



HINKLE + LANDERS

Certified Public Accountants + Business Consultants

**STATE OF NEW MEXICO
GALLUP-MCKINLEY COUNTY SCHOOLS**

**INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS**

For the Year Ended June 30, 2018

**STATE OF NEW MEXICO
GALLUP-MCKINLEY COUNTY SCHOOLS
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For the Year Ended June 30, 2018**

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GALLUP-MCKINLEY COUNTY SCHOOLS
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For the Year Ended June 30, 2018**

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**STATE OF NEW MEXICO
GALLUP-MCKINLEY COUNTY SCHOOLS
Official Roster
As of June 30, 2018**

BOARD OF EDUCATION

| NAME | TITLE |
|---------------------|----------------------|
| Charles Long | Board President |
| Chris Mortensen | Board Vice President |
| Michael Schaaf | Board Secretary |
| Kevin Mitchell | Board Member |
| Priscilla Manuelito | Board Member |

SCHOOL OFFICIALS

| NAME | TITLE |
|----------------|--|
| Michael Hyatt | Superintendent |
| Pauletta White | Asst. Superintendent of Student Services |
| Gerald Horacek | Asst. Superintendent of Curriculum & Instruction |
| Tim Bond | Asst. Superintendent of Support Services |
| Jvanna Hanks | Asst. Superintendent of Business Services |
| Joan Nez | Executive Secretary |



INDEPENDENT AUDITOR’S REPORT

Wayne Johnson, New Mexico State Auditor
To the Board of Education of
Gallup-McKinley County Public Schools
Gallup, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of Gallup-McKinley County Public Schools, New Mexico, as of and for the year ended June 30, 2018, and the related notes to the financial statements which collectively comprise the Gallup-McKinley County Public Schools’ basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Gallup-McKinley County Public Schools, as of June 30, 2018, and the respective changes in financial position thereof, and the respective budgetary comparisons for the General Fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 16 to the financial statements, the 2018 financial statements have been restated due to misstatements and GASB 75 implementation. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedules related to ERB, Net Pension Liabilities, OPEB, and Net OPEB liabilities, listed as “Required Supplementary Information” in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board* who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Gallup-McKinley County Public Schools’ basic financial statements. The other supplemental information such as the combining and individual nonmajor fund financial statements, the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the other schedules listed as “other supplementary information” in the table of contents, required by 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards, the combining and individual nonmajor fund financial statements, and the other schedules listed as “other supplementary information” in the table of contents, 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 Schedule of Expenditures of Federal Awards, the combining and individual nonmajor fund financial statements, and the other schedules required by 2.2.2 NMAC are fairly stated, in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 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.



Hinkle + Landers, PC
Albuquerque, New Mexico
November 13, 2018

STATE OF NEW MEXICO
GALLUP-MCKINLEY COUNTY SCHOOLS
Statement of Net Position
As of June 30, 2018

| | Primary Government Governmental Activities | Component Unit Middle College High School |
|--|--|--|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$ 44,833,458 | 750,557 |
| Receivables: | | |
| Taxes | 515,419 | 1,159 |
| Due from other governments | 7,944,621 | 5,780 |
| Inventory | 642,391 | - |
| Total current assets | 53,935,889 | 757,496 |
| Noncurrent assets | | |
| Restricted cash | 24,977,887 | - |
| Bond issuance costs (net amortization of \$59,149) | 115,154 | - |
| Capital assets | 571,047,970 | 200,954 |
| Less: accumulated depreciation | (168,050,439) | (50,860) |
| Total noncurrent assets | 428,090,572 | 150,094 |
| Total assets | 482,026,461 | 907,590 |
| Deferred Outflows of Resources | | |
| Pension deferral | 88,207,028 | 870,997 |
| OPEB deferral | 1,427,237 | 11,230 |
| Deferred loss on refunding of debt, net of (\$21,667) | 108,332 | - |
| Total deferred outflows of resources | 89,742,597 | 882,227 |
| Total assets and deferred outflows of resources | \$ 571,769,058 | 1,789,817 |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable | \$ 2,722,980 | 3,764 |
| Accrued payroll liabilities | 5,179,077 | 36,024 |
| Deposits payable | 68,877 | - |
| Accrued interest payable | 511,986 | - |
| Compensated absences, current portion | 652,539 | - |
| Bonds payable, current portion | 7,485,000 | - |
| Total current liabilities | 16,620,459 | 39,788 |
| Noncurrent liabilities | | |
| Bond underwriter premiums (net amortization of \$914,079) | 1,442,776 | - |
| Compensated absences | 279,660 | 11,969 |
| Bonds payable | 52,960,000 | - |
| Net pension liability | 259,850,668 | 2,151,567 |
| Net OPEB liability | 74,052,522 | 581,867 |
| Total noncurrent liabilities | 388,585,626 | 2,745,403 |
| Total liabilities | 405,206,085 | 2,785,191 |
| Deferred Inflows of Resources | | |
| Pension deferral | 10,294,287 | 33,442 |
| OPEB deferral | 16,854,179 | 132,432 |
| Total deferred inflows of resources | 27,148,466 | 165,874 |
| Net Position | | |
| Net investment in capital assets | 341,333,241 | 150,094 |
| Restricted for: | | |
| Debt service | 17,315,326 | - |
| Capital projects | 8,943,363 | 14,495 |
| Special revenue | 19,590,470 | - |
| Unrestricted | (247,767,893) | (1,325,837) |
| Total net position | 139,414,507 | (1,161,248) |
| Total liabilities, deferred inflows of resources, and net position | \$ 571,769,058 | 1,789,817 |

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

STATE OF NEW MEXICO
GALLUP-MCKINLEY COUNTY SCHOOLS
Statement of Activities
For the Year Ended June 30, 2018

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | Component Unit |
|------------------------------------|--------------------|-----------------------------|---|---|--|-----------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | | |
| Primary Government | | | | | | |
| <i>Governmental activities:</i> | | | | | | |
| Instruction | \$ 103,807,008 | 1,865,416 | 53,544,428 | - | (48,397,164) | - |
| Support services: | | | | | | |
| Students | 13,840,982 | - | 4,718,576 | - | (9,122,406) | - |
| Instruction | 5,415,527 | - | 407,018 | - | (5,008,509) | - |
| General administration | 1,728,723 | - | - | - | (1,728,723) | - |
| School administration | 9,186,588 | - | - | - | (9,186,588) | - |
| Other support services | 154,370 | - | - | - | (154,370) | - |
| Central Services | 4,921,269 | - | - | - | (4,921,269) | - |
| Operation and maintenance of plant | 18,346,676 | - | - | 584,695 | (17,761,981) | - |
| Student transportation | 6,769,518 | - | 5,112,437 | - | (1,657,081) | - |
| Food services operation | 9,645,566 | 248,686 | 7,680,164 | - | (1,716,716) | - |
| Community services | 7,547 | - | - | - | (7,547) | - |
| Interest on long-term debt | 1,802,051 | - | - | - | (1,802,051) | - |
| Reversions | 259,616 | - | - | - | (259,616) | - |
| <i>Total primary government</i> | <u>175,885,441</u> | <u>2,114,102</u> | <u>71,462,623</u> | <u>584,695</u> | <u>(101,724,021)</u> | <u>-</u> |
| Component Unit: | | | | | | |
| Middle College High School | \$ 1,512,786 | - | 14,066 | 20,459 | - | (1,478,261) |

General Revenues:

Taxes

| | | |
|---|-----------------------|--------------------|
| Property taxes, levied for general purposes | \$ 365,313 | - |
| Property taxes, levied for debt service | 7,035,249 | - |
| Property taxes, levied for capital projects | 1,673,756 | 14,670 |
| Oil and gas taxes | 3,514 | - |
| State Equalization Guarantee | 66,715,978 | 1,294,321 |
| Investment income | 16,547 | - |
| Miscellaneous income | 51,787 | 1,111 |
| Gain/(loss) on sale of assets | 14,385 | - |
| Total general revenues and transfers | <u>75,876,529</u> | <u>1,310,102</u> |
| | | |
| Change in net position | (25,847,492) | (168,159) |
| | | |
| Net position, beginning | 243,931,532 | (379,772) |
| Restatements | (78,669,533) | (613,317) |
| Net position, beginning restated | 165,261,999 | (993,089) |
| Net position, ending | <u>\$ 139,414,507</u> | <u>(1,161,248)</u> |

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

STATE OF NEW MEXICO
GALLUP-MCKINLEY COUNTY SCHOOLS
Balance Sheet
Governmental Funds
As of June 30, 2018

| | General Fund | | | | Title I 24101 |
|--|---------------------------------------|-----------------------------|---------------------------------|--|--------------------------|
| | Operational Fund 11000 | Teacherage 12000 | Transportation 13000 | Instructional Materials 14000 | |
| <i>Assets</i> | | | | | |
| Cash and investments | \$ 22,191,729 | 428,862 | 127,053 | 279,213 | - |
| Restricted cash | - | - | - | - | - |
| Receivables: | | | | | |
| Taxes | 17,606 | - | - | - | - |
| Due from other governments | - | - | - | - | 2,462,080 |
| Other | - | - | - | - | - |
| Inventory | 196,665 | - | - | - | - |
| Due from other funds | 6,734,832 | - | - | - | - |
| <i>Total assets</i> | <u>29,140,832</u> | <u>428,862</u> | <u>127,053</u> | <u>279,213</u> | <u>2,462,080</u> |
| <i>Liabilities, Deferred Inflows of Resources, and Fund Balances</i> | | | | | |
| <i>Liabilities</i> | | | | | |
| Accounts payable | 912,402 | 24,272 | 37,626 | - | 13,337 |
| Accrued payroll liabilities | 3,792,871 | 3,692 | 125,717 | - | 353,490 |
| Deposits held for others | - | 68,877 | - | - | - |
| Due to other funds | 82,264 | - | - | - | 2,095,253 |
| <i>Total liabilities</i> | <u>4,787,537</u> | <u>96,841</u> | <u>163,343</u> | <u>-</u> | <u>2,462,080</u> |
| <i>Deferred inflows of resources</i> | | | | | |
| Deferred inflows - property taxes | 3,969 | - | - | - | - |
| <i>Total deferred inflows of resources</i> | <u>3,969</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Fund balances</i> | | | | | |
| Nonspendable | 196,665 | - | - | - | - |
| Restricted | - | 332,021 | - | 279,213 | - |
| Committed | - | - | - | - | - |
| Assigned | - | - | - | - | - |
| Unassigned | 24,152,661 | - | (36,290) | - | - |
| <i>Total fund balances</i> | <u>24,349,326</u> | <u>332,021</u> | <u>(36,290)</u> | <u>279,213</u> | <u>-</u> |
| <i>Total liabilities, deferred inflows of resources, and fund balances</i> | <u>\$ 29,140,832</u> | <u>428,862</u> | <u>127,053</u> | <u>279,213</u> | <u>2,462,080</u> |

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

STATE OF NEW MEXICO
GALLUP-MCKINLEY COUNTY SCHOOLS
Balance Sheet
Governmental Funds
As of June 30, 2018

| | Entitlement IDEA B 24106 | Impact Aid Indian Special Education 25147 | Capital Improvements SB-9 31700 | Debt Service 41000 | Non-Major Governmental Funds | Total |
|--|---|--|--|-----------------------------------|---|-------------------|
| <i>Assets</i> | | | | | | |
| Cash and investments | - | 10,931,514 | - | - | 10,875,086 | 44,833,457 |
| Restricted cash | - | - | - | 17,046,912 | 7,930,974 | 24,977,886 |
| Receivables: | | | | | | |
| Taxes | - | - | - | 401,982 | 95,831 | 515,419 |
| Due from other governments | 2,376,917 | - | 519,455 | - | 2,586,170 | 7,944,622 |
| Other | - | - | - | - | - | - |
| Inventory | - | - | - | - | 445,726 | 642,391 |
| Due from other funds | - | - | - | - | - | 6,734,832 |
| <i>Total assets</i> | <u>2,376,917</u> | <u>10,931,514</u> | <u>519,455</u> | <u>17,448,894</u> | <u>21,933,787</u> | <u>85,648,607</u> |
| <i>Liabilities, Deferred Inflows of Resources, and Fund Balances</i> | | | | | | |
| <i>Liabilities</i> | | | | | | |
| Accounts payable | 167,836 | 9,120 | 135,264 | - | 1,423,122 | 2,722,979 |
| Accrued payroll liabilities | 64,925 | 483,630 | - | - | 354,750 | 5,179,075 |
| Deposits held for others | - | - | - | - | - | 68,877 |
| Due to other funds | 2,151,676 | - | 519,455 | - | 1,886,183 | 6,734,831 |
| <i>Total liabilities</i> | <u>2,384,437</u> | <u>492,750</u> | <u>654,719</u> | <u>-</u> | <u>3,664,055</u> | <u>14,705,762</u> |
| <i>Deferred inflows of resources</i> | | | | | | |
| Deferred inflows - property taxes | - | - | - | 133,568 | 31,879 | 169,416 |
| <i>Total deferred inflows of resources</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>133,568</u> | <u>31,879</u> | <u>169,416</u> |
| <i>Fund balances</i> | | | | | | |
| Nonspendable | - | - | - | - | 445,726 | 642,391 |
| Restricted | - | 10,438,764 | - | 17,315,326 | 17,795,905 | 46,161,229 |
| Committed | - | - | - | - | - | - |
| Assigned | - | - | - | - | - | - |
| Unassigned | (7,520) | - | (135,264) | - | (3,778) | 23,969,809 |
| <i>Total fund balances</i> | <u>(7,520)</u> | <u>10,438,764</u> | <u>(135,264)</u> | <u>17,315,326</u> | <u>18,237,853</u> | <u>70,773,429</u> |
| <i>Total liabilities, deferred inflows of resources, and fund balances</i> | <u>2,376,917</u> | <u>10,931,514</u> | <u>519,455</u> | <u>17,448,894</u> | <u>21,933,787</u> | <u>85,648,607</u> |

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

**STATE OF NEW MEXICO
GALLUP-MCKINLEY COUNTY SCHOOLS
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
As of June 30, 2018**

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

| | | |
|--|----|---------------------------|
| Fund balances - total governmental funds | \$ | 70,773,429 |
| | | |
| Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet. | | 402,997,531 |
| | | |
| Other noncurrent assets are not available to pay for current period expenditures and therefore, are deferred in the funds: | | |
| Bond issuance costs | | 115,154 |
| | | |
| Revenues not collected within sixty days after year end are considered "available" revenues and are considered to be "unavailable" revenues in the fund financial statements, but are considered revenue in the Statement of Activities: | | |
| Property taxes | | 169,416 |
| | | |
| Deferred outflows and inflows of resources are applicable to future periods and, therefore, are not reported in funds: | | |
| Deferred outflow related to pension | | 88,207,028 |
| Deferred outflow related to OPEB | | 1,427,237 |
| Deferred inflow related to pension | | (10,294,287) |
| Deferred inflow related to OPEB | | (16,854,179) |
| Deffered loss on refunding of debt | | 108,332 |
| | | |
| Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet: | | |
| Accrued interest payable | | (511,986) |
| Bonds payable | | (60,445,000) |
| Compensated absences | | (932,199) |
| Bond premium, net | | (1,442,776) |
| Net pension liability | | (259,850,668) |
| Net OPEB liability | | (74,052,522) |
| Rounding | | (3) |
| Net position of governmental activities | \$ | <u><u>139,414,507</u></u> |

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

**STATE OF NEW MEXICO
GALLUP-MCKINLEY COUNTY SCHOOLS
Statement of Revenues, Expenditures, and
Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2018**

| | General Fund | | | | Title I 24101 |
|--|---------------------------------------|-----------------------------|---------------------------------|--|--------------------------|
| | Operational Fund 11000 | Teacherage 12000 | Transportation 13000 | Instructional Materials 14000 | |
| <i>Revenues:</i> | | | | | |
| Property and other taxes | \$ 380,340 | - | - | - | - |
| State grants | 66,715,978 | - | 5,112,437 | 351,408 | - |
| Federal grants | 29,957,225 | - | - | - | 6,746,076 |
| Charges for services | 57,944 | 836,901 | - | - | - |
| Investment income | 11,198 | - | - | - | - |
| Miscellaneous | 67,684 | - | - | - | - |
| <i>Total revenues</i> | <u>97,190,369</u> | <u>836,901</u> | <u>5,112,437</u> | <u>351,408</u> | <u>6,746,076</u> |
| <i>Expenditures:</i> | | | | | |
| <i>Current:</i> | | | | | |
| Instruction | 56,757,914 | - | - | 614,499 | 6,009,331 |
| Support services: | | | | | |
| Students | 5,409,152 | - | - | - | 561 |
| Instruction | 1,322,844 | - | - | - | 585,852 |
| General administration | 602,594 | - | - | - | 149,112 |
| School administration | 5,004,421 | - | - | - | - |
| Central services | 3,093,243 | - | - | - | - |
| Operation & maintenance of plant | 17,450,946 | 440,032 | - | - | - |
| Student transportation | 6,178 | - | 5,181,758 | - | - |
| Other support operations | 127,085 | - | - | - | - |
| Food services operations | 173 | - | - | - | - |
| Community services | - | - | - | - | - |
| Capital outlay | 3,332,624 | - | - | - | - |
| Debt service: | | | | | |
| Principal | - | - | - | - | - |
| Interest | - | - | - | - | - |
| Bond issuance costs | - | - | - | - | - |
| <i>Total expenditures</i> | <u>93,107,174</u> | <u>440,032</u> | <u>5,181,758</u> | <u>614,499</u> | <u>6,744,856</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>4,083,195</u> | <u>396,869</u> | <u>(69,321)</u> | <u>(263,091)</u> | <u>1,220</u> |
| <i>Other financing sources (uses)</i> | | | | | |
| Proceeds from issuance of debt | - | - | - | - | - |
| Premiums on issuance of debt | - | - | - | - | - |
| Transfers in | 23,324 | - | - | - | - |
| Transfers out | (2,389,571) | (200,000) | - | - | - |
| Return of cash to PED | - | - | (35,419) | - | - |
| <i>Total other financing sources (uses)</i> | <u>(2,366,247)</u> | <u>(200,000)</u> | <u>(35,419)</u> | <u>-</u> | <u>-</u> |
| <i>Net change in fund balance</i> | 1,716,948 | 196,869 | (104,740) | (263,091) | 1,220 |
| <i>Fund balance, - beginning</i> | 22,632,378 | 135,152 | 68,450 | 542,304 | - |
| <i>Restatement</i> | - | - | - | - | (1,220) |
| <i>Fund balance - beginning, restated</i> | <u>22,632,378</u> | <u>135,152</u> | <u>68,450</u> | <u>542,304</u> | <u>(1,220)</u> |
| <i>Fund balance - ending</i> | <u>\$ 24,349,326</u> | <u>332,021</u> | <u>(36,290)</u> | <u>279,213</u> | <u>-</u> |

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

STATE OF NEW MEXICO
GALLUP-MCKINLEY COUNTY SCHOOLS
Statement of Revenues, Expenditures, and
Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2018

| | Entitlement IDEA B 24106 | Impact Aid Indian Special Education 25147 | Capital Improvements SB-9 31700 | Debt Service 41000 | Non-Major Governmental Funds | Total |
|--|---|--|--|-----------------------------------|---|--------------------|
| <i>Revenues:</i> | | | | | | |
| Property and other taxes | \$ - | - | - | 7,267,615 | 1,729,429 | 9,377,384 |
| State grants | - | - | 537,454 | - | 3,617,621 | 76,334,898 |
| Federal grants | 3,010,029 | 7,289,698 | - | - | 15,425,368 | 62,428,396 |
| Charges for services | - | - | - | - | 1,219,258 | 2,114,103 |
| Investment income | - | - | - | - | 5,349 | 16,547 |
| Miscellaneous | - | - | - | - | 5,041 | 72,725 |
| <i>Total revenues</i> | <u>3,010,029</u> | <u>7,289,698</u> | <u>537,454</u> | <u>7,267,615</u> | <u>22,002,066</u> | <u>150,344,053</u> |
| <i>Expenditures:</i> | | | | | | |
| <i>Current:</i> | | | | | | |
| Instruction | 2,032,906 | 702,452 | - | - | 8,535,904 | 74,653,006 |
| <i>Support services:</i> | | | | | | |
| Students | 925,433 | 3,960,491 | - | - | 923,451 | 11,219,088 |
| Instruction | - | 1,932,770 | - | - | 550,004 | 4,391,470 |
| General administration | 48,921 | 287,137 | - | 71,203 | 144,916 | 1,303,883 |
| School administration | - | 2,554,889 | - | - | - | 7,559,310 |
| Central services | 665 | 714,340 | - | - | 100,520 | 3,908,768 |
| Operation & maintenance of plant | - | - | 654,719 | - | 4,273,867 | 22,819,564 |
| Student transportation | - | - | - | - | 67,381 | 5,255,317 |
| Other support operations | - | - | - | - | - | 127,085 |
| Food services operations | - | - | - | - | 7,887,936 | 7,888,109 |
| Community services | 6,213 | - | - | - | - | 6,213 |
| Capital outlay | - | - | - | - | 5,059,495 | 8,392,119 |
| <i>Debt service:</i> | | | | | | |
| Principal | - | - | - | 7,160,000 | - | 7,160,000 |
| Interest | - | - | - | 1,688,113 | - | 1,688,113 |
| Bond issuance costs | - | - | - | - | - | - |
| <i>Total expenditures</i> | <u>3,014,138</u> | <u>10,152,079</u> | <u>654,719</u> | <u>8,919,316</u> | <u>27,543,474</u> | <u>156,372,045</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>(4,109)</u> | <u>(2,862,381)</u> | <u>(117,265)</u> | <u>(1,651,701)</u> | <u>(5,541,408)</u> | <u>(6,027,992)</u> |
| <i>Other financing sources (uses)</i> | | | | | | |
| Proceeds from issuance of debt | - | - | - | - | 6,900,000 | 6,900,000 |
| Premiums on issuance of debt | - | - | - | - | - | - |
| Transfers in | - | - | 1,104 | 2,363,662 | 224,805 | 2,612,895 |
| Transfers out | - | - | - | - | (23,324) | (2,612,895) |
| Return of cash to PED | - | - | - | - | (224,199) | (259,618) |
| <i>Total other financing sources (uses)</i> | <u>-</u> | <u>-</u> | <u>1,104</u> | <u>2,363,662</u> | <u>6,877,282</u> | <u>6,640,382</u> |
| <i>Net change in fund balance</i> | <u>(4,109)</u> | <u>(2,862,381)</u> | <u>(116,161)</u> | <u>711,961</u> | <u>1,335,874</u> | <u>612,390</u> |
| <i>Fund balance, - beginning</i> | - | 13,301,145 | (19,103) | 16,500,731 | 16,903,450 | 70,064,507 |
| <i>Restatement</i> | (3,411) | - | - | 102,634 | (1,471) | 96,532 |
| <i>Fund balance - beginning, restated</i> | <u>(3,411)</u> | <u>13,301,145</u> | <u>(19,103)</u> | <u>16,603,365</u> | <u>16,901,979</u> | <u>70,161,039</u> |
| <i>Fund balance - ending</i> | <u>\$ (7,520)</u> | <u>10,438,764</u> | <u>(135,264)</u> | <u>17,315,326</u> | <u>18,237,853</u> | <u>70,773,429</u> |

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

STATE OF NEW MEXICO
GALLUP-MCKINLEY COUNTY SCHOOLS
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2018

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

| | | |
|--|----|--------------|
| Net change in fund balances - total governmental funds | \$ | 612,390 |
| 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 recorded in capital outlay | | 16,485,940 |
| Loss on disposition of assets | | (14,165) |
| Depreciation expense | | (12,983,164) |
| Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds: | | |
| Change in deferred inflows related to property taxes receivable | | (299,552) |
| Governmental funds report OPEB/pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as OBEP/pension expense: | | |
| Pension expense | | (27,779,750) |
| OPEB expense | | (2,944,090) |
| Pension contribution | | 1,427,237 |
| Expenses in the Statement of Activities that do not consume current financial resources are not reported as expenditures in the funds: | | |
| Change in compensated absences | | (373,632) |
| Change in interest payable | | (269,180) |
| The issuance of long-term debt (e.g. bonds, notes, capital 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 and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities: | | |
| Issuance of long-term debt payable | | (6,900,000) |
| Principal payments on bonds and loans payable | | 7,160,000 |
| Amortization of bond premium | | 189,704 |
| Amortization of bond discount | | (12,795) |
| Amortization of deferred loss on refunding of debt | | (21,667) |
| Bond issuance costs | | (124,769) |
| Rounding | | 1 |
| Change in net position of governmental activities | \$ | (25,847,492) |

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

STATE OF NEW MEXICO
GALLUP-MCKINLEY COUNTY SCHOOLS
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
Operational Fund
For the Year Ended June 30, 2018

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Favorable (Unfavorable)</u> |
|--|------------------------|---------------------|---------------------|------------------------------------|
| <i>Revenues:</i> | | | | |
| Property and other taxes | \$ 367,807 | 367,807 | 369,801 | 1,994 |
| State grants | 66,496,473 | 68,859,047 | 66,715,978 | (2,143,069) |
| Federal grants | 23,732,413 | 23,732,413 | 29,957,225 | 6,224,812 |
| Charges for services | 47,500 | 47,500 | 57,764 | 10,264 |
| Investment income | - | - | 11,198 | 11,198 |
| Miscellaneous | 35,639 | 35,639 | 67,684 | 32,045 |
| <i>Total revenues</i> | <u>90,679,832</u> | <u>93,042,406</u> | <u>97,179,650</u> | <u>4,137,244</u> |
| <i>Expenditures:</i> | | | | |
| <i>Current:</i> | | | | |
| Instruction | 61,276,189 | 61,709,524 | 56,589,162 | 5,120,362 |
| Support services: | | | | |
| Students | 5,636,098 | 5,873,042 | 5,388,859 | 484,183 |
| Instruction | 1,727,331 | 1,717,256 | 1,326,493 | 390,763 |
| General administration | 1,196,661 | 1,190,763 | 580,803 | 609,960 |
| School administration | 4,909,802 | 5,010,127 | 5,004,421 | 5,706 |
| Central services | 3,297,175 | 3,618,075 | 3,070,615 | 547,460 |
| Operation & maintenance of plant | 19,752,578 | 19,227,423 | 17,228,788 | 1,998,635 |
| Student transportation | 6,178 | 6,178 | 6,178 | - |
| Other support operations | 2,851,994 | 2,901,994 | 128,525 | 2,773,469 |
| Food services operations | 6,178 | 6,178 | 173 | 6,005 |
| Capital outlay | 2,075,000 | 3,837,198 | 3,332,624 | 504,574 |
| <i>Total expenditures</i> | <u>102,735,184</u> | <u>105,097,758</u> | <u>92,656,641</u> | <u>12,441,117</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>(12,055,352)</u> | <u>(12,055,352)</u> | <u>4,523,009</u> | <u>16,578,361</u> |
| <i>Other financing sources (uses)</i> | | | | |
| Transfers in | - | - | - | - |
| Transfers out | - | - | - | - |
| <i>Total other financing sources (uses)</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Net change in fund balance</i> | <u>(12,055,352)</u> | <u>(12,055,352)</u> | <u>4,523,009</u> | <u>16,578,361</u> |
| Budgeted cash carryover | <u>12,055,352</u> | <u>12,055,352</u> | | |
| <i>Total</i> | <u>\$ -</u> | <u>-</u> | | |
| <i>RECONCILIATION FROM BUDGET/ACTUAL TO GAAP</i> | | | | |
| Change in fund balance (Budget basis) | | | \$ 4,523,009 | |
| To adjust applicable revenue accruals and deferrals | | | 34,042 | |
| To adjust applicable expenditure accruals | | | <u>(2,840,103)</u> | |
| Change in fund balance (GAAP basis) | | | <u>\$ 1,716,948</u> | |

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

STATE OF NEW MEXICO
GALLUP-MCKINLEY COUNTY SCHOOLS
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
Teacherage Fund
For the Year Ended June 30, 2018

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Favorable (Unfavorable)</u> |
|--|------------------------|---------------------|---------------|------------------------------------|
| <i>Revenues:</i> | | | | |
| Charges for services | \$ 600,000 | 600,000 | 842,138 | 242,138 |
| <i>Total revenues</i> | 600,000 | 600,000 | 842,138 | 242,138 |
| <i>Expenditures:</i> | | | | |
| <i>Current:</i> | | | | |
| Operation & maintenance of plant | 689,092 | 754,662 | 440,507 | 314,155 |
| <i>Total expenditures</i> | 689,092 | 754,662 | 440,507 | 314,155 |
| <i>Excess (deficiency) of revenues over expenditures</i> | (89,092) | (154,662) | 401,631 | 556,293 |
| <i>Other financing sources (uses)</i> | | | | |
| Transfers in | - | - | - | - |
| Transfers out | - | - | - | - |
| <i>Total other financing sources (uses)</i> | - | - | - | - |
| <i>Net change in fund balance</i> | (89,092) | (154,662) | 401,631 | 556,293 |
| Budgeted cash carryover | 89,092 | 154,662 | | |
| <i>Total</i> | \$ - | - | | |
| <i>RECONCILIATION FROM BUDGET/ACTUAL TO GAAP</i> | | | | |
| Change in fund balance (Budget basis) | | | \$ 401,631 | |
| To adjust applicable revenue accruals and deferrals | | | (5,237) | |
| To adjust applicable expenditure accruals | | | (199,525) | |
| Change in fund balance (GAAP basis) | | | \$ 196,869 | |

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

STATE OF NEW MEXICO
GALLUP-MCKINLEY COUNTY SCHOOLS
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
Transportation Fund
For the Year Ended June 30, 2018

