233,537	9,312,203	6,383,582
Federal direct	15,192	-	-
Local sources	-	-	-
State flowthrough	633,816	-	-
State direct	101,744,886	25,830	-
Transportation distribution	5,034,496	-	-
Charges for services	224,499	220,983	-
Investment income	25,380	11,146	-
Miscellaneous	-	-	-
Total revenues	108,295,173	9,570,162	6,383,582
Expenditures			
Current:			
Instruction	62,302,780	-	4,860,998
Support services - students	10,004,481	-	778,013
Support services - instruction	3,806,975	-	361,320
Support services - general administration	495,390	-	128,222
Support services - school administration	6,501,305	-	-
Central services	2,233,955	-	238,685
Operation and maintenance of plant	12,030,208	-	14,348
Student transportation	5,340,942	-	-
Food services operations	-	9,749,959	-
Community services operations	12,461	-	-
Capital outlay	122,642	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Total expenditures	102,851,139	9,749,959	6,381,586
Excess (deficiency) of revenues over expenditures	5,444,034	(179,797)	1,996
Other financing sources (uses)			
Proceeds from sale of capital assets	24,941	-	-
Bond proceeds	-	-	-
Total other financing sources (uses)	24,941	-	-
Net change in fund balances	5,468,975	(179,797)	1,996
Fund balances - beginning	26,527,428	14,341,134	(1,996)
Fund balances - end of year	$ 31,996,403	$ 14,161,337	$ -

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

Bond Building Capital Projects Fund 31100	Debt Service Fund 41000	Other Governmental Funds	Total
$ -	$ 11,621,804	$ 4,126,359	$ 16,131,530
-	-	5,126,153	21,055,475
-	-	2,294,160	2,309,352
-	-	945,906	945,906
-	-	4,978,929	5,612,745
6,557,940	-	260,139	108,588,795
-	-	-	5,034,496
-	-	885,972	1,331,454
105,981	-	5,440	147,947
-	-	8,899	8,899
6,663,921	11,621,804	18,631,957	161,166,599
-	-	7,575,255	74,739,033
-	-	1,505,225	12,287,719
-	-	999,466	5,167,761
-	118,714	183,626	925,952
-	-	85,675	6,586,980
-	-	35,797	2,508,437
179,797	-	5,149,448	17,373,801
-	-	294,776	5,635,718
-	-	67,478	9,817,437
-	-	-	12,461
18,662,642	-	790,143	19,575,427
-	8,745,000	2,000,000	10,745,000
-	1,028,476	71	1,028,547
18,842,439	9,892,190	18,686,960	166,404,273
(12,178,518)	1,729,614	(55,003)	(5,237,674)
-	-	-	24,941
9,500,000	-	2,000,000	11,500,000
9,500,000	-	2,000,000	11,524,941
(2,678,518)	1,729,614	1,944,997	6,287,267
20,093,517	9,442,657	12,735,774	83,138,514
$ 17,414,999	$ 11,172,271	$ 14,680,771	$ 89,425,781

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

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STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2018

Amounts reported for governmental activities in the Statement of Activities are different because:	
Net change in fund balances - total governmental funds	$ 6,287,267
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:	
Capital expenditures	19,860,830
Depreciation expense	(14,423,031)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds:	
Change in unavailable revenue related to property taxes receivable	61,117
Governmental funds report District pension and OPEB contributions as expenditures. However in the Statement of Activities, the cost of pension and OPEB benefits earned net of employee contributions is reported as pension expense:	
District pension contributions subsequent to measurement date	10,204,223
District OPEB contributions subsequent to measurement date	1,468,259
Net Pension expense	(48,129,995)
Net OPEB expense	(3,230,298)
The issuance of long-term debt (e.g. bonds, notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities:	
Current year amortization of bond premiums and discounts	214,225
Bond proceeds	(11,500,000)
Increase in accrued compensated absences not due and payable	(33,624)
Decrease in accrued interest payable	82,964
Principal payments on bonds	10,745,000
Change in net position of governmental activities	$ (28,393,063)

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

STATE OF NEW MEXICO Exhibit C-1

Gadsden Independent School District No. 16
General Fund - 11000, 13000, 14000
Statement of Revenues, Expenditures, and Changes in
Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2018

	Budgeted Amounts			Variances Favorable (Unfavorable)
	Original	Final	Actual	Final to Actual
Revenues				
Property taxes	$ 366,550	$ 366,550	$ 394,058	$ 27,508
Intergovernmental revenue:				
Federal flowthrough	131,000	131,000	233,537	102,537
Federal direct	10,000	10,000	15,192	5,192
State flowthrough	383,572	421,429	633,816	212,387
State direct	100,220,813	101,757,521	101,744,886	(12,635)
Transportation distribution	4,971,376	5,034,677	5,034,496	(181)
Charges for services	108,000	108,000	224,499	116,499
Investment income	2,000	2,000	25,380	23,380
Total revenues	106,193,311	107,831,177	108,305,864	474,687
Expenditures				
Current:				
Instruction	67,782,152	69,479,288	62,257,357	7,221,931
Support services - students	10,669,939	11,399,089	10,002,385	1,396,704
Support services - instruction	4,353,775	4,484,557	3,814,327	670,230
Support services - general administration	657,189	747,189	494,682	252,507
Support services - school administration	6,521,396	6,602,535	6,491,511	111,024
Central services	2,376,868	2,631,668	2,238,376	393,292
Operation and maintenance of plant	14,350,751	16,866,268	12,024,571	4,841,697
Student transportation	4,971,376	5,345,607	5,340,978	4,629
Other support services	9,448,337	12,285,560	-	12,285,560
Food services operations	32,919	32,919	-	32,919
Community services operations	65,000	65,000	12,461	52,539
Capital outlay	150,000	600,000	122,642	477,358
Total expenditures	121,379,702	130,539,680	102,799,290	27,740,390
Excess (deficiency) of revenues over expenditures	(15,186,391)	(22,708,503)	5,506,574	28,215,077
Other financing sources (uses)				
Designated cash (budgeted increase in cash)	15,186,391	22,708,503	-	(22,708,503)
Proceeds from sale of capital assets	-	-	24,941	24,941
Total other financing sources (uses)	15,186,391	22,708,503	24,941	(22,683,562)
Net change in fund balance	-	-	5,531,515	5,531,515
Fund balance - beginning of year	-	-	26,143,563	26,143,563
Fund balance - end of year	$ -	$ -	$ 31,675,078	$ 31,675,078
Net change in fund balance (Non-GAAP Budgetary Basis)				$ 5,531,515
Adjustments to revenues for taxes and intergovernmental revenue				(10,691)
Adjustments to expenditures for supplies and payroll expenditures				(51,849)
Net change in fund balance (GAAP Basis)				$ 5,468,975

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

STATE OF NEW MEXICO Exhibit C-2

Gadsden Independent School District No. 16
Food Service Special Revenue Fund - 21000
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2018

	Budgeted Amounts			Variances Favorable (Unfavorable)
	Original	Final	Actual	Final to Actual
Revenues				
Intergovernmental revenue:				
Federal flowthrough	$ 8,000,000	$ 8,000,000	$ 8,642,792	$ 642,792
State direct	150,000	150,000	25,830	(124,170)
Charges for services	150,000	150,000	220,983	70,983
Investment income	800	800	11,146	10,346
Total revenues	8,300,800	8,300,800	8,900,751	599,951
Expenditures				
Current:				
Support services	100,000	100,000	-	100,000
Food services operations	18,152,355	22,263,988	9,504,644	12,759,344
Total expenditures	18,252,355	22,363,988	9,504,644	12,859,344
Excess (deficiency) of revenues over expenditures	(9,951,555)	(14,063,188)	(603,893)	13,459,295
Other financing sources (uses)				
Designated cash (budgeted increase in cash)	9,951,555	14,063,188	-	(14,063,188)
Total other financing sources (uses)	9,951,555	14,063,188	-	(14,063,188)
Net change in fund balance	-	-	(603,893)	(603,893)
Fund balance - beginning of year	-	-	14,063,188	14,063,188
Fund balance - end of year	$ -	$ -	$ 13,459,295	$ 13,459,295
Net change in fund balance (Non-GAAP Budgetary Basis)				$ (603,893)
Adjustments to revenues for federal grants				669,411
Adjustments for accounts payable and accrued payroll				(245,315)
Net change in fund balance (GAAP Basis)				$ (179,797)

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

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STATE OF NEW MEXICO Exhibit C-3

Gadsden Independent School District No. 16
Title I Special Revenue Fund - 24101
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2018

	Budgeted Amounts			Variances Favorable (Unfavorable)
	Original	Final	Actual	Final to Actual
Revenues				
Intergovernmental revenue:				
Federal flowthrough	$ 7,533,607	$ 7,533,607	$ 5,628,671	$ (1,904,936)
Total revenues	7,533,607	7,533,607	5,628,671	(1,904,936)
Expenditures				
Current:				
Instruction	5,548,841	5,548,841	4,862,995	685,846
Support services	1,592,766	1,592,766	1,267,498	325,268
Central services	307,000	307,000	238,685	68,315
Operation and maintenance of plant	40,000	40,000	13,771	26,229
Student transportation	45,000	45,000	-	45,000
Total expenditures	7,533,607	7,533,607	6,382,949	1,150,658
Excess (deficiency) of revenues over expenditures	-	-	(754,278)	(754,278)
Other financing sources (uses)				
Designated cash (budgeted increase in cash)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	-	-	(754,278)	(754,278)
Fund balance - beginning of year	-	-	(1,384,366)	(1,384,366)
Fund balance - end of year	$ -	$ -	$ (2,138,644)	$ (2,138,644)
Net change in fund balance (Non-GAAP Budgetary Basis)				$ (754,278)
Adjustments to revenues for federal grants				754,911
Adjustments to expenditures for accounts payable and accrued payroll				1,363
Net change in fund balance (GAAP Basis)				$ 1,996

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

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Statement of Fiduciary Net Position
Agency Funds
June 30, 2018

	Private Purpose Trust Funds	Agency Funds
Current assets		
Cash and cash equivalents	$ 113,725	$ 720,316
Total assets	$ 113,725	$ 720,316
Current liabilities		
Accrued payroll	$ -	$ 47
Due to student organizations	-	720,269
Total liabilities	-	720,316
Net Position		
Restricted net position	113,725	-
Total net position	$ 113,725	$ -

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

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Statement of Changes in Fiduciary Net Position
Agency Funds
June 30, 2018

	Private Purpose Trust Funds
Additions:	
Investment earnings	$ 32
Contributions and donations from private sources	15,422
Total additions	15,454
Deductions:	
Operating expenditures	6,618
Scholarships	9,750
Total deductions	16,368
Change in net position	(914)
Beginning net position	114,639
Ending net position	$ 113,725

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

NOTE 1. Summary of Significant Accounting Policies

The Gadsden Independent School District No. 16 was created under the provision of Chapter 22 Article 5, Paragraph 4, New Mexico Statutes 1978 to provide public education for the children within the District. The School Board is authorized to establish policies and regulations for its own government consistent with the laws of the State of New Mexico and the regulations of the NM Public Education Department and the Legislative Finance Committee. The School Board is comprised of five members who are elected for terms of four years.

The School Board operates twenty-three schools within the District. In conjunction with the regular education programs, all of these schools offer special education. In addition, the School Board provides transportation for the students.

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 Gadsden Independent School District No. 16's management, who is responsible for their integrity and objectivity. The financial statements of the Gadsden Independent School District No. 16 (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standard Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of the District's accounting policies are described below.

During the year ended June 30, 2018, the District adopted GASB Statements No. 75, Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions (OPEB), No. 81, Irrevocable Split-Interest Agreements, No. 85, Omnibus 2017, No. 86, Certain Debt Extinguishment Issues, are required to be implemented for the fiscal year ending June 30, 2018.

The pronouncement adopted that materially affects the financial statements and disclosures of the District for the year ended June 30, 2018 is GASB Statement No. 75 Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions. The requirements of this Statement improve the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire OPEB liability and a more comprehensive measure of OPEB expense.

A. Financial Reporting Entity

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

The basic – but not the only – criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens. A third criterion used to evaluate the potential component units for

NOTE 1. Summary of Significant Accounting Policies (continued)

A. Financial Reporting Entity (continued)

inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity. Based upon the application of these criteria, the District has one component unit as described in the following paragraphs, and is not a component unit of another governmental agency.

The Gadsden Foundation Inc. is a blended component unit of the District, as defined by GASB Statements No. 14, as amended by GASB Statement No. 39, and has a separate governing board. The Foundation does not issue separate financial statements. The Foundation is governed by a fifteen-member board composed of the Superintendent of the District, eleven appointed members, and four officers.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The District does not have business-type activities as of June 30, 2018.

In the government-wide Statement of Net Position, the governmental activities column is presented on a consolidated basis and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position is reported in three parts – Net investment in capital assets, restricted net position and unrestricted net position.

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

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise fund are reported as separate columns in the fund financial statements. The District does not have any enterprise funds.

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting,* as is the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions.* Property taxes are recognized as revenues in the year for which the taxes are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

General Fund:

The *Operational Fund* is used to account for the State Equalization Guarantee from the NM State Legislature and is the primary operating fund of the District, and accounts for all financial resources, except those required to be accounted for in other funds. Authority for the creation of this fund is the New Mexico Public Education Department.

The *Transportation Fund* is used to account for the costs associated with transporting school age children to and from school. Authority for the creation of this fund is the New Mexico Public Education Department.

The *Instructional Materials Fund* is used to account for the monies received from the State Department of Education for the purposes of purchasing instructional materials (books, manuals, periodicals, etc.) used in the education of students. Authority for the creation of this fund is the New Mexico Public Education Department.

NOTE 1. Summary of Significant Accounting Policies (continued)

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

Special Revenue Funds:

The *Food Service Fund (21000)* is used to account for income from meal sales, State and Federal reimbursements and to make cash disbursements for activities dealing with preparation and serving of meals. Authority for the creation of this fund is the New Mexico Public Education Department.

Title I (24101) – The major objectives of the Title I program are to provide supplemental educational opportunity for academically disadvantaged children in the area of residing. Campuses are identified for program participation by the percentage of students on free or reduced-price lunches. Any school with a free and reduced-price lunch percentage that is equal to or greater than the total district percentage becomes eligible for program participation. Any student whose test scores fall below District established criteria and who is attending a Title I campus is eligible to receive Title I services. Poverty is the criterion that identifies a campus; educational need determines the students to be served. Federal revenues accounted for in this fund are allocated to the District through the New Mexico Department of Education. Authorized by the Elementary and Secondary Education Act (ESEA) of 1965, as amended by the No Child Left Behind Act of 2001, Title I, Part A (Public Law 107-110).

Capital Projects Funds:

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

Debt Service Funds:

The *Debt Service Fund* is used to account for the accumulation of resources for the payment of General Long-Term Debt principal and interest. Authority for the creation of this fund is the New Mexico Public Education Department.