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Favorable (Unfavorable)</u> |
|--|------------------------|---------------------|---------------------|------------------------------------|
| <i>Revenues:</i> | | | | |
| State grants | \$ 5,092,010 | 5,112,437 | 5,112,437 | - |
| <i>Total revenues</i> | <u>5,092,010</u> | <u>5,112,437</u> | <u>5,112,437</u> | <u>-</u> |
| <i>Expenditures:</i> | | | | |
| <i>Current:</i> | | | | |
| Student transportation | 5,092,010 | 5,147,855 | 5,146,520 | 1,335 |
| <i>Total expenditures</i> | <u>5,092,010</u> | <u>5,147,855</u> | <u>5,146,520</u> | <u>1,335</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>-</u> | <u>(35,418)</u> | <u>(34,083)</u> | <u>1,335</u> |
| <i>Other financing sources (uses)</i> | | | | |
| Transfers in | - | - | - | - |
| Transfers out | - | - | - | - |
| <i>Total other financing sources (uses)</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Net change in fund balance</i> | <u>-</u> | <u>(35,418)</u> | <u>(34,083)</u> | <u>1,335</u> |
| Budgeted cash carryover | <u>-</u> | <u>35,418</u> | | |
| <i>Total</i> | <u>\$ -</u> | <u>-</u> | | |
| <i>RECONCILIATION FROM BUDGET/ACTUAL TO GAAP</i> | | | | |
| Change in fund balance (Budget basis) | | | \$ (34,083) | |
| To adjust applicable revenue accruals and deferrals | | | - | |
| To adjust applicable expenditure accruals | | | <u>(70,657)</u> | |
| Change in fund balance (GAAP basis) | | | <u>\$ (104,740)</u> | |

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

STATE OF NEW MEXICO
GALLUP-MCKINLEY COUNTY SCHOOLS
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
Instructional Materials Fund
For the Year Ended June 30, 2018

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Favorable (Unfavorable)</u> |
|--|------------------------|---------------------|----------------------------|------------------------------------|
| <i>Revenues:</i> | | | | |
| State grants | \$ 314,976 | 351,408 | 351,408 | - |
| <i>Total revenues</i> | <u>314,976</u> | <u>351,408</u> | <u>351,408</u> | <u>-</u> |
| <i>Expenditures:</i> | | | | |
| Current: | | | | |
| Instruction | 897,581 | 893,712 | 614,499 | 279,213 |
| <i>Total expenditures</i> | <u>897,581</u> | <u>893,712</u> | <u>614,499</u> | <u>279,213</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>(582,605)</u> | <u>(542,304)</u> | <u>(263,091)</u> | <u>279,213</u> |
| <i>Other financing sources (uses)</i> | | | | |
| Transfers in | - | - | - | - |
| Transfers out | - | - | - | - |
| <i>Total other financing sources (uses)</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Net change in fund balance</i> | <u>(582,605)</u> | <u>(542,304)</u> | <u>(263,091)</u> | <u>279,213</u> |
| Budgeted cash carryover | <u>582,605</u> | <u>542,304</u> | | |
| <i>Total</i> | \$ <u><u>-</u></u> | <u><u>-</u></u> | | |
| <i>RECONCILIATION FROM BUDGET/ACTUAL TO GAAP</i> | | | | |
| Change in fund balance (Budget basis) | | | \$ (263,091) | |
| To adjust applicable revenue accruals and deferrals | | | - | |
| To adjust applicable expenditure accruals | | | - | |
| Change in fund balance (GAAP basis) | | | <u><u>\$ (263,091)</u></u> | |

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

STATE OF NEW MEXICO
GALLUP-MCKINLEY COUNTY SCHOOLS
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
Title I Fund
For the Year Ended June 30, 2018

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Favorable (Unfavorable)</u> |
|--|------------------------|---------------------|------------------|------------------------------------|
| <i>Revenues:</i> | | | | |
| Federal grants | \$ 7,710,486 | 7,191,278 | 5,882,664 | (1,308,614) |
| <i>Total revenues</i> | <u>7,710,486</u> | <u>7,191,278</u> | <u>5,882,664</u> | <u>(1,308,614)</u> |
| <i>Expenditures:</i> | | | | |
| <i>Current:</i> | | | | |
| Instruction | 7,243,128 | 6,392,756 | 6,009,331 | 383,425 |
| <i>Support services:</i> | | | | |
| Students | 500 | 562 | 561 | 1 |
| Instruction | 286,825 | 617,927 | 585,852 | 32,075 |
| General administration | 179,533 | 179,533 | 149,112 | 30,421 |
| Student transportation | 500 | 500 | - | 500 |
| <i>Total expenditures</i> | <u>7,710,486</u> | <u>7,191,278</u> | <u>6,744,856</u> | <u>446,422</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>-</u> | <u>-</u> | <u>(862,192)</u> | <u>(862,192)</u> |
| <i>Other financing sources (uses)</i> | | | | |
| Transfers in | - | - | - | - |
| Transfers out | - | - | - | - |
| <i>Total other financing sources (uses)</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Net change in fund balance</i> | <u>-</u> | <u>-</u> | <u>(862,192)</u> | <u>(862,192)</u> |
| Budgeted cash carryover | <u>-</u> | <u>-</u> | | |
| <i>Total</i> | <u>\$ -</u> | <u>-</u> | | |
| <i>RECONCILIATION FROM BUDGET/ACTUAL TO GAAP</i> | | | | |
| Change in fund balance (Budget basis) | | | \$ (862,192) | |
| To adjust applicable revenue accruals and deferrals | | | 863,412 | |
| To adjust applicable expenditure accruals | | | - | |
| Change in fund balance (GAAP basis) | | | <u>\$ 1,220</u> | |

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

STATE OF NEW MEXICO
GALLUP-MCKINLEY COUNTY SCHOOLS
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
Entitlement IDEA-B Fund
For the Year Ended June 30, 2018

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Favorable (Unfavorable)</u> |
|--|------------------------|---------------------|--------------------|------------------------------------|
| <i>Revenues:</i> | | | | |
| Federal grants | \$ 1,826,434 | 2,941,233 | 974,381 | (1,966,852) |
| <i>Total revenues</i> | <u>1,826,434</u> | <u>2,941,233</u> | <u>974,381</u> | <u>(1,966,852)</u> |
| <i>Expenditures:</i> | | | | |
| <i>Current:</i> | | | | |
| Instruction | 2,564,204 | 3,319,003 | 2,029,029 | 1,289,974 |
| Support services: | | | | |
| Students | 1,887,976 | 2,247,976 | 925,201 | 1,322,775 |
| General administration | 111,902 | 111,902 | 48,921 | 62,981 |
| Central services | 6,333 | 6,333 | 665 | 5,668 |
| Community services | 75,000 | 75,000 | 6,213 | 68,787 |
| <i>Total expenditures</i> | <u>4,645,415</u> | <u>5,760,214</u> | <u>3,010,029</u> | <u>2,750,185</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>(2,818,981)</u> | <u>(2,818,981)</u> | <u>(2,035,648)</u> | <u>783,333</u> |
| <i>Other financing sources (uses)</i> | | | | |
| Transfers in | - | - | - | - |
| Transfers out | - | - | - | - |
| <i>Total other financing sources (uses)</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Net change in fund balance</i> | <u>(2,818,981)</u> | <u>(2,818,981)</u> | <u>(2,035,648)</u> | <u>783,333</u> |
| Budgeted cash carryover | <u>-</u> | <u>-</u> | | |
| <i>Total</i> | <u>\$ (2,818,981)</u> | <u>(2,818,981)</u> | | |
| RECONCILIATION FROM BUDGET/ACTUAL TO GAAP | | | | |
| Change in fund balance (Budget basis) | | | \$ (2,035,648) | |
| To adjust applicable revenue accruals and deferrals | | | 2,035,648 | |
| To adjust applicable expenditure accruals | | | (4,109) | |
| Change in fund balance (GAAP basis) | | | <u>\$ (4,109)</u> | |

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

STATE OF NEW MEXICO
GALLUP-MCKINLEY COUNTY SCHOOLS
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
Impact Aid Indian Special Education Fund
For the Year Ended June 30, 2018

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Favorable (Unfavorable)</u> |
|--|------------------------|---------------------|----------------|------------------------------------|
| <i>Revenues:</i> | | | | |
| Property and other taxes | \$ - | - | - | - |
| State grants | - | - | - | - |
| Federal grants | - | - | 7,289,698 | 7,289,698 |
| Charges for services | - | - | - | - |
| Investment income | - | - | - | - |
| Miscellaneous | - | - | - | - |
| <i>Total revenues</i> | - | - | 7,289,698 | 7,289,698 |
| <i>Expenditures:</i> | | | | |
| <i>Current:</i> | | | | |
| Instruction | 1,193,822 | 1,251,377 | 693,332 | 558,045 |
| <i>Support services:</i> | | | | |
| Students | 5,642,461 | 5,329,200 | 3,960,492 | 1,368,708 |
| Instruction | 1,973,077 | 2,243,384 | 1,932,770 | 310,614 |
| General administration | 371,483 | 371,632 | 287,137 | 84,495 |
| School administration | 3,439,453 | 3,361,575 | 2,554,889 | 806,686 |
| Central services | 737,125 | 743,976 | 714,340 | 29,636 |
| <i>Total expenditures</i> | 13,357,421 | 13,301,144 | 10,142,960 | 3,158,184 |
| <i>Excess (deficiency) of revenues over expenditures</i> | (13,357,421) | (13,301,144) | (2,853,262) | 10,447,882 |
| <i>Other financing sources (uses)</i> | | | | |
| Transfers in | - | - | - | - |
| Transfers out | - | - | - | - |
| <i>Total other financing sources (uses)</i> | - | - | - | - |
| <i>Net change in fund balance</i> | (13,357,421) | (13,301,144) | (2,853,262) | 10,447,882 |
| Budgeted cash carryover | 13,357,421 | 13,301,144 | | |
| <i>Total</i> | \$ - | - | | |
| <i>RECONCILIATION FROM BUDGET/ACTUAL TO GAAP</i> | | | | |
| Change in fund balance (Budget basis) | | | \$ (2,853,262) | |
| To adjust applicable revenue accruals and deferrals | | | - | |
| To adjust applicable expenditure accruals | | | (9,119) | |
| Change in fund balance (GAAP basis) | | | \$ (2,862,381) | |

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

STATE OF NEW MEXICO
GALLUP-MCKINLEY COUNTY SCHOOLS
Statement of Fiduciary Assets and Liabilities
Agency Funds
As of June 30, 2018

ASSETS

| | | |
|---------------------------|----|-----------------------|
| Cash and cash equivalents | \$ | <u>773,734</u> |
| <i>Total assets</i> | | <u><u>773,734</u></u> |

LIABILITIES

| | | |
|-----------------------------------|----|-----------------------|
| Deposits held in trust for others | | <u>773,734</u> |
| <i>Total liabilities</i> | \$ | <u><u>773,734</u></u> |

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

**STATE OF NEW MEXICO
GALLUP-MCKINLEY COUNTY SCHOOLS
Notes to the Financial Statements
For the Year Ended June 30, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Gallup-McKinley County Schools (District) 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 State Board of Education 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 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 the District's management, who is responsible for their integrity and objectivity. The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standard Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The fund and Government-Wide financial statements have incorporated all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) statements and interpretations, Accounting Principles, Board Opinions and Accounting Research Bulletins of the Committee on accounting procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

A. Financial Reporting Entity

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statements No. 14 and No. 39. Blended component 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 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 discretely presented component unit as described in the following paragraph and is not a component unit of another governmental agency.

Middle College High School is a discretely presented component unit of the District, as defined by GASB Statements No. 14 and 39, and has a separate governing board. The Charter School does not issue separate financial statements. Charter Schools operate under the Senate Bill 192, Chapter 281, Laws of 1999, and are responsible for maintaining separate accounting records, and are component units of the school districts they operate within.

B. Government-wide and fund financial statements

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which

**STATE OF NEW MEXICO
GALLUP-MCKINLEY COUNTY SCHOOLS
Notes to the Financial Statements
For the Year Ended June 30, 2018**

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 any *business-type activities*.

In the government-wide statement of net position, the governmental activities column is presented on a consolidated basis by column, 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.

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

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the fiduciary fund financial statement. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities 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.

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

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

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

**STATE OF NEW MEXICO
GALLUP-MCKINLEY COUNTY SCHOOLS
Notes to the Financial Statements
For the Year Ended June 30, 2018**

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. Governmental funds include:

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

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

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

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

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

The District reports the following major governmental funds:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are provided by School tax levy, state equalization and transportation funds, state instructional material allocations, and earnings from investments. Expenditures include all costs associated with the daily operations of the District except for those items included in other funds. The General Fund includes the *Transportation Fund*, which is used to account for the transportation Distribution received from the New Mexico Public Education Department which is used to pay for the costs associated with transporting school age children. It also includes the Instructional Materials Fund, which is used to account for the monies received from the New Mexico Public Education Department for the purposes of purchasing instructional materials (books, manuals, periodicals, etc.) used in the education of students.

The *Title I Special Revenue Fund (24101)* is used to provide supplemental educational opportunities for academically disadvantaged children in the area where they reside. 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 criteria that identifies a campus; education need determines the students to be served. Federal revenues accounted for in the fund are allocated to the District through the New Mexico Public Education Department. Authority for the creation of this fund is Part A of Chapter I of Title I of Elementary and Secondary Education Act (ESEA) of 1965, as amended, Public Law 103-383.

Entitlement IDEA-B (24106) is used to account for a program funded by a Federal grant to assist the schools in providing free appropriate public education to all handicapped children. Funding authorized by individuals with Disabilities Education Act Part B Section 611-620 as amended, Public Laws 91-230, 93-380, 94-142, 98-199, 99-457, 100-639, and 101-476, 20-U.S.C. 1411-1420.

The *Impact Aid Indian Education Special Revenue Fund (25147)* is used to account for resources provided to the District which are to be used for supplemental special education for students in federally impacted areas. Funding is provided by PL 81-874.

**STATE OF NEW MEXICO
GALLUP-MCKINLEY COUNTY SCHOOLS
Notes to the Financial Statements
For the Year Ended June 30, 2018**

The *Capital Improvements Capital Projects Fund (31700)* is to account for funds received from the New Mexico Public School Facilities Authority (PFSA) for: capital expenditures for an adequate education program, core administrative function of the public school facilities authority and for project management expense upon approval of the council; and for the purpose of demolishing abandoned school district facilities. Funding authority is Chapter 22, Article 24, NMSA 1978.

The *Debt Service Fund (41000)* is used to account for the accumulation of resources for the payment of General Long-Term Debt principal and interest.

Additionally, the government reports the following fund types:

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.

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

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.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity

Cash and Investments

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

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

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.

Restricted Assets

Restricted assets consist of those funds expendable for operating purposes but restricted by donors or other outside agencies as to the specific purpose for which they may be expended. The District's restricted assets are made up of all capital project and debt service funds.

Receivables and Payables

Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related costs as a reimbursement. All other interfund 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 McKinley County. 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 McKinley County Treasurer's in July and August 2017 is considered 'measurable and available' and, accordingly, is recorded as revenue in the governmental fund financial statements during the year ended June 30, 2018.

**STATE OF NEW MEXICO
GALLUP-MCKINLEY COUNTY SCHOOLS
Notes to the Financial Statements
For the Year Ended June 30, 2018**

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

Prepaid Items

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

Instructional Materials

The New Mexico Public Education Department (PED) receives federal material leasing funds from which it makes annual allocations to the various school districts for the purchase of educational materials. Of each allocation, fifty percent is restricted to the requisition of material listed in the State Board of Education 'State Adopted Instructional Material' list, while fifty percent of each allocation is available for purchases directly from vendors, for which the school district receives cash drawdowns, or transfer to the fifty percent account for requisition of material from the adopted list. The Districts are allowed to carry forward unused textbook credits from year to year.

Inventory

Inventory is valued at lower of cost (first-in, first-out) or market. Inventory in the General and Food Services funds consists of expendable supplies held for consumption and related supplies. The cost is recorded as an expenditure at the time individual inventory items are purchased. The reported inventories are equally offset by a fund balance reserve, which indicates that they do not constitute "available spendable resources" even though they are a component of net position.

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 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.

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

| <u>Asset Type</u> | <u>Years</u> |
|------------------------------------|--------------|
| Building and building improvements | 20-40 |
| Furniture and equipment | 3-12 |

Unearned Revenues

The District reports unearned revenue on its financial statements. When resources are received in advance of charges for services being earned are in advance of any eligibility requirement other than a time requirement being met for government-mandated or voluntary nonexchange transactions (i.e. for intergovernmental revenues), a liability is reported for the unearned revenue.

**STATE OF NEW MEXICO
GALLUP-MCKINLEY COUNTY SCHOOLS
Notes to the Financial Statements
For the Year Ended June 30, 2018**

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or the balance sheet for the governmental funds will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position/fund balance that applies to a future period and so will not be recognized as an expense or expenditure until then.

The District and Component Unit has the following deferred outflows of resources during fiscal year 2018 on the government-wide financials:

| Deferred Outflows of Resources - GW | |
|--|----------------------|
| District | |
| Pension deferral | \$ 88,207,028 |
| OPEB deferral | 1,427,237 |
| Deferred loss on refunding of debt, net | 108,332 |
| Total deferred outflows of resources | <u>\$ 89,742,597</u> |
| | |
| Deferred Outflows of Resources - GW | |
| Component Unit | |
| Pension deferral | \$ 870,997 |
| OPEB deferral | 11,230 |
| Deferred loss on refunding of debt, net | - |
| Total deferred outflows of resources | <u>\$ 882,227</u> |

In addition to liabilities, the statement of net position and/or the balance sheet for the governmental funds will sometimes report 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 and so will not be recognized as revenue.

The District and Component Unit has the following deferred inflows of resources during fiscal year 2018 on the fund financials:

| Deferred Inflows of Resources - GW | |
|--|----------------------|
| District | |
| Pension deferral | \$ 10,294,287 |
| OPEB deferral | 16,854,179 |
| Total deferred inflows of resources | <u>\$ 27,148,466</u> |
| | |
| Deferred Inflows of Resources - GW | |
| Component Unit | |
| Pension deferral | \$ 33,442 |
| OPEB deferral | 132,432 |
| Total deferred inflows of resources | <u>\$ 165,874</u> |
| | |
| Deferred Inflows of Resources - Fund Financials | |
| District | |
| Property tax revenue | \$ 169,416 |
| Total deferred inflows of resources | <u>\$ 169,416</u> |

Compensated Absences

Twelve-month employees are entitled to accumulate annual leave up to 15 days (20 days for Superintendent and Associate Superintendent) per year. Days earned will be prorated based upon hire date. Annual leave is supposed to be taken in the year earned or the succeeding fiscal year; however, a maximum of 15 days (20 days for Superintendent and Associate Superintendent), depending on the employment status of the employee, may be carried over to the succeeding year. Administrators may also choose to put days into the employee's annual leave bank. Administrative employee's annual leave bank may accumulate up to a maximum of 30 working days. Any additional days over the 30 days are lost. Once days are banked they may not be withdrawn, except for use under FMLA provisions or other

**STATE OF NEW MEXICO
GALLUP-MCKINLEY COUNTY SCHOOLS
Notes to the Financial Statements
For the Year Ended June 30, 2018**

extenuating circumstances approved by the Superintendent. Upon termination, employees are paid for their accrued annual leave, up to a maximum of 30 days.

Qualified employees are entitled to 12 to 15 days of sick leave per year depending upon length of contract and hire date. There is no limit to the amount of sick leave which an employee may accumulate; however, the only employees that are eligible to be paid out are those that are retiring that have provided a written notice of an intent to retire to the personnel office no later than April 15 of the current fiscal year. The rate of payment is determined annually based upon current budgetary consideration and is announced by a memo from the Superintendent.

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. In prior years, substantially all of the related expenditures have been liquidated by the general fund. Amounts of vested or accumulated vacation 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 fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of related debt.

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 in a schedule as part of 'other supplementary information' as indicated in the table of contents.

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

- *Net investment in capital assets* – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- *Restricted Net Position* – Consists of net position with constraints “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 is 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 and 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.”
- *Unrestricted Net Position* – All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

**STATE OF NEW MEXICO
GALLUP-MCKINLEY COUNTY SCHOOLS
Notes to the Financial Statements
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The Government-wide Statement of Net Position reports \$45,849,159 of restricted net position related to grants of which \$28,533,833 relates to restricted enabling legislation.

Interfund Transactions

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

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

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 Plan (ERP) and additions to/deductions from ERP's fiduciary net position have been determined on the same basis as they are reported by ERP. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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.

E. Revenues

Estimates

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

State Equalization Guarantee

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

A school district's program costs are determined through the use of various formulas using 'program units' which take into consideration 1) early childhood education; 2) basic education; 3) special education; 4) bilingual-multicultural education; 5) size, etc. Payment is made from the public school fund under the authority of the Director of Public School Finance. The Schools received \$66,715,978 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 \$9,074,318 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.

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For the Year Ended June 30, 2018**

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. McKinley County 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 Director of Public School Finance. The funds shall be used only for the purpose of making payments to each school district for the to-and-from school transportation costs of students in grades K through twelve attending public school within the school district. The District received \$5,112,437 in transportation distributions during the year ended June 30, 2018.

Instructional Materials

The New Mexico Public Education Department (PED) receives federal material leasing funds from which it makes annual allocations to the various school districts for the purchase of educational materials. Of each allocation, fifty percent is restricted to the requisition of materials listed in the State Board of Education "State Adopted Instructional Material" list, while fifty percent of each allocation is available for purchases directly from vendors. Allocations received from the State for the year ended June 30, 2018 totaled \$351,408.

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 the year ended June 30, 2018, the District did not receive funds for public school outlay funds.

SB-9 State Match

The Director shall distribute to any school district that has imposed a tax under the Public School Capital Outlay Improvements Act (22-25-1 to 22-25-10 NMSA 1978) an amount from the public school capital

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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 \$537,454 in state SB-9 matching during the year end June 30, 2018.

Federal Grants

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

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

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

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

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

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

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

1. In April or May, the local school board submits to the District Budget Planning Unit (DBPU) 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 Public Education Department.
2. In May or June of each year, the proposed "operating" budget will be reviewed and approved by the DBPU and certified and approved by the local school board at a public hearing of which notice has been published by the local school board who fixes the estimated budget for the District for the ensuing fiscal year.

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3. The school board meeting, while not intended for the general public, is open for the general public unless a closed meeting has been called.
4. The “operating” budget will be used by the District until they have been notified that the budget has been approved by the DBPU and the local school board. The budget shall be integrated formally into the accounting system. Encumbrances shall be used as an element of control and shall be integrated into the budget system.
5. The District shall make corrections, revisions and amendments to the estimated budgets fixed by the local school board to recognize actual cash balances and carryover funds, if any. These adjustments shall be reviewed and approved by the DBPU.
6. The superintendent is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the school board and the State of New Mexico Public Education Department.
7. Budget change requests are processed in accordance with Supplement 1 (Budget Preparation and Maintenance) of the Manual of Procedures Public School Accounting and Budgeting. Such changes are initiated by the District and approved by the DBPU.
8. Legal budget control for expenditures is by function.
9. Appropriations lapse at fiscal year end. Funds unused during the fiscal year may be carried over into the next fiscal year by budgeting those in the subsequent fiscal year’s budget. The budget of Gallup-McKinley County 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, Debt Service Funds and Capital Projects Funds.
11. Budgets for the General, Special Revenue, Capital Projects, and Debt Service Funds are adopted on a basis not consistent with generally accepted accounting principles (GAAP). Encumbrances are treated the same way for GAAP purposes and for budget purposes.

The Board of Education may approve amendments to the appropriated budget, which are required when a change is made affecting budgeted ending fund balance. New Mexico Administrative Code 6.20.2.9 prohibits the District 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 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.

NOTE 3 – CASH 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.

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

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

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

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.

Cash Deposited with Financial Institutions

District

Custodial Credit Risk - 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). As of June 30, 2018, \$66,345,641 of the District's \$66,850,322 was exposed to custodial credit risk. \$37,402,641 was uninsured and collateralized by collateral held by the pledging bank's trust department not in the District's name, and \$28,943,000 was uninsured and uncollateralized.

| Cash and investments | Wells Fargo | Bank of America | Pinnacle Bank | NMFA | Total |
|--|-------------------|--------------------|-------------------|------------------|-------------------|
| Total deposits in bank | \$ 5,936,681 | 4,681 | 60,908,960 | 7,119,535 | 73,969,857 |
| Less: FDIC coverage | (250,000) | (4,681) | (250,000) | - | (504,681) |
| Uninsured public funds | <u>5,686,681</u> | <u>-</u> | <u>60,658,960</u> | <u>7,119,535</u> | <u>73,465,176</u> |
| Pledged collateral held by pledging bank's trust, but not in the District's name | <u>3,808,643</u> | <u>-</u> | <u>33,593,998</u> | <u>-</u> | <u>37,402,641</u> |
| Uninsured and uncollateralized public funds | <u>1,878,038</u> | <u>-</u> | <u>27,064,962</u> | <u>-</u> | <u>28,943,000</u> |
| Total pledged collateral | 3,808,643 | - | 33,593,998 | - | 37,402,641 |
| 50% pledged collateral requirement per State statute | <u>2,843,341</u> | <u>-</u> | <u>30,329,480</u> | <u>-</u> | <u>33,172,821</u> |
| Pledged collateral (under) over the requirements | \$ <u>965,303</u> | <u>-</u> | <u>3,264,518</u> | <u>-</u> | <u>4,229,821</u> |

Except for items in transit, the carrying value of deposits by the respective depositories equated to the carrying value by the District. All deposits are collateralized with eligible securities, as described by New Mexico State Statute, in amounts equal to at least 50% of the District carrying value of the deposits (demand and certificates of deposit). Such collateral, as permitted by the state statutes is held in each respective depository bank's collateral pool at a Federal Reserve Bank, or member bank other than the depository bank, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds with the exception of deposit insurance provided by the Federal Deposit Insurance Corporation.

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As of June 30, 2018, the amount of cash reported on the financial statements differs from the amount on deposit with the various institutions because of transactions in transit and outstanding checks. The locations and amounts deposited are as follows:

| | <u>Per Institution</u> | <u>Reconciling Items</u> | <u>Per Financial Statements</u> |
|-----------------|------------------------|------------------------------|-------------------------------------|
| Wells Fargo | \$ 5,936,681 | (2,130,994) | 3,805,687 |
| Bank of America | 4,681 | (4,681) | - |
| Pinnacle Bank | 60,908,960 | (1,249,103) | 59,659,857 |
| NMFA Cash | 7,119,535 | - | 7,119,535 |
| | <u>\$ 73,969,857</u> | <u>(3,384,778)</u> | <u>70,585,079</u> |

The amounts reported as cash for the government within the financial statements is displayed as:

| <u>Statement of Net Position</u> | <u>Amount</u> |
|----------------------------------|----------------------|
| Cash | \$ 44,833,458 |
| Restricted cash | 24,977,887 |
| Agency funds - Cash | 773,734 |
| | <u>\$ 70,585,079</u> |

Component Unit

Custodial Credit Risk - Custodial credit risk is the risk that in the event of bank failure, the Component Unit's deposits may not be returned to it. The Component Unit 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). As of June 30, 2018, \$515,199 of the Component Unit's \$765,199 was exposed to custodial credit risk. \$327,008 was uninsured and collateralized by collateral held by the pledging bank's trust department not in the Component Unit's name, and \$278,008 was uninsured and uncollateralized.

| <u>Cash and investments</u> | <u>Wells Fargo</u> |
|--|--------------------|
| Total deposits in bank | \$ 765,199 |
| Less: FDIC coverage | (250,000) |
| Uninsured public funds | <u>515,199</u> |
| Pledged collateral held by pledging bank's trust, but not in the District's name | <u>237,008</u> |
| Uninsured and uncollateralized public funds | <u>278,191</u> |
| Total pledged collateral | 237,008 |
| 50% pledged collateral requirement per State statute | <u>257,600</u> |
| Pledged collateral (under) over the requirements | \$ <u>(20,592)</u> |

Except for items in transit, the carrying value of deposits by the respective depositories equated to the carrying value by the Component Unit. All deposits are collateralized with eligible securities, as described by New Mexico State Statute, in amounts equal to at least 50% of the Component Unit carrying value of the deposits (demand and certificates of deposit). Such collateral, as permitted by the state statutes is held in each respective depository bank's collateral pool at a Federal Reserve Bank, or member bank other than the depository bank, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds with the exception of deposit insurance provided by the Federal Deposit Insurance Corporation.

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As of June 30, 2018, the amount of cash reported on the financial statements differs from the amount on deposit with the various institutions because of transactions in transit and outstanding checks. The locations and amounts deposited are as follows:

| | Per Institution | Reconciling Items | Per Financial |
|-------------|------------------------|------------------------------|--------------------------|
| Wells Fargo | \$ 765,199 | (14,642) | 750,557 |
| | \$ 765,199 | (14,642) | 750,557 |

The amounts reported as cash for the government within the financial statements is displayed as:

| Statement of Net Position | Amount |
|----------------------------------|---------------|
| Cash - Component Unit | \$ 750,557 |
| Restricted cash | - |
| | \$ 750,557 |

NOTE 4 – RECEIVABLES

Receivables as of June 30, 2018, are as follows:

| District | General Fund | Title I Fund | Entitlement IDEA B Fund | Impact Aid Indian Special Education Fund |
|----------------------------|-------------------------|-------------------------|--|---|
| Property taxes | \$ 17,606 | - | - | - |
| Due from other governments | - | 2,462,080 | 2,376,917 | - |
| Other | - | - | - | - |
| Total | \$ 17,606 | 2,462,080 | 2,376,917 | - |

| | Capital Improvement SB-9 Fund | Debt Service Fund | Non-Major Funds | Total Governmental |
|----------------------------|--|----------------------------------|----------------------------|-------------------------------|
| Property taxes | \$ - | 401,982 | 95,831 | 515,419 |
| Due from other governments | 519,455 | - | 2,586,170 | 7,944,622 |
| Other | - | - | - | - |
| Total | \$ 519,455 | 401,982 | 2,682,001 | 8,460,041 |

| Component Unit | Entitlement IDEA B Fund | Public School Cap Outlay Fund | Capital Improvements SB-9 Fund | Total Component Unit |
|----------------------------|--|--|---|---------------------------------|
| Property taxes | \$ - | - | 1,159 | 1,159 |
| Due from other governments | 665 | 5,115 | - | 5,780 |
| Other | - | - | - | - |
| Total | \$ 665 | 5,115 | 1,159 | 6,939 |

The above receivables are deemed 100% collectible. In accordance with GASB #33, property tax receivables are presented net of deferred revenue in the amount of \$169,416 on the governmental fund financial statements.

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Notes to the Financial Statements
For the Year Ended June 30, 2018**

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The District had the following operating transfers for the year ended June 30, 2018.

| Transfers Out | Transfers In | | | | | |
|-----------------|--------------|---------------|--------------|------------------|----------------|------------------|
| | | General | Capital | Debt | Non-Major | Total |
| | | | Improvements | Service | Governmental | |
| General | \$ | - | 1,104 | 2,163,662 | 224,805 | 2,389,571 |
| Teacherage | | - | - | 200,000 | - | 200,000 |
| Non-Major Funds | | 23,324 | - | - | - | 23,324 |
| Total | \$ | 23,324 | 1,104 | 2,363,662 | 224,805 | 2,612,895 |

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 To | Due From | | | | |
|------------------------------|-----------|------------------|--------------|---------------|------------------|
| | | General | Capital | Non-Major | Total |
| | | | Improvements | Funds | |
| General | \$ | - | 1,104 | 81,160 | 82,264 |
| Title I | | 2,095,253 | - | - | 2,095,253 |
| Entitlement IDEA B | | 2,151,676 | - | - | 2,151,676 |
| Capital Improvement | | 520,558 | - | - | 520,558 |
| Non-Major Governmental Funds | | 1,967,345 | - | - | 1,967,345 |
| Total | \$ | 6,734,832 | 1,104 | 81,160 | 6,817,096 |

Component Unit

The Component Unit did not have operating transfers for the year ended June 30, 2018.

The Component Unit 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 To | Due From | |
|-----------------------|-----------------|--------------|
| | General | Total |
| | General | \$ - |
| Entitlement IDEA B | 665 | 665 |
| Public School Cap Out | 5,115 | 5,115 |
| Cap Improvement SB-9 | 774 | 774 |
| Total | \$ 6,554 | 6,554 |

All Interfund balances are to be paid within one year.

**STATE OF NEW MEXICO
GALLUP-MCKINLEY COUNTY SCHOOLS
Notes to the Financial Statements
For the Year Ended June 30, 2018**

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.

| Primary Government | Balance | | | Adjustments & | Balance |
|--|-----------------------|---------------------|------------------|---------------------|----------------------|
| <i>Governmental Activities</i> | June 30, 2017 | Additions | Deletions | Transfers | June 30, 2018 |
| Capital assets not being depreciated: | | | | | |
| Land | \$ 10,826,978 | - | - | - | 10,826,978 |
| Construction in progress | <u>33,497,559</u> | <u>8,792,822</u> | - | <u>(32,018,234)</u> | <u>10,272,147</u> |
| Total capital assets not being depreciated | <u>44,324,537</u> | <u>8,792,822</u> | - | <u>(32,018,234)</u> | <u>21,099,125</u> |
| Capital assets being depreciated: | | | | | |
| Buildings and building improvements | 483,654,109 | 5,394,396 | (2,775) | 31,966,706 | 521,012,436 |
| Furniture, fixtures, and equipment | <u>27,138,144</u> | <u>2,298,722</u> | <u>(493,070)</u> | <u>(7,386)</u> | <u>28,936,410</u> |
| Total capital assets being depreciated | <u>510,792,253</u> | <u>7,693,118</u> | <u>(495,845)</u> | <u>31,959,320</u> | <u>549,948,846</u> |
| Total capital assets | <u>555,116,790</u> | <u>16,485,940</u> | <u>(495,845)</u> | <u>(58,914)</u> | <u>571,047,971</u> |
| Less accumulated depreciation: | | | | | |
| Buildings and building improvement | (134,973,787) | (11,617,555) | 2,774 | - | (146,588,568) |
| Furniture, fixtures, and equipment | <u>(20,575,169)</u> | <u>(1,365,609)</u> | <u>478,906</u> | - | <u>(21,461,872)</u> |
| Total accumulated depreciation | <u>(155,548,956)</u> | <u>(12,983,164)</u> | <u>481,680</u> | - | <u>(168,050,440)</u> |
| Total capital assets net of depreciation | <u>\$ 399,567,834</u> | <u>3,502,776</u> | <u>(14,165)</u> | <u>(58,914)</u> | <u>402,997,531</u> |

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

District:

| | |
|------------------|----------------------|
| Instruction | \$ 11,767,125 |
| SS Students | 258,236 |
| SS Instruction | 66,847 |
| SS General | |
| Admin | 119,281 |
| SS School Admin | 3,524 |
| Central Services | 169,663 |
| Operations and | |
| Maintenance | 42,656 |
| Transportation | 497,386 |
| Food service | <u>58,446</u> |
| Total | <u>\$ 12,983,164</u> |

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Notes to the Financial Statements
For the Year Ended June 30, 2018**

| <i>Component Unit</i> | Balance June 30, 2017 | Additions | Deletions | Adjustments & Transfers | Balance June 30, 2018 |
|--|--------------------------|-----------|-----------|----------------------------|--------------------------|
| Capital assets not being depreciated: | | | | | |
| Land | \$ - | - | - | - | - |
| Construction in progress | - | - | - | - | - |
| Total capital assets not being depreciated | - | - | - | - | - |
| Capital assets being depreciated: | | | | | |
| Buildings and building improvements | 187,941 | - | - | - | 187,941 |
| Furniture, fixtures, and equipment | 27,461 | - | (14,448) | - | 13,013 |
| Total capital assets being depreciated | 215,402 | - | (14,448) | - | 200,954 |
| Total capital assets | 215,402 | - | (14,448) | - | 200,954 |
| Less accumulated depreciation: | | | | | |
| Buildings and building improvement | (33,150) | (4,698) | - | - | (37,848) |
| Furniture, fixtures, and equipment | (27,460) | - | 14,448 | - | (13,012) |
| Total accumulated depreciation | (60,610) | (4,698) | 14,448 | - | (50,860) |
| Total capital assets net of depreciation | \$ 154,792 | (4,698) | - | - | 150,094 |

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

| | |
|------------------|----------|
| Component Unit: | |
| Instruction | 4,698 |
| Central Services | - |
| Total | \$ 4,698 |

NOTE 7 – LONG-TERM DEBT

General obligation bonds are secured by and payable solely from the Debt Service Fund.

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. Bonds outstanding at June 30, 2018 are comprised of the following:

| GO Bonds | Series 6/11/2010 | Series 11/12/2010 | Series 10/25/2011A | Series 10/25/2011B | Series 8/6/2013 |
|-----------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Original issue: | \$ 4,750,000 | \$ 8,200,000 | \$ 7,050,000 | \$ 10,850,000 | \$ 13,025,000 |
| Principal: | August 1 |
| Interest: | February 1 August 1 |
| Rates: | 1.33% to 4.35% | 0.836 to 3.77% | 2.00% to 3.25% | 2.00% to 3.00% | 3.00% to 5.00% |
| Maturity Date: | 8/1/2023 | 8/1/2027 | 8/1/2027 | 8/1/2020 | 8/1/2028 |
| | Series 10/21/2014 | Series 3/7/2016 | Series 8/4/2017A | Series 8/4/2017B | |
| Original issue: | \$ 9,000,000 | \$ 7,750,000 | \$ 6,900,000 | \$ 6,775,000 | |
| Principal: | August 1 | August 1 | August 1 | August 1 | |
| Interest: | February 1 August 1 | February 1 August 1 | February 1 August 1 | February 1 August 1 | |
| Rates: | 2.00 to 4.00% | 2.00% to 3.00% | 3.70% to 3.85% | 4.20% to 5.00% | |
| Maturity Date: | 8/1/2027 | 8/1/2028 | 8/1/2021 | 8/1/2022 | |

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| Revenue Bonds | GallupMC 10-B | GallupMC 10-A |
|----------------------|------------------|------------------|
| | <u>3/16/2012</u> | <u>3/16/2012</u> |
| Original issue: | \$ 11,280,000 | 11,315,000 |
| Principal: | August 1 | August 1 |
| Interest: | February 1 | February 1 |
| | August 1 | August 1 |
| Rates: | 2.375% | 2.163% |
| Maturity Date: | 8/1/2026 | 8/1/2026 |

Refunding of Series 2008 and 2009 Bonds

Series 2017B GO Bond

On August 4, 2017, the District issued a \$6,775,000 GO Bond with an interest rate of 4.20-5.00 percent to advance refund \$3,800,000 of outstanding 2009 governmental GO Bond and \$2,725,000 of outstanding 2008 GO Bond. The net refunding proceeds of \$6,650,230 (after paying \$124,769 of underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with the Bank of Albuquerque (the escrow agent) to provide for all future debt service payments on the 2008 and 2009 GO Bonds. As a result, the 2008 and 2009 GO Bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide financial statement of net position.

The advanced refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$129,999 which is reported as a deferred outflow on the government-wide statement of net position. This difference is being charged to operations through fiscal year 2028 using the straight-line method. The District completed the advanced refunding to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$371,664.

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

| | Balance | | | | Balance | Due Within |
|---------------------------------|----------------------|------------------|--------------------|---------------|----------------------|-------------------|
| | June 30, 2017 | Additions | Retirements | Payoff | June 30, 2018 | One Year |
| General obligation bonds | | | | | | |
| GO Bond Series 2008 | \$ 3,025,000 | - | (300,000) | (2,725,000) | - | - |
| GO Bond Series 2009 | 4,100,000 | - | (300,000) | (3,800,000) | - | - |
| GO Bond Series 2010 | 2,075,000 | - | (200,000) | - | 1,875,000 | 200,000 |
| GO Bond Series 2010 | 4,930,000 | - | (255,000) | - | 4,675,000 | 275,000 |
| GO Bond Series 2011A | 4,990,000 | - | (300,000) | - | 4,690,000 | 300,000 |
| GO Bond Series 2011B | 3,650,000 | - | (1,210,000) | - | 2,440,000 | 1,245,000 |
| GO Bond Series 2013 | 8,015,000 | - | (1,615,000) | - | 6,400,000 | 500,000 |
| GO Bond Series 2014 | 5,875,000 | - | (575,000) | - | 5,300,000 | 575,000 |
| GO Bond Series 2016 | 7,750,000 | - | (600,000) | - | 7,150,000 | 735,000 |
| GO Bond Series 2017A | - | 6,900,000 | - | - | 6,900,000 | 700,000 |
| GO Bond Series 2017B | - | 6,775,000 | - | - | 6,775,000 | 1,120,000 |
| Subtotal | 44,410,000 | 13,675,000 | (5,355,000) | (6,525,000) | 46,205,000 | 5,650,000 |
| Revenue bonds | | | | | | |
| Series 2012B | 9,495,000 | - | - | - | 9,495,000 | 1,835,000 |
| Series 2012A | 6,550,000 | - | (1,805,000) | - | 4,745,000 | - |
| Subtotal | 16,045,000 | - | (1,805,000) | - | 14,240,000 | 1,835,000 |
| Total bonds payable | 60,455,000 | 13,675,000 | (7,160,000) | (6,525,000) | 60,445,000 | 7,485,000 |
| Compensated Absences | 558,567 | 827,285 | (453,653) | - | 932,199 | 279,660 |
| Total long-term liabilities | \$ 61,013,567 | 14,502,285 | (7,613,653) | (6,525,000) | 61,377,199 | 7,764,660 |

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The annual requirement to amortize the District's bonds outstanding as of June 30, 2018, including interest payments, is as follows:

General Obligation Bonds

GO Bond Series 2010

| Fiscal Year Ending | Principal | Interest | Total Debt Service |
|-------------------------------|------------------|-----------------|-------------------------------|
| 2019 | \$ 200,000 | 72,266 | 272,266 |
| 2020 | 200,000 | 65,085 | 265,085 |
| 2021 | 250,000 | 56,574 | 306,574 |
| 2022 | 350,000 | 44,618 | 394,618 |
| 2023 | 425,000 | 28,544 | 453,544 |
| 2024-2028 | 450,000 | 9,788 | 459,788 |
| 2029-2033 | - | - | - |
| Total | \$ 1,875,000 | 276,875 | 2,151,875 |

GO Bond Series 2010

| Fiscal Year Ending | Principal | Interest | Total Debt Service |
|-------------------------------|------------------|-----------------|-------------------------------|
| 2019 | \$ 275,000 | 152,161 | 427,161 |
| 2020 | 275,000 | 145,214 | 420,214 |
| 2021 | 300,000 | 137,290 | 437,290 |
| 2022 | 400,000 | 126,644 | 526,644 |
| 2023 | 400,000 | 114,113 | 514,113 |
| 2024-2028 | 3,025,000 | 293,970 | 3,318,970 |
| 2029-2033 | - | - | - |
| Total | \$ 4,675,000 | 969,392 | 5,644,392 |

GO Bond Series 2011A

| Fiscal Year Ending | Principal | Interest | Total Debt Service |
|-------------------------------|------------------|-----------------|-------------------------------|
| 2019 | \$ 300,000 | 135,550 | 435,550 |
| 2020 | 200,000 | 130,550 | 330,550 |
| 2021 | 200,000 | 125,550 | 325,550 |
| 2022 | 300,000 | 118,050 | 418,050 |
| 2023 | 400,000 | 107,550 | 507,550 |
| 2024-2028 | 3,290,000 | 269,263 | 3,559,263 |
| 2029-2033 | - | - | - |
| Total | \$ 4,690,000 | 886,513 | 5,576,513 |

GO Bond Series 2011B

| Fiscal Year Ending | Principal | Interest | Total Debt Service |
|-------------------------------|------------------|-----------------|-------------------------------|
| 2019 | \$ 1,245,000 | 48,300 | 1,293,300 |
| 2020 | 575,000 | 27,225 | 602,225 |
| 2021 | 620,000 | 9,300 | 629,300 |
| 2022 | - | - | - |
| 2023 | - | - | - |
| 2024-2028 | - | - | - |
| 2029-2033 | - | - | - |
| Total | \$ 2,440,000 | 84,825 | 2,524,825 |

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GO Bond Series 2013

| Fiscal Year Ending | Principal | Interest | Total Debt Service |
|-------------------------------|------------------|-----------------|-------------------------------|
| 2019 | \$ 500,000 | 218,125 | 718,125 |
| 2020 | 500,000 | 198,125 | 698,125 |
| 2021 | 500,000 | 178,125 | 678,125 |
| 2022 | 600,000 | 156,125 | 756,125 |
| 2023 | 600,000 | 132,125 | 732,125 |
| 2024-2028 | 3,700,000 | 291,156 | 3,991,156 |
| 2029-2033 | - | - | - |
| Total | \$ 6,400,000 | 1,173,781 | 7,573,781 |

GO Bond Series 2014

| Fiscal Year Ending | Principal | Interest | Total Debt Service |
|-------------------------------|------------------|-----------------|-------------------------------|
| 2019 | \$ 575,000 | 144,250 | 719,250 |
| 2020 | 575,000 | 127,000 | 702,000 |
| 2021 | 575,000 | 115,500 | 690,500 |
| 2022 | 575,000 | 101,125 | 676,125 |
| 2023 | 500,000 | 85,000 | 585,000 |
| 2024-2028 | 2,500,000 | 183,750 | 2,683,750 |
| 2029-2033 | - | - | - |
| Total | \$ 5,300,000 | 756,625 | 6,056,625 |

GO Bond Series 2016

| Fiscal Year Ending | Principal | Interest | Total Debt Service |
|-------------------------------|------------------|-----------------|-------------------------------|
| 2019 | \$ 735,000 | 185,188 | 920,188 |
| 2020 | 600,000 | 165,163 | 765,163 |
| 2021 | 600,000 | 147,163 | 747,163 |
| 2022 | 600,000 | 129,163 | 729,163 |
| 2023 | 675,000 | 110,038 | 785,038 |
| 2024-2028 | 3,275,000 | 247,425 | 3,522,425 |
| 2029-2033 | 665,000 | 7,481 | 672,481 |
| Total | \$ 7,150,000 | 991,621 | 8,141,621 |

GO Bond Series 2017A

| Fiscal Year Ending | Principal | Interest | Total Debt Service |
|-------------------------------|------------------|-----------------|-------------------------------|
| 2019 | \$ 700,000 | 105,670 | 805,670 |
| 2020 | 600,000 | 99,036 | 699,036 |
| 2021 | 350,000 | 93,663 | 443,663 |
| 2022 | 350,000 | 91,250 | 441,250 |
| 2023 | 350,000 | 84,417 | 434,417 |
| 2024-2028 | 3,250,000 | 238,013 | 3,488,013 |
| 2029-2033 | 1,300,000 | 14,457 | 1,314,457 |
| Total | \$ 6,900,000 | 726,506 | 7,626,506 |

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GO Bond Series 2017B

| Fiscal Year Ending | Principal | Interest | Total Debt Service |
|-------------------------------|------------------|-----------------|-------------------------------|
| 2019 | \$ 1,120,000 | 67,274 | 1,187,274 |
| 2020 | 1,385,000 | 56,228 | 1,441,228 |
| 2021 | 1,345,000 | 42,657 | 1,387,657 |
| 2022 | 1,780,000 | 25,183 | 1,805,183 |
| 2023 | 1,145,000 | 7,385 | 1,152,385 |
| 2024-2028 | - | - | - |
| 2029-2033 | - | - | - |
| Total | \$ 6,775,000 | 198,727 | 6,973,727 |

Revenue Bonds

Series 2012B

| Fiscal Year Ending | Principal | Interest | Total Debt Service |
|-------------------------------|------------------|-----------------|-------------------------------|
| 2019 | \$ 1,835,000 | 207,063 | 2,042,063 |
| 2020 | 1,150,000 | 179,897 | 1,329,897 |
| 2021 | 1,900,000 | 147,327 | 2,047,327 |
| 2022 | 1,940,000 | 102,571 | 2,042,571 |
| 2023 | - | 79,000 | 79,000 |
| 2024-2028 | 2,670,000 | 200,964 | 2,870,964 |
| 2029-2033 | - | - | - |
| Total | \$ 9,495,000 | 916,822 | 10,411,822 |

Series 2012A

| Fiscal Year Ending | Principal | Interest | Total Debt Service |
|-------------------------------|------------------|-----------------|-------------------------------|
| 2019 | \$ - | 121,599 | 121,599 |
| 2020 | 715,000 | 114,521 | 829,521 |
| 2021 | - | 107,442 | 107,442 |
| 2022 | - | 107,442 | 107,442 |
| 2023 | 1,990,000 | 81,771 | 2,071,771 |
| 2024-2028 | 2,040,000 | 28,050 | 2,068,050 |
| 2029-2033 | - | - | - |
| Total | \$ 4,745,000 | 560,825 | 5,305,825 |

Compensated Absences

Administrative employees of the Schools are able to accrue a limited amount of vacation and other compensatory time during the year. During fiscal year June 30, 2018, compensated absences increased \$373,632 over the prior year accrual. See Note 1 for more details.

Component Unit

Compensated Absences

Five employees of the Component Unit are able to accrue a limited amount of vacation and other compensatory time during the year. During fiscal year June 30, 2018, compensated absences increased \$4,954 over the prior year accrual. Changes to compensated absences occurring during the year ended June 30, 2018 are as follows:

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| | | <u>Balance</u> <u>June 30, 2017</u> | <u>Additions</u> | <u>Retirements</u> | <u>Balance</u> <u>June 30, 2018</u> | <u>Due Within</u> <u>One Year</u> |
|----------------------|----|--|------------------|--------------------|--|--------------------------------------|
| Compensated Absences | \$ | 7,015 | 15,211 | (10,257) | 11,969 | - |

NOTE 8 – OPERATING LEASES

The District leases one piece of office equipment under short-term cancelable operating leases. Rental cost for the year ended June 30, 2018 was approximately \$3,000.

NOTE 9 – RISK MANAGEMENT

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

The NMPSIA provides coverage for up to a maximum of \$750,000,000 for each property damage claim with a \$750 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 \$250,000 per occurrence for Faithful Performance. A limit of \$250,000 applies to Depositor’s Forgery, Credit Card Forgery and Money Orders. A limit of \$100,000 applies to Money and Security, which includes a \$750 deductible.

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

NOTE 10 – PENSION PLAN – EDUCATIONAL RETIREMENT BOARD

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

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 in Section 22-11-2, NMSA 1978. Employees of public schools, universities, colleges, junior colleges, technical-vocational institutions, state special schools, charter schools, and state agencies providing an educational program, who are employed more than 25% of a full-time equivalency, are required to be members of the Plan, unless specifically excluded.

Pension Benefit – A member’s retirement benefit is determined by a formula which includes three component parts: 1) the member’s final average salary (FAS), 2) the number of years of service credit, and 3) a

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0.0235 multiplier. The FAS is the average of the member's salaries for the last five years of service or any other consecutive five-year period, whichever is greater.

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

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

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

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

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

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

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

Benefit Options – The Plan has three benefit options available.

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

Disability Benefit – An NMERB member is eligible for disability benefits if they have acquired at least ten years of earned service credit and is found totally disabled. The disability benefit is equal to 2% of the member's Final Average Salary (FAS) multiplied by the number of years of total service credits. However, the

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disability benefit shall not be less than the smaller of (a) one-third of the member's FAS or (b) 2% of the member's FAS multiplied by total years of service credit projected to age 60.

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

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

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

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

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

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

| <u>Fiscal Year</u> | <u>Date Range</u> | <u>Wage Category</u> | <u>Member Rate</u> | <u>Employer Rate</u> | <u>Combined Rate</u> | <u>Increase Over Prior Year</u> |
|--------------------|-------------------|----------------------|--------------------|----------------------|----------------------|---------------------------------|
| 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 and Component Unit paid contributions of the following, which equal the amount of the required contributions for each fiscal year.

| | <u>2018</u> | <u>2017</u> |
|------------------------------|---------------------|------------------|
| District contributions | \$ 9,742,609 | 9,260,840 |
| Component unit contributions | 74,091 | 76,620 |
| | <u>\$ 9,742,609</u> | <u>9,260,840</u> |

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 \$259,850,668 for its proportionate share of the net pension liability. At June 30, 2018, the Component Unit reported a liability of \$2,151,567 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

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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 2.3382%, which was a decrease of 0.1224% from its proportion measured as of June 30, 2016. At June 30, 2017, the Component Unit's proportion was 0.0194%, which was an increase of 0.0022% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$37,522,359. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| DISTRICT | | |
|--|--------------------------------------|-------------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ 466,457 | 4,003,244 |
| Changes of assumptions | 75,855,517 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 35,646 |
| Change in proportion and differences between the District's contributions and proportionate share of contributions | 2,142,445 | 6,255,397 |
| The District's contributions subsequent to the measurement date | 9,742,609 | - |
| Total | \$ 88,207,028 | 10,294,287 |

\$9,742,609 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended | Amount |
|------------|---------------|
| June 30: | |
| 2018 | \$ 26,124,120 |
| 2019 | 27,989,261 |
| 2020 | 16,196,423 |
| 2021 | (2,139,672) |
| 2022 | - |
| Thereafter | - |
| | 68,170,132 |

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For the year ended June 30, 2018, the Component Unit recognized pension expense of \$441,428. At June 30, 2018, the Component Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| COMPONENT UNIT | | |
|--|--------------------------------------|-------------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ 3,862 | 33,147 |
| Changes of assumptions | 628,085 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 295 |
| Change in proportion and differences between the District's contributions and proportionate share of contributions | 164,959 | - |
| The Component Unit's contributions subsequent to the measurement date | 74,091 | - |
| Total | \$ 870,997 | 33,442 |

\$74,091 reported as deferred outflows of resources related to pensions resulting from the Component Unit's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended June 30: | Amount |
|------------------------|------------|
| 2018 | \$ 317,957 |
| 2019 | 291,018 |
| 2020 | 172,206 |
| 2021 | (17,717) |
| 2022 | - |
| Thereafter | - |
| | 763,464 |

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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 0.75% productivity increase rate, plus a step rate promotional increase for members with less than 10 years of service. |
| Investment rate of return | 7.75% compounded annually, net of expenses. This is made up of a 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 |
| 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 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 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, dividends, etc.)
- Structural themes (supply and demand imbalances, capital flows, etc.) developed for each major asset class.

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For the Year Ended June 30, 2018**

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|--------------------|--------------------------|---|
| Equities | 33.00% | |
| Fixed Income | 26.00% | |
| Alternatives | 40.00% | |
| Cash | 1.00% | |
| Total | <u>100.00%</u> | <u>7.25%</u> |

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

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

Sensitivity of the District's and Component Unit's proportionate share of the net pension liability to changes in the discount rate. The following presents the District's and Component Unit's proportionate share of the net pension liability calculated using the discount rate of 5.90 percent, as well as what the District's and Component Unit'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:

| | <u>1% Decrease (4.90%)</u> | <u>Current Discount Rate (5.90%)</u> | <u>1% Increase (6.90%)</u> |
|--|--------------------------------|--|--------------------------------|
| The District's proportionate share of the net pension liability \$ | <u>338,260,950</u> | <u>259,850,668</u> | <u>195,756,643</u> |
| | <u>1% Decrease (4.90%)</u> | <u>Current Discount Rate (5.90%)</u> | <u>1% Increase (6.90%)</u> |
| The Component Unit's proportionate share of the net pension liability \$ | <u>2,800,806</u> | <u>2,151,567</u> | <u>1,620,868</u> |

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

NOTE 11 – OPEB

General Information about the OPEB

Plan description - Employees of the District and the Charter School 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.

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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 and the Component Unit were \$1,427,237 and \$11,230, respectively, for the year ended June 30, 2018.

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 \$74,052,522 for its proportionate share of the net OPEB liability. At June 30, 2018, the Component Unit reported a liability of \$581,867 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 and Component Unit’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 1.63411 percent. At June 30, 2017, the Component Unit’s proportion was 0.01284 percent.

For the year ended June 30, 2018, the District recognized OPEB expense of \$2,944,090. At June 30, 2018 the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| DISTRICT | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ - | 2,841,743 |
| Changes of assumptions | - | 12,947,140 |
| Net difference between actual and projected earnings on OPEB plan investments | - | 1,065,296 |
| Contributions subsequent to the measurement date | 1,427,237 | - |
| Total | \$ 1,427,237 | 16,854,179 |

Deferred outflows of resources totaling \$1,427,237 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

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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:

| Year Ended June 30: | Amount |
|------------------------|------------------------|
| 2019 | \$ (3,583,316) |
| 2020 | (3,583,316) |
| 2021 | (3,583,316) |
| 2022 | (3,583,316) |
| 2023 | (2,520,915) |
| Thereafter | \$ <u>(16,854,179)</u> |

For the year ended June 30, 2018, the Component Unit recognized OPEB expense of \$390,471. At June 30, 2018 the Component Unit reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| COMPONENT UNIT | | |
|---|---|--|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ - | \$ 22,329 |
| Changes of assumptions | - | 101,732 |
| Net difference between actual and projected earnings on OPEB plan investments | - | 8,371 |
| Contributions subsequent to the measurement date | 11,230 | - |
| Total | \$ 11,230 | 132,432 |

Deferred outflows of resources totaling \$11,230 represent the Component Unit's 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:

| Year Ended June 30: | Amount |
|------------------------|-------------|
| 2019 | \$ (28,156) |
| 2020 | (28,156) |
| 2021 | (28,156) |
| 2022 | (28,156) |
| 2023 | (19,808) |
| | (132,432) |

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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 members, 2.25% for PERA members |
| Projected salary increases | 3.50% |
| Investment rate of return | 7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation |
| Health care cost trend rate | 8% graded down to 4.5% over 14 years for Non-medicare medical plan costs and 7.5% graded down to 4.5% over 12 for Medicare medical plan costs |

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

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

| <u>Asset Class</u> | <u>Long-Term Rate of Return</u> |
|-------------------------------|-------------------------------------|
| U.S. core fixed income | 4.10% |
| U.S. equity - large cap | 9.10% |
| Non U.S. - emerging markets | 12.20% |
| Non U.S. - developed equities | 9.80% |
| Private equity | 13.80% |
| Credit and structured finance | 7.30% |
| Real estate | 6.90% |
| Absolute return | 6.10% |
| U.S. equity - small/mid cap | 9.10% |

Discount Rate. The discount rate used to measure the Fund's total OPEB liability is 3.81% as of June 30, 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 and Component Unit, as well as what the District's and Component Unit'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:

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| DISTRICT | | |
|------------------------|-----------------------------|------------------------|
| 1% Decrease (2.81%) | Current Discount (3.81%) | 1% Increase (4.81%) |
| \$ 89,824,555 | \$ 74,052,522 | \$ 61,677,944 |

| COMPONENT UNIT | | |
|------------------------|-----------------------------|------------------------|
| 1% Decrease (2.81%) | Current Discount (3.81%) | 1% Increase (4.81%) |
| \$ 705,795 | \$ 581,867 | \$ 484,634 |

The following presents the net OPEB liability of the District and Component Unit, as well as what the District's and Component Unit'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:

| DISTRICT | | |
|-----------------|---------------|---------------|
| Current | | |
| 1% Decrease | Trend Rate | 1% Increase |
| \$ 92,986,770 | \$ 74,052,522 | \$ 82,681,073 |

| COMPONENT UNIT | | |
|-----------------------|------------|-------------|
| Current | | |
| 1% Decrease | Trend Rate | 1% Increase |
| \$ 494,918 | \$ 581,867 | \$ 649,666 |

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 and Component Unit reported payables of \$0 and \$2,457, respectively, for outstanding contributions due to NMRHCA for the year ended June 30, General Information about the Pension Plan

NOTE 12 – 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 following funds reported a deficit fund balance at June 30, 2018:

| Fund | Number | Entity | Amount |
|--|---------------|----------------|---------------|
| Transportation | 13000 | District | \$ (36,290) |
| Entitlement IDEA B | 24106 | District | (7,520) |
| Capital Improvements SB-9 Teacher/Principal | 31700 | District | (135,264) |
| Training/Recruiting | 24154 | District | (1,151) |
| Peer Helper Program | 26214 | District | (2,627) |
| Public School Capital Outlay | 31200 | Component Unit | - |
| Total | | | \$ (182,852) |

These deficits are expected to be funded by additional grant funds and charges for services, where applicable.

- B. Excess of expenditures over appropriations. The District and the Component Unit did not have any funds which exceeded approved budgetary authority for the year ended June 30, 2018.

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Notes to the Financial Statements
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- C. In the budget, designated cash appropriations exceeded prior year available balances. The District and the Component Unit did not maintain funds in which designated cash appropriations exceeded prior year available balances.

NOTE 13 – CONTINGENCIES

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 and Component Unit expects such amount, if any, to be immaterial. The District and Component Unit are 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 and Component Unit's legal counsel that resolution of these matters will not have a material adverse effect on the financial condition of the District and Component Unit.