Additionally, the government reports the following fund types:

Fiduciary Funds:

The fiduciary funds are purely custodial (assets equal liabilities) and do not involve measurement of results of operations. These funds account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, or student organizations.

The *Private Purpose Trust Fund* is used to account for monies bequeathed by a former teacher, Machree Causey, to provide for a scholarship each year to a graduating senior from Gadsden High School who has shown an interest in business subjects. This fund also accounts for monies bequeathed by Jim O'Toole to provide scholarships to students from Santa Teresa High School and Gadsden High School to be given based on recommendations by School Administrators. The principal amounts are to be maintained intact and invested. Investment earnings are to be used for the scholarships. Funds related to the private purpose trust fund are held in one account in conjunction with the Gadsden Foundation, Inc. However, for reporting purposes the amounts are reported separately.

NOTE 1. Summary of Significant Accounting Policies (continued)

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

The *Gadsden Foundation, Inc.* is a blended component unit used to account for donations and charitable contributions received for the purpose of providing scholarships to eligible graduates of the District and for the general support of the Gadsden Independent School District No. 16.

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

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

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

D. Assets, Liabilities and Net Position or Equity

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

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

Investments for the District are reported at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties. The State Treasurer's Investment 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. As of June 30, 2018, the District did not hold any pool shares in the State Treasurer's Investment Pool.

Fair Value Measurements: The fair value framework uses a hierarchy that prioritizes the inputs to the valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). As of June 30, 2018, there are no items are required to be valued using valuation techniques.

NOTE 1. Summary of Significant Accounting Policies (continued)

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

Restricted Assets: Restricted assets are those that are set aside for restrictions resulting from enabling legislation for future capital outlay expenditures and debt service payments. The District's restricted assets are made up of debt service funds that cannot be spent in the subsequent year.

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

The District receives monthly income from a tax levy in Dona Ana and Otero Counties. The funds are collected by the County Treasurer and are remitted to the District in the following month. Under the modified accrual method of accounting, the amount remitted by the Dona Ana and Otero County Treasurers in July and August is considered 'measurable and available' and, accordingly, is recorded as revenue in the governmental fund financial statements during the year ended June 30, 2018. Period of availability is deemed to be sixty days subsequent to year end for property taxes and ninety days subsequent to year end for other nonexchange revenues.

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

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

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

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

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

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest was included as part of the cost of capital assets under construction during the year ended June 30, 2018.

Capital expenditures made on the District's building construction projects by the New Mexico Public School Facilities Authority are included in the District's capital assets as appropriate.

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

Land improvements	20 years
Buildings/building improvements	10-50 years
Furniture and equipment	5-20 years
Vehicles	10-20 years

Accrued Payroll Liabilities: In the fund financial statements, governmental fund types recognize the accrual of unpaid salaries, wages, and benefits that employees earned prior to the end of the fiscal year. The amount recognized in the fund financial statements represents the amounts due to employees or due to third parties for the employee benefits.

Deferred Outflows of Resources: In addition to assets, the balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a use of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until that time. The District has four types of items that qualify for reporting in this category related to the pension and OPEB plans which are discussed at Notes 10 and 11.

Deferred Inflows of Resources: In addition to liabilities, the balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (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 has one type of item, which arises under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue – property taxes, are reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District has recorded $1,883,188 related to property taxes that are considered "unavailable". The District also has items related to the pension and OPEB plans which are discussed at Notes 10 and 11.

Compensated Absences: Qualified employees are entitled to earn and accumulate annual leave according to a graduated leave schedule of up to 40 days per year, depending on length of service, the employee's hire date, and employment status. Employees may accumulate and carry forward, from one fiscal year to the next, up to 40 days of annual leave. Upon termination, employees will be paid for up to 40 days of accrued annual leave depending on employment status.

NOTE 1. Summary of Significant Accounting Policies (continued)

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

Qualified employees are entitled to accumulate general leave according to a graduated leave schedule of up to 15 days per year with no limit on the amount to be carried forward, depending on length of service, the employee's hire date, and employment status. Effective May 2013, employees will be paid for unused general leave upon retirement, on a graduated scale for accumulated days over 30, provided they meet specific criteria based on years of service.

Vested or accumulated leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. In prior years, substantially all of the related expenditures have been liquidated by the general fund. Amounts of vested or accumulated leave that are not expected to be liquidated with expendable available financial resources are reported in the government-wide statement of net position.

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 are deferred and amortized over the life of the bonds using the effective interest method or the straight-line method if the difference from the effective interest method is inconsequential.

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

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

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

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

Restricted Net Position: Consist of net position with "legally enforceable" constraints placed on the use, either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation. Legally enforceable means that a government can be compelled by an external party – such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation, only for the purposes specified by the legislation. Generally, the enforceability of an enabling legislation restriction is determined by professional judgment. If it is determined that the restrictions continue to be legally enforceable, then for the purposes of financial reporting, the restricted net position should not reflect any reduction for resources used for purposes not stipulated by the enabling legislation. Descriptions for the related restrictions for net position are restricted for "debt service or capital projects."

NOTE 1. Summary of Significant Accounting Policies (continued)

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

Unrestricted Net Position: All other net positions that do not meet the definition of "restricted" or "net investment in capital assets".

The government-wide Statement of Net Position reports $41,940,007 of restricted net position related to grants, capital projects and debt service.

Fund Balance: In the fund financial statements, governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. For committed and assigned fund balance, the District's highest level of decision-making authority is the Board of Education. Formal action by the Board of Education is required to establish a fund balance commitment or assignment.

For the classification of fund balances, the District considers restricted or unrestricted amounts to have been spent when an expenditure is incurred for the purposes for which both restricted and unrestricted fund balance is available. Also for the classification of fund balances, the District considers committed, assigned or unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

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

Nonspendable: Consists of amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. At June 30, 2018, the nonspendable fund balance of the District is comprised of inventory in the General and Food Services funds, $682,160 and $636,074, respectively, which are not in spendable form.

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

Committed: Consist of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the District's Board of Education. Those committed amounts cannot be used for any other purpose unless the District's Board of Education removes or changes the specified use by taking formal action.

Assigned: Consist of amounts that are constrained by the District's *intent* to be used for specific purposes, but are neither restricted nor committed. Formal action by the District's Board of Education is required to assign amounts to be used for specific purposes.

Unassigned: Represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund except for those other governmental funds reflecting a deficit.

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

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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.

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

E. Revenues

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

A school district's program costs are determined 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 Secretary of the Public Education Department. The District received $101,744,886 in state equalization guarantee distributions during the year ended June 30, 2018.

Tax Revenues: The District receives mill levy and ad-valorem tax revenues primarily for debt service and capital outlay purposes. Tax revenues are recognized when they are in the hands of the collecting agency. The District records only the portion of the taxes considered to be 'measurable' and 'available' on a modified accrual basis. The District recognized $16,131,530 in tax revenues during the year ended June 30, 2018. Descriptions of the individual debt service and capital outlay funds contained in these financial statements include information regarding the authority for the collection and use of these taxes.

Property taxes attach an enforceable lien on property as of January 1. Tax notices are sent to property owners by November 1st of each year to be paid in whole or in two installments by November 10th and April 10th of each year. Dona Ana and Otero Counties collects County, City, and School taxes and distributes them to each fund once per month except in June when the taxes are distributed twice to close out the fiscal year.

Transportation Distribution: School districts in the State of New Mexico receive student transportation distributions. The transportation distribution is allocated to each school district in accordance with formulas developed by the State Transportation Director and the Secretary of the Public Education Department. The funds shall be used only for 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 $5,034,496 in transportation distributions during the year ended June 30, 2018.

NOTE 1. Summary of Significant Accounting Policies (continued)

E. Revenues (Continued)

Instructional Materials: The New Mexico Public Education Department (PED) receives federal mineral leasing funds from which it makes annual allocations to the various school districts for the purchase of educational materials. Of each allocation, fifty percent is restricted to the purchase of materials listed in the PED "Multiple List", while fifty percent of each allocation is available for purchases directly from vendors. Allocations received from the State for the year ended June 30, 2018 totaled $413,469.

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

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

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

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

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

During fiscal year 2018, the District did not receive any special capital outlay funds. The District did, however, receive $6,549,087 from PSFA which flows through the Bond Building Capital Project Fund.

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

The district received $1,615,202 in state SB-9 matching during the year end June 30, 2018.

NOTE 1. Summary of Significant Accounting Policies (continued)

E. Revenues (Continued)

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

F. Pensions

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

G. Postemployment Benefits Other Than Pensions (OPEB)

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

NOTE 2. Stewardship, Compliance and Accountability

Budgetary Information

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

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

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

NOTE 2. Stewardship, Compliance and Accountability (continued)

Budgetary Information - (Continued)

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 local school board submits to the School Budget and Finance Analysis Bureau (SBFAB) of the New Mexico Public Education Department, a proposed operating budget for the ensuing fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them. All budgets submitted to the State of New Mexico Public Education Department (PED) by the District shall contain headings and details as described by law and have been approved by the New Mexico Public Education Department.

2. In May or June of each year, the proposed "operating" budget will be reviewed and approved by the SBFAB and certified and approved by the local school board at a public hearing of which notice has been published by the local school board who fixes the estimated budget for the District for the ensuing fiscal year.

3. The school board meeting, while not intended for the general public, is open for the general public unless a closed meeting has been called.

4. The "operating" budget will be approved by the local board at an open board meeting and then will be integrated formally into the accounting system prior to July 1st. Encumbrances shall be used as an element of control and shall be integrated into the budget system.

5. The District shall make corrections, revisions and amendments to the estimated budgets fixed by the local school board to recognize actual cash balances and carryover funds, if any. These adjustments shall be reviewed and approved by the SBFAB.

6. The superintendent is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the school board and the New Mexico Public Education Department.

7. Budget change requests are processed in accordance with Supplement 1 (Budget Preparation and Maintenance) of the Manual of Procedures Public School Accounting and Budgeting. Such changes are initiated by the District and approved by the SBFAB.

8. Legal budgetary control for expenditures is at the function level.

9. Appropriations lapse at fiscal year-end. Funds unused during the fiscal year may be carried over into the next fiscal year by budgeting those in the subsequent fiscal year's budget. The budget of Gadsden Independent Schools has been amended during the current fiscal year in accordance with these procedures. The budget schedules included in the accompanying financial statements reflect the approved budget and amendments thereto.

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

NOTE 2. Stewardship, Compliance and Accountability (continued)

Budgetary Information - (Continued)

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

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

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

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of resultant basis, perspective, equity, and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2018, is presented.

The appropriated budget for the year ended June 30, 2018, was properly amended by the Board of Education throughout the year. These amendments resulted in the following changes:

	Excess (deficiency) of revenues over expenditures	
	Original Budget	**Final Budget**
Budgeted Funds:		
General Fund	$ (15,186,391)	$ (22,708,503)
Food Service Special Revenue Fund	$ (9,951,555)	$ (14,063,188)
Title I Special Revenue Fund	$ -	$ -

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

The reconciliation between the Non-GAAP budgetary basis amounts and the financial statements on the GAAP basis for each governmental fund is included in the individual budgetary comparison. The District budgets on a modified cash basis with respect to payroll or held checks being accrued and expensed, therefore, fund balances on the budget statements do not reconcile to cash due to the District's accrued payroll which is presented on the accrual basis.

NOTE 3. Deposits and Investments

State statutes authorize the investment of the District's funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the District properly followed State investment requirements as of June 30, 2018.

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.

NOTE 3. Deposits and Investments (continued)

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

Excess of funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments. The collateral pledged is listed on Schedule II 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 Corporation, public unit deposits are funds owned by the public unit. Time deposits, savings deposits and interest bearing NOW accounts of a public unit in an institution in the same state will be insured up to $250,000 in aggregate and separate from the $250,000 coverage for public unit demand deposits at the same institution.

Deposits:

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned to it. 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.) At June 30, 2018, $30,860,716 of the District's deposits of $31,750,716 was exposed to custodial credit risk. $17,654,555 was uninsured and collateralized by collateral held by the pledging bank's trust department, not in the District's name. As of June 30, 2018, $13,206,161 is uninsured and uncollateralized. As of June 30, 2018, the carrying amount of these deposits was $30,493,468; total amount of deposits of $31,570,716 less outstanding items of $1,077,248. 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 a least one half of the amount on deposit with the institution. The schedule listed below will meet the State of New Mexico, Office of the State Auditor's requirements in reporting the insured portion of the deposits.

	Wells Fargo Bank	First American Bank	Bank of the West	Total
Amount of deposits	$ 17,960,940	$ 210,000	$ 13,399,776	$ 31,570,716
FDIC Coverage	(250,000)	(210,000)	(250,000)	(710,000)
Total uninsured public funds	17,710,940	-	13,149,776	30,860,716
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the District's name	10,524,649	-	7,129,906	17,654,555
Uninsured and uncollateralized	$ 7,186,291	$ -	$ 6,019,870	$ 13,206,161
Collateral requirement (50% of uninsured funds)	$ 8,855,470	$ -	$ 6,574,888	$ 15,430,358
Pledged Collateral	10,524,649	401,756	7,129,906	18,056,311
Over (Under) collateralized	$ 1,669,179	$ 401,756	$ 555,018	$ 2,625,953

NOTE 3. Deposits and Investments (continued)

Deposits: (continued)

Certificates of deposits with maturity dates of three months or less were included in the total amount of deposits.

Investments:

As of June 30, 2018, the District had the following short-term investments and maturities:

Short-term Investment Types	Fair Value	Short-term Investments Maturities Less than 1 year
Repurchase Agreements	$ 47,896,160	$ 47,896,160

Statutes require collateral pledged for repurchase agreements in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the District for at least one hundred and two percent of the amount on deposit with the institution. The schedule listed below discloses requirements on reporting the insured portion of the District's repurchase agreements.

	Wells Fargo Bank	First American Bank	Bank of the West	Total
Amount of repurchase agreements	$ 45,582,101	$ 2,314,059	$ -	$ 47,896,160
FDIC Coverage	-	-	-	-
Total uninsured public funds	45,582,101	2,314,059	-	47,896,160
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the District's name	45,582,101	2,314,059	-	47,896,160
Uninsured and uncollateralized	$ -	$ -	$ -	$ -
Collateral requirement (102% of uninsured funds)	$ 46,493,743	$ 2,360,340	$ -	$ 48,854,083
Pledged Collateral	46,493,744	3,283,702	-	49,777,446
Over (Under) collateralized	$ 1	$ 923,362	$ -	$ 923,363

Custodial credit risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its short-term investments or collateral securities that are in the possession of an outside party. Of the District's $47,896,160 in repurchase agreements, the entire balance is uninsured and collateralized by collateral of underlying securities held by the investment's counterparty not in the name of the District. The District's policy related to short-term investments 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 carrying value of the District's repurchase agreements at June 30, 2018 was $47,896,160.