NOTE 14 – CONCENTRATIONS

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

NOTE 15 – COMMITMENTS

The District has various contracts (primarily construction) they are committed to complete totaling approximately \$33,132,090 as of June 30, 2018. The funding to cover these commitments is through legislative grants and cash reserves.

| Project | Remaining Commitment | Remaining State Project | Amount Expensed as of June 30, 2018 | Percent Complete | Estimated Date of Completion |
|--|---------------------------------|------------------------------------|--|-----------------------------|---|
| Lincoln Elementary (Replacement) | \$ 2,910,389 | 9,481,978 | 7,579,962 | 72% | 7/31/2019 |
| Turpen Elementary HVAC | 113,738 | - | 1,673,519 | 94% | 11/30/2018 |
| Chee Dodge Elementary HVAC & Lighting | 2,119,074 | - | 32,345 | 2% | 4/30/2019 |
| Thoreau Elementary (Replacement) | 5,051,400 | 12,323,278 | 728,838 | 13% | 4/30/2020 |
| Crownpoint Middle Intercom (Replacement) | 13,139 | - | - | 0% | 7/13/2018 |
| Tohatchi Middle Intercome (Replacement) | 13,139 | - | - | 0% | 7/13/2018 |
| CCTV Security Cameras | 1,105,955 | - | - | 0% | 12/31/2018 |
| | \$ 11,326,834 | 21,805,256 | 10,014,665 | | |

**STATE OF NEW MEXICO
GALLUP-MCKINLEY COUNTY SCHOOLS
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For the Year Ended June 30, 2018**

NOTE 16 – RESTATEMENT OF NET POSITION

Restatements were made as follows:

| Fund Description | Fund | Reason | Amount |
|-------------------------------------|-------------|---|------------------------|
| Government-wide | N/A | GASB Statement No. 75 | \$ (87,962,612) |
| Government-wide | N/A | To correct prior year deferred outflow relating to ERB liability | 9,255,461 |
| Government-wide | N/A | To account for reversions and deletions of capital assets previously recorded | (58,914) |
| Title I | 24101 | To adjust grant receivables and revenue and to correct prior year reimbursement errors on Request for Reimbursements and to record a refund due to NM PED | (1,220) |
| Entitlement IDEA B | 24106 | To adjust grant receivables and revenue and to correct prior year reimbursement errors on Request for Reimbursements and to record a refund due to NM PED | (3,411) |
| Debt Service | 41000 | To remove interest payable found at the fund level | 102,634 |
| Food Service | 21000 | To correct inventory to FY 17 ending balance | 301,361 |
| Preschool IDEA B | 24109 | To adjust grant receivables and revenue and to correct prior year reimbursement errors on Request for Reimbursements and to record a refund due to NM PED | (6,219) |
| Education of Homeless | 24113 | To correct prior year reimbursement errors on Request for Reimbursements and to record a refund due to NM PED | (109) |
| English Language Acquisition | 24153 | To adjust grant receivables and revenue and to correct prior year reimbursement errors on Request for Reimbursements and to record a refund due to NM PED | (29,947) |
| Teacher/Princ. Training/Recruiting | 24154 | To adjust grant receivables and revenue and to correct prior year reimbursement errors on Request for Reimbursements and to record a refund due to NM PED | (111,008) |
| Rural and Low Income Schools | 24160 | To adjust FY 17 grant receivables | (74,290) |
| USHHS/CDC School Health | 24186 | To correct prior year reimbursement errors on Request for Reimbursements and to record a refund due to NM PED | (206) |
| Johnson O'Malley | 25131 | To adjust grant receivables and revenue and to correct prior year reimbursement errors on Request for Reimbursements and to record a refund due to NM PED | (15,045) |
| Indian Education Formula Grant | 25184 | To adjust FY 17 grant receivables | (6,871) |
| Dual Credit Instructional Materials | 27103 | To correct prior year reimbursement errors on Request for Reimbursements and to record a refund due to NM PED | (1) |
| Breakfast for Elementary Students | 27155 | To correct prior year reimbursement errors on Request for Reimbursements and to record a refund due to NM PED | (56,572) |
| Kindergarten Three Plus | 27166 | To adjust grant receivables and revenue and to correct prior year reimbursement errors on Request for Reimbursements and to record a refund due to NM PED | (121) |
| CYFD Parents as Teachers Model | 28193 | To adjust grant receivables and revenue and to correct prior year reimbursement errors on Request for Reimbursements and to record a refund due to NM PED | (2,443) |
| | | Total governmental activities | <u>\$ (78,669,533)</u> |

**STATE OF NEW MEXICO
GALLUP-MCKINLEY COUNTY SCHOOLS
Notes to the Financial Statements
For the Year Ended June 30, 2018**

| <u>Fund Description</u> | <u>Fund</u> | <u>Reason</u> | <u>Amount</u> |
|-------------------------|-------------|--|------------------------|
| Component Unit - GW | N/A | GASB 75 - Required restatement | \$ (691,164) |
| Component Unit - GW | N/A | To correct prior year deferred outflow relating to ERB liability | 76,620 |
| Component Unit | 31200 | To correct PY receivables. | 27 |
| Component Unit | 31700 | To correct PY receivables. | 1,200 |
| | | Total Component Unit funds | <u>(613,317)</u> |
| | | Total restatements | <u>\$ (79,282,850)</u> |

NOTE 17 - EVALUATION OF SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the statement of financial position/balance sheet date but before the financial statements are issued. The District and Component Unit recognize in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position/balance sheet, including the estimates inherent in the process of preparing the financial statements. The District and Component Unit's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position/balance sheet but arose after the statement of financial position/balance sheet date and before financial statements are available to be issued. The organization has evaluated subsequent events through November 13, 2018, which is the date the financial statements were available to be issued.

Revocation of Charter

Subsequent to the fiscal year 2018, the District hired an outside accounting firm to conduct a review of the District's claims against the Middle College High School in a formal "Notice of Intent to Revoke Charter" letter dated July 6, 2018. The report was yet to be completed as of the release of this audit report.

Additionally, and not contingent on the results of the outside accounting firm's review, the District has formally elected not to renew the charter contract with the Middle College High School past the fiscal year ending 2019.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF GALLUP-MCKINLEY COUNTY SCHOOLS PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
EDUCATIONAL RETIREMENT BOARD (ERB) PLAN
LAST 10 FISCAL YEARS*

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|------------------------|----------------------|----------------------|----------------------|
| | Measurement Date as of | | | |
| | <u>June 30, 2017</u> | <u>June 30, 2016</u> | <u>June 30, 2015</u> | <u>June 30, 2014</u> |
| The District's proportion of the net pension liability (asset) (%) | \$ 2.3382% | 2.4606% | 0.0869% | 0.0863% |
| The District's proportionate share of the net pension liability (asset) (\$) | \$ 259,850,668 | 177,074,725 | 154,763,267 | 137,629,661 |
| The District's covered payroll | \$ 70,090,712 | 74,410,830 | 72,788,378 | 66,487,317 |
| The District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 371% | 238% | 213% | 207% |
| Plan fiduciary net position as a percentage of the total pension liability | 52.95% | 61.58% | 63.97% | 66.54% |

**Governmental Accounting Standards Board Statement 68* requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the District is not available prior to fiscal year 2015, the year the statement's requirements became effective.

See independent auditor's report.
The accompanying notes are an integral part of these financial statements.

SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF MIDDLE COLLEGE HIGH SCHOOL'S (COMPONENT UNIT) PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
EDUCATIONAL RETIREMENT BOARD (ERB) PLAN
LAST 10 FISCAL YEARS*

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|---------------|---------------|---------------|---------------|
| | June 30, 2017 | June 30, 2016 | June 30, 2015 | June 30, 2014 |
| The Component's proportion of the net pension liability (asset) (%) | \$ 0.0194% | 0.0172% | 0.1121% | 0.0055% |
| The Component Unit's proportionate share of the net pension liability (asset) (\$) | \$ 2,151,567 | 1,234,908 | 1,070,044 | 790,806 |
| The Component Unit's covered payroll | \$ 533,029 | 551,579 | 490,097 | 381,924 |
| The Component Unit's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 404% | 224% | 218% | 207% |
| Plan fiduciary net position as a percentage of the total pension liability | 52.95% | 61.58% | 63.97% | 66.54% |

*Governmental Accounting Standards Board Statement 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the Component Unit is not available prior to fiscal year 2015, the year the statement's requirements became effective.

See independent auditor's report.
The accompanying notes are an integral part of these financial statements.

**SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF GALLUP-MCKINLEY COUNTY SCHOOLS CONTRIBUTIONS
EDUCATIONAL RETIREMENT BOARD (ERB) PLAN
LAST 10 FISCAL YEARS***

| | 2018 | 2017 | 2016 | 2015 |
|--|--------------|-------------|-------------|-------------|
| Statutory required contribution | \$ 9,742,609 | 9,260,840 | 9,764,821 | 9,437,099 |
| Contributions in relation to the statutorily required contribution | \$ 9,742,609 | 9,260,840 | 9,764,821 | 9,437,099 |
| Annual contribution deficiency (excess) | \$ - | - | - | - |

**Governmental Accounting Standards Board Statement 68* requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the District is not available prior to fiscal year 2015, the year the statement's requirements became effective.

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

Changes in benefit provisions. There were no modifications to the benefit 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 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 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 3.50% to 3.00%, and the annual assumed COLA from 2.00% to 1.90%.

SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF MIDDLE COLLEGE HIGH SCHOOL'S (COMPONENT UNIT) CONTRIBUTIONS
EDUCATIONAL RETIREMENT BOARD (ERB) PLAN
LAST 10 FISCAL YEARS*

| | 2018 | 2017 | 2016 | 2015 |
|--|-----------------------|--------------------|--------------------|--------------------|
| Statutory required contribution | \$ 74,091 | 76,620 | 68,125 | 65,260 |
| Contributions in relation to the statutorily required contribution | \$ 74,091 | 76,620 | 68,125 | 65,260 |
| Annual contribution deficiency (excess) | \$ <u> -</u> | <u> -</u> | <u> -</u> | <u> -</u> |

*Governmental Accounting Standards Board Statement 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the Charter is not available prior to fiscal year 2015, the year the statement's requirements became effective.

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

Changes in benefit provisions. There were no modifications to the benefit 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 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 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 3.50% to 3.00%, and the annual assumed COLA from 2.00% to 1.90%.

**SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF GALLUP-MCKINLEY COUNTY SCHOOL'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY
LAST 10 FISCAL YEARS***

| | 2018* |
|---|---------------|
| The District's proportion of the net OPEB liability (%) | 1.63411% |
| The District's proportionate share of OPEB liability (\$) | \$ 74,052,522 |
| The District's covered payroll | \$ 68,071,260 |
| The District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 108.79% |
| Plan fiduciary net position as a percentage of the total pension liability | 11.34% |

*This schedule is presented to illustrate the requirement to show information for 10 years; However, until a full 10-year trend is compiled, the statement only requires presentation of information for available years.

SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF MIDDLE COLLEGE HIGH SCHOOL'S (COMPONENT UNIT) PROPORTIONATE
SHARE OF THE NET OPEB LIABILITY
LAST 10 FISCAL YEARS*

| | 2018* |
|---|--------------|
| The Component Unit's proportion of the net OPEB liability (%) | 0.01284% |
| The Component Unit's proportionate share of OPEB liability (\$) | \$ 581,867 |
| The Component Unit's covered payroll | \$ 534,869 |
| The Component Unit's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 108.79% |
| Plan fiduciary net position as a percentage of the total pension liability | 11.34% |

*This schedule is presented to illustrate the requirement to show information for 10 years; However, until a full 10-year trend is compiled, the statement only requires presentation of information for available years.

**SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF GALLUP-MCKINLEY COUNTY SCHOOL'S CONTRIBUTIONS
OPEB**

| | | <u>2018*</u> |
|--|----|-------------------------|
| Contractually required contribution | \$ | 5,189,066 |
| Contributions in relation to the contractually required contribution | | 2,604,333 |
| Contribution deficiency (excess) | \$ | <u><u>2,584,733</u></u> |
| The District's covered payroll | \$ | 68,071,260 |
| Contributions as a percentage of covered payroll | | 3.83% |

*This schedule is presented to illustrate the requirement to show information for 10 years; However, until a full 10-year trend is compiled, the statement only requires presentation of information for available years.

**SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF MIDDLE COLLEGE HIGH SCHOOL'S (COMPONENT UNIT) CONTRIBUTIONS
OPEB**

| | <u>2018*</u> |
|--|-------------------------|
| Contractually required contribution | \$ 40,773 |
| Contributions in relation to the contractually required contribution | 20,464 |
| Contribution deficiency (excess) | \$ <u><u>20,309</u></u> |
| The Component Unit's covered payroll | \$ 534,869 |
| Contributions as a percentage of covered payroll | 3.83% |

*This schedule is presented to illustrate the requirement to show information for 10 years; However, until a full 10-year trend is compiled, the statement only requires presentation of information for available years.

NONMAJOR GOVERNMENTAL FUNDS

**STATE OF NEW MEXICO
GALLUP-MCKINLEY COUNTY SCHOOLS
For the Year Ended June 30, 2018**

NONMAJOR SPECIAL REVENUE FUNDS

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

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

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

Non-Instructional Materials (23000) -

Non-Budgeted Activity – to account for funds paid to the Schools for student activity travel. Accumulated funds are used to replace activity buses. Funding authority is the New Mexico Public Education Department.

Non-Budgeted Scholarship – to provide college scholarships to a designated number of high school graduates meeting certain criteria from revenues generated from the annual Paul Hanson Memorial Golf Tournament. Funding authority is the New Mexico Public Education Department.

Non-Budgeted Autism Program – to provide funds for parents of autistic students to attend conferences about parenting autistic children. These funds were raised from a golf tournament organized by the parents. Funding authority is the New Mexico Public Education Department.

Non-Budgeted Miyamura Scholarship – to provide college scholarships to designated graduates from Miyamura High School funds donated to the school. Funding authority is the New Mexico Public Education Department.

Non-Budgeted Thoreau Night School– to account for the tuition fees collected from Thoreau Night School students. These fees pay for supplies and materials, and wages for Night School Staff. Funding authority is the New Mexico Public Education Department.

New Mexico Autism Project (24108) – The purpose of this fund is to support the implementation of the NMAP’s researched based model to improve outcomes for students with Autism Spectrum Disorders (ASD). Authority for creation of this fund is New Mexico State Autism Spectrum Disorder Project.

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. Federal revenues accounted for in this fund are allocated to the District through the New Mexico Department of Children, Youth and Families. Authority for creation of this fund is Public Law 105-17.

Education of Homeless (24113) – To provide tutoring and remedial academic services to homeless children and youth within the District. Funding is by the New Mexico Public Education Department.

Private Schools Share IDEA-B (24115) – Under 34 CFR §§ 300.132-300.133, local educational agencies (LEA) must spend a proportionate amount of their IDEA-B Basic Entitlement and, if applicable, Preschool sub-grant funds for special education and related services (“equitable participation services” to students with disabilities who are parentally placed in private elementary and secondary schools (“equitable participation services”) located in the school district served by the LEA. The private schools must be nonprofit institutions. Children aged three through five are considered to be parentally-placed private school children with disabilities only if they are enrolled in a private school that meets the definition of elementary school I n34 CFR §300.13. New Mexico State law defines an elementary school as “a public school providing instruction for grades kindergarten through eight, unless there is a junior high school program approved by the state board [department], in which case it means a public school providing instruction for grades kindergarten through six” 22-1-3(A) NMSA 1978.

**STATE OF NEW MEXICO
GALLUP-MCKINLEY COUNTY SCHOOLS
For the Year Ended June 30, 2018**

Fresh Fruits and Vegetables (24118) – To account for funds administered by the New Mexico State University through New Mexico Human Services Department to promote nutrition education to students and parents. National School Lunch Act, as amended, 42 U.S.C. 1769.

21st Century Community Living & Learning Centers 08/14 (24119) – To account for a grant utilized to expand an after school, weekend and summer program. The program is designed to integrate the visual and performing arts with literacy, life skills and physical activity for kindergarten to 12th grade focusing on the neighborhood and the community as a classroom, Public Law 103-382.

Title I 1003g Grant (Includes Funds 24124) – The objective of this grant is to provide in conjunction with Title I funds for school improvement reserved under section 1003(a) of the ESEA. School Improvement Grants under section 1003(g) of the ESEA are used to improve student achievement in Title I schools identified for improvement, corrective action, or restructuring so as to enable these schools to make adequate yearly progress (AYP) and exit improvement status. Funding is by the Elementary and Secondary Education Act of 1965, as amended, Title I, Part B, Subpart 1.

IDEA-B Results Plan (24132) – This account is to support the individual school site's Educational Plan for Student Success, or areas of need of improvement as identified through an instructional audit. This is a pilot program for the New Mexico Real Results program required by US Dept. of Education of Special Education Programs. Authority for creation of this fund is New Mexico Public Education Department.

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. Authority for creation of this fund is the elementary and Secondary Education Act (ESEA), as amended, Title III, Part A, and Sections 3101, 3129.

Teacher/Principal Training and 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. Authority for creation of the fund is the Rehabilitation Act of 1973, as amended, Title III, Section 303 (b)-(d). 20 U.S.C. 777a and 797a.

Rural and Low-Income Schools (24160) – To account for funds used to provide financial assistance to rural districts to carry out activities to help improve the quality of teaching and learning in their schools. Elementary and Secondary Education Act of 1965 (ESEA), Title VI, Part B, as amended.

Title I School Improvement (24162) – To account for federal funds to provide family-centered education projects to help parents become full partners in the education of their children, to assist children in reaching their full potential as leaders. Authority is Public Law 100-297

Carl D. Perkins –Current, Carl D Perkins Secondary-PY Unliq. Obligations, and Carl D Perkins Secondary-Redistribution (24174, 24175, and 25176) – To provide federal funds to expand and improve vocational education programs and to provide equal access in vocational education to special needs populations. Authority for creation of this fund is Carl D. Perkins Vocational and Applied Technology Education Act of 1998, as amended, Public Law 105-332.

USDA 2010 Equipment Assistance Program (24183) – To be used for the purchase of new kitchen equipment under the USDA School Equipment Grants funded by the National School Lunch Program. Authority for creation of this fund is through the National School Lunch Program CFDA 10.579.

USHHS/CDC School Health (24186) – To be used for promoting adolescent health through school-based Human Immunodeficiency Virus (HIV)/Sexually transmitted infections (STI) prevention and school-based surveillance program in the state of New Mexico Authority for creation of this fund is Section 1352, Title 31, U.S.C. (United States Code).

Student Support & Enrichment Program (24189) – supports well-rounded educational opportunities, safe and healthy students and effective use of technology (ESEA sections 4107, 4108 and 4109).

Johnson O'Malley (25131) – To provide funding for supplemental programs in special education and the other needs of eligible Native American Indian children. Funding is provided by the Johnson-O'Malley Act of 1934 as amended, Public Law 930638.

**STATE OF NEW MEXICO
GALLUP-MCKINLEY COUNTY SCHOOLS
For the Year Ended June 30, 2018**

Impact Aid Special Education (25145) – To account for funding of a Federal program to provide financial assistance to local educational agencies (LEA's) where enrollments or availability of revenue are adversely affected by Federal activities, i.e. where the tax base of a district is reduced through the Federal acquisition of real property (Section 2), or where there are a significant number of children who reside on Federal (including Indian) lands and/or children whose parents are employed on Federal property or in the Uniformed Services (Section 39a) and 3(b)); where there is a significant decrease (Section3 (c)) or a sudden and substantial increase (Section 4) in school enrollment as the result of Federal activities; to provide disaster assistance for reduced or increased operating costs (Section7(a)), for replacing or repairing damaged or destroyed supplies, equipment, and books, and for repairing minor damage to facilities. Funding authorized by Public Law 81-874.

Title XIX – Medicaid 3/21 Years (25153) – to account for a program providing school-based screening, diagnostic services and other related health services and administrative activities in conformance with the approved Medicaid State Plan in order to improve health and developmental outcomes for children. Authority for the creation of this fund is the Social Security Act, Title XIX, as amended; Public Laws 89-97, 90-248, and 91-56; 42 U.S.C. 1396 et seq., as amended; Public Law 92-223; Public Law 92-603; Public Law 93-66; Public Law 93-233; Public Law 96-499; Public Law 97-35; Public Law 97-248; Public Law 98-369, Public Law 99-272; Public Law 99-509; Public Law 100-93; Public Law 100- 202; Public Law 100-203; Public Law 100-360; Public Law 100-436; Public Law 100-485, Public Law 100-647; Public Law101-166; Public Law 101-234; Public Law 101-239; Public Law101-508; Public Law 101-517; Public Law 102- 234; Public Law 102-170; Public Law 102-394; Public Law 103-66; Public Law 103-112; Public Law 103-333; Public Law 104-91; Public Law 104-191; Public Law 104-193; Public Law 104-208, 104-134; Balanced Budget Act of 1997, Public Law 105-33; Public Law 106-113, Public Law 106-554; Public Law 108-27; Public Law 108-173; Public Law 109-91; Public Law 109-171; Public Law 109-432; Public Law110-28.

Child Care Block Grant CYFD (25157) – To account for funds received for the transition assistance program funding through the Children, Youth and Families Department and the State of New Mexico.

Child and Adult Food Program (25171) – To implement educational, mental health, social services, law enforcement and juvenile justice services for youth. Funding authority is the Elementary and Secondary Educational Act of 1965.

Indian Health Services (25173) – Promotion to support and promote the “Corn Plant” model of coordinated school health in schools serving primarily Navajo students.

Indian Education Formula Grant (24184)- To account for a program funded by a Federal grant to develop and carry out supplementary elementary and secondary school programs designed to meet the special educational and culturally related academic needs of Indian children, for example to: 1) Improve academic performance, 2) Reduce school dropout rates and improve attendance, and 3) Integrate the value of cultural education into the school curriculum for Indian children. Funding authorized by Indian Education Act of 1988, Title V, Part C, Subpart 1, as amended, Public Law 100-297 and 93-638, U.S.C. 2601-2606.

Navajo Nations (25201) – To help organizations to develop new or expand existing capacity to provide screening, referrals for medical treatment, education, and eligibility assistance for eligible individuals. Section 417C of the Public Health Service Act 42 U.S.C. 285a-9, as amended by the Radiation Exposure Compensation Act Amendments of 2000 (Public Law 106-245).

Title V Indian Health Care Improvement Act-Federal (25209) – To promote improved health care among American Indians/Alaska Natives through special diabetes prevention and treatment services projects with objectives and priorities determined at the local level. Public Law 94-437, approved September 30, 1976 (90 Stat. 1400).

SEG Federal Stimulus (25250) – Created under the American Recovery and Reinvested Act of 2009 (ARRA), these federal funds help stabilize the District's budget in order to minimize and avoid reduction in education services. Authority for creation of this fund is the New Mexico Public Education Department School District Policies and Procedures Manual.

Save the Children (26143) –The purpose is to provide improved reading intervention through in-school and after school activities, improve the academic performance of students at risk of failure due to poor reading skills. This program is being implemented at Crownpoint Elementary and Crownpoint Middle

**STATE OF NEW MEXICO
GALLUP-MCKINLEY COUNTY SCHOOLS
For the Year Ended June 30, 2018**

Schools. Authority for creation of this fund is the New Mexico Public Education Department School District Policies and Procedures Manual.

Pump up the Volume in Preschools (26201) –To account for a project funded by a grant from the US Department of Education Office of School Accountability to develop Preschool Centers of Excellence, focusing on early reading skills, for up to 280 children in each of three years, in preschool classrooms at nine (9) District elementary schools.

Peer Helper Program (26214) – The Division of Public Health and Methamphetamine/suicide Prevention Initiative (MSPI) established several suicide prevention interventions which serve as a model project for the Navajo Area Indian Health Service. One of these is the Peer Helpers program which is a peer-to-peer helping program. Peer helpers is based upon the premise that when young people have problems, they often turn to their friends or other adults whom they trust for help and that within every school an informal “helping network” exists. The program seeks to identify this informal network and provide training and support to young people and adults who are already serving as helpers. Authority for creation of this fund is Division of Public Health, (Crownpoint Service Unit) HIS Agreement Number: 1-NV-14-0001. Economy Act, approved June 30, 1932, as amended (31 USC 1535 and 15360 and under the authority of section 301 of the Public Service Act. The applicable section of the Federal Regulation is 48 CFR 17.5.

Dual Credit Instructional Materials/HB2 (27103) –To account for House Bill2, 2009 which makes an appropriation for Dual Credit Instructional materials. The dual credit instructional materials must be for a course approved by Higher Education department and through a college-university for which the District has an approved agreement.

2010 GO Bond Public School Acquisition (27106) – This award allows schools to acquire library books, equipment and library resources for public school library resources for public school libraries statewide. The funding was made available through Senate Bill 1. Laws of 2010, 2nd Special Session B3.

2012 GO Bond Public School Acquisition (27107) – This award allows schools to acquire library resources, including library books for public school libraries. The funding was made available through Senate Bill 66, Laws of 2012, 2nd Session, Chapter 54, Section 10. Paragraph B(3).

New Mexico Reads to Lead K-3 Initiative (27114) – This fund is to account for funds received to provide children to acquire a firm foundation in literacy and are not only prepared for future academic success but will possess a lifelong gift of reading. New Mexico’s early reading initiative, New Mexico Reads to Lead, provides an aligned approach for districts and schools to ensure that children can read by the end of the third grade – giving them essential skills for future career and college success. The New Mexico Reads to Lead! Initiative funds a reading K-3 Formative Assessment System provided to districts at no cost. It also provides regional and district reading coaches, supports for intervention, and professional development for parents, teachers, reading coaches, and administrators. In addition, this site highlights literacy resources for parents, teachers, administrators and other stakeholders. Please visit often as the content will be regularly updated. Authority for the creation of this fund is the New Mexico Public Education Department.

TANF PED (27115) – To account for monies received from the state to be used to encourage and promote a Health Advisory Committee that guides the Districts’ school health programs. Authority for the creation of this fund is the New Mexico Public Education Department.

Teacher Recruitment Support Initiative (27128) - State appropriated funding for the Teacher Recruitment Initiative awarded by NM Public Education Department (PED). 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 district website with regard to recruitment, or the cost of placing advertisements in a newspaper or external website.

Pre-K Initiative (27149) – To account for funds received to prepare children for success in school, begin to close the achievement gap between students, and help meet the vision of a seamless education system – Pre-Kindergarten through higher education. Authority for the creation of this fund is the New Mexico Public Education Department.

**STATE OF NEW MEXICO
GALLUP-MCKINLEY COUNTY SCHOOLS
For the Year Ended June 30, 2018**

Indian Education Act (27150) – To develop and evaluate the relationship between improved academic performance of American Indian students who experience a culturally relevant education curriculum. Authority for creation of this funds is the New Mexico Public Education Department.

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

Kindergarten o Three Plus (27166) – Funds allow for 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 time to prepare them for the next grade. Authority for the creation of this fund is the New Mexico Public Education Department.

After School Enrichment Program (27168) – This fund is to be used to implement the District’s After School and Summer Enrichment Programs. Authority for the creation of this fund is the New Mexico Public Education Department. The After School and Summer Enrichment Programs are used to create learning centers that will provide students a broad range of exceptional, school-linked learning and development opportunities, designed to complement the students’ regular academic program. Authority for the creation of this fund is the New Mexico Public Education Department.

2010 GO Bond Instructional Materials (27171) – Used to purchase books and instructional materials for schools which received a letter grade of “A” or those which are recognized as a “Top Growth” school. Authority for the creation of this fund is the New Mexico Public Education Department.

Science Instructional Materials K-12 (27176) – This state appropriated funds are for the purchase of science instructional material for grades 6-8. Authority for the creation of this fund is the New Mexico Public Education Department.

2013 School Bus (27178) –Funds to public school districts to replace public school buses. Authority for the creation of the fund is Senate Bill 60, Severance Tax Bond Projects 2013.

Teacher and School Leader Incentive Pay (27188 and 27190) – This fund was created to provide funding for projects that develop and implement performance-based teacher and principal compensations systems in high-need schools. The teacher Incentive Fun is authorized I P.L. 109-149 –the Department of Labor, Health and Human Services, and Education and Related Agencies Appropriation Act 2006 Title V, Part D.

Teachers Hard to Staff (27195) –Funds to public school districts to incentivize teacher in rural areas. Authority for the creation of the fund is the New Mexico Public Education Department.

K-3 Plus 4 & 5 PILOT (27198) - The K-3 Plus 4 & 5 PILOT program provides funding for additional educational time for students in kindergarten through fifth grade with at least 25 instructional days. Authority for the creation of the fund is the New Mexico Public Education Department.

School Wellness HED (28106) – To be used to convene and implement a District-wide training on the updated GMCS wellness policy. Authority for the creation of this fund is the New Mexico Department of Health.

Office of Child Development (28170) – This fund is generated through a sub-contract with San Juan College to enable them to comply with their grant through Children, Youth and Family Department (CYFD) to provide advisors so that the Training and Technical Assistance Program can be implemented within McKinley County. The advisor is McKinley County works with county day care centers and home care takers to offer professional development and technical support so that they can meet the CYFD child care requirements.

GRADS – Child Care (28189) – To account for a program funded by the Public Education Department for the purpose to establish and maintain in –school, family and consumer science instructional and intervention program for pregnant and parenting students which focuses on knowledge and skills related to positive self, pregnancy, parenting and economic independence. Special Revenue fund established by the local school board.

**STATE OF NEW MEXICO
GALLUP-MCKINLEY COUNTY SCHOOLS
For the Year Ended June 30, 2018**

GRADS – Instruction (28190) – To account for a program funded by the Public Education Department for the purpose to establish and maintain an in-school, family and consumer science instructional and intervention program for pregnant and parenting students, which focuses on knowledge and skills related to positive self, pregnancy, parenting and economic independence. Special Revenue fund established by the local school board.

Start Smart K-3 Plus Utah State University Study (28191) – The purpose of this fund is to account for a k-3 plus learning opportunity. This study will be provided to 570 English Language Learners (ELL) and students with IEPs under IDEA enrolled in persistently low-performing schools in Gallup, McKinley, Albuquerque, Gadsden, and Las Cruces school districts in Years 1 and 5, and 1, 140 students in Years 2, 3, and 4. A comparable number of children will be enrolled each year in a control group. Funding by the New Mexico Public Education Department.

CYPD Parents as Teacher Model (28193) – The purpose of this fund is to provide funds to implement a high quality Parents as Teachers model for home visiting services in McKinley County. Gallup-McKinley County Schools will provide home visiting services, using the Parents as Teachers model, to 45-60 families, teen parents and parents with young children, in McKinley County. Funds are provided by New Mexico Children, Youth and Family Department (CYFD) through a federal grant awarded to CYFD.

GRADS Plus (28203) – The purpose of this fund is to support a shared case management model between Central High School GRADS program and school and community partners. Authority for the creation of this fund is the New Mexico GRADS System.

Private Dir. Grants (29102) –To provide additional classroom time at Gallup Central High for seniors to meet graduation requirements. Funding authority is the New Mexico Public Education Department.

**STATE OF NEW MEXICO
GALLUP-MCKINLEY COUNTY SCHOOLS
For the Year Ended June 30, 2018**

NONMAJOR CAPITAL PROJECTS FUNDS

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

Bond Building (31100) - 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.

Special Revenue Bond (31110) – To account for bond proceeds plus any income earned thereon. The proceeds are restricted for the purpose of making additions to and furnishing of school buildings, or purchasing or improving school grounds or any combination thereof, as approved by the voters of the District. Funding authority is the New Mexico Public Education Department.

Public School Capital Outlay (31200) – To account for the 20 percent of the operational property tax revenues that have been set aside for capital outlay projects. Funding authority is the New Mexico Public Education Department.

Special Revenue Bond (31400) – To account for special appropriations monies received from the State of New Mexico under Chapter 4, Laws of 1996 for the purpose of specific capital outlay projects.

Special Capital Outlay – State (31500) – To account for 20 percent of the operational property tax revenues that have been set aside for capital outlay projects.

Capital Improvements SB9 Local Fund (31701) - The fund is used to account for erecting, remodeling, making additions to and furnishing of school buildings, or purchasing or improving school grounds or any combination thereof as identified by the local school board. Financing is provided by the State of New Mexico's State Equalization Matching and a special tax levy as authorized by the Public School District Capital Improvements Act (22-25-1 to 22-25-10, NMSA 1978). Per the NM Public Education Department state SB9 funds will be separated by local and state funding sources. State SB9 funds will use fund number 31700.

Public School Capital Outlay 20% (32100) – To account for the 20 percent of the operational property tax revenues that have been set aside for capital outlay projects. Funding authority is the New Mexico Public Education Department.

STATE OF NEW MEXICO
GALLUP-MCKINLEY COUNTY SCHOOLS
Combining Balance Sheet
Non-Major Governmental Funds
As of June 30, 2018

| | Special Revenue Funds | Capital Projects Funds | Debt Service | Total |
|--|--------------------------------------|---------------------------------------|-------------------------|-------------------|
| <i>Assets</i> | | | | |
| Cash and investments | \$ 9,407,810 | 1,467,276 | - | 10,875,086 |
| Restricted cash | - | 7,930,974 | - | 7,930,974 |
| Receivables: | | | | |
| Taxes | - | 95,831 | - | 95,831 |
| Due from other governments | 2,586,170 | - | - | 2,586,170 |
| Other | - | - | - | - |
| Prepaid expenses | - | - | - | - |
| Inventory | 59,316 | 386,410 | - | 445,726 |
| Due from other funds | - | - | - | - |
| <i>Total assets</i> | <u>12,053,296</u> | <u>9,880,491</u> | <u>-</u> | <u>21,933,787</u> |
| <i>Liabilities, Deferred Inflows of Resources, and Fund Balances</i> | | | | |
| <i>Liabilities</i> | | | | |
| Accounts payable | 653,137 | 769,985 | - | 1,423,122 |
| Accrued payroll liabilities | 354,750 | - | - | 354,750 |
| Interest payable | - | - | - | - |
| Other liabilities | - | - | - | - |
| Deposits held for others | - | - | - | - |
| Unearned revenue | - | - | - | - |
| Due to other funds | 1,886,183 | - | - | 1,886,183 |
| <i>Total liabilities</i> | <u>2,894,070</u> | <u>769,985</u> | <u>-</u> | <u>3,664,055</u> |
| <i>Deferred inflows of resources</i> | | | | |
| Deferred inflows - property taxes | - | 31,879 | - | 31,879 |
| <i>Total deferred inflows of resources</i> | <u>-</u> | <u>31,879</u> | <u>-</u> | <u>31,879</u> |
| <i>Fund balances</i> | | | | |
| Nonspendable | 59,316 | 386,410 | - | 445,726 |
| Restricted | 9,103,688 | 8,692,217 | - | 17,795,905 |
| Committed | - | - | - | - |
| Assigned | - | - | - | - |
| Unassigned | (3,778) | - | - | (3,778) |
| <i>Total fund balances</i> | <u>9,159,226</u> | <u>9,078,627</u> | <u>-</u> | <u>18,237,853</u> |
| <i>Total liabilities, deferred inflows of resources, and fund balances</i> | <u>\$ 12,053,296</u> | <u>9,880,491</u> | <u>-</u> | <u>21,933,787</u> |

See independent auditors' report.
The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
GALLUP-MCKINLEY COUNTY SCHOOLS
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Non-Major Governmental Funds
For The Year Ended June 30, 2018

| | Special Revenue Funds | Capital Projects Funds | Debt Service | Total |
|--|--------------------------------------|---------------------------------------|-------------------------|--------------------|
| <i>Revenues:</i> | | | | |
| Property and other taxes | \$ - | 1,729,429 | - | 1,729,429 |
| State grants | 3,617,621 | - | - | 3,617,621 |
| Federal grants | 15,378,127 | 47,241 | - | 15,425,368 |
| Charges for services | 1,219,258 | - | - | 1,219,258 |
| Investment income | 137 | 5,212 | - | 5,349 |
| Miscellaneous | 5,041 | - | - | 5,041 |
| <i>Total revenues</i> | <u>20,220,184</u> | <u>1,781,882</u> | <u>-</u> | <u>22,002,066</u> |
| <i>Expenditures:</i> | | | | |
| <i>Current:</i> | | | | |
| Instruction | 8,535,904 | - | - | 8,535,904 |
| Support services: | - | - | - | - |
| Students | 923,451 | - | - | 923,451 |
| Instruction | 550,004 | - | - | 550,004 |
| General administration | 127,972 | 16,944 | - | 144,916 |
| School administration | - | - | - | - |
| Central services | 100,520 | - | - | 100,520 |
| Operation & maintenance of plant | 5,518 | 4,268,349 | - | 4,273,867 |
| Student transportation | 67,381 | - | - | 67,381 |
| Other support operations | - | - | - | - |
| Food services operations | 7,887,936 | - | - | 7,887,936 |
| Community services | - | - | - | - |
| Capital outlay | 89,521 | 4,969,974 | - | 5,059,495 |
| Debt service: | - | - | - | - |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| Bond issuance costs | - | - | - | - |
| <i>Total expenditures</i> | <u>18,288,207</u> | <u>9,255,267</u> | <u>-</u> | <u>27,543,474</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>1,931,977</u> | <u>(7,473,385)</u> | <u>-</u> | <u>(5,541,408)</u> |
| <i>Other financing sources (uses)</i> | | | | |
| Proceeds from issuance of debt | - | 6,900,000 | - | 6,900,000 |
| Premiums on issuance of debt | - | - | - | - |
| Transfers in | 224,805 | - | - | 224,805 |
| Transfers out | (23,324) | - | - | (23,324) |
| Reversion to PED/Grantors | (224,199) | - | - | (224,199) |
| <i>Total other financing sources (uses)</i> | <u>(22,718)</u> | <u>6,900,000</u> | <u>-</u> | <u>6,877,282</u> |
| <i>Net change in fund balances</i> | 1,909,259 | (573,385) | - | 1,335,874 |
| <i>Fund balance - beginning of year</i> | 7,251,438 | 9,652,012 | - | 16,903,450 |
| <i>Restatement</i> | (1,471) | - | - | (1,471) |
| <i>Fund balance - beginning of year, as restated</i> | <u>7,249,967</u> | <u>9,652,012</u> | <u>-</u> | <u>16,901,979</u> |
| <i>Fund balances - end of year</i> | <u>\$ 9,159,226</u> | <u>9,078,627</u> | <u>-</u> | <u>18,237,853</u> |

See independent auditors' report.
The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
GALLUP-MCKINLEY COUNTY SCHOOLS
Combining Balance Sheet
Non-Major Governmental Funds - Special Revenue Funds
As of June 30, 2018

| | Food Services 21000 | Athletics 22000 | Non-Instructional Materials 23000 | New Mexico Autism Project 24108 | Preschool IDEA-B 24109 |
|--|---------------------------|--------------------|---|---------------------------------------|------------------------------|
| <i>Assets</i> | | | | | |
| Cash and investments | \$ 3,107,256 | 194,298 | 695,689 | - | - |
| Receivables: | | | | | |
| Taxes | - | - | - | - | - |
| Due from other governments | 65,379 | - | - | 4,475 | 32,155 |
| Inventory | 59,316 | - | - | - | - |
| Due from other funds | - | - | - | - | - |
| <i>Total assets</i> | <u>3,231,951</u> | <u>194,298</u> | <u>695,689</u> | <u>4,475</u> | <u>32,155</u> |
| <i>Liabilities, Deferred Inflows of Resources, and Fund Balances</i> | | | | | |
| <i>Liabilities</i> | | | | | |
| Accounts payable | 307,954 | 148 | - | 281 | 12,249 |
| Accrued payroll liabilities | 27,761 | - | 30,255 | - | 5,798 |
| Due to other funds | - | - | - | 4,194 | 14,108 |
| <i>Total liabilities</i> | <u>335,715</u> | <u>148</u> | <u>30,255</u> | <u>4,475</u> | <u>32,155</u> |
| <i>Deferred inflows of resources</i> | | | | | |
| Deferred inflows - property taxes | - | - | - | - | - |
| <i>Total deferred inflows of resources</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Fund balances</i> | | | | | |
| Nonspendable | 59,316 | - | - | - | - |
| Restricted | 2,836,920 | 194,150 | 665,434 | - | - |
| Committed | - | - | - | - | - |
| Assigned | - | - | - | - | - |
| Unassigned | - | - | - | - | - |
| <i>Total fund balances</i> | <u>2,896,236</u> | <u>194,150</u> | <u>665,434</u> | <u>-</u> | <u>-</u> |
| <i>Total liabilities, deferred inflows of resources, and fund balances</i> | <u>\$ 3,231,951</u> | <u>194,298</u> | <u>695,689</u> | <u>4,475</u> | <u>32,155</u> |

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STATE OF NEW MEXICO
GALLUP-MCKINLEY COUNTY SCHOOLS
Combining Balance Sheet
Non-Major Governmental Funds - Special Revenue Funds
As of June 30, 2018

| | Education of Homeless 24113 | Private Schools Share IDEA-B 24115 | Fresh Fruits & Vegetables 24118 | 21st Century 24119 | Title I 1003g Grant 24124 |
|--|-----------------------------------|--|---------------------------------------|--------------------------|---------------------------------|
| <i>Assets</i> | | | | | |
| Cash and investments | - | - | - | - | - |
| Receivables: | | | | | |
| Taxes | - | - | - | - | - |
| Due from other governments | 8,684 | 14,907 | - | - | - |
| Inventory | - | - | - | - | - |
| Due from other funds | - | - | - | - | - |
| <i>Total assets</i> | <u>8,684</u> | <u>14,907</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Liabilities, Deferred Inflows of Resources, and Fund Balances</i> | | | | | |
| <i>Liabilities</i> | | | | | |
| Accounts payable | 109 | 6,415 | - | - | - |
| Accrued payroll liabilities | - | 2,091 | - | - | - |
| Due to other funds | 8,575 | 6,401 | - | - | - |
| <i>Total liabilities</i> | <u>8,684</u> | <u>14,907</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Deferred inflows of resources</i> | | | | | |
| Deferred inflows - property taxes | - | - | - | - | - |
| <i>Total deferred inflows of resource</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Fund balances</i> | | | | | |
| Nonspendable | - | - | - | - | - |
| Restricted | - | - | - | - | - |
| Committed | - | - | - | - | - |
| Assigned | - | - | - | - | - |
| Unassigned | - | - | - | - | - |
| <i>Total fund balances</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Total liabilities, deferred inflows of resources, and fund balances</i> | <u>\$ 8,684</u> | <u>14,907</u> | <u>-</u> | <u>-</u> | <u>-</u> |

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STATE OF NEW MEXICO
GALLUP-MCKINLEY COUNTY SCHOOLS
Combining Balance Sheet
Non-Major Governmental Funds - Special Revenue Funds
As of June 30, 2018

| | IDEA-B Plan Results 24132 | English Language Acquisition 24153 | Teacher/Principal Training/Recruiting 24154 | Rural and Low Income Schools 24160 | Title I School Improvement 24162 |
|--|---------------------------------|---|---|--|--|
| <i>Assets</i> | | | | | |
| Cash and investments | \$ - | 7,355 | - | - | - |
| Receivables: | | | | | |
| Taxes | - | - | - | - | - |
| Due from other governments | 33,845 | 28,059 | 547,672 | 184,026 | 86,356 |
| Inventory | - | - | - | - | - |
| Due from other funds | - | - | - | - | - |
| <i>Total assets</i> | <u>33,845</u> | <u>35,414</u> | <u>547,672</u> | <u>184,026</u> | <u>86,356</u> |
| <i>Liabilities, Deferred Inflows of Resources, and Fund Balances</i> | | | | | |
| <i>Liabilities</i> | | | | | |
| Accounts payable | - | 32,823 | 214,949 | - | 2,074 |
| Accrued payroll liabilities | - | 2,591 | 48,269 | 3,540 | 2,948 |
| Due to other funds | 33,845 | - | 285,605 | 180,486 | 81,334 |
| <i>Total liabilities</i> | <u>33,845</u> | <u>35,414</u> | <u>548,823</u> | <u>184,026</u> | <u>86,356</u> |
| <i>Deferred inflows of resources</i> | | | | | |
| Deferred inflows - property taxes | - | - | - | - | - |
| <i>Total deferred inflows of resource</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Fund balances</i> | | | | | |
| Nonspendable | - | - | - | - | - |
| Restricted | - | - | - | - | - |
| Committed | - | - | - | - | - |
| Assigned | - | - | - | - | - |
| Unassigned | - | - | (1,151) | - | - |
| <i>Total fund balances</i> | <u>-</u> | <u>-</u> | <u>(1,151)</u> | <u>-</u> | <u>-</u> |
| <i>Total liabilities, deferred inflows of resources, and fund balances</i> | <u>\$ 33,845</u> | <u>35,414</u> | <u>547,672</u> | <u>184,026</u> | <u>86,356</u> |

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STATE OF NEW MEXICO
GALLUP-MCKINLEY COUNTY SCHOOLS
Combining Balance Sheet
Non-Major Governmental Funds - Special Revenue Funds
As of June 30, 2018

| | Carl D Perkins Secondary 24174 | Carl D Perkins Secondary PY Obligation 24175 | Carl D Perkins Secondary Redistribution 24176 | USDA 2010 Equipment Assist. Program 24183 | USHHS/CDC School Health 24186 |
|--|---|---|--|--|-------------------------------------|
| <i>Assets</i> | | | | | |
| Cash and investments | - | - | - | - | 206 |
| Receivables: | | | | | |
| Taxes | - | - | - | - | - |
| Due from other governments | 15,263 | - | - | - | - |
| Inventory | - | - | - | - | - |
| Due from other funds | - | - | - | - | - |
| <i>Total assets</i> | <u>15,263</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>206</u> |
| <i>Liabilities, Deferred Inflows of Resources, and Fund Balances</i> | | | | | |
| <i>Liabilities</i> | | | | | |
| Accounts payable | 1,218 | - | - | - | 206 |
| Accrued payroll liabilities | - | - | - | - | - |
| Due to other funds | 14,045 | - | - | - | - |
| <i>Total liabilities</i> | <u>15,263</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>206</u> |
| <i>Deferred inflows of resources</i> | | | | | |
| Deferred inflows - property taxes | - | - | - | - | - |
| <i>Total deferred inflows of resource</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Fund balances</i> | | | | | |
| Nonspendable | - | - | - | - | - |
| Restricted | - | - | - | - | - |
| Committed | - | - | - | - | - |
| Assigned | - | - | - | - | - |
| Unassigned | - | - | - | - | - |
| <i>Total fund balances</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Total liabilities, deferred inflows of resources, and fund balances</i> | <u>\$ 15,263</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>206</u> |

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STATE OF NEW MEXICO
GALLUP-MCKINLEY COUNTY SCHOOLS
Combining Balance Sheet
Non-Major Governmental Funds - Special Revenue Funds
As of June 30, 2018

| | Student Support & Enrichment Program <u>24189</u> | Johnson O'Malley <u>25131</u> | Impact Aid Special Education <u>25145</u> | Title XIX Medicaid 3/21 Years <u>25153</u> | Child Care Block Grant CYFD <u>25157</u> |
|--|--|-------------------------------------|--|---|---|
| <i>Assets</i> | | | | | |
| Cash and investments | - | - | 2,264,124 | 2,888,273 | 80,257 |
| Receivables: | | | | | |
| Taxes | - | - | - | - | - |
| Due from other governments | 15,836 | 205,653 | - | 137,538 | - |
| Inventory | - | - | - | - | - |
| Due from other funds | - | - | - | - | - |
| <i>Total assets</i> | <u>15,836</u> | <u>205,653</u> | <u>2,264,124</u> | <u>3,025,811</u> | <u>80,257</u> |
| <i>Liabilities, Deferred Inflows of Resources, and Fund Balances</i> | | | | | |
| <i>Liabilities</i> | | | | | |
| Accounts payable | - | 15,101 | - | - | - |
| Accrued payroll liabilities | 503 | 1,356 | 8,121 | 621 | 5,650 |
| Due to other funds | 15,332 | 189,196 | - | - | - |
| <i>Total liabilities</i> | <u>15,835</u> | <u>205,653</u> | <u>8,121</u> | <u>621</u> | <u>5,650</u> |
| <i>Deferred inflows of resources</i> | | | | | |
| Deferred inflows - property taxes | - | - | - | - | - |
| <i>Total deferred inflows of resource</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Fund balances</i> | | | | | |
| Nonspendable | - | - | - | - | - |
| Restricted | 1 | - | 2,256,003 | 3,025,190 | 74,607 |
| Committed | - | - | - | - | - |
| Assigned | - | - | - | - | - |
| Unassigned | - | - | - | - | - |
| <i>Total fund balances</i> | <u>1</u> | <u>-</u> | <u>2,256,003</u> | <u>3,025,190</u> | <u>74,607</u> |
| <i>Total liabilities, deferred inflows of resources, and fund balances</i> | <u>\$ 15,836</u> | <u>205,653</u> | <u>2,264,124</u> | <u>3,025,811</u> | <u>80,257</u> |

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STATE OF NEW MEXICO
GALLUP-MCKINLEY COUNTY SCHOOLS
Combining Balance Sheet
Non-Major Governmental Funds - Special Revenue Funds
As of June 30, 2018

| | Child and Adult Food Program 25171 | Indian Health Services 25173 | Indian Education Formula Grant 25184 | Navajo Nation 25201 | Title V Indian Health Care Improvement Act 25209 |
|--|---|---------------------------------------|---|---------------------------|---|
| <i>Assets</i> | | | | | |
| Cash and investments | \$ 15,948 | - | 65,745 | - | - |
| Receivables: | | | | | |
| Taxes | - | - | - | - | - |
| Due from other governments | - | - | 2,573 | 50,603 | - |
| Inventory | - | - | - | - | - |
| Due from other funds | - | - | - | - | - |
| <i>Total assets</i> | <u>15,948</u> | <u>-</u> | <u>68,318</u> | <u>50,603</u> | <u>-</u> |
| <i>Liabilities, Deferred Inflows of Resources, and Fund Balances</i> | | | | | |
| <i>Liabilities</i> | | | | | |
| Accounts payable | - | - | - | - | - |
| Accrued payroll liabilities | - | - | 75,188 | 4,696 | - |
| Due to other funds | - | - | (6,870) | 45,907 | - |
| <i>Total liabilities</i> | <u>-</u> | <u>-</u> | <u>68,318</u> | <u>50,603</u> | <u>-</u> |
| <i>Deferred inflows of resources</i> | | | | | |
| Deferred inflows - property taxes | - | - | - | - | - |
| <i>Total deferred inflows of resource</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Fund balances</i> | | | | | |
| Nonspendable | - | - | - | - | - |
| Restricted | 15,948 | - | - | - | - |
| Committed | - | - | - | - | - |
| Assigned | - | - | - | - | - |
| Unassigned | - | - | - | - | - |
| <i>Total fund balances</i> | <u>15,948</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Total liabilities, deferred inflows of resources, and fund balances</i> | <u>\$ 15,948</u> | <u>-</u> | <u>68,318</u> | <u>50,603</u> | <u>-</u> |

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STATE OF NEW MEXICO
GALLUP-MCKINLEY COUNTY SCHOOLS
Combining Balance Sheet
Non-Major Governmental Funds - Special Revenue Funds
As of June 30, 2018

| | SEG Federal Stimulus 25250 | Save the Children 26143 | Pump up the Volume in Preschools 26201 | Peer Helper Program 26214 | Dual Credit Instructional Materials 27103 |
|--|-------------------------------------|-------------------------------|---|------------------------------------|--|
| <i>Assets</i> | | | | | |
| Cash and investments | \$ - | - | - | - | - |
| Receivables: | | | | | |
| Taxes | - | - | - | - | - |
| Due from other governments | - | - | - | 32,060 | 2,341 |
| Inventory | - | - | - | - | - |
| Due from other funds | - | - | - | - | - |
| <i>Total assets</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>32,060</u> | <u>2,341</u> |
| <i>Liabilities, Deferred Inflows of Resources, and Fund Balances</i> | | | | | |
| <i>Liabilities</i> | | | | | |
| Accounts payable | - | - | - | - | 1 |
| Accrued payroll liabilities | - | - | - | - | - |
| Due to other funds | - | - | - | 34,687 | 2,340 |
| <i>Total liabilities</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>34,687</u> | <u>2,341</u> |
| <i>Deferred inflows of resources</i> | | | | | |
| Deferred inflows - property taxes | - | - | - | - | - |
| <i>Total deferred inflows of resource</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Fund balances</i> | | | | | |
| Nonspendable | - | - | - | - | - |
| Restricted | - | - | - | - | - |
| Committed | - | - | - | - | - |
| Assigned | - | - | - | - | - |
| Unassigned | - | - | - | (2,627) | - |
| <i>Total fund balances</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(2,627)</u> | <u>-</u> |
| <i>Total liabilities, deferred inflows of resources, and fund balances</i> | <u>\$ -</u> | <u>-</u> | <u>-</u> | <u>32,060</u> | <u>2,341</u> |

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STATE OF NEW MEXICO
GALLUP-MCKINLEY COUNTY SCHOOLS
Combining Balance Sheet
Non-Major Governmental Funds - Special Revenue Funds
As of June 30, 2018

| | Library GO Bonds 27106 | 2012 GO Bond Student Library SB-66 27107 | NM Reads to Lead K-3 Reading Initiative 27114 | TANF PED 27115 | Teacher Recruitment Support Initiative 27128 |
|--|------------------------------|---|--|----------------------|---|
| <i>Assets</i> | | | | | |
| Cash and investments | \$ - | - | - | - | - |
| Receivables: | | | | | |
| Taxes | - | - | - | - | - |
| Due from other governments | - | 18,140 | - | - | 25,878 |
| Inventory | - | - | - | - | - |
| Due from other funds | - | - | - | - | - |
| <i>Total assets</i> | <u>-</u> | <u>18,140</u> | <u>-</u> | <u>-</u> | <u>25,878</u> |
| <i>Liabilities, Deferred Inflows of Resources, and Fund Balances</i> | | | | | |
| <i>Liabilities</i> | | | | | |
| Accounts payable | - | 922 | - | - | - |
| Accrued payroll liabilities | - | - | - | - | - |
| Due to other funds | - | 17,218 | - | - | 25,878 |
| <i>Total liabilities</i> | <u>-</u> | <u>18,140</u> | <u>-</u> | <u>-</u> | <u>25,878</u> |
| <i>Deferred inflows of resources</i> | | | | | |
| Deferred inflows - property taxes | - | - | - | - | - |
| <i>Total deferred inflows of resource</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Fund balances</i> | | | | | |
| Nonspendable | - | - | - | - | - |
| Restricted | - | - | - | - | - |
| Committed | - | - | - | - | - |
| Assigned | - | - | - | - | - |
| Unassigned | - | - | - | - | - |
| <i>Total fund balances</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Total liabilities, deferred inflows of resources, and fund balances</i> | <u>\$ -</u> | <u>18,140</u> | <u>-</u> | <u>-</u> | <u>25,878</u> |

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STATE OF NEW MEXICO
GALLUP-MCKINLEY COUNTY SCHOOLS
Combining Balance Sheet
Non-Major Governmental Funds - Special Revenue Funds
As of June 30, 2018

| | Pre-K Initiative 27149 | Indian Education Act 27150 | Breakfast for Elementary Students 27155 | Kindergarten Three Plus 27166 | After School Enrichment 27168 |
|--|------------------------------|-------------------------------------|--|--|--|
| <i>Assets</i> | | | | | |
| Cash and investments | \$ - | - | 53,225 | - | - |
| Receivables: | | | | | |
| Taxes | - | - | - | - | - |
| Due from other governments | 461,775 | 14,685 | 3,347 | 404,835 | - |
| Inventory | - | - | - | - | - |
| Due from other funds | - | - | - | - | - |
| <i>Total assets</i> | <u>461,775</u> | <u>14,685</u> | <u>56,572</u> | <u>404,835</u> | <u>-</u> |
| <i>Liabilities, Deferred Inflows of Resources, and Fund Balances</i> | | | | | |
| <i>Liabilities</i> | | | | | |
| Accounts payable | 600 | - | 56,572 | 1,379 | - |
| Accrued payroll liabilities | 47,584 | 1,273 | - | 64,761 | - |
| Due to other funds | 413,591 | 13,412 | - | 338,695 | - |
| <i>Total liabilities</i> | <u>461,775</u> | <u>14,685</u> | <u>56,572</u> | <u>404,835</u> | <u>-</u> |
| <i>Deferred inflows of resources</i> | | | | | |
| Deferred inflows - property taxes | - | - | - | - | - |
| <i>Total deferred inflows of resource</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Fund balances</i> | | | | | |
| Nonspendable | - | - | - | - | - |
| Restricted | - | - | - | - | - |
| Committed | - | - | - | - | - |
| Assigned | - | - | - | - | - |
| Unassigned | - | - | - | - | - |
| <i>Total fund balances</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Total liabilities, deferred inflows of resources, and fund balances</i> | <u>\$ 461,775</u> | <u>14,685</u> | <u>56,572</u> | <u>404,835</u> | <u>-</u> |

See independent auditor's report.
The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
GALLUP-MCKINLEY COUNTY SCHOOLS
Combining Balance Sheet
Non-Major Governmental Funds - Special Revenue Funds
As of June 30, 2018

| | 2010 GO Bond Instructional Materials <u>27171</u> | Science Instructional Materials K-12 <u>27176</u> | 2013 School Bus <u>27178</u> | Teacher and School Leader Incentive Pay <u>27188</u> | Teacher and School Leader Incentive Pay Group <u>27190</u> |
|--|--|--|---------------------------------------|---|---|
| <i>Assets</i> | | | | | |
| Cash and investments | \$ - | - | - | - | - |
| Receivables: | | | | | |
| Taxes | - | - | - | - | - |
| Due from other governments | - | - | - | - | - |
| Inventory | - | - | - | - | - |
| Due from other funds | - | - | - | - | - |
| <i>Total assets</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Liabilities, Deferred Inflows of Resources, and Fund Balances</i> | | | | | |
| <i>Liabilities</i> | | | | | |
| Accounts payable | - | - | - | - | - |
| Accrued payroll liabilities | - | - | - | - | - |
| Due to other funds | - | - | - | - | - |
| <i>Total liabilities</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Deferred inflows of resources</i> | | | | | |
| Deferred inflows - property taxes | - | - | - | - | - |
| <i>Total deferred inflows of resource</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Fund balances</i> | | | | | |
| Nonspendable | - | - | - | - | - |
| Restricted | - | - | - | - | - |
| Committed | - | - | - | - | - |
| Assigned | - | - | - | - | - |
| Unassigned | - | - | - | - | - |
| <i>Total fund balances</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Total liabilities, deferred inflows of resources, and fund balances</i> | <u>\$ -</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |

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STATE OF NEW MEXICO
GALLUP-MCKINLEY COUNTY SCHOOLS
Combining Balance Sheet
Non-Major Governmental Funds - Special Revenue Funds
As of June 30, 2018

| | Teachers Hard to Staff 27195 | K-3 Plus 4 & 5 PILOT 27198 | School Wellness HED 28106 | Office of Child Development 28170 | GRADS Child Care 28189 |
|--|---------------------------------------|-------------------------------------|------------------------------------|--|---------------------------------|
| <i>Assets</i> | | | | | |
| Cash and investments | \$ - | - | - | - | 13,573 |
| Receivables: | | | | | |
| Taxes | - | - | - | - | - |
| Due from other governments | 32,861 | 21,038 | - | - | - |
| Inventory | - | - | - | - | - |
| Due from other funds | - | - | - | - | - |
| <i>Total assets</i> | <u>32,861</u> | <u>21,038</u> | <u>-</u> | <u>-</u> | <u>13,573</u> |
| <i>Liabilities, Deferred Inflows of Resources, and Fund Balances</i> | | | | | |
| <i>Liabilities</i> | | | | | |
| Accounts payable | - | - | - | - | - |
| Accrued payroll liabilities | - | 4,104 | - | - | - |
| Due to other funds | 32,861 | 16,934 | - | - | - |
| <i>Total liabilities</i> | <u>32,861</u> | <u>21,038</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Deferred inflows of resources</i> | | | | | |
| Deferred inflows - property taxes | - | - | - | - | - |
| <i>Total deferred inflows of resource</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Fund balances</i> | | | | | |
| Nonspendable | - | - | - | - | - |
| Restricted | - | - | - | - | 13,573 |
| Committed | - | - | - | - | - |
| Assigned | - | - | - | - | - |
| Unassigned | - | - | - | - | - |
| <i>Total fund balances</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>13,573</u> |
| <i>Total liabilities, deferred inflows of resources, and fund balances</i> | <u>\$ 32,861</u> | <u>21,038</u> | <u>-</u> | <u>-</u> | <u>13,573</u> |