Interest Rate Risk for Investments. The District does not have a written policy for limiting interest rate risk. However, the average maturity of certificates of deposit is twelve months or less, which is an effective limit of interest rate risk.

NOTE 3. Deposits and Investments (continued)

Investments: (continued)

In addition, the District has investments held in U.S. Treasury Money Market Mutual Funds at the Bank of Albuquerque and Bank of Oklahoma in connection with New Mexico Finance Authority (NMFA) for bonds and Ed Tech Notes in the amount of $9,562,258 and $650,592, respectively. These funds are backed by the full faith and credit of the U.S. government, therefore, there is no custodial, foreign, or interest rate risk subject to disclosure for the District. These are classified as cash equivalents due the liquidity of the funds.

Reconciliation to the Statement of Net Position:

Cash and cash equivalents- Governmental Activities Exhibit A-1	$ 74,853,497
Restricted cash and cash equivalents- Governmental Activities Exhibit A-1	13,399,776
Fiduciary funds - Exhibit D-1	720,316
Total cash and cash equivalents	88,973,589
Plus: reconciling items	706,657
Less NMBA & BOK Financial US Treasuries	(10,212,850)
Less: petty cash	(520)
Bank balance of deposits/ repurchase agreements	$ 79,466,876

NOTE 4. Receivables

Receivables as of June 30, 2018 are as follows:

	General Fund	Food Service Fund	Title I	Bond Building
Property taxes receivable	$ 49,018	$ -	$ -	$ -
Due from other governments:				
Federal sources	-	147,983	2,139,278	-
State sources	-	-	-	-
	$ 49,018	$ 147,983	$ 2,139,278	$ -

	Debt Service Fund	Other Governmental Funds	Total
Property taxes receivable	$ 1,601,609	$ 615,096	$ 2,265,723
Due from other governments:			
Federal sources	-	2,101,905	4,389,166
State sources	-	2,211,557	2,211,557
	$ 1,601,609	$ 4,928,558	$ 8,866,446

In accordance with GASB No. 33, property tax revenues in the amount of $1,883,188, which were not collected within the period of availability have been reclassified as deferred inflows of resources-property taxes and grants in the governmental fund financial statements. All of the above receivables are deemed to be fully collectible.

NOTE 5. Interfund Receivables, Payables, and Transfers

The District did not have any net operating transfers for the year ended June 30, 2018.

The District records temporary interfund receivable and payables to enable the funds to operate until grant monies are received. The composition of interfund balances as of June 30, 2018 is as follows:

Due from Other Funds	Due to Other Funds	Amount
Operational - 11000	Title I IASA - 24101	$ 1,889,739
Operational - 11000	Migrant Children Education - 24103	10,779
Operational - 11000	IDEA-B Entitlement - 24106	1,021,115
Operational - 11000	New Mexico Autism Project - 24108	2,440
Operational - 11000	IDEA-B Preschool - 24109	8,785
Operational - 11000	Education of Homeless - 24113	830
Operational - 11000	English Language Acquisition - 24153	166,488
Operational - 11000	Teacher/Principal Training/Recruiting - 24154	211,918
Operational - 11000	Carl D Perkins Special Projects - Current - 24171	1,864
Operational - 11000	Carl D Perkins - 24174	114,801
Operational - 11000	Carl D Perkins - 24176	33,810
Operational - 11000	Student Supp Academic Achievment Title IV - 24189	96,485
Operational - 11000	Dual Credit Instructional Materials - 27103	5,841
Operational - 11000	New Mexico Reads to Lead - 27114	105,809
Operational - 11000	Recruitment Support Fund - 27128	34,327
Operational - 11000	Pre-K Initiative - 27149	340,169
Operational - 11000	Kindergarten – Three Plus - 27166	330,146
Operational - 11000	K3 Plus 4 & 5 Pilot - 27198	69,710
Operational - 11000	CYFD Parents as Teachers Model - 28193	50,193
Operational - 11000	Capital Improvements SB-9 31700	423,715
	Total	$ 4,918,964

All Interfund balances are to be paid within one year.

NOTE 6. Capital Assets

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

	Balance July 1, 2017	Additions	Dispositions	Balance June 30, 2018
Governmental activities:				
Capital assets not depreciated				
Land	$ 2,559,939	$ -	$ -	$ 2,559,939
Construction in process	28,108,172	9,509,345	(27,709,623)	9,907,894
Total assets not depreciated	30,668,111	9,509,345	(27,709,623)	12,467,833
Capital assets depreciated				
Land Improvements	14,428,672	518,320	-	14,946,992
Buildings	408,492,150	36,647,758	-	445,139,908
Equipment and furniture	13,315,763	895,030	(143,815)	14,066,978
Total assets depreciated	436,236,585	38,061,108	(143,815)	474,153,878
Total assets	466,904,696	47,570,453	(27,853,438)	486,621,711
Less accumulated depreciation for:				
Land Improvements	8,635,693	787,422	-	9,423,115
Buildings	125,035,819	13,040,147	-	138,075,966
Equipment and furniture	10,439,955	595,462	(143,815)	10,891,602
Total accumulated depreciation	144,111,467	14,423,031	(143,815)	158,390,683
Governmental activities capital assets, net	$ 322,793,229	$ 33,147,422	$ (27,709,623)	$ 328,231,028

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

Instruction	$ 6,783,265
Support Services – Students	1,115,427
Support Services – Instruction	469,490
Support Services – General Administration	84,005
Support Services – School Administration	597,154
Central Services	228,147
Operations / Maintenance of Plant	1,096,032
Transportation Services	507,005
Food Services	869,069
Community Services Operations	1,131
Unallocated	2,672,306
Total	$ 14,423,031

NOTE 7. Long-Term Debt

General Obligation Bonds:

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. The original amount of the outstanding general obligation bonds as of June 30, 2018 was $103,555,000. General obligation bonds are direct obligations and pledge the full faith and credit of the District. These bonds are issued with varying terms and varying amounts of principal maturing each year. All general obligation bonds as of June 30, 2018 are for governmental activities.

General obligation bonds outstanding at June 30, 2018, are comprised of the following:

	Series 8/15/2008	Series 11/24/2009	Series 11/19/2010	Series 10/26/2011
Original Issue:	$7,000,000	$9,075,000	$7,250,000	$8,250,000
Principal Due:	August 15	June 1	August 15	August 15
Interest Due:	February 15 August 15	June 1 December 1	February 15 August 15	February 15 August 15
Interest Rates:	3.25% - 4.00%	3.00% - 4.50%	0.648% - 2.838%	2.00% - 3.00%
Maturity Date:	8/15/2018	06/01/2019	08/15/2020	8/15/2021

	Series 10/26/2011	Series 12/12/2012	Series 10/16/2013	Series 10/29/2014
Original Issue:	$12,300,000	$12,180,000	$9,500,000	$9,500,000
Principal Due:	August 15	August 15	August 15	August 15
Interest Due:	February 15 August 15	February 15 August 15	February 15 August 15	February 15 August 15
Interest Rates:	2.00% - 4.00%	2.00% - 3.00%	2.00% - 3.00%	2.00% - 4.00%
Maturity Date:	08/15/2017	08/15/2022	08/15/2023	08/15/2024

	Series 10/14/2015	Series 10/18/2016	Series 10/20/2017
Original Issue:	$9,500,000	$9,500,000	$9,500,000
Principal Due:	August 15	August 15	August 15
Interest Due:	February 15 August 15	February 15 August 15	February 15 August 15
Interest Rates:	2.00% - 2.12%	1.00% - 2.00%	.92% - 2.2%
Maturity Date:	08/15/2025	08/15/2026	08/15/2027

Lease Purchase Notes:

The District issues Education Technology General Obligation Lease Purchase Certificates of Participation (Lease Purchase Notes) under the terms of a lease-purchase agreement by and between the District and the New Mexico Public Schools Education Technology Assistance Foundation, LLC pursuant to the Education Technology Equipment Act, NMSA 1978, §§ 6-15A-1 to 6-15A-16 for the purchase of technology related equipment and improvements as allowed under this Act. The original amount of the outstanding lease purchase notes as of June 30, 2018 was $2,000,000. All lease purchase notes are for governmental activities.

All lease purchase notes outstanding in the prior year were paid off during the year ended June 30, 2018.

NOTE 7. Long-Term Debt (continued)

During the year ended June 30, 2018 the following changes occurred in the liabilities reported in the government-wide Statement of Net Position:

	Balance June 30, 2017	Additions	Retirements	Balance June 30, 2018	Due Within One Year
General Obligation Bonds	$ 44,650,000	$ 9,500,000	$ 8,745,000	$ 45,405,000	$ 9,950,000
Lease Purchase Notes	-	2,000,000	2,000,000	-	-
Compensated Absences	1,378,485	445,266	411,642	1,412,109	453,429
Total long-term debt	$ 46,028,485	$ 11,945,266	$ 11,156,642	$ 46,817,109	$ 10,403,429

The annual requirements to amortize the General Obligation Bonds as of June 30, 2018, including interest payments are as follows. The interest rates range from 0.92% to 4.00% with maturity dates until August 15, 2027.

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2019	$ 9,950,000	$ 1,035,143	$ 10,985,143
2020	5,875,000	1,088,199	6,963,199
2021	6,025,000	1,202,971	7,227,971
2022	5,475,000	1,294,572	6,769,572
2023	4,925,000	1,377,744	6,302,744
2024-2028	13,155,000	6,923,150	20,078,150
	$ 45,405,000	$ 12,921,779	$ 58,326,779

In prior years, the general fund was typically used to liquidate long-term liabilities other than general obligation bonds and lease purchase notes.

Compensated Absences – Administrative employees of the Schools are able to accrue a limited amount of annual leave and all employees are able to accrue an unlimited amount of general leave during the year. During fiscal year June 30, 2018, compensated absences decreased $33,464 for annual leave and increased $67,088 for general leave over the prior year accrual. See Note 1 for more details.

Operating Leases – The District leases office equipment under short-term cancelable operating leases. Rental cost for the year ended June 30, 2018 was $829,658.

NOTE 8. Risk Management

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

NOTE 8. Risk Management (continued)

The NMPSIA provides coverage for up to a maximum of $750,000,000 for each property damage claim with a $25,000 deductible for each building. General liability coverage is afforded to all employees, volunteers and school board members and the limit is subject to the NMSA Tort Claims Act on a per occurrence basis. The automobile and property liability limit is subject to the provisions of the Tort Claims Act. The crime limit is $1,250,000 per occurrence for Faithful Performance. A limit of $1,250,000 applies to Depositor's Forgery, Credit Card Forgery and Money Orders. A limit of $100,000 applies to Money and Security, with all crime coverage subject to a $750 deductible.

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

NOTE 9. Other Required Individual Fund Disclosures

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

A. Deficit fund balance of individual funds: The District reported no deficit fund balance at June 30, 2018.

B. Excess of expenditures over appropriations: No funds of the District exceeded approved budgetary authority at the fund level for the year ended June 30, 2018.

C. Designated cash appropriations in excess of available balance: No funds of the District exceeded the budgeted cash appropriations for the year ended June 30, 2018.

NOTE 10. Pension Plan – Educational Retirement Board

General Information about the Pension Plan

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

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

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

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

NOTE 10. Pension Plan – Educational Retirement Board (continued)

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

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

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

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

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

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

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

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

NOTE 10. Pension Plan – Educational Retirement Board (continued)

Benefit Options – The Plan has three benefit options available.

- **Option A – Straight Life Benefit** – The single life annuity option has no reductions to the monthly benefit, and there is no continuing benefit due to a beneficiary or estate, except the balance, if any, of member contributions plus interest less benefits paid prior to the member's death.
- **Option B – Joint 100% Survivor Benefit** – The single life annuity monthly benefit is reduced to provide for a 100% survivor's benefit. The reduced benefit is payable during the life of the member, with the provision that, upon death, the same benefit is paid to the beneficiary for his or her lifetime. If the beneficiary predeceases the member, the member's monthly benefit is increased to the amount the member would have received under Option A Straight Life benefit. The member's increased monthly benefit commences in the month following the beneficiary's death.
- **Option C – Joint 50% Survivor Benefit** – The single life annuity monthly benefit is reduced to provide for a 50% survivor's benefit. The reduced benefit is payable during the life of the member, with the provision that, upon death, the reduced 50% benefit is paid to the beneficiary for his or her lifetime. If the beneficiary predeceases the member, the member's monthly benefit is increased to the amount the member would have received under Option A Straight Life benefit. The member's increased monthly benefit commences in the month following the beneficiary's death.

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

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

- Tier 1 membership is comprised of employees who became members prior to July 1, 2010
- Tier 2 membership is comprised of employees who became members after July 1, 2010, but prior to July 1, 2013
- Tier 3 membership is comprised of employees who became members on or after July 1, 2013

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

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

NOTE 10. Pension Plan – Educational Retirement Board (continued)

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

Contributions – For the fiscal year ended June 30, 2018 and 2017 educational employers contributed to the Plan based on the following rate schedule.

Fiscal Year	Date Range	Wage Category	Member Rate	Employer Rate	Combined Rate	Increase Over Prior Year
2018	7-1-17 to 6-30-18	Over $20K	10.70%	13.90%	24.60%	0.00%
2018	7-1-17 to 6-30-18	$20K or less	7.90%	13.90%	21.80%	0.00%
2017	7-1-16 to 6-30-17	Over $20K	10.70%	13.90%	24.60%	0.00%
2017	7-1-16 to 6-30-17	$20K or less	7.90%	13.90%	21.80%	0.00%

The contribution requirements are established in statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the New Mexico Legislature. For the fiscal years ended June 30, 2018 and 2017, the District paid employee and employer contributions of $17,829,132 and $18,699,616, which equal the amount of the required contributions for each fiscal year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2018, the District reported a liability of $300,369,262 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 June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2017 using generally accepted actuarial principles. The roll-forward incorporates the impact of the new assumptions adopted by the Board on April 21, 2017. There were no other significant events of changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2017.Therefore, the employer's portion was established as of the measurement date of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating educational institutions, actuarially determined. At June 30, 2017, the District's proportion was 2.70275% percent, which was an increase of .00287% percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of $37,925,772. At June 30, 2018, District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTE 10. Pension Plan – Educational Retirement Board (continued)

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	$ 539,192	$ 4,627,472
Net difference between expected and actual investments on pension plan investments	-	41,204
Change of assumptions	87,683,691	-
Change in proportion	1,606,879	-
District's contributions subsequent to the measurement date	10,204,223	-
Total	$ 100,033,985	$ 4,668,676

$10,204,223 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a et pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2018	$ 32,878,082
2019	34,322,488
2020	20,433,827
2021	(2,473,311)
2022	-
Thereafter	-

Actuarial assumptions. The total pension liability in the June 30, 2017 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.25% composed of 2.50% inflation, plus a 0.75% productivity increase rate, plus a step-rate promotional increase for members with less than 10 years of service.
Investment rate of return	7.25% compounded annually, net of expenses. This is made up of a 2.50% inflation rate and a 4.75 real rate of return.

Average of Expected Remaining Service Lives	Fiscal year	2017	2016	2015	2014
	Service life in years	3.35	3.77	3.92	3.88

NOTE 10. Pension Plan – Educational Retirement Board (continued)

Mortality	***Healthy males:*** Based on the RP-2000 Combined Mortality Table with White Collar adjustments, not set back. Generational mortality improvements with Scale BB from the table's base year of 2000. ***Healthy females:*** Based on GRS Southwest Region Teacher Mortality Table, set back one year. Generational mortality improvements in accordance with Scale BB from the table's base year of 2012. ***Disabled males:*** RP-2000 Disabled Mortality Table for males, set back three years, projected to 2016 with Scale BB. ***Disabled females:*** RP-2000 Disabled Mortality Table for females, no set back, projected to 2016 with Scale BB. ***Active members:*** RP-2000 Employee Mortality Tables, with males set back two years and scaled at 80%, and females set back five years and scaled at 70%. Static mortality improvement from the table's base year of 2000 to the year 2016 in accordance with Scale BB. No future improvement was assumed for preretirement mortality.
Retirement Age	Experience-based table rates based on age and service, adopted by the Board on June 12, 2015 in conjunction with the six-year experience study for the period ending June 30, 2014.
Cost-of-living increases	1.90% per year, compounded annually.
Payroll growth	3.00% per year (with no allowance for membership growth).
Contribution accumulation	The accumulated member account balance with interest is estimated at the valuation date by assuming that member contributions increased 5.50% per year for all years prior to the valuation date. Contributions are credited with 4.00% interest, compounded annually, applicable to the account balances in the past as well as the future.
Disability Incidence	Approved rates applied to eligible members with at least 10 years of service.

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

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

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

NOTE 10. Pension Plan – Educational Retirement Board (continued)

Asset Class	Target Allocation	Long-term Expected Rate of Return
Equities	33%	
Fixed Income	26%	
Alternatives	40%	
Cash	1%	
Total	100%	7.25%

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

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

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

	1% Decrease (4.90%)	Current Discount Rate (5.90%)	1% Increase (6.90%)
District's proportionate share of the net pension liability	$ 391,006,083	$ 300,369,262	$ 226,281,036

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

Payables to the pension plan. At June 30, 2018, the District owed the ERB $2,731,437 for the contributions withheld in the month of June 2018.

NOTE 11. Post-Employment Benefits – State Retiree Health Care Plan

General Information about the OPEB

Plan description. Employees of the District are provided with OPEB through the Retiree Health Care Fund (the Fund)—a cost-sharing multiple-employer defined benefit OPEB plan administered by the New Mexico Retiree Health Care Authority (NMRHCA). NMRHCA was formed February 13, 1990, under the New Mexico Retiree Health Care Act (the Act) of New Mexico Statutes Annotated, as amended (NMSA 1978), to administer the Fund under Section 10-7C-1-19 NMSA 1978. The Fund was created to provide comprehensive group health insurance coverage for individuals (and their spouses, dependents and surviving spouses) who have retired or will retire from public service in New Mexico.

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

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

Employees covered by benefit terms – At June 30, 2017, the Fund's measurement date, the following employees were covered by the benefit terms:

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

Contributions – Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee's salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer's participation in the Fund. Contributions to the Fund from the District were $2,202,389 for the year ended June 30, 2018.

NOTE 11. Post-Employment Benefits – State Retiree Health Care Plan (continued)

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

At June 30, 2018, the District reported a liability of $$81,251,538 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 actual contributions provided to the Fund for the year ending June 30, 2017. At June 30, 2017, the District's proportion was 1.79297 percent.

For the year ended June 30, 2018, the District recognized OPEB expense of $3,230,298. At June 30, 2018 the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	$ -	$ 3,118,003
Net difference between expected and actual investments on OPEB plan investments	-	1,168,859
Change of assumptions	-	14,205,796
District's contributions subsequent to the measurement	1,468,259	-
Total	$ 1,468,259	$ 18,492,658

Deferred outflows of resources totaling $1,468,259 represent District contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

2019	$ (3,931,668)
2020	(3,931,668)
2021	(3,931,668)
2022	(3,931,669)
2023	(2,765,985)

NOTE 11. Post-Employment Benefits – State Retiree Health Care Plan (continued)

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

Valuation Date	June 30, 2017
Actuarial cost method	Entry age normal, level percent of pay, calculated on individual employee basis
Asset valuation method	Market value of assets
Actuarial assumptions:	
Inflation	2.50% for ERB; 2.25% for PERA
Projected payroll increases	3.50%
Investment rate of return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation
Health care cost trend rate	8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 for Medicare medical plan costs

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

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

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

NOTE 11. Post-Employment Benefits – State Retiree Health Care Plan (continued)

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

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

	1% Decrease (2.81%)	Current Discount Rate (3.81%)	1% Increase (4.81%)
District's proportionate share of the net OPEB liability	$ 98,556,849	$ 81,251,538	$ 67,673,965

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	Trend Rate Sensitivity Analysis		
	1% Decrease	Rate	1% Increase
District's proportionate share of the net OPEB liability	$ 69,110,028	$ 81,251,538	$ 90,718,914

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is available in NMRHCA's audited financial statements for the year ended June 30, 2017.

Payable Changes in the Net OPEB Liability. At June 30, 2018, the District reported a payable of $337,256 for outstanding contributions due to NMRHCA for the year ended June 30, 2018.

NOTE 12. Prior Period Adjustments

The District has a prior period adjustment of ($98,513,898) which was required for implementation of GASB Statement No. 75. The adjustment reflects a beginning net OPEB liability of ($98,053,312) and a beginning of deferred outflow of resources- employer contributions subsequent to the measurement date of $1,539,414.

NOTE 13. Tax Sheltered Annuity Plan

The District offers its employees a tax-sheltered annuity plan created in accordance with Internal Revenue Code Section 403(b). The plan, available to all employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. All amount of compensation deferred under the plan are remitted by the District to the various plan administrators and the District has no further claim to these funds. Investments are managed by respective plan trustees. All contributions withheld from employees have been transferred to the annuity companies with which the employee has selected to invest their funds.

NOTE 14. Construction and Other Significant Commitments

The District has committed to pay for several construction contracts that were not completed at June 30, 2018 in the amount of $4,332,299 as follows:

Contract	Year Ending	Amount
Chaparral HS Envelope Project	2018	$ 212,556
DTE HVAC Systems upgrade	2018	64,010
La Mesa Pre-K Re-Roof	2018	66,070
STHS Door Hardware	2018	386,704
STHS Science Labs	2018	1,825,463
STHS HVAC Replacement II	2018	490,136
STHS Toilet partition	2018	81,289
STHS Bleachers renovation	2018	28,910
Vado Re Piping Project	2018	195,497
GMS Chiller Replacement	2018	160,125
AVECHS Improvement Project	2018	9,567
GMS HVAC Upgrade	2018	386,435
GHS Phase III Part III	2018	80,039
GHS Kitchen Line	2018	47,411
Old English Building GHS	2018	163,642
STMS Drainage	2018	134,445
Total Outstanding Commitments		$ 4,332,299

NOTE 15. Concentrations

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

NOTE 16. Subsequent Events

The date to which events occurring after June 30, 2018, the date of the most recent Statement of Net Position, have been evaluated for possible adjustment to the financial statements or disclosures is October 11, 2018 which is the date on which the financial statements were available to be issued.

NOTE 16. Subsequent Events (continued)

On August 9, 2018 the Gadsden Independent School District No. 16 Board of Education passed resolutions authorizing the issuance and sale of the following debt:

Series 2018 General Obligation School Building Bonds
Bond Amount: $9,500,000
Closing Date: 10/19/2018
Maturity Date: 8/15/2028
Interest Rate: 1.58% to 2.57%

Gadsden Independent School District No. 16 authorized issuance of General Obligation School Building Bonds, Series 2018, in the amount of $9,500,000 to provide funds for construction within the District.

On September 6, 2018 the Gadsden Independent School District No. 16 Board of Education passed resolutions authorizing the issuance and sale of the following debt:

Series 2018 Lease Purchase Notes
Note Amount: $2,000,000
Closing Date: 10/10/2018
Maturity Date: 10/11/2018
Interest Rate: 2.125%

Gadsden Independent School District No. 16 authorized issuance of Lease Purchase Notes, Series 2018, in the amount of $2,000,000 to provide funds for technology needs within the District.

In February 2018 new bonds in the amount of $38,000,000 were approved by voters. This debt authorization will be sold over a four-year period from 2018 to 2021. $9,500,000 of this debt authorization was sold in 2018. It is anticipated that $9,500,000 will be issued in 2019. The remaining amount to be issued will be dependent on the available bonding capacity which is impacted by the assessed valuation of the property within the boundaries of the District.

NOTE 17. Contingent Liabilities

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

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

NOTE 18. Tax Abatements

In accordance with GASB Statement No. 77, the District provides the following disclosures regarding foregone tax revenue due to various agreements.

Agency number for Agency making the disclosure (Abating Agency)	5007
Abating Agency Name	Doña Ana County
Abating Agency Type	County Government
Tax Abatement Agreement Name	Commercial Personal Property Tax Abatement for SUNE EPE2, LLC
Name of agency affected by abatement agreement (Affected Agency)	City of Las Cruces
Agency number of Affected Agency	
Agency type of Affected Agency	Municipal Government
Recipient(s) of tax abatement	SunE EPE2, LLC
Tax abatement program (name and brief description)	Tax Abatement Agreement is a Commercial/Personal property tax abatement for SunEdison. Property tax due to Dona Ana County is abated at 100% for a term of 10 years as of 2012.
Specific Tax(es) Being Abated	Property Tax: Municipal Operational and Flood Control
Authority under which abated tax would have been paid to Affected Agency	New Mexico's Community Development Incetive Act. Statute 3-64-1 through 3-64-5 NMSA 1978
Gross dollar amount, on an accrual basis, by which the Affected Agency's tax revenues were reduced during the reporting period as a result of the tax abatement agreement	Property Tax: $74,926.44
For any Payments in Lieu of Taxes (PILOTs) or similar payments receivable by the Affected Agency in association with the foregone tax revenue, list the amount of payments received in the current fiscal year	N/A
If the Abating Agency is omitting any information required in this spreadsheet or by GASB 77, cite the legal basis for such omission	N/A

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Schedule of Proportionate Share of the Net Pension Liability
Educational Retirement Board (ERB) Pension Plan
Last 10 Fiscal Years*

	2018 Measurement Date (As of and for the Year Ended June 30, 2017)	2017 Measurement Date (As of and for the Year Ended June 30, 2016)
Gadsden Independent School District No. 16 proportion of the net pension liability (asset)	2.70275%	2.69988%
Gadsden Independent School District No. 16 proportionate share of the net pension liability (asset)	$ 300,369,262	$ 194,295,070
Gadsden Independent School District No. 16 covered-payroll	76,970,678	77,109,981
Gadsden Independent School District No. 16 proportionate share of the net pension liability (asset) as a percentage of its covered-payroll	390%	252%
Plan fiduciary net position as a percentage of the total pension liability	52.95%	61.58%

* The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, Gadsden Independent School District No. 16 will present information for those years for which information is available.

See independent auditors' report.
See notes to required supplementary information.

2016 Measurement Date (As of and for the Year Ended June 30, 2015)	2015 Measurement Date (As of and for the Year Ended June 30, 2014)
2.6683%	2.6332%
$ 172,835,476	$ 150,245,048
75,848,460	72,581,397
228%	207%
63.97%	66.54%

See independent auditors' report.
See notes to required supplementary information.

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Schedule of Contributions
Educational Retirement Board (ERB) Pension Plan
Last 10 Fiscal Years*

	As of and for the Year Ended June 30, 2018	As of and for the Year Ended June 30, 2017
Contractually required contribution	$ 10,204,223	$ 10,698,016
Contributions in relation to the contractually required contribution	10,204,223	10,698,016
Contribution deficiency (excess)	$ -	$ -
Gadsden Independent School District No. 16's covered-payroll	73,412,971	76,970,678
Contribution as a percentage of covered payroll	13.90%	13.90%

* The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, Gadsden Independent School District No. 16 will present information for those years for which information is available.

See independent auditors' report.
See notes to required supplementary information.

As of and for the Year Ended June 30, 2016	As of and for the Year Ended June 30, 2015
$ 10,718,204	$ 10,542,936
10,718,204	10,542,936
$ -	$ -
77,109,981	75,848,460
13.90%	13.90%

See independent auditors' report.
See notes to required supplementary information.

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Changes in benefit provisions. There were no modifications to the benefity provisions that were reflected in the actuarial valuation as of June 30, 2017

Changes in assumptions and methods. Actuarial assumptions and methods are set by the Board of Trustee, based upon recommendation made by the Plan's actuary. The Board adobpted new assumptions on April 21, 2017 in conjunction with the six-year actuarial experience study period ending June 30, 2016. At that time, The Board adopted a number of economic assumption changes, including a decrease in the inflation assumption from 3.00% to 2.50%. The 0.50% decrease in the inflation assumption also led to decreases in the nominal investment return assumption from 7.75% to 7.25$, the assumed annual wage inflation rate from 3.75% to 3.25%, the payroll growth assumption from 3.5% to 3.00%, and the annual assumed COLA from 2.00% to 1.90%.

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Schedule of Proportionate Share of the Net OPEB Liability
Retiree Health Care OPEB Plan
Last 10 Fiscal Years*

	2018 Measurement Date (As of and for the Year Ended June 30, 2017)
Gadsden Independent School District No. 16's proportion of the net OPEB liability (asset)	1.79297%
Gadsden Independent School District No. 16's proportionate share of the net OPEB liability (asset)	$ 81,251,538
Gadsden Independent School District No. 16's covered payroll	74,688,807
Gadsden Independent School District No. 16's proportionate share of the net OPEB liability as a percentage of its covered payroll	109%
Plan fiduciary net position as a percentage of the total OPEB liability	11.34%

* Governmental Accounting Standards Board Statement No. 75 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for Gadsden Independent School District No. 16 is not available prior to fiscal year 2018, the year the statement's requirements became effective.

See independent auditors' report.
See notes to required supplementary information.

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Schedule of Contributions
Retiree Health Care OPEB Plan
Last 10 Fiscal Years*

	As of and for the Year Ended June 30, 2018
Contractually required contribution	$ 1,468,259
Contributions in relation to the contractually required contribution	1,468,259
Contribution deficiency (excess)	$ -
Gadsden Independent School District No. 16's covered payroll	73,412,968
Contribution as a percentage of covered payroll	2.00%

* Governmental Accounting Standards Board Statement No. 75 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for Gadsden Independent School District No. 16 is not available prior to fiscal year 2018, the year the statement's requirements became effective.

See independent auditors' report.
See notes to required supplementary information.