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

STATE OF NEW MEXICO
GALLUP-MCKINLEY COUNTY SCHOOLS
Combining Balance Sheet
Non-Major Governmental Funds - Special Revenue Funds
As of June 30, 2018

| | GRADS Instruction 28190 | Smart Start K-3 Utah State Study 28191 | CYFD Parents as Teacher Model 28193 | GRADS Plus 28203 | Private Direct Grants 29102 | Total |
|--|-------------------------------|---|--|------------------------|--------------------------------------|-------------------|
| <i>Assets</i> | | | | | | |
| Cash and investments | \$ 18,430 | - | - | 3,431 | - | 9,407,810 |
| Receivables: | | | | | | |
| Taxes | - | - | - | - | - | - |
| Due from other governments | - | - | 136,186 | - | - | 2,586,170 |
| Inventory | - | - | - | - | - | 59,316 |
| Due from other funds | - | - | - | - | - | - |
| <i>Total assets</i> | <u>18,430</u> | <u>-</u> | <u>136,186</u> | <u>3,431</u> | <u>-</u> | <u>12,053,296</u> |
| <i>Liabilities, Deferred Inflows of Resources, and Fund Balances</i> | | | | | | |
| <i>Liabilities</i> | | | | | | |
| Accounts payable | - | - | 136 | - | - | 653,137 |
| Accrued payroll liabilities | - | - | 17,640 | - | - | 354,750 |
| Due to other funds | - | - | 118,409 | - | - | 1,886,183 |
| <i>Total liabilities</i> | <u>-</u> | <u>-</u> | <u>136,185</u> | <u>-</u> | <u>-</u> | <u>2,894,070</u> |
| <i>Deferred inflows of resources</i> | | | | | | |
| Deferred inflows - property taxes | - | - | - | - | - | - |
| <i>Total deferred inflows of resource</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Fund balances</i> | | | | | | |
| Nonspendable | - | - | - | - | - | 59,316 |
| Restricted | 18,430 | - | 1 | 3,431 | - | 9,103,688 |
| Committed | - | - | - | - | - | - |
| Assigned | - | - | - | - | - | - |
| Unassigned | - | - | - | - | - | (3,778) |
| <i>Total fund balances</i> | <u>18,430</u> | <u>-</u> | <u>1</u> | <u>3,431</u> | <u>-</u> | <u>9,159,226</u> |
| <i>Total liabilities, deferred inflows of resources, and fund balances</i> | <u>\$ 18,430</u> | <u>-</u> | <u>136,186</u> | <u>3,431</u> | <u>-</u> | <u>12,053,296</u> |

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STATE OF NEW MEXICO
GALLUP-MCKINLEY COUNTY SCHOOLS
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Non-Major Governmental Funds - Special Revenue Funds
For the Year Ended June 30, 2018

| | Food Service 21000 | Athletics 22000 | Non-Instructional Materials 23000 | New Mexico Autism Project 24108 | Preschool IDEA-B 24109 |
|--|--------------------------|--------------------|---|---------------------------------------|------------------------------|
| <i>Revenues:</i> | | | | | |
| Property and other taxes | \$ - | - | - | - | - |
| State grants | - | - | - | - | - |
| Federal grants | 7,680,164 | 148 | - | 4,475 | 102,633 |
| Charges for services | 248,686 | 338,317 | 632,255 | - | - |
| Investment income | 126 | 11 | - | - | - |
| Miscellaneous | - | - | 5,000 | - | - |
| <i>Total revenues</i> | <u>7,928,976</u> | <u>338,476</u> | <u>637,255</u> | <u>4,475</u> | <u>102,633</u> |
| <i>Expenditures:</i> | | | | | |
| Current: | | | | | |
| Instruction | - | 203,001 | 656,399 | 3,717 | 69,130 |
| Support services: | | | | | |
| Students | - | - | - | 758 | 31,095 |
| Instruction | - | - | - | - | - |
| General administration | - | - | - | - | 2,408 |
| Central services | - | - | - | - | - |
| Operation & maintenance of plant | - | - | - | - | - |
| Student transportation | - | - | - | - | - |
| Food services operations | 7,815,726 | - | - | - | - |
| Capital outlay | - | - | - | - | - |
| Debt service: | | | | | |
| Principal | - | - | - | - | - |
| Interest | - | - | - | - | - |
| Bond issuance costs | - | - | - | - | - |
| <i>Total expenditures</i> | <u>7,815,726</u> | <u>203,001</u> | <u>656,399</u> | <u>4,475</u> | <u>102,633</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>113,250</u> | <u>135,475</u> | <u>(19,144)</u> | <u>-</u> | <u>-</u> |
| <i>Other financing sources (uses)</i> | | | | | |
| Transfers in | - | - | - | - | - |
| Transfers out | - | - | (4,082) | - | - |
| Reversion to PED/Grantors | - | - | - | - | - |
| <i>Total other financing sources (uses)</i> | <u>-</u> | <u>-</u> | <u>(4,082)</u> | <u>-</u> | <u>-</u> |
| <i>Net change in fund balances</i> | 113,250 | 135,475 | (23,226) | - | - |
| <i>Fund balance - beginning of year</i> | 2,481,625 | 58,675 | 688,660 | - | 6,219 |
| <i>Restatement</i> | 301,361 | - | - | - | (6,219) |
| <i>Fund balance - beginning of year, restated</i> | <u>2,782,986</u> | <u>58,675</u> | <u>688,660</u> | <u>-</u> | <u>-</u> |
| <i>Fund balances - end of year</i> | <u>\$ 2,896,236</u> | <u>194,150</u> | <u>665,434</u> | <u>-</u> | <u>-</u> |

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STATE OF NEW MEXICO
GALLUP-MCKINLEY COUNTY SCHOOLS
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Non-Major Governmental Funds - Special Revenue Funds
For the Year Ended June 30, 2018

| | Education of Homeless 24113 | Private Schools Share IDEA-B 24115 | Fresh Fruits & Vegetables 24118 | 21st Century 24119 | Title I 1003g Grant 24124 |
|--|-----------------------------------|--|---------------------------------------|--------------------------|---------------------------------|
| <i>Revenues:</i> | | | | | |
| Property and other taxes | \$ - | - | - | - | - |
| State grants | - | - | - | - | - |
| Federal grants | 42,938 | 55,609 | - | - | - |
| Charges for services | - | - | - | - | - |
| Investment income | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - |
| <i>Total revenues</i> | <u>42,938</u> | <u>55,609</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Expenditures:</i> | | | | | |
| Current: | | | | | |
| Instruction | - | 54,320 | - | - | - |
| Support services: | | | | | |
| Students | 41,928 | - | - | - | - |
| Instruction | - | - | - | - | - |
| General administration | 1,010 | 1,289 | - | - | - |
| Central services | - | - | - | - | - |
| Operation & maintenance of plant | - | - | - | - | - |
| Student transportation | - | - | - | - | - |
| Food services operations | - | - | - | - | - |
| Capital outlay | - | - | - | - | - |
| Debt service: | | | | | |
| Principal | - | - | - | - | - |
| Interest | - | - | - | - | - |
| Bond issuance costs | - | - | - | - | - |
| <i>Total expenditures</i> | <u>42,938</u> | <u>55,609</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Other financing sources (uses)</i> | | | | | |
| Transfers in | - | - | - | - | - |
| Transfers out | - | - | - | - | - |
| Reversion to PED/Grantors | - | - | (12,379) | (241) | (2,676) |
| <i>Total other financing sources (uses)</i> | <u>-</u> | <u>-</u> | <u>(12,379)</u> | <u>(241)</u> | <u>(2,676)</u> |
| <i>Net change in fund balances</i> | <u>-</u> | <u>-</u> | <u>(12,379)</u> | <u>(241)</u> | <u>(2,676)</u> |
| <i>Fund balance - beginning of year</i> | 109 | - | 12,379 | 241 | 2,676 |
| <i>Restatement</i> | (109) | - | - | - | - |
| <i>Fund balance - beginning of year, restated</i> | - | - | 12,379 | 241 | 2,676 |
| <i>Fund balances - end of year</i> | <u>\$ -</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |

See independent auditor's report.
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STATE OF NEW MEXICO
GALLUP-MCKINLEY COUNTY SCHOOLS
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Non-Major Governmental Funds - Special Revenue Funds
For the Year Ended June 30, 2018

| | IDEA-B Plan Results 24132 | English Language Acquisition 24153 | Teacher/Principal Training/Recruiting 24154 | Rural and Low Income Schools 24160 | Title I School Improvement 24162 |
|--|---------------------------------|---|---|--|--|
| <i>Revenues:</i> | | | | | |
| Property and other taxes | \$ - | - | - | - | - |
| State grants | - | - | - | - | - |
| Federal grants | 93,549 | 140,370 | 1,286,999 | 275,843 | 547,205 |
| Charges for services | - | - | - | - | - |
| Investment income | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - |
| <i>Total revenues</i> | <u>93,549</u> | <u>140,370</u> | <u>1,286,999</u> | <u>275,843</u> | <u>547,205</u> |
| <i>Expenditures:</i> | | | | | |
| Current: | | | | | |
| Instruction | 93,549 | 137,618 | 1,265,265 | 269,352 | 539,620 |
| Support services: | | | | | |
| Students | - | - | - | - | - |
| Instruction | - | - | - | - | - |
| General administration | - | 2,752 | 21,787 | 6,491 | 7,585 |
| Central services | - | - | 1,074 | - | - |
| Operation & maintenance of plant | - | - | - | - | - |
| Student transportation | - | - | - | - | - |
| Food services operations | - | - | - | - | - |
| Capital outlay | - | - | - | - | - |
| Debt service: | | | | | |
| Principal | - | - | - | - | - |
| Interest | - | - | - | - | - |
| Bond issuance costs | - | - | - | - | - |
| <i>Total expenditures</i> | <u>93,549</u> | <u>140,370</u> | <u>1,288,126</u> | <u>275,843</u> | <u>547,205</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>-</u> | <u>-</u> | <u>(1,127)</u> | <u>-</u> | <u>-</u> |
| <i>Other financing sources (uses)</i> | | | | | |
| Transfers in | - | - | 110,996 | 74,290 | - |
| Transfers out | - | - | - | - | - |
| Reversion to PED/Grantors | - | - | (12) | - | - |
| <i>Total other financing sources (uses)</i> | <u>-</u> | <u>-</u> | <u>110,984</u> | <u>74,290</u> | <u>-</u> |
| <i>Net change in fund balances</i> | <u>-</u> | <u>-</u> | <u>109,857</u> | <u>74,290</u> | <u>-</u> |
| <i>Fund balance - beginning of year</i> | <u>-</u> | <u>29,947</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Restatement</i> | <u>-</u> | <u>(29,947)</u> | <u>(111,008)</u> | <u>(74,290)</u> | <u>-</u> |
| <i>Fund balance - beginning of year, restated</i> | <u>-</u> | <u>-</u> | <u>(111,008)</u> | <u>(74,290)</u> | <u>-</u> |
| <i>Fund balances - end of year</i> | <u>\$ -</u> | <u>-</u> | <u>(1,151)</u> | <u>-</u> | <u>-</u> |

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STATE OF NEW MEXICO
GALLUP-MCKINLEY COUNTY SCHOOLS
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Non-Major Governmental Funds - Special Revenue Funds
For the Year Ended June 30, 2018

| | Carl D Perkins Secondary 24174 | Carl D Perkins Secondary PY Obligation 24175 | Carl D Perkins Secondary Redistribution 24176 | USDA 2010 Equipment Assist. Program 24183 | USHHS/CDC School Health 24186 |
|--|---|---|--|--|-------------------------------------|
| <i>Revenues:</i> | | | | | |
| Property and other taxes | \$ - | - | - | - | - |
| State grants | - | - | - | - | - |
| Federal grants | 192,944 | - | - | - | 5,688 |
| Charges for services | - | - | - | - | - |
| Investment income | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - |
| <i>Total revenues</i> | <u>192,944</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>5,688</u> |
| <i>Expenditures:</i> | | | | | |
| Current: | | | | | |
| Instruction | 190,859 | - | - | - | 5,482 |
| Support services: | | | | | |
| Students | - | - | - | - | - |
| Instruction | - | - | - | - | - |
| General administration | 2,085 | - | - | - | - |
| Central services | - | - | - | - | - |
| Operation & maintenance of plant | - | - | - | - | - |
| Student transportation | - | - | - | - | - |
| Food services operations | - | - | - | - | - |
| Capital outlay | - | - | - | - | - |
| Debt service: | | | | | |
| Principal | - | - | - | - | - |
| Interest | - | - | - | - | - |
| Bond issuance costs | - | - | - | - | - |
| <i>Total expenditures</i> | <u>192,944</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>5,482</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>206</u> |
| <i>Other financing sources (uses)</i> | | | | | |
| Transfers in | - | - | - | - | - |
| Transfers out | - | - | - | - | - |
| Reversion to PED/Grantors | - | (1,502) | (2) | - | - |
| <i>Total other financing sources (uses)</i> | <u>-</u> | <u>(1,502)</u> | <u>(2)</u> | <u>-</u> | <u>-</u> |
| <i>Net change in fund balances</i> | <u>-</u> | <u>(1,502)</u> | <u>(2)</u> | <u>-</u> | <u>206</u> |
| <i>Fund balance - beginning of year</i> | <u>-</u> | <u>1,502</u> | <u>2</u> | <u>-</u> | <u>-</u> |
| <i>Restatement</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(206)</u> |
| <i>Fund balance - beginning of year, restated</i> | <u>-</u> | <u>1,502</u> | <u>2</u> | <u>-</u> | <u>(206)</u> |
| <i>Fund balances - end of year</i> | <u>\$ -</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |

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STATE OF NEW MEXICO
GALLUP-MCKINLEY COUNTY SCHOOLS
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Non-Major Governmental Funds - Special Revenue Funds
For the Year Ended June 30, 2018

| | Student Support & Enrichment Program 24189 | Johnson O'Malley 25131 | Impact Aid Special Education 25145 | Title XIX Medicaid 3/21 Years 25153 | Child Care Block Grant CYFD 25157 |
|--|---|------------------------------|---|--|--|
| <i>Revenues:</i> | | | | | |
| Property and other taxes | \$ - | - | - | - | - |
| State grants | - | - | - | - | - |
| Federal grants | 15,836 | 658,437 | 782,874 | 1,558,502 | 70,159 |
| Charges for services | - | - | - | - | - |
| Investment income | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - |
| <i>Total revenues</i> | <u>15,836</u> | <u>658,437</u> | <u>782,874</u> | <u>1,558,502</u> | <u>70,159</u> |
| <i>Expenditures:</i> | | | | | |
| Current: | | | | | |
| Instruction | 15,835 | 365,513 | 91,658 | - | - |
| Support services: | | | | | |
| Students | - | - | 44,239 | 148,887 | 76,479 |
| Instruction | - | 203,584 | 328,280 | - | - |
| General administration | - | 15,408 | 11,187 | 3,416 | - |
| Central services | - | 73,240 | - | - | - |
| Operation & maintenance of plant | - | - | - | - | - |
| Student transportation | - | - | - | - | - |
| Food services operations | - | - | - | - | - |
| Capital outlay | - | - | - | - | - |
| Debt service: | | | | | |
| Principal | - | - | - | - | - |
| Interest | - | - | - | - | - |
| Bond issuance costs | - | - | - | - | - |
| <i>Total expenditures</i> | <u>15,835</u> | <u>657,745</u> | <u>475,364</u> | <u>152,303</u> | <u>76,479</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>1</u> | <u>692</u> | <u>307,510</u> | <u>1,406,199</u> | <u>(6,320)</u> |
| <i>Other financing sources (uses)</i> | | | | | |
| Transfers in | - | - | - | - | - |
| Transfers out | - | - | - | - | - |
| Reversion to PED/Grantors | - | - | - | - | - |
| <i>Total other financing sources (uses)</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Net change in fund balances</i> | 1 | 692 | 307,510 | 1,406,199 | (6,320) |
| <i>Fund balance - beginning of year</i> | - | 14,353 | 1,948,493 | 1,618,991 | 80,927 |
| <i>Restatement</i> | - | (15,045) | - | - | - |
| <i>Fund balance - beginning of year, restated</i> | - | (692) | 1,948,493 | 1,618,991 | 80,927 |
| <i>Fund balances - end of year</i> | <u>\$ 1</u> | <u>-</u> | <u>2,256,003</u> | <u>3,025,190</u> | <u>74,607</u> |

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STATE OF NEW MEXICO
GALLUP-MCKINLEY COUNTY SCHOOLS
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Non-Major Governmental Funds - Special Revenue Funds
For the Year Ended June 30, 2018

| | Child and Adult Food Program 25171 | Indian Health Services 25173 | Indian Education Formula Grant 25184 | Navajo Nation 25201 | Title V Indian Health Care Improvement Act 25209 |
|--|---|---------------------------------------|---|---------------------------|---|
| <i>Revenues:</i> | | | | | |
| Property and other taxes | \$ - | - | - | - | - |
| State grants | - | - | - | - | - |
| Federal grants | 7,781 | - | 1,677,918 | 131,139 | - |
| Charges for services | - | - | - | - | - |
| Investment income | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - |
| <i>Total revenues</i> | <u>7,781</u> | <u>-</u> | <u>1,677,918</u> | <u>131,139</u> | <u>-</u> |
| <i>Expenditures:</i> | | | | | |
| Current: | | | | | |
| Instruction | - | - | 1,650,007 | - | - |
| Support services: | | | | | |
| Students | 7,452 | - | - | 128,294 | - |
| Instruction | - | - | - | - | - |
| General administration | - | - | 27,910 | 2,845 | - |
| Central services | - | - | - | - | - |
| Operation & maintenance of plant | - | - | - | - | - |
| Student transportation | - | - | - | - | - |
| Food services operations | - | - | - | - | - |
| Capital outlay | - | - | - | - | - |
| Debt service: | | | | | |
| Principal | - | - | - | - | - |
| Interest | - | - | - | - | - |
| Bond issuance costs | - | - | - | - | - |
| <i>Total expenditures</i> | <u>7,452</u> | <u>-</u> | <u>1,677,917</u> | <u>131,139</u> | <u>-</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>329</u> | <u>-</u> | <u>1</u> | <u>-</u> | <u>-</u> |
| <i>Other financing sources (uses)</i> | | | | | |
| Transfers in | - | - | 6,870 | - | - |
| Transfers out | - | - | - | - | - |
| Reversion to PED/Grantors | - | - | - | - | (180,492) |
| <i>Total other financing sources (uses)</i> | <u>-</u> | <u>-</u> | <u>6,870</u> | <u>-</u> | <u>(180,492)</u> |
| <i>Net change in fund balances</i> | 329 | - | 6,871 | - | (180,492) |
| <i>Fund balance - beginning of year</i> | 15,619 | - | - | - | 180,492 |
| <i>Restatement</i> | - | - | (6,871) | - | - |
| <i>Fund balance - beginning of year, restated</i> | <u>15,619</u> | <u>-</u> | <u>(6,871)</u> | <u>-</u> | <u>180,492</u> |
| <i>Fund balances - end of year</i> | <u>\$ 15,948</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |

See independent auditor's report.
The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
GALLUP-MCKINLEY COUNTY SCHOOLS
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Non-Major Governmental Funds - Special Revenue Funds
For the Year Ended June 30, 2018

| | SEG Federal Stimulus 25250 | Save the Children 26143 | Pump up the Volume in Preschools 26201 | Peer Helper Program 26214 | Dual Credit Instructional Materials 27103 |
|--|-------------------------------------|-------------------------------|---|------------------------------------|--|
| <i>Revenues:</i> | | | | | |
| Property and other taxes | \$ - | - | - | - | - |
| State grants | - | - | - | 32,060 | 50,902 |
| Federal grants | - | - | - | - | - |
| Charges for services | - | - | - | - | - |
| Investment income | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - |
| <i>Total revenues</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>32,060</u> | <u>50,902</u> |
| <i>Expenditures:</i> | | | | | |
| Current: | | | | | |
| Instruction | - | - | - | 37,798 | 50,901 |
| Support services: | | | | | |
| Students | - | - | - | - | - |
| Instruction | - | - | - | - | - |
| General administration | - | - | - | - | - |
| Central services | - | - | - | - | - |
| Operation & maintenance of plant | - | - | - | - | - |
| Student transportation | - | - | - | - | - |
| Food services operations | - | - | - | - | - |
| Capital outlay | - | - | - | - | - |
| Debt service: | | | | | |
| Principal | - | - | - | - | - |
| Interest | - | - | - | - | - |
| Bond issuance costs | - | - | - | - | - |
| <i>Total expenditures</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>37,798</u> | <u>50,901</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(5,738)</u> | <u>1</u> |
| <i>Other financing sources (uses)</i> | | | | | |
| Transfers in | - | 14,841 | 10,263 | - | - |
| Transfers out | - | - | - | - | - |
| Reversion to PED/Grantors | (150) | - | - | - | - |
| <i>Total other financing sources (uses)</i> | <u>(150)</u> | <u>14,841</u> | <u>10,263</u> | <u>-</u> | <u>-</u> |
| <i>Net change in fund balances</i> | (150) | 14,841 | 10,263 | (5,738) | 1 |
| <i>Fund balance - beginning of year</i> | 150 | (14,841) | (10,263) | 3,111 | - |
| <i>Restatement</i> | - | - | - | - | (1) |
| <i>Fund balance - beginning of year, restated</i> | 150 | (14,841) | (10,263) | 3,111 | (1) |
| <i>Fund balances - end of year</i> | <u>\$ -</u> | <u>-</u> | <u>-</u> | <u>(2,627)</u> | <u>-</u> |

See independent auditor's report.
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STATE OF NEW MEXICO
GALLUP-MCKINLEY COUNTY SCHOOLS
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Non-Major Governmental Funds - Special Revenue Funds
For the Year Ended June 30, 2018

| | Library GO Bonds 27106 | 2012 GO Bond Student Library SB-66 27107 | NM Reads to Lead K-3 Reading Initiative 27114 | TANF PED 27115 | Teacher Recruitment Support Initiative 27128 |
|--|------------------------------|---|--|----------------------|---|
| <i>Revenues:</i> | | | | | |
| Property and other taxes | \$ - | - | - | - | - |
| State grants | - | 18,140 | - | - | - |
| Federal grants | - | - | - | - | 25,878 |
| Charges for services | - | - | - | - | - |
| Investment income | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - |
| <i>Total revenues</i> | <u>-</u> | <u>18,140</u> | <u>-</u> | <u>-</u> | <u>25,878</u> |
| <i>Expenditures:</i> | | | | | |
| Current: | | | | | |
| Instruction | - | - | - | - | - |
| Support services: | | | | | |
| Students | - | - | - | - | - |
| Instruction | - | 18,140 | - | - | - |
| General administration | - | - | - | - | - |
| Central services | - | - | - | - | 25,878 |
| Operation & maintenance of plant | - | - | - | - | - |
| Student transportation | - | - | - | - | - |
| Food services operations | - | - | - | - | - |
| Capital outlay | - | - | - | - | - |
| Debt service: | | | | | |
| Principal | - | - | - | - | - |
| Interest | - | - | - | - | - |
| Bond issuance costs | - | - | - | - | - |
| <i>Total expenditures</i> | <u>-</u> | <u>18,140</u> | <u>-</u> | <u>-</u> | <u>25,878</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Other financing sources (uses)</i> | | | | | |
| Transfers in | - | - | - | - | - |
| Transfers out | - | - | - | - | - |
| Reversion to PED/Grantors | (82) | - | (23) | - | - |
| <i>Total other financing sources (uses)</i> | <u>(82)</u> | <u>-</u> | <u>(23)</u> | <u>-</u> | <u>-</u> |
| <i>Net change in fund balances</i> | (82) | - | (23) | - | - |
| <i>Fund balance - beginning of year</i> | 82 | - | 23 | - | - |
| <i>Restatement</i> | - | - | - | - | - |
| <i>Fund balance - beginning of year, restated</i> | 82 | - | 23 | - | - |
| <i>Fund balances - end of year</i> | <u>\$ -</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |

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STATE OF NEW MEXICO
GALLUP-MCKINLEY COUNTY SCHOOLS
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Non-Major Governmental Funds - Special Revenue Funds
For the Year Ended June 30, 2018

| | Pre-K Initiative 27149 | Indian Education Act 27150 | Breakfast for Elementary Students 27155 | Kindergarten Three Plus 27166 | After School Enrichment 27168 |
|--|------------------------------|-------------------------------------|--|--|--|
| <i>Revenues:</i> | | | | | |
| Property and other taxes | \$ - | - | - | - | - |
| State grants | 1,124,373 | 14,685 | 72,210 | 1,125,718 | - |
| Federal grants | - | - | - | - | - |
| Charges for services | - | - | - | - | - |
| Investment income | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - |
| <i>Total revenues</i> | <u>1,124,373</u> | <u>14,685</u> | <u>72,210</u> | <u>1,125,718</u> | <u>-</u> |
| <i>Expenditures:</i> | | | | | |
| Current: | | | | | |
| Instruction | 1,023,158 | 14,357 | - | 1,052,819 | - |
| Support services: | | | | | |
| Students | - | - | - | - | - |
| Instruction | - | - | - | - | - |
| General administration | 11,094 | - | - | - | - |
| Central services | - | 328 | - | - | - |
| Operation & maintenance of plant | - | - | - | 5,518 | - |
| Student transportation | - | - | - | 67,381 | - |
| Food services operations | - | - | 72,210 | - | - |
| Capital outlay | 89,521 | - | - | - | - |
| Debt service: | | | | | |
| Principal | - | - | - | - | - |
| Interest | - | - | - | - | - |
| Bond issuance costs | - | - | - | - | - |
| <i>Total expenditures</i> | <u>1,123,773</u> | <u>14,685</u> | <u>72,210</u> | <u>1,125,718</u> | <u>-</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>600</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Other financing sources (uses)</i> | | | | | |
| Transfers in | - | - | - | - | - |
| Transfers out | - | - | - | - | - |
| Reversion to PED/Grantors | (600) | (995) | - | - | (405) |
| <i>Total other financing sources (uses)</i> | <u>(600)</u> | <u>(995)</u> | <u>-</u> | <u>-</u> | <u>(405)</u> |
| <i>Net change in fund balances</i> | - | (995) | - | - | (405) |
| <i>Fund balance - beginning of year</i> | - | 995 | 56,572 | 121 | 405 |
| <i>Restatement</i> | - | - | (56,572) | (121) | - |
| <i>Fund balance - beginning of year, restated</i> | - | 995 | - | - | 405 |
| <i>Fund balances - end of year</i> | <u>\$ -</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |

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STATE OF NEW MEXICO
GALLUP-MCKINLEY COUNTY SCHOOLS
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Non-Major Governmental Funds - Special Revenue Funds
For the Year Ended June 30, 2018

| | 2010 GO Bond Instructional Materials 27171 | Science Instructional Materials K-12 27176 | 2013 School Bus 27178 | Teacher and School Leader Incentive Pay 27188 | Teacher and School Leader Incentive Pay Group 27190 |
|--|---|---|--------------------------------|--|--|
| <i>Revenues:</i> | | | | | |
| Property and other taxes | \$ - | - | - | - | - |
| State grants | - | - | - | 633,354 | 55,796 |
| Federal grants | - | - | - | - | - |
| Charges for services | - | - | - | - | - |
| Investment income | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - |
| <i>Total revenues</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>633,354</u> | <u>55,796</u> |
| <i>Expenditures:</i> | | | | | |
| Current: | | | | | |
| Instruction | - | - | - | 633,354 | 55,796 |
| Support services: | | | | | |
| Students | - | - | - | - | - |
| Instruction | - | - | - | - | - |
| General administration | - | - | - | - | - |
| Central services | - | - | - | - | - |
| Operation & maintenance of plant | - | - | - | - | - |
| Student transportation | - | - | - | - | - |
| Food services operations | - | - | - | - | - |
| Capital outlay | - | - | - | - | - |
| Debt service: | | | | | |
| Principal | - | - | - | - | - |
| Interest | - | - | - | - | - |
| Bond issuance costs | - | - | - | - | - |
| <i>Total expenditures</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>633,354</u> | <u>55,796</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Other financing sources (uses)</i> | | | | | |
| Transfers in | - | - | - | - | - |
| Transfers out | - | - | - | - | - |
| Reversion to PED/Grantors | - | (322) | - | - | - |
| <i>Total other financing sources (uses)</i> | <u>-</u> | <u>(322)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Net change in fund balances</i> | - | (322) | - | - | - |
| <i>Fund balance - beginning of year</i> | - | 322 | - | - | - |
| <i>Restatement</i> | - | - | - | - | - |
| <i>Fund balance - beginning of year, restated</i> | <u>-</u> | <u>322</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Fund balances - end of year</i> | <u>\$ -</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |