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SUPPLEMENTARY INFORMATION

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NONMAJOR GOVERNMENTAL FUNDS

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Nonmajor Governmental Fund Descriptions
June 30, 2018

Special Revenue Funds

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

Non-Instructional Support (23000) – To account for budgeted revenues and expenditures which relate to student activities other than athletics. Authority for the creation of this fund is the New Mexico Public Education Department.

Migrant Children Education (24103) – To account for federal resources administered by the State Public Education Department to provide for special educational needs of migratory agricultural workers. Authorized by the Elementary and Secondary Education Act (ESEA) of 1965, as amended by the No Child Left Behind Act of 2001, Title I, Part C (Public Law 107-110).

Entitlement IDEA-B (Entitlement IDEA-B – 24106, Discretionary IDEA-B – 24107, IDEA-B "Risk Pool" – 24120) - To account for a program funded by a Federal grant to assist the schools in providing free appropriate public education to all handicapped children. Authorized by the Individuals with Disabilities Education Act of 2004, Title I, Part B (Public Law 108-446).

New Mexico Autism Project (24108) – To account for a sub-grant to be used to support the District's implementation of the New Mexico Autism Project and improve the outcomes for students with Autism Spectrum Disorders. Authority for creation of this fund is the New Mexico Public Education Department.

Preschool IDEA-B (24109) – The objective of the Assistance to States for the Education of Handicapped Children Program is to assist in providing free, appropriate public education to all handicapped children from ages three to five. Authorized by the Individuals with Disabilities Education Act of 2004, Title I, Part B (Public Law 108-446).

Education of Homeless (24113) – To ensure that homeless children and youth have equal access to the same free, appropriate public education as other children; to provide activities for and services to ensure that these children enroll in, attend, and achieve success in school; to establish or designate an office in each State educational agency (SEA) for the coordination of education for homeless children and youth; to develop and implement programs for school personnel to heighten awareness of specific problems of homeless children and youth; and to provide grants to local educational agencies (LEAs). Authorized by McKinney-Vento Homeless Assistance Act, Title VII-B, as reauthorized by the No Child Left Behind Act of 2001 (Public Law 107-110).

English Language Acquisition (24153) – To provide funds to improve the educational performance of limited English proficient students by assisting the children to learn English and meet State academic content standards. Authorized by the Elementary and Secondary Education Act, as amended by the No Child Left Behind Act of 2001, Title III (Public Law 107-110).

Teacher/Principal Training & Recruiting (24154) – To improve the skills of teachers and the quality of instruction in mathematics and science, and also to increase the accessibility of such instruction to all students. Authorized by the Elementary and Secondary Education Act of 1965, as amended by the No Child Left Behind Act of 2001, Title II, Part A, Sec. 2101-2151 (Public Law 107-110).

Carl D. Perkins (Special Projects – Current – 24171) - This fund is a sub-award of the Information Technology Computer Science Pathway Project (IT-CS Pathway) initiative funding through Special Projects of the Carl D. Perkins career and Technical Education Act of 2006. CFDA number-84.048A

SPECIAL REVENUE FUNDS (continued)

Carl D. Perkins (Secondary – Current - 24174) (Secondary PY Obligation - 24175) (Secondary Redistribution - 24176) - The objective of this grant is to provide secondary and post-secondary educational institutions the opportunity to develop, implement, and operate programs using different models of curricula that integrate vocational and academic learning. Authorized by the Carl D. Perkins Vocational and Technical Education Act of 1998 (Public Law 105-332).

Student Support Academic Achievement Title IV (24189) – This fund is a sub-award for funding through the Student Support and Academic Enrichment Program. This sub-award supports well-rounded educational opportunities, safe and healthy students and effective use of technology. CFDA number-84.424A

Title XIX Medicaid 3/21 Years (25153) – To account for funds to provide school-based screening, diagnostic services and other related health services and administrative activities in conformance with the approved Medicaid State Plan in order to improve health and developmental outcomes for children. Authority for creation of this fund is the New Mexico Public Education Department.

Save The Children (26143) – Grant funds used to provide children, who are struggling readers from Berino Elementary and Mesquite Elementary, a safe place with daily literacy activities, guided physical activities, and healthy snacks. Authority for creation of this fund is the New Mexico Public Education Department.

Spaceport GRT Grant – Dona Ana County (26204) – To account for funds received from Dona Ana County to be used to supplement science, technology, engineering, and math programs for Grades 6 through 12. Authority for creation of this fund is the New Mexico Public Education Department.

The Bridge of Southern New Mexico (26215) – Grant funds awarded from The Bridge of Southern New Mexico Daniels Fund Grant to expand Early College High Schools throughout New Mexico. Authority for creation of this fund is the New Mexico Public Education Department.

Dual Credit Instructional Materials (27103) – To account for legislative appropriations for dual credit instructional materials. Instructional materials are for courses approved by the NM Higher Education Department and through an approved agreement between the District and a college/university. Authority for the creation of this fund is the New Mexico Public Education Department.

2012 GO Bond Student Library (27107) – To account for funds provided to be used for library resource acquisitions, including library books for public school libraries. Authority for the creation of this fund is the New Mexico Public Education Department.

NM Reads to Lead K-3 Initiative (27114) – Funds appropriated by the NM Legislature to support the implementation of the New Mexico Reads to Lead initiative for grades K-3. Authority for the creation of this fund is the New Mexico Public Education Department.

Recruitment Support Fund (27128) – The funding under this award must be used for teacher recruitment efforts such as signing bonuses for new teachers, covering the costs of travel to a recruiting/hiring event, updates to your district website with regard to recruitment, or the cost of placing advertisements in a newspaper or external website.

SPECIAL REVENUE FUNDS (continued)

Pre-K Initiative (27149) – To account for legislative appropriations for the purpose of providing high quality Pre-K services that align to NM Pre-K standards to underserved 4-year-olds in the District. To expand early childhood educational capacity so that all families of 4-year-olds in the district who want to enroll their child in a high-quality Pre-K program can do so, regardless of income or ethnicity. Authority for the creation of this fund is the New Mexico Public Education Department.

Breakfast for Elementary Students (27155) – To account for legislative appropriations to implement Breakfast in the Classroom for elementary schools in need of improvement based on AYP designation. Authority for the creation of this fund is the New Mexico Public Education Department.

Kindergarten - Three Plus (27166) – To account for legislative appropriations to provide an extended school year for kindergarten through third grade students. The program focuses on acclimating young students to the structure of a classroom environment and spending additional instructional time to prepare students for the next grade level. Authority for the creation of this fund is the New Mexico Public Education Department.

K-3 Plus 4 & 5 PILOT (27198) – This program provides funding for additional educational time for students in kindergarten through fifth grade with at least 25 instructional days, beginning up to two months earlier than the regular school year.

NM Highway Dept (Road) (28120) - The purpose of this budget in 2017-18 for the Local Government Road Fund Program (LGRF) for the design, construction management and parking lot improvements of the school district parking lots and access roads as per Cooperative Agreement.

CYFD Parents As Teachers Model (28193) – To account for funding provided from a collaborative with the NM Children, Youth and Families Department (CYFD) to support the Parents As Teachers Model in the District. The Parents As Teachers Model supports families of children, prenatal through age five, who request support in the areas of parent-child interaction, development centered parenting, and family well-being. Authority for creation of this fund is the New Mexico Public Education Department.

Industrial Revenue Bonds Payments in Lieu of Taxes (29135) – Funds received from a Solar Facility located in the District. Funds are for student creation of this fund is the
New Mexico Public Education Department.

Capital Projects Funds

Capital Improvement SB-9 (31700) – 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. Pursuant to Chapter 338 of Laws of 2001, a portion of the proceeds from supplemental severance tax bonds are dedicated for the Public School Capital Improvements Act (22-25-1 to 22-25-10 NMSA 1978) as it pertains to the State Match.

Capital Improvement SB-9 Local (31701) – 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 special tax levy as authorized by the Public School District Capital Improvements Act (22-25-1 to 22-25-10 NMSA 1978).

Educational Technology Equipment Act (31900) – To account for funding which is to be used by the District to promote the comprehensive integration of advances technologies in education setting, through the conduct of technical assistance, professional development, information and resource dissemination and collaboration activities. Authorization is NMSA 22-15A-1.

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Nonmajor Governmental Fund Descriptions
June 30, 2018

Debt Service Funds

Ed Tech Debt Service (43000) – To account for the accumulation of financial resources for, and the payment of, general long-term debt principal and interest. Authority for the creation of this fund is the New Mexico Public Education Department.

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2018

	Special Revenue	Capital Projects	Debt Service	Total
Assets				
Cash and cash equivalents	$ 8,153,571	$ 3,346,268	$ 2,493,585	$ 13,993,424
Receivables:				
Property taxes	-	267,633	347,463	615,096
Due from other governments	3,288,412	1,025,050	-	4,313,462
Total assets	$ 11,441,983	$ 4,638,951	$ 2,841,048	$ 18,921,982
Liabilities, deferred inflows of resources, and fund balances				
Liabilities				
Accounts payable	$ 108,629	$ 137,706	$ -	$ 246,335
Accrued payroll	458,516	-	-	458,516
Due to other funds	2,605,510	423,715	-	3,029,225
Total liabilities	3,172,655	561,421	-	3,734,076
Deferred inflows of resources				
Unavailable revenue - property taxes	-	222,566	284,569	507,135
Total deferred inflows of resources	-	222,566	284,569	507,135
Fund balances				
Spendable:				
Restricted for:				
Extracurricular activities	1,439,376	-	-	1,439,376
Education	6,829,952	-	-	6,829,952
Capital acquisitions and improvements	-	3,854,964	-	3,854,964
Debt service	-	-	2,556,479	2,556,479
Total fund balances	8,269,328	3,854,964	2,556,479	14,680,771
Total liabilities, deferred inflows of resources, and fund balances	$ 11,441,983	$ 4,638,951	$ 2,841,048	$ 18,921,982

See independent auditors' report.

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2018

	Special Revenue	Capital Projects	Debt Service	Total
Revenues				
Property taxes	$ -	$ 1,888,684	$ 2,237,675	$ 4,126,359
Intergovernmental revenue:				
Federal flowthrough	5,126,153	-	-	5,126,153
Federal direct	2,294,160	-	-	2,294,160
Local sources	945,906	-	-	945,906
State flowthrough	3,363,305	1,615,624	-	4,978,929
State direct	259,366	773	-	260,139
Charges for services	885,972	-	-	885,972
Investment income	13	5,427	-	5,440
Miscellaneous income	6,724	2,175	-	8,899
Total revenues	12,881,599	3,512,683	2,237,675	18,631,957
Expenditures				
Current:				
Instruction	7,575,255	-	-	7,575,255
Support services - students	1,505,225	-	-	1,505,225
Support services - instruction	999,466	-	-	999,466
Support services - general administrati	141,531	19,294	22,801	183,626
Support services - school administratio	85,675	-	-	85,675
Central services	35,797	-	-	35,797
Operation and maintenance of plant	34,561	5,114,887	-	5,149,448
Student transportation	294,776	-	-	294,776
Food services operations	67,478	-	-	67,478
Capital outlay	16,220	773,923	-	790,143
Debt service:				
Principal	-	-	2,000,000	2,000,000
Interest	-	-	71	71
Total expenditures	10,755,984	5,908,104	2,022,872	18,686,960
Excess (deficiency) of revenues over expenditures	2,125,615	(2,395,421)	214,803	(55,003)
Other financing sources (uses)				
Bond proceeds	-	2,000,000	-	2,000,000
Total other financing sources (uses)	-	2,000,000	-	2,000,000
Net change in fund balances	2,125,615	(395,421)	214,803	1,944,997
Fund balances - beginning	6,143,713	4,250,385	2,341,676	12,735,774
Fund balances - end of year	$ 8,269,328	$ 3,854,964	$ 2,556,479	$ 14,680,771

See independent auditors' report.

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2018

	Athletics 22000	Non Instructional Support 23000	Migrant Children Education 24103	IDEA-B Entitlement 24106
Assets				
Cash and cash equivalents	$ 821,402	$ 632,284	$ -	$ -
Receivables:				
Due from other governments	-	-	13,616	1,218,362
Total assets	$ 821,402	$ 632,284	$ 13,616	$ 1,218,362
Liabilities, deferred inflows of resources, and fund balances				
Liabilities				
Accounts payable	$ -	$ 14,310	$ -	$ 13,118
Accrued payroll	-	-	2,837	184,129
Due to other funds	-	-	10,779	1,021,115
Total liabilities	-	14,310	13,616	1,218,362
Fund balances				
Spendable:				
Restricted for:				
Extracurricular activities	821,402	617,974	-	-
Education	-	-	-	-
Total fund balances	821,402	617,974	-	-
Total liabilities, deferred inflows of resources, and fund balances	$ 821,402	$ 632,284	$ 13,616	$ 1,218,362

See independent auditors' report.

New Mexico Autism Project 24108	IDEA-B Preschool 24109	Education of Homeless 24113	English Language Acquisition 24153	Teacher/Principal Training & Recruitment 24154
$ -	$ -	$ -	$ -	$ -
2,440	10,236	830	167,113	260,765
$ 2,440	$ 10,236	$ 830	$ 167,113	$ 260,765
$ -	$ -	$ -	$ -	$ 5
-	1,451	-	625	48,842
2,440	8,785	830	166,488	211,918
2,440	10,236	830	167,113	260,765
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
$ 2,440	$ 10,236	$ 830	$ 167,113	$ 260,765

See independent auditors' report.

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2018

	Carl D Perkins Special Projects - Current 24171	Carl D Perkins Secondary - Current 24174	Carl D. Perkins Secondary - PY Unliq. Obligations 24175	Carl D Perkins Secondary Redistribution 24176
Assets				
Cash and cash equivalents	$ -	$ -	$ -	$ -
Receivables:				
Due from other governments	5,839	114,801	-	34,817
Total assets	$ 5,839	$ 114,801	$ -	$ 34,817
Liabilities, deferred inflows of resources, and fund balances				
Liabilities				
Accounts payable	$ 3,132	$ -	$ -	$ 68
Accrued payroll	843	-	-	939
Due to other funds	1,864	114,801	-	33,810
Total liabilities	5,839	114,801	-	34,817
Fund balances				
Spendable:				
Restricted for:				
Extracurricular activities	-	-	-	-
Education	-	-	-	-
Total fund balances	-	-	-	-
Total liabilities, deferred inflows of resources, and fund balances	$ 5,839	$ 114,801	$ -	$ 34,817

See independent auditors' report.

Student Supp Academic Achievment Title IV 24189	Title XIX Medicaid 3/21 Years 25153	Save the Children 26143	Spaceport GRT Grant - Dona Ana County 26204	The Bridge of Southern New Mexico 26215
$ -	$ 3,788,407	$ 2,157	$ 2,305,549	$ 2,499
96,485	176,601	-	-	-
$ 96,485	$ 3,965,008	$ 2,157	$ 2,305,549	$ 2,499
$ -	$ 4,221	$ -	$ 9,518	$ -
-	29,333	-	3,462	-
96,485	-	-	-	-
96,485	33,554	-	12,980	-
-	-	-	-	-
-	3,931,454	2,157	2,292,569	2,499
-	3,931,454	2,157	2,292,569	2,499
$ 96,485	$ 3,965,008	$ 2,157	$ 2,305,549	$ 2,499

See independent auditors' report.

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2018

	Dual Credit Instructional Materials 27103	2012 GO Bond Student Library 27107	NM Reads to Lead K-3 Initiative 27114	Recruitment Support Fund 27128
Assets				
Cash and cash equivalents	$ -	$ -	$ -	$ -
Receivables:				
Due from other governments	5,841	-	110,918	35,797
Total assets	$ 5,841	$ -	$ 110,918	$ 35,797
Liabilities, deferred inflows of resources, and fund balances				
Liabilities				
Accounts payable	$ -	$ -	$ -	$ 1,470
Accrued payroll	-	-	5,109	-
Due to other funds	5,841	-	105,809	34,327
Total liabilities	5,841	-	110,918	35,797
Fund balances				
Spendable:				
Restricted for:				
Extracurricular activities	-	-	-	-
Education	-	-	-	-
Total fund balances	-	-	-	-
Total liabilities, deferred inflows of resources, and fund balances	$ 5,841	$ -	$ 110,918	$ 35,797

See independent auditors' report.

Pre-K Initiative 27149	Breakfast for Elementary Students 27155	Kindergarten - Three Plus 27166	K3 Plus 4 & 5 Pilot 27198	NM Highway Dept (Road) 28120
$ -	$ -	$ -	$ -	$ 16,800
403,003	-	465,460	111,370	-
$ 403,003	$ -	$ 465,460	$ 111,370	$ 16,800
$ 197	$ -	$ 39,923	$ 22,667	$ -
62,637	-	95,391	18,993	-
340,169	-	330,146	69,710	-
403,003	-	465,460	111,370	-
-	-	-	-	-
-	-	-	-	16,800
-	-	-	-	16,800
$ 403,003	$ -	$ 465,460	$ 111,370	$ 16,800

See independent auditors' report.

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STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2018

	CYFD Parents as Teachers Model 28193	Industrial Revenue Bonds Payments in Lieu of Taxes 29135	Total
Assets			
Cash and cash equivalents	$ -	$ 584,473	$ 8,153,571
Receivables:			
Due from other governments	54,118	-	3,288,412
Total assets	$ 54,118	$ 584,473	$ 11,441,983
Liabilities, deferred inflows of resources, and fund balances			
Liabilities			
Accounts payable	$ -	$ -	$ 108,629
Accrued payroll	3,925	-	458,516
Due to other funds	50,193	-	2,605,510
Total liabilities	54,118	-	3,172,655
Fund balances			
Spendable:			
Restricted for:			
Extracurricular activities	-	-	1,439,376
Education	-	584,473	6,829,952
Total fund balances	-	584,473	8,269,328
Total liabilities, deferred inflows of resources, and fund balances	$ 54,118	$ 584,473	$ 11,441,983

See independent auditors' report.

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2018

	Athletics 22000	Non Instructional Support 23000	Migrant Children Education 24103	IDEA-B Entitlement 24106
Revenues				
Intergovernmental revenue:				
Federal flowthrough	$ -	$ -	$ 48,379	$ 3,355,306
Federal direct	-	-	-	-
Local sources	-	78,105	-	-
State flowthrough	-	-	-	-
State direct	-	-	-	-
Charges for services	120,143	765,829	-	-
Investment income	13	-	-	-
Miscellaneous income	-	6,724	-	-
Total revenues	120,156	850,658	48,379	3,355,306
Expenditures				
Current:				
Instruction	4,451	809,117	2,500	2,229,828
Support services - students	-	-	44,907	682,362
Support services - instruction	-	-	-	355,909
Support services - general administratior	-	-	972	67,215
Support services - school administration	-	-	-	-
Central services	-	-	-	-
Operation and maintenance of plant	-	-	-	20,010
Student transportation	-	-	-	-
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	4,451	809,117	48,379	3,355,324
Net change in fund balances	115,705	41,541	-	(18)
Fund balances - beginning	705,697	576,433	-	18
Fund balances - end of year	$ 821,402	$ 617,974	$ -	$ -

See independent auditors' report.

New Mexico Autism Project 24108	IDEA-B Preschool 24109	Education of Homeless 24113	English Language Acquisition 24153	Teacher/Principal Training & Recruitment 24154
$ 2,440	$ 61,646	$ 29,043	$ 456,352	$ 812,340
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
2,440	61,646	29,043	456,352	812,340
2,440	11,182	-	456,352	713,947
-	38,297	29,043	-	-
-	10,888	-	-	82,075
-	1,279	-	-	16,318
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
2,440	61,646	29,043	456,352	812,340
-	-	-	-	-
-	-	-	-	-
$ -	$ -	$ -	$ -	$ -

See independent auditors' report.

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2018

	Carl D Perkins Special Projects - Current 24171	Carl D Perkins Secondary - Current 24174	Carl D. Perkins Secondary - PY Unliq. Obligations 24175	Carl D Perkins Secondary Redistribution 24176
Revenues				
Intergovernmental revenue:				
Federal flowthrough	$ 5,839	$ 191,254	$ 31,150	$ 35,919
Federal direct	-	-	-	-
Local sources	-	-	-	-
State flowthrough	-	-	-	-
State direct	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous income	-	-	-	-
Total revenues	5,839	191,254	31,150	35,919
Expenditures				
Current:				
Instruction	5,839	188,410	31,150	35,136
Support services - students	-	-	-	-
Support services - instruction	-	-	-	-
Support services - general administratior	-	2,844	-	783
Support services - school administration	-	-	-	-
Central services	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	5,839	191,254	31,150	35,919
Net change in fund balances	-	-	-	-
Fund balances - beginning	-	-	-	-
Fund balances - end of year	$ -	$ -	$ -	$ -

See independent auditors' report.

Student Supp Academic Achievment Title IV 24189	Title XIX Medicaid 3/21 Years 25153	Save the Children 26143	Spaceport GRT Grant - Dona Ana County 26204	The Bridge of Southern New Mexico 26215
$ 96,485	$ -	$ -	$ -	$ -
-	2,294,160	-	-	-
-	-	-	766,924	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
96,485	2,294,160	-	766,924	-
94,547	-	-	426,923	-
-	478,222	-	-	-
-	276,767	-	-	-
1,938	15,192	-	9,417	-
-	-	-	-	-
-	-	-	-	-
-	4,065	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
96,485	774,246	-	436,340	-
-	1,519,914	-	330,584	-
-	2,411,540	2,157	1,961,985	2,499
$ -	$ 3,931,454	$ 2,157	$ 2,292,569	$ 2,499

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2018

	Dual Credit Instructional Materials 27103	2012 GO Bond Student Library 27107	NM Reads to Lead K-3 Initiative 27114	Recruitment Support Fund 27128
Revenues				
Intergovernmental revenue:				
Federal flowthrough	$ -	$ -	$ -	$ -
Federal direct	-	-	-	-
Local sources	-	-	-	-
State flowthrough	38,943	4,158	186,910	35,797
State direct	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous income	-	-	-	-
Total revenues	38,943	4,158	186,910	35,797
Expenditures				
Current:				
Instruction	38,943	-	183,155	-
Support services - students	-	-	-	-
Support services - instruction	-	4,158	-	-
Support services - general administratio	-	-	3,755	-
Support services - school administration	-	-	-	-
Central services	-	-	-	35,797
Operation and maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	38,943	4,158	186,910	35,797
Net change in fund balances	-	-	-	-
Fund balances - beginning	-	-	-	-
Fund balances - end of year	$ -	$ -	$ -	$ -

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Pre-K Initiative 27149	Breakfast for Elementary Students 27155	Kindergarten - Three Plus 27166	K3 Plus 4 & 5 Pilot 27198	NM Highway Dept (Road) 28120
$ -	$ -	$ -	$ -	$ -
-	-	-	-	-
-	-	-	-	-
1,744,411	67,478	1,174,238	111,370	-
-	-	-	-	33,020
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
1,744,411	67,478	1,174,238	111,370	33,020
1,319,674	-	932,958	88,703	-
-	-	21,083	-	-
238,391	-	31,278	-	-
17,269	-	-	-	-
-	-	85,675	-	-
-	-	-	-	-
-	-	-	-	-
168,865	-	103,244	22,667	-
-	67,478	-	-	-
-	-	-	-	16,220
1,744,199	67,478	1,174,238	111,370	16,220
212	-	-	-	16,800
(212)	-	-	-	-
$ -	$ -	$ -	$ -	$ 16,800

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STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2018

	CYFD Parents as Teachers Model 28193	Industrial Revenue Bonds Payments in Lieu of Taxes 29135	Total
Revenues			
Intergovernmental revenue:			
Federal flowthrough	$ -	$ -	$ 5,126,153
Federal direct	-	-	2,294,160
Local sources	-	100,877	945,906
State flowthrough	-	-	3,363,305
State direct	226,346	-	259,366
Charges for services	-	-	885,972
Investment income	-	-	13
Miscellaneous income	-	-	6,724
Total revenues	226,346	100,877	12,881,599
Expenditures			
Current:			
Instruction	-	-	7,575,255
Support services - students	211,311	-	1,505,225
Support services - instruction	-	-	999,466
Support services - general administration	4,549	-	141,531
Support services - school administration	-	-	85,675
Central services	-	-	35,797
Operation and maintenance of plant	10,486	-	34,561
Student transportation	-	-	294,776
Food services operations	-	-	67,478
Capital outlay	-	-	16,220
Total expenditures	226,346	-	10,755,984
Net change in fund balances	-	100,877	2,125,615
Fund balances - beginning	-	483,596	6,143,713
Fund balances - end of year	$ -	$ 584,473	$ 8,269,328

See independent auditors' report.

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Combining Balance Sheet
Nonmajor Capital Project Funds
June 30, 2018

	Capital Improvements SB-9 31700	Capital Improvements SB-9 Local 31701	Education Technology Equipment Act 31900	Total
Assets				
Cash and cash equivalents	$ -	$ 2,747,576	$ 598,692	$ 3,346,268
Receivables:				
Property taxes	-	267,633	-	267,633
Due from other governments	1,025,050	-	-	1,025,050
Total assets	$ 1,025,050	$ 3,015,209	$ 598,692	$ 4,638,951
Liabilities, deferred inflows of resources, and fund balances				
Liabilities				
Accounts payable	$ 97,530	$ 24,402	$ 15,774	$ 137,706
Due to other funds	423,715	-	-	423,715
Total liabilities	521,245	24,402	15,774	561,421
Deferred inflows of resources				
Unavailable revenue - property taxes	-	222,566	-	222,566
Total deferred inflows of resources	-	222,566	-	222,566
Fund balances				
Spendable:				
Restricted for:				
Capital acquisitions and improvements	503,805	2,768,241	582,918	3,854,964
Total fund balances	503,805	2,768,241	582,918	3,854,964
Total liabilities, deferred inflows of resources, and fund balances	$ 1,025,050	$ 3,015,209	$ 598,692	$ 4,638,951

See independent auditors' report.

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Capital Project Funds
For the Year Ended June 30, 2018

	Capital Improvements SB-9 31700	Capital Improvements SB-9 Local 31701	Education Technology Equipment Act 31900	Total
Revenues				
Property taxes	$ -	$ 1,888,684	$ -	$ 1,888,684
Intergovernmental revenue:				
State flowthrough	1,615,202	-	422	1,615,624
State direct	-	773	-	773
Investment income	-	1,517	3,910	5,427
Miscellaneous income	-	2,175	-	2,175
Total revenues	1,615,202	1,893,149	4,332	3,512,683
Expenditures				
Current:				
Support services - general administration	-	19,294	-	19,294
Operation and maintenance of plant	1,199,444	2,463,606	1,451,837	5,114,887
Capital outlay	466,156	189,253	118,514	773,923
Total expenditures	1,665,600	2,672,153	1,570,351	5,908,104
Excess (deficiency) of revenues over expenditures	(50,398)	(779,004)	(1,566,019)	(2,395,421)
Other financing sources (uses)				
Bond proceeds	-	-	2,000,000	2,000,000
Total other financing sources (uses)	-	-	2,000,000	2,000,000
Net change in fund balances	(50,398)	(779,004)	433,981	(395,421)
Fund balances - beginning	554,203	3,547,245	148,937	4,250,385
Fund balances - end of year	$ 503,805	$ 2,768,241	$ 582,918	$ 3,854,964

See independent auditors' report.

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Combining Balance Sheet
Nonmajor Debt Service Fund
June 30, 2018

	Educational Technology Debt Service 43000
Assets	
Cash and cash equivalents	$ 2,493,585
Receivables:	
Property taxes	347,463
Total assets	$ 2,841,048
Liabilities, deferred inflows of resources, and fund balances	
Liabilities	
Total liabilities	$ -
Deferred inflows of resources	
Unavailable revenue - property taxes	284,569
Total deferred inflows of resources	284,569
Fund balances	
Spendable:	
Restricted for:	
Debt service	2,556,479
Total fund balances	2,556,479
Total liabilities, deferred inflows of resources, and fund balances	$ 2,841,048

See independent auditors' report.

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Debt Service Funds
For the Year Ended June 30, 2018

	Educational Technology Debt Service 43000
Revenues	
Property taxes	$ 2,237,675
Total revenues	2,237,675
Expenditures	
Current:	
Support services - general administration	22,801
Debt service:	
Principal	2,000,000
Interest	71
Total expenditures	2,022,872
Net change in fund balances	214,803
Fund balances - beginning	2,341,676
Fund balances - end of year	$ 2,556,479

See independent auditors' report.

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Combining Balance Sheet
General Fund
June 30, 2018

	Operating 11000	Pupil Transportation 13000	Instructional Materials 14000	Total
Assets				
Cash and cash equivalents	$ 30,442,452	$ 6,228	$ 869,944	$ 31,318,624
Receivables:				
Property taxes	49,018	-	-	49,018
Inventory	682,160	-	-	682,160
Due from other funds	4,918,964	-	-	4,918,964
Total assets	$ 36,092,594	$ 6,228	$ 869,944	$ 36,968,766
Liabilities, deferred inflows of resources, and fund balances				
Liabilities				
Accounts payable	$ 369,691	$ 30	$ -	$ 369,721
Accrued payroll	4,560,519	1,599	-	4,562,118
Total liabilities	4,930,210	1,629	-	4,931,839
Deferred inflows of resources				
Unavailable revenue - property taxes	40,524	-	-	40,524
Total deferred inflows of resources	40,524	-	-	40,524
Fund Balances				
Nonspendable:				
Inventory	682,160	-	-	682,160
Spendable:				
Restricted for:				
Transportation	-	4,599	-	4,599
Instructional materials	-	-	869,944	869,944
Committed for:				
Subsequent year's expenditures	16,757,700	-	-	16,757,700
Unassigned	13,682,000	-	-	13,682,000
Total fund balances	31,121,860	4,599	869,944	31,996,403
Total liabilities, deferred inflows of resources, and fund balances	$ 36,092,594	$ 6,228	$ 869,944	$ 36,968,766

See independent auditors' report.