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STATE OF NEW MEXICO
GALLUP-MCKINLEY COUNTY SCHOOLS
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Non-Major Governmental Funds - Special Revenue Funds
For the Year Ended June 30, 2018

| | Teachers Hard to Staff 27195 | K-3 Plus 4 & 5 PILOT 27198 | School Wellness HED 28106 | Office of Child Development 28170 | GRADS Child Care 28189 |
|--|---------------------------------------|-------------------------------------|------------------------------------|--|---------------------------------|
| <i>Revenues:</i> | | | | | |
| Property and other taxes | \$ - | - | - | - | - |
| State grants | 32,861 | - | - | - | - |
| Federal grants | - | 21,038 | - | - | - |
| Charges for services | - | - | - | - | - |
| Investment income | - | - | - | - | - |
| Miscellaneous | - | - | - | - | 1 |
| <i>Total revenues</i> | <u>32,861</u> | <u>21,038</u> | <u>-</u> | <u>-</u> | <u>1</u> |
| <i>Expenditures:</i> | | | | | |
| Current: | | | | | |
| Instruction | 32,861 | 21,038 | - | - | - |
| Support services: | | | | | |
| Students | - | - | - | - | - |
| Instruction | - | - | - | - | - |
| General administration | - | - | - | - | - |
| Central services | - | - | - | - | - |
| Operation & maintenance of plant | - | - | - | - | - |
| Student transportation | - | - | - | - | - |
| Food services operations | - | - | - | - | - |
| Capital outlay | - | - | - | - | - |
| Debt service: | | | | | |
| Principal | - | - | - | - | - |
| Interest | - | - | - | - | - |
| Bond issuance costs | - | - | - | - | - |
| <i>Total expenditures</i> | <u>32,861</u> | <u>21,038</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1</u> |
| <i>Other financing sources (uses)</i> | | | | | |
| Transfers in | - | - | - | - | - |
| Transfers out | - | - | (4,678) | - | - |
| Reversion to PED/Grantors | - | - | - | (24,318) | - |
| <i>Total other financing sources (uses)</i> | <u>-</u> | <u>-</u> | <u>(4,678)</u> | <u>(24,318)</u> | <u>-</u> |
| <i>Net change in fund balances</i> | <u>-</u> | <u>-</u> | <u>(4,678)</u> | <u>(24,318)</u> | <u>1</u> |
| <i>Fund balance - beginning of year</i> | <u>-</u> | <u>-</u> | <u>4,678</u> | <u>24,318</u> | <u>13,572</u> |
| <i>Restatement</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Fund balance - beginning of year, restated</i> | <u>-</u> | <u>-</u> | <u>4,678</u> | <u>24,318</u> | <u>13,572</u> |
| <i>Fund balances - end of year</i> | <u>\$ -</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>13,573</u> |

See independent auditor's report.
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STATE OF NEW MEXICO
GALLUP-MCKINLEY COUNTY SCHOOLS
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Non-Major Governmental Funds - Special Revenue Funds
For the Year Ended June 30, 2018

| | GRADS Instruction 28190 | Smart Start K-3 Utah State Study 28191 | CYFD Parents as Teacher Model 28193 | GRADS Plus 28203 | Private Direct Grants 29102 | Total |
|--|-------------------------------|---|--|------------------------|--------------------------------------|-------------------|
| <i>Revenues:</i> | | | | | | |
| Property and other taxes | \$ - | - | - | - | - | - |
| State grants | 2,497 | - | 455,025 | - | - | 3,617,621 |
| Federal grants | - | - | - | - | - | 15,378,127 |
| Charges for services | - | - | - | - | - | 1,219,258 |
| Investment income | - | - | - | - | - | 137 |
| Miscellaneous | - | - | - | - | 40 | 5,041 |
| <i>Total revenues</i> | <u>2,497</u> | <u>-</u> | <u>455,025</u> | <u>-</u> | <u>40</u> | <u>20,220,184</u> |
| <i>Expenditures:</i> | | | | | | |
| Current: | | | | | | |
| Instruction | 2,497 | - | - | - | - | 8,535,904 |
| Support services: | | | | | | |
| Students | - | - | 444,319 | - | - | 923,451 |
| Instruction | - | - | - | - | - | 550,004 |
| General administration | - | - | 10,705 | - | - | 127,972 |
| Central services | - | - | - | - | - | 100,520 |
| Operation & maintenance of plant | - | - | - | - | - | 5,518 |
| Student transportation | - | - | - | - | - | 67,381 |
| Food services operations | - | - | - | - | - | 7,887,936 |
| Capital outlay | - | - | - | - | - | 89,521 |
| Debt service: | | | | | | |
| Principal | - | - | - | - | - | - |
| Interest | - | - | - | - | - | - |
| Bond issuance costs | - | - | - | - | - | - |
| <i>Total expenditures</i> | <u>2,497</u> | <u>-</u> | <u>455,024</u> | <u>-</u> | <u>-</u> | <u>18,288,207</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>-</u> | <u>-</u> | <u>1</u> | <u>-</u> | <u>40</u> | <u>1,931,977</u> |
| <i>Other financing sources (uses)</i> | | | | | | |
| Transfers in | - | 7,545 | - | - | - | 224,805 |
| Transfers out | - | - | - | - | (14,564) | (23,324) |
| Reversion to PED/Grantors | - | - | - | - | - | (224,199) |
| <i>Total other financing sources (uses)</i> | <u>-</u> | <u>7,545</u> | <u>-</u> | <u>-</u> | <u>(14,564)</u> | <u>(22,718)</u> |
| <i>Net change in fund balances</i> | <u>-</u> | <u>7,545</u> | <u>1</u> | <u>-</u> | <u>(14,524)</u> | <u>1,909,259</u> |
| <i>Fund balance - beginning of year</i> | 18,430 | (7,545) | 2,443 | 3,431 | 14,524 | 7,251,438 |
| <i>Restatement</i> | - | - | (2,443) | - | - | (1,471) |
| <i>Fund balance - beginning of year, restated</i> | <u>18,430</u> | <u>(7,545)</u> | <u>-</u> | <u>3,431</u> | <u>14,524</u> | <u>7,249,967</u> |
| <i>Fund balances - end of year</i> | <u>\$ 18,430</u> | <u>-</u> | <u>1</u> | <u>3,431</u> | <u>-</u> | <u>9,159,226</u> |

See independent auditor's report.
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STATE OF NEW MEXICO
GALLUP-MCKINLEY COUNTY SCHOOLS
Combining Balance Sheet
Non-Major Governmental Funds - Capital Project Funds
As of June 30, 2018

| | Bond Building 31100 | Special Revenue Bond 31110 | Public School Capital Outlay 31200 | Special Capital Outlay State 31400 | Special Capital Outlay Federal 31500 | Capital Improvement SB9- Local 31701 | Public School Capital Outlay 20% 32100 | Total |
|--|---------------------------|-------------------------------------|---|---|---|---|---|------------------|
| <i>Assets</i> | | | | | | | | |
| Cash and investments | \$ - | - | - | - | - | 1,467,276 | - | 1,467,276 |
| Restricted cash | 6,150,129 | 627,894 | - | 70,000 | 1,082,951 | - | - | 7,930,974 |
| Receivables: | | | | | | | | |
| Taxes | - | - | - | - | - | 95,831 | - | 95,831 |
| Due from other governments | - | - | - | - | - | - | - | - |
| Inventory | - | - | - | - | - | 386,410 | - | 386,410 |
| Due from other funds | - | - | - | - | - | - | - | - |
| <i>Total assets</i> | <u>6,150,129</u> | <u>627,894</u> | <u>-</u> | <u>70,000</u> | <u>1,082,951</u> | <u>1,949,517</u> | <u>-</u> | <u>9,880,491</u> |
| <i>Liabilities, Deferred Inflows of Resources, and Fund Balances</i> | | | | | | | | |
| <i>Liabilities</i> | | | | | | | | |
| Accounts payable | 173,970 | - | - | - | - | 596,015 | - | 769,985 |
| Accrued payroll liabilities | - | - | - | - | - | - | - | - |
| Due to other funds | - | - | - | - | - | - | - | - |
| <i>Total liabilities</i> | <u>173,970</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>596,015</u> | <u>-</u> | <u>769,985</u> |
| <i>Deferred inflows of resources</i> | | | | | | | | |
| Deferred inflows - property taxes | - | - | - | - | - | 31,879 | - | 31,879 |
| <i>Total deferred inflows of resources</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>31,879</u> | <u>-</u> | <u>31,879</u> |
| <i>Fund balances</i> | | | | | | | | |
| Nonspendable | - | - | - | - | - | 386,410 | - | 386,410 |
| Restricted | 5,976,159 | 627,894 | - | 70,000 | 1,082,951 | 935,213 | - | 8,692,217 |
| Committed | - | - | - | - | - | - | - | - |
| Assigned | - | - | - | - | - | - | - | - |
| Unassigned | - | - | - | - | - | - | - | - |
| <i>Total fund balances</i> | <u>5,976,159</u> | <u>627,894</u> | <u>-</u> | <u>70,000</u> | <u>1,082,951</u> | <u>1,321,623</u> | <u>-</u> | <u>9,078,627</u> |
| <i>Total liabilities, deferred inflows of resources, and fund balances</i> | <u>\$ 6,150,129</u> | <u>627,894</u> | <u>-</u> | <u>70,000</u> | <u>1,082,951</u> | <u>1,949,517</u> | <u>-</u> | <u>9,880,491</u> |

See independent auditor's report.
The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
GALLUP-MCKINLEY COUNTY SCHOOLS
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Non-Major Governmental Funds - Capital Project Funds
For the Year Ended June 30, 2018

| | Bond Building 31100 | Special Revenue Bond 31110 | Public School Capital Outlay 31200 | Special Capital Outlay State 31400 | Special Capital Outlay Federal 31500 | Capital Improvement SB9- Local 31701 | Public School Capital Outlay 20% 32100 | Total |
|--|---------------------------|-------------------------------------|---|---|---|---|---|--------------------|
| <i>Revenues:</i> | | | | | | | | |
| Property and other taxes | \$ - | - | - | - | - | 1,729,429 | - | 1,729,429 |
| State grants | - | - | - | - | - | - | - | - |
| Federal grants | - | - | - | - | 46,970 | 271 | - | 47,241 |
| Charges for services | - | - | - | - | - | - | - | - |
| Investment income | 5,212 | - | - | - | - | - | - | 5,212 |
| Miscellaneous | - | - | - | - | - | - | - | - |
| <i>Total revenues</i> | <u>5,212</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>46,970</u> | <u>1,729,700</u> | <u>-</u> | <u>1,781,882</u> |
| <i>Expenditures:</i> | | | | | | | | |
| Current: | | | | | | | | |
| Instruction | - | - | - | - | - | - | - | - |
| Support services: | | | | | | | | |
| General administration | - | - | - | - | - | 16,944 | - | 16,944 |
| Operation & maintenance of plant | 4,268,349 | - | - | - | - | - | - | 4,268,349 |
| Capital outlay | - | 20,038 | 1 | - | 25,650 | 4,924,284 | 1 | 4,969,974 |
| Debt service: | | | | | | | | |
| Principal | - | - | - | - | - | - | - | - |
| Interest | - | - | - | - | - | - | - | - |
| Bond issuance costs | - | - | - | - | - | - | - | - |
| <i>Total expenditures</i> | <u>4,268,349</u> | <u>20,038</u> | <u>1</u> | <u>-</u> | <u>25,650</u> | <u>4,941,228</u> | <u>1</u> | <u>9,255,267</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>(4,263,137)</u> | <u>(20,038)</u> | <u>(1)</u> | <u>-</u> | <u>21,320</u> | <u>(3,211,528)</u> | <u>(1)</u> | <u>(7,473,385)</u> |
| <i>Other financing sources (uses)</i> | | | | | | | | |
| Proceeds from issuance of debt | 6,900,000 | - | - | - | - | - | - | 6,900,000 |
| Transfers in | - | - | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - | - | - |
| Reversion to PED/Grantors | - | - | - | - | - | - | - | - |
| <i>Total other financing sources (uses)</i> | <u>6,900,000</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>6,900,000</u> |
| <i>Net change in fund balances</i> | 2,636,863 | (20,038) | (1) | - | 21,320 | (3,211,528) | (1) | (573,385) |
| <i>Fund balance - beginning of year</i> | 3,339,296 | 647,932 | 1 | 70,000 | 1,061,631 | 4,533,151 | 1 | 9,652,012 |
| <i>Restatement</i> | - | - | - | - | - | - | - | - |
| <i>Fund balance - beginning of year, restated</i> | <u>3,339,296</u> | <u>647,932</u> | <u>1</u> | <u>70,000</u> | <u>1,061,631</u> | <u>4,533,151</u> | <u>1</u> | <u>9,652,012</u> |
| <i>Fund balances - end of year</i> | <u>\$ 5,976,159</u> | <u>627,894</u> | <u>-</u> | <u>70,000</u> | <u>1,082,951</u> | <u>1,321,623</u> | <u>-</u> | <u>9,078,627</u> |

See independent auditor's report.
The accompanying notes are an integral part of these financial statements.

MIDDLE COLLEGE HIGH SCHOOL – COMPONENT UNIT

**STATE OF NEW MEXICO
GALLUP-MCKINLEY COUNTY SCHOOLS
Middle College High School - Component Unit
Combining Balance Sheet
As of June 30, 2018**

| | General Fund | | Entitlement IDEA-B 24106 | Public School Capital Outlay 31200 | Capital Improvements SB-9 31700 | Total |
|--|------------------------------|--|---|---|--|----------------|
| | Operational 11000 | Instructional Materials 14000 | | | | |
| <i>Assets</i> | | | | | | |
| Cash and investments | \$ 736,445 | 2 | - | - | 14,110 | 750,557 |
| Restricted cash | - | - | - | - | - | - |
| Receivables: | | | | | | |
| Taxes | - | - | - | - | 1,159 | 1,159 |
| Due from other governments | - | - | 665 | 5,115 | - | 5,780 |
| Due from other funds | 6,554 | - | - | - | - | 6,554 |
| <i>Total assets</i> | <u>742,999</u> | <u>2</u> | <u>665</u> | <u>5,115</u> | <u>15,269</u> | <u>764,050</u> |
| <i>Liabilities, Deferred Inflows of Resources, and Fund Balances</i> | | | | | | |
| <i>Liabilities</i> | | | | | | |
| Accounts payable | \$ 3,764 | - | - | - | - | 3,764 |
| Accrued payroll liabilities | 36,024 | - | - | - | - | 36,024 |
| Due to other funds | - | - | 665 | 5,115 | 774 | 6,554 |
| <i>Total liabilities</i> | <u>39,788</u> | <u>-</u> | <u>665</u> | <u>5,115</u> | <u>774</u> | <u>46,342</u> |
| <i>Deferred inflows of resources</i> | | | | | | |
| Deferred inflows - property taxes | - | - | - | - | - | - |
| <i>Total deferred inflows of resources</i> | <u>\$ -</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Fund balances</i> | | | | | | |
| Nonspendable | - | - | - | - | - | - |
| Restricted | - | 2 | - | - | 14,495 | 14,497 |
| Committed | - | - | - | - | - | - |
| Assigned | - | - | - | - | - | - |
| Unassigned | 703,211 | - | - | - | - | 703,211 |
| <i>Total fund balances</i> | <u>703,211</u> | <u>2</u> | <u>-</u> | <u>-</u> | <u>14,495</u> | <u>717,708</u> |
| <i>Total liabilities, deferred inflows of resources, and fund balances</i> | <u>\$ 742,999</u> | <u>2</u> | <u>665</u> | <u>5,115</u> | <u>15,269</u> | <u>764,050</u> |

See independent auditor's report.
The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
GALLUP-MCKINLEY COUNTY SCHOOLS
Middle College High School - Component Unit
Reconciliation of the Balance Sheet
to the Statement of Net Position
As of June 30, 2018**

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

| | | |
|--|----|---------------------------|
| Fund balances - total governmental funds | \$ | 717,708 |
| Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet. | | 150,094 |
| Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet: | | |
| Compensated absences | | (11,969) |
| Net pension related deferrals | | 837,555 |
| Net OPEB related deferrals | | (121,202) |
| Pension liability | | (2,151,567) |
| OPEB liability | | <u>(581,867)</u> |
| Net position of governmental activities | \$ | <u><u>(1,161,248)</u></u> |

STATE OF NEW MEXICO
GALLUP-MCKINLEY COUNTY SCHOOLS
Middle College High School - Component Unit
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2018

| | General Fund | | Entitlement IDEA-B 24106 | Public School Capital Outlay 31200 | Capital Improvements SB-9 31700 | Total |
|--|----------------------|-------------------------------------|--------------------------------|---|--|-----------|
| | Operational 11000 | Instructional Materials 14000 | | | | |
| | | | | | | |
| <i>Revenues:</i> | | | | | | |
| Property and other taxes | \$ - | - | - | - | 14,670 | 14,670 |
| State grants | 1,294,321 | 3,165 | - | 20,459 | 10,901 | 1,328,846 |
| Federal grants | - | - | - | - | - | - |
| Charges for services | - | - | - | - | - | - |
| Investment income | - | - | - | - | - | - |
| Miscellaneous | 446 | - | 665 | - | - | 1,111 |
| <i>Total revenues</i> | 1,294,767 | 3,165 | 665 | 20,459 | 25,571 | 1,344,627 |
| <i>Expenditures:</i> | | | | | | |
| Current: | | | | | | |
| Instruction | 501,269 | 4,670 | 665 | - | - | 506,604 |
| Support services: | | | | | | |
| Students | 122,991 | - | - | - | - | 122,991 |
| Instruction | 38,346 | - | - | - | - | 38,346 |
| General administration | 174,947 | - | - | - | 143 | 175,090 |
| School administration | 1,053 | - | - | - | - | 1,053 |
| Central services | 206,627 | - | - | - | - | 206,627 |
| Operation & maintenance of plant | 31,693 | - | - | 20,459 | - | 52,152 |
| Capital outlay | - | - | - | - | 21,029 | 21,029 |
| Debt service: | | | | | | |
| Principal | - | - | - | - | - | - |
| Interest | - | - | - | - | - | - |
| <i>Total expenditures</i> | 1,076,926 | 4,670 | 665 | 20,459 | 21,172 | 1,123,892 |
| <i>Excess (deficiency) of revenues over expenditures</i> | 217,841 | (1,505) | - | - | 4,399 | 220,735 |
| <i>Other financing sources (uses)</i> | | | | | | |
| Proceeds from issuance of debt | - | - | - | - | - | - |
| Transfers in | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - |
| Reversion to PED/Grantors | - | - | - | - | - | - |
| <i>Total other financing sources (uses)</i> | - | - | - | - | - | - |
| <i>Net change in fund balances</i> | 217,841 | (1,505) | - | - | 4,399 | 220,735 |
| <i>Fund balance - beginning of year</i> | 485,370 | 1,507 | - | (27) | 8,896 | 495,746 |
| <i>Restatement</i> | - | - | - | 27 | 1,200 | 1,227 |
| <i>Fund balance - beginning of year, restated</i> | 485,370 | 1,507 | - | - | 10,096 | 496,973 |
| <i>Fund balances - end of year</i> | \$ 703,211 | 2 | - | - | 14,495 | 717,708 |

See independent auditor's report.
The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
GALLUP-MCKINLEY COUNTY SCHOOLS
Middle College High School - Component Unit
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 | \$ | 220,735 |
| 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: | | |
| Depreciation expense | | (4,698) |
| Expenses in the Statement of Activities that do not consume current financial resources are not reported as expenditures in the funds: | | |
| Change in compensated absences | | (4,954) |
| Governmental funds report OPEB/pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as OBEP/pension expense: | | |
| Pension expense | | (367,337) |
| OPEB expense | | (23,134) |
| Pension contribution | | 11,230 |
| Rounding | | (1) |
| Change in net position of governmental activities | \$ | <u>(168,159)</u> |

See independent auditor's report.
The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
GALLUP-MCKINLEY COUNTY SCHOOLS
Middle College High School - Component Unit
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
Operational Fund
For the Year Ended June 30, 2018

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Favorable (Unfavorable)</u> |
|--|------------------------|---------------------|-------------------|------------------------------------|
| <i>Revenues:</i> | | | | |
| Property and other taxes | \$ - | - | - | - |
| State grants | 1,245,511 | 1,245,511 | 1,294,321 | 48,810 |
| Federal grants | - | - | - | - |
| Charges for services | - | - | - | - |
| Investment income | - | - | - | - |
| Miscellaneous | - | - | 446 | 446 |
| <i>Total revenues</i> | <u>1,245,511</u> | <u>1,245,511</u> | <u>1,294,767</u> | <u>49,256</u> |
| <i>Expenditures:</i> | | | | |
| <i>Current:</i> | | | | |
| Instruction | 646,060 | 664,780 | 505,264 | 159,516 |
| <i>Support services:</i> | | | | |
| Students | 140,461 | 150,877 | 122,991 | 27,886 |
| Instruction | 65,243 | 65,243 | 38,346 | 26,897 |
| General administration | 130,827 | 216,322 | 173,153 | 43,169 |
| School administration | 37,000 | 37,000 | 2,197 | 34,803 |
| Central services | 232,951 | 247,616 | 206,426 | 41,190 |
| Operation & maintenance of plant | 83,500 | 84,500 | 31,540 | 52,960 |
| Capital outlay | 284,818 | 154,522 | - | 154,522 |
| <i>Total expenditures</i> | <u>1,620,860</u> | <u>1,620,860</u> | <u>1,079,917</u> | <u>540,943</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>(375,349)</u> | <u>(375,349)</u> | <u>214,850</u> | <u>590,199</u> |
| <i>Other financing sources (uses)</i> | | | | |
| Transfers in | - | - | - | - |
| Transfers out | - | - | - | - |
| <i>Total other financing sources (uses)</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Net change in fund balance</i> | <u>(375,349)</u> | <u>(375,349)</u> | <u>214,850</u> | <u>590,199</u> |
| Budgeted cash carryover | <u>375,349</u> | <u>375,349</u> | | |
| <i>Total</i> | <u>\$ -</u> | <u>-</u> | | |
| <i>RECONCILIATION FROM BUDGET/ACTUAL TO GAAP</i> | | | | |
| Change in fund balance (Budget basis) | | | \$ 214,850 | |
| To adjust applicable revenue accruals and deferrals | | | - | |
| To adjust applicable expenditure accruals | | | 2,991 | |
| Change in fund balance (GAAP basis) | | | <u>\$ 217,841</u> | |

See independent auditor's report.
The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
GALLUP-MCKINLEY COUNTY SCHOOLS
Middle College High School - Component Unit
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
Instructional Materials Fund
For the Year Ended June 30, 2018

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Favorable (Unfavorable)</u> |
|--|------------------------|---------------------|--------------------------|------------------------------------|
| <i>Revenues:</i> | | | | |
| State grants | \$ 2,773 | 3,164 | 3,165 | 1 |
| <i>Total revenues</i> | <u>2,773</u> | <u>3,164</u> | <u>3,165</u> | <u>1</u> |
| <i>Expenditures:</i> | | | | |
| Current: | | | | |
| Instruction | 2,773 | 4,671 | 4,671 | - |
| <i>Total expenditures</i> | <u>2,773</u> | <u>4,671</u> | <u>4,671</u> | <u>-</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>-</u> | <u>(1,507)</u> | <u>(1,506)</u> | <u>1</u> |
| <i>Other financing sources (uses)</i> | | | | |
| Transfers in | - | - | - | - |
| Transfers out | - | - | - | - |
| <i>Total other financing sources (uses)</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Net change in fund balance</i> | <u>-</u> | <u>(1,507)</u> | <u>(1,506)</u> | <u>1</u> |
| Budgeted cash carryover | <u>-</u> | <u>1,507</u> | | |
| <i>Total</i> | \$ <u><u>-</u></u> | <u><u>-</u></u> | | |
| <i>RECONCILIATION FROM BUDGET/ACTUAL TO GAAP</i> | | | | |
| Change in fund balance (Budget basis) | | | \$ (1,506) | |
| To adjust applicable revenue accruals and deferrals | | | - | |
| To adjust applicable expenditure accruals | | | 1 | |
| Change in fund balance (GAAP basis) | | | <u><u>\$ (1,505)</u></u> | |

See independent auditor's report.
The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
GALLUP-MCKINLEY COUNTY SCHOOLS
Middle College High School - Component Unit
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
Entitlement IDEA-B Fund
For the Year Ended June 30, 2018

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Favorable (Unfavorable)</u> |
|--|------------------------|---------------------|-----------------|------------------------------------|
| <i>Revenues:</i> | | | | |
| Miscellaneous | \$ 6,333 | 6,333 | - | (6,333) |
| <i>Total revenues</i> | <u>6,333</u> | <u>6,333</u> | <u>-</u> | <u>(6,333)</u> |
| <i>Expenditures:</i> | | | | |
| <i>Current:</i> | | | | |
| Instruction | 6,333 | 6,333 | 665 | 5,668 |
| <i>Total expenditures</i> | <u>6,333</u> | <u>6,333</u> | <u>665</u> | <u>5,668</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>-</u> | <u>-</u> | <u>(665)</u> | <u>(665)</u> |
| <i>Other financing sources (uses)</i> | | | | |
| Transfers in | - | - | - | - |
| Transfers out | - | - | - | - |
| <i>Total other financing sources (uses)</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Net change in fund balance</i> | <u>-</u> | <u>-</u> | <u>(665)</u> | <u>(665)</u> |
| Budgeted cash carryover | <u>-</u> | <u>-</u> | | |
| <i>Total</i> | \$ <u><u>-</u></u> | <u><u>-</u></u> | | |
| <i>RECONCILIATION FROM BUDGET/ACTUAL TO GAAP</i> | | | | |
| Change in fund balance (Budget basis) | | | \$ (665) | |
| To adjust applicable revenue accruals and deferrals | | | 665 | |
| To adjust applicable expenditure accruals | | | - | |
| Change in fund balance (GAAP basis) | | | <u><u>-</u></u> | |

See independent auditor's report.
The accompanying notes are an integral part of these financial statements.

OTHER SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
GALLUP-MCKINLEY COUNTY SCHOOLS
Schedule of Cash, Investments, and Pledged Collateral
By Bank and Account
As of June 30, 2018

| Account Name | Account Type | Wells Fargo Bank, NA | Bank of America | Pinnacle Bank | New Mexico Finance Authority | Reconciling Items | Book Balance |
|---|--------------|-----------------------|-----------------|---------------------|------------------------------|--------------------|-------------------|
| Cash, cash equivalents, and investments | | | | | | | |
| Food Services | Checking* | \$ 3,107,898 | - | - | - | (642) | 3,107,256 |
| Non-Budgeted | Checking | 544,814 | - | - | - | 150,876 | 695,690 |
| AP Clearing | Checking | 2,281,228 | - | - | - | (2,281,228) | - |
| AP Clearing | Checking | - | 4,681 | - | - | (4,681) | - |
| Athletic | Checking* | - | - | 195,154 | - | (855) | 194,299 |
| Federal Projects | Checking* | - | - | 13,935,807 | - | 2,310,440 | 16,246,247 |
| Operational | Checking* | - | - | 30,030,764 | - | (5,440,799) | 24,589,965 |
| Bond Building | Checking | - | - | 15,918,567 | - | 1,939,786 | 17,858,353 |
| NMFA - 10A | Reserves | - | - | - | 1,022,994 | - | 1,022,994 |
| NMFA - 10B | Reserves | - | - | - | 1,019,841 | - | 1,019,841 |
| NMFA - 11 | Reserves | - | - | - | 5,071,658 | - | 5,071,658 |
| NMFA - 12 | Reserves | - | - | - | 5,014 | - | 5,014 |
| NMFA - 8 | Reserves | - | - | - | 9 | - | 9 |
| NMFA - 9 | Reserves | - | - | - | 19 | - | 19 |
| Agency Funds - Student Activities | Checking | 2,741 | - | - | - | - | 2,741 |
| Agency Funds - Student Activities | Checking* | - | - | 828,668 | - | (57,675) | 770,993 |
| Subtotal cash and investments | | <u>5,936,681</u> | <u>4,681</u> | <u>60,908,960</u> | <u>7,119,535</u> | <u>(3,384,778)</u> | <u>70,585,079</u> |
| Total amount of deposit in bank | | 5,936,681 | 4,681 | 60,908,960 | - | | |
| FDIC coverage | | (250,000) | (4,681) | (250,000) | - | | |
| Total uninsured public funds | | <u>5,686,681</u> | <u>-</u> | <u>60,658,960</u> | <u>-</u> | | |
| 50% Collateral Requirement (Section 6-10-17 NMSA 1978) | | 2,843,341 | - | 30,329,480 | - | | |
| 102% Collateral Requirement (Section 6-10-10(H) NMSA 1978) | | - | - | - | - | | |
| | | <u>2,843,341</u> | <u>-</u> | <u>30,329,480</u> | <u>-</u> | | |
| Pledged security at: | | | | | | | |
| Wells Fargo FNMA 3138W9A42 3.5% 07/01/2043 | | 652,545 | - | - | - | | |
| Wells Fargo FNMA 3138WFLX2 3.0% 09/01/2035 | | 587,231 | - | - | - | | |
| Wells Fargo FNMA 3140F7Q51 2.5% 07/01/2031 | | 2,129,407 | - | - | - | | |
| Wells Fargo FNMA 3140F9BS3 2.5% 08/01/2031 | | 439,460 | - | - | - | | |
| Federal Reserve Bank FHLB 22 DN 3133XMFY2 5.375% 9/30/2022 | | - | - | 10,000,000 | - | | |
| Federal Reserve Bank FHLB 21 XG 313382K69 1.75% 3/12/2021 | | - | - | 10,000,000 | - | | |
| Federal Reserve Bank FNMA 13 6 VH 31361BP80 3.50% 2/25/2026 | | - | - | 3,179,501 | - | | |
| Federal Reserve Bank FNMA 11 104 CA 3136A1EH4 2.0% 10/25/2021 | | - | - | 489,820 | - | | |
| Federal Reserve Bank FHLMC 3926 NM 3137AFCG5 2.0% 11/15/2040 | | - | - | 426,600 | - | | |
| Federal Reserve Bank FHLMC 3819 DJ 3137A8LA4 2.0% 11/15/2018 | | - | - | 23,630 | - | | |
| Federal Reserve Bank FHLMC 4290 VA 3137 B7F38 3.5% 1/15/2027 | | - | - | 5,537,569 | - | | |
| Federal Reserve Bank FHMLC 2990 TD 31395V4LO 4.0% 5/15/2035 | | - | - | 5,446 | - | | |
| Federal Reserve Bank FNMA 10 95 KA 31398NEZ3 2.5% 7/25/2040 | | - | - | 772,136 | - | | |
| Federal Reserve Bank GNMA 15 134 LV 38379HW59 3.5% 12/20/2026 | | - | - | 3,159,296 | - | | |
| Total collateral | | <u>3,808,643</u> | <u>-</u> | <u>33,593,998</u> | <u>-</u> | | |
| Amount over/(under) collateralized | | \$ <u>965,303</u> | <u>-</u> | <u>3,264,518</u> | <u>-</u> | | |
| Amount over/(under) collateralized & insured | | \$ <u>(4,721,379)</u> | <u>-</u> | <u>(57,394,442)</u> | <u>-</u> | | |
| Total book balance | | \$ <u>3,805,687</u> | <u>-</u> | <u>59,659,857</u> | <u>7,119,535</u> | | |