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
General Fund
For the Year Ended June 30, 2018

	Operating 11000	Pupil Transportation 13000	Instructional Materials 14000	Total
Revenues				
Property taxes	$ 383,367	$ -	$ -	$ 383,367
Intergovernmental revenue:				
Federal flowthrough	233,537	-	-	233,537
Federal direct	15,192	-	-	15,192
State flowthrough	220,347	-	413,469	633,816
State direct	101,744,886	-	-	101,744,886
Transportation distribution	-	5,034,496	-	5,034,496
Charges for services	224,499	-	-	224,499
Investment income	25,380	-	-	25,380
Total revenues	102,847,208	5,034,496	413,469	108,295,173
Expenditures				
Current:				
Instruction	61,476,698	-	826,082	62,302,780
Support services - students	10,004,481	-	-	10,004,481
Support services - instruction	3,806,975	-	-	3,806,975
Support services - general administration	495,390	-	-	495,390
Support services - school administration	6,501,305	-	-	6,501,305
Central services	2,233,955	-	-	2,233,955
Operation and maintenance plant	12,030,208	-	-	12,030,208
Student transportation	310,748	5,030,194	-	5,340,942
Community services operations	12,461	-	-	12,461
Capital Outlay	122,642	-	-	122,642
Total expenditures	96,994,863	5,030,194	826,082	102,851,139
Excess (deficiency) of revenues over expenditures	5,852,345	4,302	(412,613)	5,444,034
Other financing sources (uses):				
Proceeds from sale of capital assets	24,941	-	-	24,941
Total other financing sources (uses)	24,941	-	-	24,941
Net change in fund balances	5,877,286	4,302	(412,613)	5,468,975
Fund balances - beginning	25,244,574	297	1,282,557	26,527,428
Fund balances - end of year	$ 31,121,860	$ 4,599	$ 869,944	$ 31,996,403

See independent auditors' report.

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Operating Fund - 11000
Statement of Revenues, Expenditures, and Changes in
Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2018

	Budgeted Amounts			Variances Favorable (Unfavorable)
	Original	Final	Actual	Final to Actual
Revenues				
Property taxes	$ 366,550	$ 366,550	$ 394,058	$ 27,508
Intergovernmental revenue:				
Federal flowthrough	131,000	131,000	233,537	102,537
Federal direct	10,000	10,000	15,192	5,192
State flowthrough	9,000	9,000	220,347	211,347
State direct	100,220,813	101,757,521	101,744,886	(12,635)
Charges for services	108,000	108,000	224,499	116,499
Investment income	2,000	2,000	25,380	23,380
Total revenues	100,847,363	102,384,071	102,857,899	473,828
Expenditures				
Current:				
Instruction	66,264,816	67,783,295	61,430,267	6,353,028
Support services - students	10,669,939	11,399,089	10,002,385	1,396,704
Support services - instruction	4,353,775	4,484,557	3,814,327	670,230
Support services - general administration	657,189	747,189	494,682	252,507
Support services - school administration	6,521,396	6,602,535	6,491,511	111,024
Central services	2,376,868	2,631,668	2,238,376	393,292
Operation and maintenance of plant	14,350,751	16,866,268	12,024,571	4,841,697
Student transportation	-	310,748	310,748	-
Other support services	9,448,337	12,285,560	-	12,285,560
Food services operations	32,919	32,919	-	32,919
Community services operations	65,000	65,000	12,461	52,539
Capital Outlay	150,000	600,000	122,642	477,358
Total expenditures	114,890,990	123,808,828	96,941,970	26,866,858
Excess (deficiency) of revenues over expenditures	(14,043,627)	(21,424,757)	5,915,929	27,340,686
Other financing sources (uses)				
Designated cash (budgeted increase in cash)	14,043,627	21,424,757	-	(21,424,757)
Proceeds from sale of capital assets	-	-	24,941	24,941
Total other financing sources (uses)	14,043,627	21,424,757	24,941	(21,399,816)
Net change in fund balance	-	-	5,940,870	5,940,870
Fund balance - beginning of year	-	-	24,859,635	24,859,635
Fund balance - end of year	$ -	$ -	$ 30,800,505	$ 30,800,505
Net change in fund balance (Non-GAAP Budgetary Basis)				$ 5,940,870
Adjustments to revenues for taxes and intergovernmental revenue				(10,691)
Adjustments to expenditures for supplies and payroll expenditures				(52,893)
Net change in fund balance (GAAP Basis)				$ 5,877,286

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STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Pupil Transportation Fund - 13000
Statement of Revenues, Expenditures, and Changes in
Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2018

	Budgeted Amounts			Variances Favorable (Unfavorable)
	Original	Final	Actual	Final to Actual
Revenues				
Intergovernmental revenue:				
Transportation distribution	$ 4,971,376	$ 5,034,677	$ 5,034,496	$ (181)
Total revenues	4,971,376	5,034,677	5,034,496	(181)
Expenditures				
Current:				
Student transportation	4,971,376	5,034,859	5,030,230	4,629
Total expenditures	4,971,376	5,034,859	5,030,230	4,629
Excess (deficiency) of revenues over expenditures	-	(182)	4,266	4,448
Other financing sources (uses):				
Designated cash (budgeted increase in cash)	-	182	-	(182)
Total other financing sources (uses)	-	182	-	(182)
Net change in fund balance	-	-	4,266	4,266
Fund balance - beginning of year	-	-	363	363
Fund balance - end of year	$ -	$ -	$ 4,629	$ 4,629
Net change in fund balance (Non-GAAP Budgetary Basis)				$ 4,266
No adjustments to revenues				-
Adjustments to expenditures for student transportation				36
Net change in fund balance (GAAP Basis)				$ 4,302

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STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Instructional Materials Fund - 14000
Statement of Revenues, Expenditures, and Changes in
Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2018

	Budgeted Amounts			Variances Favorable (Unfavorable)
	Original	Final	Actual	Final to Actual
Revenues				
Intergovernmental revenue:				
State flowthrough	$ 374,572	$ 412,429	$ 413,469	$ 1,040
Total revenues	374,572	412,429	413,469	1,040
Expenditures				
Current:				
Instruction	1,517,336	1,695,993	827,090	868,903
Total expenditures	1,517,336	1,695,993	827,090	868,903
Excess (deficiency) of revenues over expenditures	(1,142,764)	(1,283,564)	(413,621)	869,943
Other financing sources (uses):				
Designated cash (budgeted increase in cash)	1,142,764	1,283,564	-	(1,283,564)
Total other financing sources (uses)	1,142,764	1,283,564	-	(1,283,564)
Net change in fund balance	-	-	(413,621)	(413,621)
Fund balance - beginning of year	-	-	1,283,565	1,283,565
Fund balance - end of year	$ -	$ -	$ 869,944	$ 869,944
Net change in fund balance (Non-GAAP Budgetary Basis)				$ (413,621)
No adjustments to revenues				-
Adjustments to expenditures for instructional expenditures				1,008
Net change in fund balance (GAAP Basis)				$ (412,613)

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SUPPORTING SCHEDULES

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Agency Funds
Schedule of Changes in Fiduciary Assets and Liabilities
For the Year Ended June 30, 2018

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
Anthony Elementary	$ 1,542	$ 1,478	$ 2,927	$ 93
Berino Elementary	139	6,853	3,701	3,291
Chaparral Elementary School	-	300	-	300
Chaparral Middle School	26,006	80,395	70,250	36,151
Chaparral High School	72,920	112,997	116,448	69,469
Gadsden Elementary	5,097	-	446	4,651
Gadsden Middle School	25,293	35,421	29,678	31,036
Gadsden High School	152,747	216,490	240,798	128,439
Santa Teresa Middle School	14,373	29,998	32,209	12,162
Santa Teresa High School	133,692	150,467	179,636	104,523
Desert Pride Academy	1,853	525	167	2,211
Desert Trail Elemtary	-	200	202	(2)
Alta Vista Early College High School	4,750	7,745	6,261	6,234
Loma Linda Elementary	1,481	5,205	5,896	790
Mesquite Environmental	1,460	601	1,604	457
North Valley Elementary	2,634	751	3,173	212
Riverside Elementary	152	7,998	5,682	2,468
Vado Elementary	3,253	6,870	4,881	5,242
Sunland Park Elementary	326	4,201	4,126	401
Yucca Heights Elementary	337	1,750	1,995	92
Construction Surplus	(72)	-	-	(72)
Holiday Food Baskets	89	679	639	129
La Union JTP	533	-	-	533
PreKCenters	-	536	536	-

See independent auditors' report.

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
Fiesta Educativa	16,525	-	-	16,525
PAWS- Gadsden High School	683	-	-	683
Feds. Christmas Food Baskets	95	-	-	95
Literacy Fest	700	-	-	700
Service Learning Project	11,531	-	-	11,531
Teacher of the Year	9,095	879	5,633	4,341
Trucha - Drug Free Program	54	-	-	54
Nurse's Department	600	-	-	600
Spanish Spelling Bee	298	-	-	298
Unemployment Ins. Reserve Fund	275,007	38,273	36,928	276,352
Cancer Awareness	-	280	-	280
Total	$ 763,193	$ 710,892	$ 753,816	$ 720,269

See independent auditors' report.

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Schedule of Collateral Pledged by Depository for Public Funds
June 30, 2018

Name of Depository	Description of Pledged Collateral	Maturity	CUSIP Number	Fair Market June 30, 2018
Wells Fargo				
	FNMA FNMS 2.500%	6/1/2031	3138WHD74	$ 9,946,634
	FMAC FGPC 3.000%	9/1/2026	3128PWMK1	578,015
	Collateral for deposit accounts			10,524,649
	FHG-3G08558 4.00%	11/1/2043	3128MJTQ3	3,636,688
	FHG-3G08721 3.00%	8/1/2046	3128MJYT1	13,951,666
	FHG-3G08710 3.00%	6/1/2046	3128MJYG9	28,905,390
	Collateral for repurchase agreements			46,493,744
			Total Wells Fargo	57,018,393
	Name and location of safekeeper for above pledged collateral: Bank of New York Mellon and Wells Fargo Bank (Repurchase Agreement Securities)			
Bank of the West				
	FN 1339C MP PAC FIX	5/25/2028	3136AEEFO	9,671
	G2SF MA3662	5/20/2046	36179SB71	409,996
	GNMA2 SINGLE FAMILY 30 YR	12/20/2042	36179MVQO	634,066
	FNCL AS7582	7/1/2046	3138WHM82	70,526
	GNMA2 ARM MULTIPLE	3/20/2043	36179M6H8	35,311
	FNMA CONV 30 YR SF	9/1/2042	3138M8J61	100,563
	GNMA2 SINGLE FAMILY 30 YR	9/20/2043	36179NM96	121,544
	GNMA2 ARM MULTIPLE	2/20/2042	36225FLV9	37,182
	GNMA2 SINGLE FAMILY 30 YR	11/20/2042	36179MSV3	139,647
	GNMA2 ARM MULTIPLE	1/20/2043	36179MYQ7	114,510
	G2SF MA2677	3/20/2045	36179Q6N6	495,504
	GNMA2 SINGLE FAMILY 30 YR	9/20/2043	36179NM96	675,242
	GNMA2 ARM MULTIPLE	5/20/2042	36179MDE7	1,502,977
	GNMA1 SINGLE FAMILY 30 YR	6/15/2042	36176XUA5	2,570,960

See independent auditors' report.

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Schedule of Collateral Pledged by Depository for Public Funds
June 30, 2018

Name of Depository	Description of Pledged Collateral	Maturity	CUSIP Number	Fair Market June 30, 2018
	G2SF MA2753	4/20/2045	36179RBW8	212,206
			Total Bank of the West	7,129,905
	Name and location of safekeeper for above pledged collateral: Bank of the West			
First American Bank				
	BERNALILLO SD#1 - REF NM 20	8/1/2020	085279QY6	401,756
	Collateral for deposit accounts			401,756
	GNMA 15YR	6/15/2019	36241LWS1	51,574
	GNMA 15YR	1/15/2025	3620AQ5X7	146,490
	GNMA 15YR	4/15/2025	3620AQ5X7	196,686
	FNMA 15YR	4/1/2027	3138EH4H2	427,043
	FHLMC 15YR	11/1/2027	31306YKG5	291,585
	GNMA II ARM	5/20/2035	36225DP24	69,456
	GNMA 30YR	1/15/2036	36292GLU7	76,122
	GNMA 30YR	3/15/2036	36241KKS6	58,675
	FNMA Conv <30	12/1/2036	3140FNH80	1,702,345
	GNMA ll 5x1	8/20/2042	36179MLMO	263,727
	Collateral for repurchase agreements			3,283,703
			Total First American Bank	3,685,459
	Name and location of safekeeper for above pledged collateral: Federal Home Loan Bank			
	Total collateral pledged			$ 67,833,757

See independent auditors' report.

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Schedule of Deposits and Investments
June 30, 2018

Bank Account Type/ Name	Wells Fargo	Bank of Oklahoma	NM Finance Authority	Bank of the West
Cash Deposits:				
Checking - Operational	$ 9,750,333	$ -	$ -	$ -
Checking - Activity	1,336,710	-	-	-
Checking - Athletics	695,151	-	-	-
Checking - Building	400	-	-	-
Checking - Food Services	4,876	-	-	-
Checking - Payroll Clearing	-	-	-	-
Checking - Accounts Payable Clearing	-	-	-	-
Checking - Debt Service	-	-	-	13,399,776
Savings - Building	5,033,259	-	-	-
Certificate of Deposit - Operational	1,013,653	-	-	-
Certificate of Deposit - Athletics	126,558	-	-	-
Total Cash Deposits	17,960,940	-	-	13,399,776
Investments:				
Sweep Account Balance	45,582,101	-	-	-
Other	-	650,592	9,562,258	-
Total Investments	45,582,101	650,592	9,562,258	-
Total Deposits and Investments	63,543,041	650,592	9,562,258	13,399,776
Reconciling items	(706,657)	-	-	-
Plus: Cash on hand				
Reconciled balance June 30, 2018	$ 62,836,384	$ 650,592	$ 9,562,258	$ 13,399,776

Reconciliation to financial statements:
Cash and cash equivalents:
Government-wide statement of net position - Exhibit A-1
Restricted cash and cash equivalents:
Government-wide statement of net position - Exhibit A-1
Statement of fiduciary net position agency funds - Exhibit D-1

Cash and cash equivalents per Financial Statements

See independent auditors' report.

First American Bank	Total
$ -	$ 9,750,333
10,000	1,346,710
-	695,151
200,000	200,400
-	4,876
-	-
-	-
-	13,399,776
-	5,033,259
-	1,013,653
-	126,558
210,000	31,570,716
2,314,059	47,896,160
	10,212,850
2,314,059	58,109,010
2,524,059	89,679,726
-	(706,657)
	520
$ 2,524,059	$ 88,973,589
	$ 74,853,497
	13,399,776
	720,316
	$ 88,973,589

See independent auditors' report.

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Cash Reconciliation
For the Year Ended June 30, 2018

	Operational 11000	Teacherage 12000	Transportation 13000	Instructional Materials 14000	Food Services 21000
Audited Cash					
June 30, 2017	$ 26,228,171	$ -	$ 2,895	$ 1,283,565	$14,240,159
Add:					
2017-2018 receipts	102,882,875	-	5,034,496	413,469	8,900,745
Total cash available	129,111,046	-	5,037,391	1,697,034	23,140,904
Less:					
2017-2018 expenditures	(96,941,970)	-	(5,030,230)	(827,090)	(9,504,644)
Total Cash	32,169,076	-	7,161	869,944	13,636,260
Add/Less other reconciling items:					
Change in oustanding loans	(1,505,317)	-	-	-	-
Change in accruals/adjustments	(221,307)	-	(933)	-	(4,622)
Cash per financial statement	$ 30,442,452	$ -	$ 6,228	$ 869,944	$13,631,638

See independent auditors' report.

Athletics 22000	Non-Instructional Support 23000	Federal Flowthrough 24000	Federal Direct 25000	Local Grants 26000	State Flowthrough 27000
$ 705,697	$ 583,075	$ -	$ 2,287,123	$ 2,021,436	$ -
120,156	850,658	10,245,745	2,276,644	766,923	3,079,848
825,853	1,433,733	10,245,745	4,563,767	2,788,359	3,079,848
(4,451)	(801,499)	(11,499,744)	(770,414)	(468,807)	(3,311,614)
821,402	632,234	(1,253,999)	3,793,353	2,319,552	(231,766)
-	-	1,246,660	-	-	191,948
-	50	7,339	(4,946)	(9,347)	39,818
$ 821,402	$ 632,284	$ -	$ 3,788,407	$ 2,310,205	$ -

See independent auditors' report.

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Cash Reconciliation
For the Year Ended June 30, 2018

	State Direct 28000	Local or state 29000	Bond Building 31100	Public School Capital Outlay 31200	Special Capital Outlay Federal 31500
Audited Cash					
June 30, 2017	$ -	$ 483,596	$ 20,492,076	$ -	$ -
Add:					
2017-2018 receipts	242,309	100,877	9,614,834	-	-
Total cash available	242,309	584,473	30,106,910	-	-
Less:					
2017-2018 expenditures	(242,648)	-	(11,703,514)	-	-
Total Cash	(339)	584,473	18,403,396	-	-
Add / Less other reconciling items:					
Change in oustanding loans	21,082	-	-	-	-
Change in accruals/adjustments	(3,943)	-	-	-	-
Cash per financial statement	$ 16,800	$ 584,473	$ 18,403,396	$ -	$ -

See independent auditors' report.

Capital Improvements SB-9 31700	Capital Improvements SB-9 Local 31701	Education Technology Equipment Act 31900	Debt Service 41000	Ed Tech Debt Service 43000	Total
$ -	$ 3,470,492	$ 159,136	$ 8,926,971	$ 2,236,320	$ 83,120,712
1,588,502	1,933,833	2,004,332	11,871,410	2,280,137	164,207,793
1,588,502	5,404,325	2,163,468	20,798,381	4,516,457	247,328,505
(1,615,204)	(2,656,749)	(1,564,776)	(9,892,190)	(2,022,872)	(158,858,416)
(26,702)	2,747,576	598,692	10,906,191	2,493,585	88,470,089
45,627	-	-	-	-	-
(18,925)	-	-	-	-	(216,816)
$ -	$ 2,747,576	$ 598,692	$ 10,906,191	$ 2,493,585	$ 88,253,273

See independent auditors' report.

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COMPLIANCE SECTION

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

INDEPENDENT AUDITORS' REPORT

Board of Education and Management
Gadsden Independent School District No. 16
Wayne Johnson
New Mexico State Auditor
U.S. Office of Management and Budget
Sunland Park, New Mexico

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, and the budgetary comparisons of the General Fund and major special revenue funds of the Gadsden Independent School District No. 16 (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 11, 2018.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or 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 on the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be a material weakness or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

We noted certain matters that are required to be reported per section 12-6-5 NMSA 1978 that we have described in the accompanying schedule of Section 12-6-5 NMSA 1978 findings as item 2017-002.

District's Responses to Findings

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

Purpose of 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 District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cordova CPAs LLC
Albuquerque, NM
October 11, 2018

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FEDERAL FINANCIAL ASSISTANCE

REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

INDEPENDENT AUDITORS' REPORT

Board of Education and Management
Gadsden Independent School District No. 16
Wayne Johnson
New Mexico State Auditor
U.S. Office of Management and Budget
Sunland Park, New Mexico

Report on Compliance for Each Major Federal Program

We have audited Gadsden Independent School District No. 16's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2018. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the 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 the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Major Federal Program

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

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2018-001, that we consider to be a significant deficiency.

The District's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Cordova CPAs LLC
Albuquerque, NM
October 11, 2018

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Federal Grantor or Pass-Through Grantor / Program Title	Pass Thru Number	Federal CFDA Number		Federal Expenditures	Funds Provided to Subrecipients	Noncash Assistance
U.S. Department of Education						
Passed through New Mexico Public Education Department						
Title I - IASA	24101	84.010	*	$ 6,381,586	$ -	$ -
Migrant Children Education	24103	84.011		48,379	-	-
Education of Homeless	24113	84.196		29,043	-	-
Title III English Language Acquisition	24153	84.365		456,352	-	-
Teacher/ Principal Training /Recruiting	24154	84.367A		812,340	-	-
Carl Perkins	24171	84.048		5,839	-	-
Carl Perkins	24174	84.048		191,254	-	-
Carl Perkins	24175	84.048		31,150	-	-
Carl Perkins	24176	84.048		35,919	-	-
Student Support Academic Achievement Title IV	24189	84.424A		96,485	-	-
IDEA-B Entitlement	24106	84.027	(1)	3,355,324	-	-
IDEA-B Competitive	24108	84.027	(1)	2,440	-	-
IDEA-B Preschool	24109	84.173	(1)	61,646	-	-
Total IDEA Cluster				3,419,410	-	-
Subtotal - Passed through New Mexico Public Education Department				11,507,757	-	-
Total U.S. Department of Education				11,507,757	-	-
U.S. Department of Agriculture						
Passed through New Mexico Public Education Department						
Child Nutrition Cluster	21000	10.553	(2)	2,522,643	-	-
Child Nutrition Cluster	21000	10.555	(2)	630,249	-	630,249
Child Nutrition Cluster	21000	10.555	(2)	6,597,067	-	-
Subtotal - Passed through New Mexico Public Education Department				9,749,959	-	630,249
Total U.S. Department of Agriculture				9,749,959	-	630,249
Total Federal Financial Assistance				$ 21,257,716	$ -	$ 630,249

* Denotes Major Federal Financial Assistance Program
() Denotes Cluster

See independent auditors' report.
See accompanying notes to schedule of expenditures of federal awards.

Notes to Schedule of Expenditures of Federal Awards

1 **Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of the Gadsden Independent School District No. 16 and is presented on the modified accrual basis of accounting, which is the same basis as was used to prepare the fund financial statements. The information in this Schedule is presented in accordance with the requirements of *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

2 **Loans**

The District did not expend federal awards related to loans or loan guarantees during the year.

3 **10% de minimus Indirect Cost Rate**

The District did not elect to use the allowed 10% indirect cost rate.

4 **Federally Funded Insurance**

The District has no federally funded insurance.

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements:

1.	Type of auditors' report issued	Unmodified
2.	Internal control over financial reporting:	
	a. Material weaknesses identified?	None noted
	b. Significant deficiencies identified not considered to be material weaknesses?	None noted
	c. Noncompliance material to the financial statements noted?	None noted

Federal Awards:

1.	Internal control over major programs:	
	a. Material weaknesses identified?	None noted
	b. Significant deficiencies identified not considered to be material weaknesses?	Yes
2.	Type of auditors' report issued on compliance for major programs	Unmodified
3.	Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	Yes
4.	Identification of major programs:	

CFDA Number	Federal Program
84.010	Title I IASA

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

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

SECTION II - FINANCIAL STATEMENT FINDINGS

None noted

SECTION III - FEDERAL AWARD FINDINGS

2018-001 — Annual Report Card, High School Graduation Rate for Title I– (Significant Deficiency)

Federal Program Information:

Funding Agency:	Department of Education
	Passthrough- State of NM Public Education Department
	Title: Title I Grants to Local Educational Agencies
CFDA Number:	84.010
Award Year:	July 1, 2017 to June 30, 2018
Compliance Requirement:	Special Tests and Provisions

Condition: During our review of the District's student cohort, it was noted that for the three high schools tested, 10 out of the 25 withdrawal sheets tested did not have the School's Principal's signature noting approval of the withdrawal sheet.

Criteria: Graduation rate data must be reported both in the aggregate and disaggregated by each subgroup described in 34 CFR section 200.13(b)(7)(ii) and 200.19(b)(1), a state educational agency (SEA) and its local educational agencies (LEAs) must report graduation rate data for all public high schools using a 4-year adjusted cohort rate defined as the number of students who graduate in four years with a regular high school diploma divided by the number of students who form the adjusted cohort for that graduating class. To remove a student from the cohort, a school or LEA must confirm in writing that the student transferred out, emigrated to another country, or is deceased. To confirm that a student transferred out, the school or LEA must have official written documentation that the student enrolled in a non-NMPED school that culminates in the award of a regular high school diploma. The School must have proper controls to ensure these reports are being done correctly.

Effect: The District's policy over the student withdrawal forms was violated and there was no documented sign off of the required reporting.

Questioned Costs: None

Cause: The Principals either did not review the reports before being submitted to the District's Title I Finance department ensuring accuracy or they reviewed the reports and did not sign after reviewing.

Auditors' Recommendation: We recommend that the District revisit the design of its internal controls related to this special test and provision and incorporate proper steps to ensures that all Principals sign the withdrawal sheets before sending them to the District's Title I administrative office.

Agency's Response: In 2016, the District established procedures whereby every reporting period all withdrawals are personally verified by the Director for Data for accuracy and compliance. This process ensures that the exit code, date of exit, and principal's signature meet the previously established guidelines. The 2018 cycle (cohort) consisted of four years' worth of data; *2014-15, 2015-16, 2016-17, 2017-18*. We can unequivocally ensure that since 2016 proper steps have been taken to ensure compliance due to pre-established internal controls.

SECTION IV – SECTION 12-6-5 NMSA FINDINGS

2017-002 Controls over Inventory (Findings that do not rise to the level of significant deficiency)

Condition: During out audit we noted the following:

- The year-end inventory (supplies) was not accurate as asserted by management because some (3 out of a sample of 23 items) of the counts were inaccurate and pricing of certain inventory items was inaccurate for the items we tested in our sample. We were not able to calculate the potential misstatement or error in the original listing. A completely revised inventory listing was provided subsequent to the financial close to include corrections of items discovered.

The District has continued to strive to make progress and has invested in technology to assist with the corrective action plan.

Criteria: According to NMAC 6.20.2.16, each school district shall take a physical inventory of remaining goods and materials of an expendable nature (items that are consumed in the normal course of operating the district). School districts shall establish adequate internal accounting control procedures over supplies inventory in accordance with generally accepted accounting principles.

Effect: Without proper inventory controls, the District may not know the accurate quantity of items on hand at any given point and time, and the District's inventory balances at year end are misstated.

Cause: The inventory count at year end was not reviewed (control deficiency) and not enough focus was given to this process during the financial close.

Auditors' Recommendation: The District must implement more structure around the inventory process to ensure accurate counts are obtained and all pricing is at lower of cost or market. In addition, at year end the inventory summaries should be reviewed for accuracy, including test counts and pricing accuracy and, lastly, be reconciled to the general ledger.

Agency's Response: During 2017, the Physical Plant Department implemented a computerized inventory system (Inventory Direct by School Dude) as a mechanism to track inventory and maintain appropriate stocking levels. Although computerized inventory process has proven to be much more efficient and accurate than the prior manual inventory method; it has resulted in a learning curve for district employees. The Director for Physical Plant along with the Director for Student Nutrition will continue to strengthen existing inventory control practices by providing employees with additional training to ensure a better understanding of how the inventory control system is to work. Among training topics identified are: counting methods, documentation, and reconciliation procedures.

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

SECTION V. PRIOR YEAR AUDIT FINDINGS

FS 2017-001 Deficiencies of IT Controls – User Access (Significant Deficiency) - Resolved

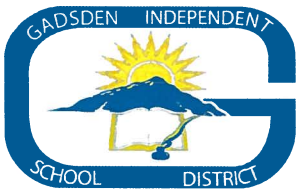
NM 2017-001 Capital Assets (Findings that do not rise to the level of significant deficiency) - Resolved

NM 2017-002 Controls over Inventory (Findings that do not rise to the level of significant deficiency) - Repeated

NM 2017-003 Controls and Compliance over Payroll and Human Resources (Findings that do not rise to the level of significant deficiency) - Resolved

Travis L. Dempsey
Superintendent

Ludym Martinez
Associate Superintendent
for Finance



4950 McNutt Road
Sunland Park, New Mexico

P.O. Drawer 70
Anthony, N.M. 88021
Phone: (575) 882-6243
FAX: (575) 882-6265

CORRECTIVE ACTION PLAN

This correction plan has been prepared by management of Gadsden Independent School District No. 16.

Corrective Action Plan: In 2016, the District established procedures whereby every reporting period all withdrawals are personally verified by the Director for Data for accuracy and compliance. This process ensures that the exit code, date of exit, and principal's signature meet the previously established guidelines. The 2018 cycle (cohort) consisted of four years' worth of data; *2014-15, 2015-16, 2016-17, 2017-18*. We can unequivocally ensure that since 2016 proper steps have been taken to ensure compliance due to pre-established internal controls.

Anticipated completion date for corrective action plan: During fiscal year 2019.

Auditee contact persons responsible for correction action: Travis Dempsey, Superintendent, and Yvonne Casillas, Director for Data.

OTHER DISCLOSURES

Exit Conference

An exit conference was held on October 11, 2018. In attendance were the following:

Representing Gadsden Independent School District No. 16:

Maria Saenz – Board of Education Member
Mindy Erramouspe – Audit Committee
Travis L. Dempsey – Superintendent
Ludym Martinez – Associate Superintendent for Finance
Erica Villarreal – Executive Director for Finance
Yolanda Rivera – Director for Financial Operations

Representing Cordova CPAs LLC:

Robert Cordova, CPA – Partner

Auditor Prepared Financial Statements

Cordova CPAs LLC prepared the GAAP-basis financial statements and footnotes of Gadsden Independent School District No. 16 from the original books and records asserted by management. The responsibility for the financial statements remains with Gadsden Independent School District No. 16.