*denotes interest bearing account

See independent auditor's report.
The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
GALLUP-MCKINLEY COUNTY SCHOOLS
Middle College High School - Component Unit
Schedule of Cash, Investments, and Pledged Collateral
By Bank and Account
As of June 30, 2018

| Account Name | Account Type | Wells Fargo Bank, NA | Reconciling Items | Book Balance |
|---|--------------|----------------------|-------------------|----------------|
| Cash, cash equivalents, and investments | | | | |
| Operations | Checking* | \$ 765,199 | (14,642) | 750,557 |
| Subtotal cash and investments | | <u>765,199</u> | <u>(14,642)</u> | <u>750,557</u> |
| Total amount of deposit in bank | | 765,199 | | |
| FDIC coverage | | <u>(250,000)</u> | | |
| Total uninsured public funds | | 515,199 | | |
| 50% Collateral Requirement (Section 6-10-17 NMSA 1978) | | 257,600 | | |
| 102% Collateral Requirement (Section 6-10-10(H) NMSA 1978) | | - | | |
| | | <u>257,600</u> | | |
| Pledged security at: | | | | |
| Wells Fargo FNMA 3138WHLE0 2.5% 07/01/2031 | | 203,359 | | |
| Wells Fargo FNMA 3138WJXP8 3.5% 02/01/2047 | | 31,892 | | |
| Wells Fargo FNMA 3138WQR79 3.5% 07/01/2042 | | 384 | | |
| Wells Fargo FNMA 31417AX87 3.5% 01/01/2042 | | <u>1,373</u> | | |
| Total collateral | | <u>237,008</u> | | |
| Amount over/(under) collateralized | | \$ <u>(20,592)</u> | | |
| Amount over/(under) collateralized & insured | | \$ <u>(535,791)</u> | | |
| Total book balance | | \$ <u>750,557</u> | | |

*denotes interest bearing account

**STATE OF NEW MEXICO
GALLUP-MCKINLEY COUNTY SCHOOLS
Cash Reconciliation
As of June 30, 2018**

| | GENERAL FUND 11000 | TEACHERAGE FUND 12000 | TRANSPORTATION FUND 13000 | INST. MATERIALS FUND 14000 | FOOD SERVICES FUND 21000 | ATHLETICS FUND 22000 | NON-INSTRUCT. FUND 23000 |
|-------------------------------------|--|--|--|--|--|------------------------------------|-----------------------------------|
| Cash balance - June 30, 2017 \$ | 22,858,389 | 222,561 | 70,837 | 542,304 | 2,377,690 | 58,675 | 688,660 |
| Current year receipts | 97,179,650 | 842,138 | 5,112,437 | 351,408 | 7,400,918 | 338,476 | 637,255 |
| Current year disbursements | (92,656,640) | (440,507) | (5,146,520) | (614,499) | (7,000,474) | (202,852) | (656,398) |
| Permanent cash transfers/reversions | (2,172,895) | (200,000) | (35,418) | - | - | - | (4,082) |
| Net cash | 25,208,504 | 424,192 | 1,335 | 279,213 | 2,778,134 | 194,298 | 665,435 |
| Adjustments: | | | | | | | |
| Payroll liabilities | 3,792,871 | 3,692 | 125,717 | - | 27,761 | - | 30,255 |
| Other adjustments | (74,815) | 978 | - | - | 301,362 | - | - |
| Total outstanding loans | (6,734,832) | - | - | - | - | - | - |
| Cash balance - June 30, 2018 \$ | <u>22,191,729</u> | <u>428,862</u> | <u>127,053</u> | <u>279,213</u> | <u>3,107,256</u> | <u>194,298</u> | <u>695,689</u> |
| | FEDERAL FLOWTHROUGH FUND 24000 | FEDERAL DIRECT FUND 25000 | LOCAL GRANTS FUND 26000 | STATE FLOWTHROUGH FUND 27000 | STATE DIRECT FUND 28000 | LOCAL OR STATE FUND 29000 | BOND BUILDING FUND 31100 |
| Cash balance - June 30, 2017 \$ | (1,849,503) | 16,963,432 | (21,994) | (1,333,195) | (4,719) | 14,524 | 4,149,651 |
| Current year receipts | 8,828,900 | 11,970,063 | - | 3,584,554 | 383,076 | 130 | 6,905,212 |
| Current year disbursements | (12,518,743) | (13,321,358) | (37,798) | (3,174,957) | (457,522) | - | (4,276,841) |
| Permanent cash transfers/reversions | (16,800) | (180,492) | 25,104 | (1,826) | (21,451) | (14,654) | - |
| Net cash | (5,556,146) | 15,431,645 | (34,687) | (925,425) | (100,616) | - | 6,778,023 |
| Adjustments: | | | | | | | |
| Payroll liabilities | 484,155 | 579,083 | - | 117,722 | 17,640 | - | - |
| Other adjustments | 114,406 | 30 | - | - | - | - | - |
| Total outstanding loans | 4,965,146 | 235,103 | 34,687 | 860,929 | 118,409 | - | - |
| Cash balance - June 30, 2018 \$ | <u>7,561</u> | <u>16,245,861</u> | <u>-</u> | <u>53,225</u> | <u>35,434</u> | <u>-</u> | <u>6,778,023</u> |
| | PUBLIC SCHOOL CAPITAL OUTLAY 31200 | SPECIAL CAPITAL OUTLAY STATE 31400 | SPECIAL CAPITAL OUTLAY FEDERAL 31500 | CAPITAL IMPROV. SB9- STATE 31700 | CAPITAL IMPROV. SB9- LOCAL 31701 | PSCOC 20% FUND 32100 | DEBT SERVICE FUND 41000 |
| Cash balance - June 30, 2017 \$ | 1 | 70,000 | 1,092,891 | (19,103) | 4,083,200 | 1 | 16,376,864 |
| Current year receipts | - | - | 46,970 | 17,999 | 1,695,357 | - | 7,123,067 |
| Current year disbursements | - | - | (56,910) | (519,455) | (4,311,282) | - | (8,919,316) |
| Permanent cash transfers/reversions | (1) | - | - | - | - | (1) | 2,363,662 |
| Net cash | - | 70,000 | 1,082,951 | (520,558) | 1,467,276 | - | 16,944,277 |
| Adjustments: | | | | | | | |
| Payroll liabilities | - | - | - | - | - | - | - |
| Other adjustments | - | - | - | - | - | - | 102,635 |
| Total outstanding loans | - | - | - | 520,558 | - | - | - |
| Cash balance - June 30, 2018 \$ | <u>-</u> | <u>70,000</u> | <u>1,082,951</u> | <u>-</u> | <u>1,467,276</u> | <u>-</u> | <u>17,046,912</u> |

See independent auditor's report.
The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
GALLUP-MCKINLEY COUNTY SCHOOLS
Middle College High School - Component Unit
Cash Reconciliation
As of June 30, 2018

| | GENERAL FUND 11000 | INST. MATERIALS FUND 14000 | FEDERAL FLOWTHROUGH FUND 24000 | STATE FLOWTHROUGH FUND 27000 | PUBLIC SCHOOL CAPITAL OUTLAY 31200 | CAPITAL IMPROV. SB9- STATE 31700 |
|-------------------------------------|--------------------------|----------------------------------|---|---------------------------------------|--|--|
| Cash balance - June 30, 2017 | \$ 500,269 | 1,507 | - | - | (27) | 8,896 |
| Current year receipts | 1,294,767 | 3,165 | - | - | 15,371 | 25,613 |
| Current year disbursements | (1,079,916) | (4,671) | (665) | - | (20,459) | (21,172) |
| Permanent cash transfers/reversions | - | - | - | - | - | - |
| Net cash | <u>715,120</u> | <u>1</u> | <u>(665)</u> | <u>-</u> | <u>(5,115)</u> | <u>13,337</u> |
| Adjustments: | | | | | | |
| Payroll liabilities | 27,879 | - | - | - | - | - |
| Other adjustments | (6,554) | 1 | 665 | - | 5,115 | 773 |
| Total outstanding loans | - | - | - | - | - | - |
| Cash balance - June 30, 2018 | <u>\$ 736,445</u> | <u>2</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>14,110</u> |

See independent auditor's report.
The accompanying notes are an integral part of these financial statements.
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STATE OF NEW MEXICO
GALLUP-MCKINLEY COUNTY SCHOOLS
Schedule of Fund Balances
As of June 30, 2018

| | Operational Fund | | | | Entitlement Title I 24101 | Impact Aid Indian Special Education 25147 | Capital Improvements SB-9 31700 | Debt Service 41000 | Non-Major Governmental Funds | Total |
|----------------------------|--------------------------|---------------------|-------------------------|-------------------------------------|---------------------------------|--|--|--------------------------|------------------------------------|-------------------|
| | General Fund 11000 | Teacherage 12000 | Transportation 13000 | Instructional Materials 14000 | | | | | | |
| Fund Balances: | | | | | | | | | | |
| Nonspendable: | | | | | | | | | | |
| Inventory | \$ 196,665 | - | - | - | - | - | - | - | 445,726 | 642,391 |
| Prepaid expenses | - | - | - | - | - | - | - | - | - | - |
| Subtotal nonspendable | <u>196,665</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>445,726</u> | <u>642,391</u> |
| Restricted for: | | | | | | | | | | |
| Student instruction | - | - | - | 279,213 | - | 10,438,764 | - | - | 5,968,489 | 16,686,466 |
| Student support services | - | - | - | - | - | - | - | - | 1 | 1 |
| School food services | - | - | - | - | - | - | - | - | 2,852,868 | 2,852,868 |
| Teacherage | - | 332,021 | - | - | - | - | - | - | - | 332,021 |
| Capital projects | - | - | - | - | - | - | - | - | 8,692,217 | 8,692,217 |
| Debt service | - | - | - | - | - | - | - | 17,315,326 | - | 17,315,326 |
| Extracurricular activities | - | - | - | - | - | - | - | - | 282,330 | 282,330 |
| Unassigned | <u>24,152,661</u> | <u>-</u> | <u>(36,290)</u> | <u>-</u> | <u>(7,520)</u> | <u>-</u> | <u>(135,264)</u> | <u>-</u> | <u>(3,778)</u> | <u>23,969,809</u> |
| Total fund balances | \$ <u>24,349,326</u> | <u>332,021</u> | <u>(36,290)</u> | <u>279,213</u> | <u>-</u> | <u>10,438,764</u> | <u>(135,264)</u> | <u>17,315,326</u> | <u>18,237,853</u> | <u>70,773,429</u> |

Fund Balance Classification Policies and Procedures:

The District has implemented GASB Statement No. 54 and has defined the various categories reported in fund balance.

For committed fund balance, the District's highest level of decision-making authority is the Board of Education. The formal action that is required to be taken to establish a fund balance commitment is a resolution of the

For assigned fund balance, the Board of Education or an official or body to which the School Board of Education delegates the authority is authorized to assign amounts to a specific purpose. The authorization policy is in governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed.

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.

See independent auditor's report.
The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
GALLUP-MCKINLEY COUNTY SCHOOLS
Schedule of Fund Balances
As of June 30, 2018**

| | Operational Fund | | Capital | Total |
|------------------------|-----------------------------------|--|--|----------------|
| | General Fund 11000 | Instructional Materials 14000 | Improvements SB-9 31700 | |
| Fund Balances: | | | | |
| Nonspendable: | | | | |
| Inventory | \$ - | - | - | - |
| Prepaid expenses | - | - | - | - |
| Subtotal nonspendable | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Restricted for: | | | | |
| Student instruction | - | 2 | - | 2 |
| Capital projects | - | - | 14,495 | 14,495 |
| Unassigned | <u>703,211</u> | <u>-</u> | <u>-</u> | <u>703,211</u> |
| Total fund balances | <u>\$ 703,211</u> | <u>2</u> | <u>14,495</u> | <u>717,708</u> |

See independent auditor's report.
The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
GALLUP-MCKINLEY COUNTY SCHOOLS
Schedule of Joint Powers Agreements
For the Year Ended June 30, 2018**

| | <u>Joint Powers Agreement</u> | <u>Participants</u> | <u>Responsible Party</u> | <u>Description</u> | <u>Beginning and Ending Dates</u> | <u>Total estimated project amount and amount applicable to Agency</u> | <u>Amount contributed by District during current FY</u> | <u>Audit Responsibility</u> |
|---|--|---|---------------------------------|--|-----------------------------------|---|---|-----------------------------|
| 1 | Cooperative Procurement Agreement | City of Gallup McKinley County | All | To conduct cooperative procurement utilizing services of each entity. | 5/2/2002 until notified | None | None | Each participant |
| 2 | Resolution of the intergovernmental Relations Committee of the Navajo Nation Counsel | Navajo Nation of Dine Education | Navajo Nation of Dine Education | To collaborate on and endorse a relevant curriculum that increases the awareness of students, teachers and employee to cultural diversity and provides opportunities for staff | 5/2/2002 until notified | Unknown | None | Each participant |
| 3 | JPA Shared use of facilities | City of Gallup | All | To share both school district and city recreational, training, and educational facilities. | 1977 until unknown | None | None | Each participant |
| 4 | MOU - Gallup Lions Club Operations KidSight | Gallup Lions Club Operation KidSight | All | Lions club will provide free phot eye screening for children 3 to 6 years of age in NM | 10/23/14 until unknown | Unknown | None | Each participant |
| 5 | MOU - NM Mathematics, Engineering, Science | MESA | All | Stipends to be provided to MESA advisor working with a minimum of 20 students. | 9/6/2014 until unknown | Unknown | Unknown | Each participant |
| 6 | Aquatics Center Operations | City of Gallup | All | To operate the Aquatics Center Swimming Facility | 4/4/04 until withdrawn | \$8,250,000 | \$2,250,000 | City of Gallup |

See independent auditor's report.
The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
GALLUP-MCKINLEY COUNTY SCHOOLS
Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2018

| | Balance | | | Balance |
|------------------------|----------------------|------------------|------------------|----------------------|
| | June 30, 2017 | Additions | Deletions | June 30, 2018 |
| Catherine A. Miller | \$ 96 | 17,194 | (15,393) | 1,897 |
| Chee Dodge Elementary | 9,108 | 7,356 | (11,219) | 5,245 |
| Chief Manuelito Middle | 12,446 | 19,677 | (11,400) | 20,722 |
| Crownpoint Elementary | 3,296 | 14,860 | (10,954) | 7,202 |
| Crownpoint High | 25,360 | 20,155 | (15,881) | 29,633 |
| Crownpoint Middle | 5,483 | 12,163 | (7,032) | 10,614 |
| David Skeet Elementary | 1,888 | 17,233 | (12,139) | 6,983 |
| Gallup Central High | 30,350 | 2,146 | (4,015) | 28,481 |
| Gallup High | 181,520 | 250,862 | (232,472) | 199,910 |
| Gallup Middle | 12,487 | 15,174 | (12,344) | 15,317 |
| Indian Hills | 9,808 | 18,136 | (10,564) | 17,381 |
| J.F.K. Middle | 16,807 | 13,236 | (11,865) | 18,178 |
| Jefferson Elementary | 12,423 | 30,198 | (32,791) | 9,830 |
| Lincoln Elementary | 13,876 | 20,025 | (20,122) | 13,779 |
| Miyamura High | 91,562 | 146,659 | (123,609) | 114,612 |
| Navajo Elementary | 2,331 | 4,714 | (4,906) | 2,139 |
| Navajo Middle | 3,292 | 3,777 | (5,831) | 1,239 |
| Navajo Pine High | 9,121 | 10,464 | (10,607) | 8,978 |
| Ramah Elementary | 10,515 | 10,049 | (12,803) | 7,761 |
| Ramah High | 55,273 | 29,092 | (29,454) | 54,912 |
| Red Rock Elementary | 16,685 | 32,736 | (39,838) | 9,583 |
| Rocky View Elementary | 5,041 | 22,306 | (10,427) | 16,920 |
| Roosevelt Elementary | 30,440 | 3,428 | (4,035) | 29,833 |
| Stagecoach Elementary | 14,023 | 21,053 | (21,002) | 14,075 |
| Thoreau Elementary | 11,742 | 15,079 | (19,135) | 7,686 |
| Thoreau High | 36,977 | 49,147 | (48,661) | 37,463 |
| Thoreau Middle | 8,185 | 7,900 | (6,613) | 9,471 |
| Tohatchi Elementary | 11,486 | 16,173 | (17,891) | 9,768 |
| Tohatchi High | 25,050 | 44,602 | (42,786) | 26,865 |
| Tohatchi Middle | 8,155 | 16,780 | (18,058) | 6,877 |
| Tse' Yi' Gai High | 1,961 | 12,626 | (9,010) | 5,578 |
| Turpen Elementary | 8,490 | 19,587 | (18,032) | 10,045 |
| Twin Lakes Elementary | 870 | 9,891 | (8,134) | 2,626 |
| Washington (Del Norte) | 17,104 | 31,733 | (36,705) | 12,132 |
| Total all schools | \$ <u>703,250</u> | <u>966,212</u> | <u>(895,727)</u> | <u>773,734</u> |

See independent auditor's report.
The accompanying notes are an integral part of these financial statements.

COMPLIANCE SECTION

**INDEPENDENT AUDITOR'S 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**

Wayne Johnson, New Mexico State Auditor
To the Board of Education of
Gallup-McKinley County Public Schools
Gallup, 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, the discretely presented component unit, each major fund, the aggregate remaining fund information, and the budgetary comparisons of the general fund and the major special revenue funds of the Gallup-McKinley County Public Schools, (District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 13, 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 in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies; 2018-001, 2018-002, 2018-004, 2018-005, 2018-006, and 2018-007.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and

questioned costs as items; 2018-003, 2018-004, 2018-005, 2018-006, 2018-007, 2018-008, 2018-009, 2018-010, 2018-011, and 2018-012.

The District's Response to the Findings

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



Hinkle + Landers, P.C.
Albuquerque, NM 87102
November 13, 2018

FEDERAL COMPLIANCE



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

Wayne Johnson, New Mexico State Auditor
To the Board of Education of
Gallup-McKinley County Public Schools
Gallup, New Mexico

Report on Compliance for Each Major Federal Program

We have audited the Gallup-McKinley County Public Schools (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 auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

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

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 Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of 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 Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District’s internal control over compliance.

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

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

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



Hinkle + Landers, P.C.
Albuquerque, NM
November 13, 2018

**STATE OF NEW MEXICO
GALLUP-MCKINLEY COUNTY SCHOOLS
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018**

| <u>Federal Grantor/Program Title</u> | <u>CFDA Number</u> | <u>Project/ Pass-Through Number</u> | <u>Federal Expenditures</u> |
|---|------------------------|---|---------------------------------|
| U.S. Department of Health and Human Services | | | |
| Passed through State of New Mexico HHS | | | |
| Child Care and Development Block Grant | 93.575 | 25157 | \$ 76,479 |
| Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance | 93.079 | 26214 | 5,482 |
| Pregnancy Assistance Fund Program | 93.500 | 28190 | 2,497 |
| Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program | 93.505 | 28193 | 455,025 |
| Medical Assistance Program | 93.778 | 25153 | 152,303 |
| Passed through Navajo Nation Indian Health Services | | | |
| Civil Rights and Privacy Rule Compliance Activities | 93.001 | 26214 | 37,798 |
| Total U.S. Department of Health and Human Services | | | <u>729,584</u> |
| U.S. Department of the Interior | | | |
| Passed through the Navajo Nation | | | |
| Indian Education Assistance to Schools | 15.130 | 25131 | 657,744 |
| Total U.S. Department of the Interior | | | <u>657,744</u> |
| U.S. Department of Education | | | |
| Direct | | | |
| Title I Grants to Local Educational Agencies | * | 84.010 | 24162 |
| Impact Aid | | 84.041 | 25145 |
| Impact Aid | | 84.041 | 25147 |
| Impact Aid | | 84.041 | 31500 |
| Career and Technical Education -- Basic Grants to States | | 84.048 | 24174 |
| Indian Education Grants to Local Educational Agencies | | 84.060 | 25184 |
| Passed through the Navajo Nation | | | |
| Special Education Grants to States | | 84.027 | 25201 |
| Passed through State of New Mexico PED | | | |
| Title I Grants to Local Educational Agencies | * | 84.010 | 24101 |
| Special Education Grants to States | | 84.027 | 24115 |
| Special Education Grants to States | | 84.027 | 24108 |
| Special Education Grants to States | | 84.027 | 24106 |
| Special Education Grants to States | | 84.027 | 24132 |
| Special Education Preschool Grants | | 84.173 | 24109 |
| Education for Homeless Children and Youth | | 84.196 | 24113 |
| Rural Education | | 84.358 | 24160 |
| English Language Acquisition State Grants | | 84.365 | 24153 |
| Supporting Effective Instruction State Grants | * | 84.367 | 24154 |
| Student Support and Academic Enrichment Program | | 84.424 | 24189 |
| Total U.S. Department of Education | | | <u>24,997,553</u> |
| U.S. Department of Agriculture | | | |
| Direct | | | |
| National School Lunch Program | * | 10.555 | 21000 |
| National School Lunch Program | * | 10.555 | 21000 |
| Summer Food Service Program for Children | * | 10.559 | 21010 |
| Passed through State of New Mexico PED | | | |
| Child and Adult Care Food Program | | 10.558 | 25171 |
| Total U.S. Department of Agriculture | | | <u>7,452</u> |
| Total Federal Financial Assistance - District | | | <u>\$ 33,855,494</u> |

* = Denotes major program

See independent auditor's report.
The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
GALLUP-MCKINLEY COUNTY SCHOOLS
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018**

Reconciliation to Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds

| | |
|---|--------------------------|
| Federal grant revenue per fund financials | \$ 62,428,396 |
| Federal expenditures per SEFA | <u>33,855,494</u> |
| Difference - not all grants are reimbursement based | <u><u>28,572,902</u></u> |

Notes to Schedule of Expenditures of Federal Awards

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant expenditure activity for the financial statements of the organization. The schedule is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Uniform Guidance.

Note 2 - Non-Cash Federal Assistance

The District receives USDA Commodities for use in sponsoring the National School Lunch program. The value of received for the year ended June 30, 2018 was \$462,687 and is reported in the Schedule of Expenditures of Federal under the Department of Agriculture Commodities program, CFDA number 10.555. Commodities are recorded as revenues and expenditures in the food service fund.

Note 3 - Subrecipients

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

Note 4 - Federal Insurance

The organization is re-deemed an employee of the Federal Government for the purposes of malpractice liability protection under the Federal Tort Claims Act (FTCA) during the budget period, for the period this audit report covers.

Note 5 - Indirect Cost Rate

The organization did not use the 10 percent de minimis indirect cost rate.

**STATE OF NEW MEXICO
GALLUP-MCKINLEY COUNTY SCHOOLS
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018**

A. SUMMARY OF AUDIT RESULTS

Financial Statements:

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

Federal Awards:

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

| CFDA Numbers Funding Source | Name of Federal Programs | Funding Source |
|--------------------------------|---|----------------------|
| 10.555, 10.559 | Child Nutrition Cluster | USDA |
| 84.367 | Supporting Effective Instruction State Grants | U.S. Education Dept. |
| 84.010 | Title I – Grants to Local Education Agencies | U.S. Education Dept. |

- | | |
|---|------------|
| 5. Dollar threshold used to distinguish between type A and type B programs: | \$1,00,784 |
| 6. Auditee qualified as low-risk auditee? | No |

**STATE OF NEW MEXICO
GALLUP-MCKINLEY COUNTY SCHOOLS
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018**

| <u>Reference #</u> | <u>Finding</u> | <u>Status of Current and Prior Year Findings</u> | <u>Type of Finding*</u> |
|------------------------------|--|--|-----------------------------|
| Prior Year Findings | | | |
| <u>District</u> | | | |
| FS 2009-002 | Activity Funds | Resolved | B |
| FS 2015-002 | Employee Files | Resolved | B |
| FA 2017-001 | Period of Availability for Special Education Individuals with Disabilities Act, Part B and Preschool | Resolved | E |
| FS 2017-001 | Accounts Receivable | Resolved | B |
| <u>Component Unit</u> | | | |
| None | | | |
| Current Year Findings | | | |
| <u>District</u> | | | |
| 2018-001 | Segregation of Duties | Current | B |
| 2018-002 | Internal Controls—Vendor Master File | Current | B |
| 2018-003 | Controls Over Payroll | Current | C |
| 2018-004 | Control Environment and Information and Communication | Current | B,G |
| 2018-005 | Lack of Controls over Operations Management Software | Current | B,G |
| 2018-006 | Circumvention of Procurement and Purchasing Policy | Current | B,G |
| 2018-007 | Weaknesses in the Design and Implementation of Related Party Policies | Current | B,G |
| <u>Component Unit</u> | | | |
| 2018-008 | Executed Charter School Contract | Current | G |
| 2018-009 | Violation of Academic Calendar Requirements | Current | G |
| 2018-010 | Inaccurate Allocation of Salary Expense Between Instruction and School Administration | Current | G |
| 2018-011 | Inappropriate Travel of Unauthorized Person | Current | G |
| 2018-012 | Undercollateralized Bank Statement | Current | G |

* Legend for Type of Findings

- A.** Material Weakness in Internal Control Over Financial Reporting
- B.** Significant Deficiency in Internal Control Over Financial Reporting
- C.** Finding that Does Not Rise to the Level of a Significant Deficiency (Other Matters) Involving Internal Control Over Financial Reporting
- D.** Material Weakness in Internal Control Over Compliance of Federal Awards
- E.** Significant Deficiency in Internal Control Over Compliance of Federal Awards
- F.** Instance of Noncompliance related to Federal Awards
- G.** Non-compliance with State Audit Rule, NM State Statutes, NMAC, or other entity compliance
- H.** Instance of Material Non-compliance

STATE OF NEW MEXICO
GALLUP-MCKINLEY COUNTY SCHOOLS
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

PRIOR YEAR FINDINGS – GMCS

None

PRIOR YEAR FINDINGS – Component Unit -Middle College High School

None

STATE OF NEW MEXICO
GALLUP-MCKINLEY COUNTY SCHOOLS
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

CURRENT YEAR FINDINGS – GMCS

2018-001—Segregation of Duties

Type of Finding: B,

Statement of Condition

The Director of Procurement can approve and create vendors, approve his own purchase requisition, and generate purchase orders. These are considered incompatible duties that should be segregated.

Criteria

A fundamental concept in a good system of internal control is a proper segregation of duties. Without adequate segregation of duties, the risk of an error or fraud occurring and going undetected increases. The basic premise is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction. In situations where segregation of duties is not feasible, a higher level of management oversight is appropriate.

Effect

The lack of segregation of incompatible duties increases the possibility that errors, and improper activities would not be detected.

Cause

The District had not previously identified the need for segregation of duties in relation to the internal control weaknesses identified in the ‘statement of condition’ above.

Recommendation

The Director of Procurement should not be able to approve his own purchase requisition or new vendors.

View of Responsible Officials and Corrective Action Plan

Corrective Action Plan Timeline

The Director of Procurement and Procurement Buyer(s) will not have access to modify the vendor file and will not enter requisitions effective 11/30/2018. As Chief Procurement Officers, these individuals will review and approve the information entered by other authorized District Staff and will have the authority to issue Purchase Orders.

Timeline For Completion

The Assistant Superintendent for Business will be responsible for assuring these changes are in place no later than November 30, 2018.

2018-002—Internal Controls—Vendor Master File

Type of Finding: B

Statement of Condition

During our process of understanding the entity and its environment, we determined there is inadequate segregation of duties related to vendor set up and approval.

Criteria

Access controls over the vendor master file should be appropriately restricted. The creation and maintenance of the vendor master file should be assigned and restricted to only a few key personnel to ensure that only authorized individuals have the ability to make changes, deletions, or additions to the vendor master file. The duties of these key personnel should also be segregated.

Effect

Lack of adequate internal controls over the vendor master file increases the risk that a loss or misappropriation of public funds may occur and not be detected in a timely manner.

**STATE OF NEW MEXICO
GALLUP-MCKINLEY COUNTY SCHOOLS
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018**

Cause

The District had not previously been alerted to the need for appropriate controls, including segregation of duties, in relation to the vendor master file.

Recommendation

Authorization to enter vendors could be restricted to as few as 2 employees with an additional back-up. Employees setting up and adding the new vendors should not be able to approve the vendor. There should be an independent review and approval process.

Consider establishing a new vendor set up form maintained electronically or in a hard-copy file that includes:

- Requestor and approver of vendor
- A checklist verifying that a W-9 has been received, vendor verification and validation has been completed (including the means used to validate vendor existence)

View of Responsible Officials and Corrective Action Plan

Corrective Action Plan Timeline

The District will immediately restrict access to the vendor file. No more than three employees, who are not able to create Purchase Orders, will have access to the vendor file. The Assistant Superintendent of Business Services will work with the Director of Procurement to modify the current new vendor process to document in writing that all required vendor documents have been received.

Timeline For Completion

The District will restrict access to the vendor file and will have a written procedure in place for approval of new vendors no later than December 15, 2018.

2018-003—Controls Over Payroll

Type of Finding: C

Statement of Condition

During our testing of payroll controls and substantive documentation, we noted 3 instances, out of a sample of 25 transactions tested, in which the District had created checks in advance for employees that were expected to be terminated by the end of the pay period. This resulted in overpayment to some employees who terminated earlier than anticipated. The amount of overpayment found in our sample was \$2,167.64.

Criteria

The overpayment is considered a violation of the “gifts” provision of New Mexico State Constitutional Law. As the New Mexico Constitution (Article IX, Section 14) states that “[n]either the state nor any county, school district or municipality, except as otherwise provided in this constitution, shall directly or indirectly lend or pledge its credit or make any donation to or in aid of any person...”

Effect

Compensation was provided to individuals who did not perform their duties as they terminated earlier than anticipated.

Cause

Pay checks were being produced prior to employees performing their work duties. This created a condition where employees would terminate employment part way through a pay period and had already been compensated for their expected work, even if they did not perform their duties during the entire pay period. Any employee who did not compensated leave accrued prior to termination would receive excess pay.

Recommendation

We recommend the District change their payroll process so that employees are paid subsequent to performance of their duties.

**STATE OF NEW MEXICO
GALLUP-MCKINLEY COUNTY SCHOOLS
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018**

View of Responsible Officials and Corrective Action Plan

Corrective Action Plan Timeline

The District made a change to the payroll calendar prior to the 2018-2019 school year, moving the first payroll of the year back one week. The purpose of this change was to mitigate issues related to overpayment of employees.

Timeline For Completion

Payroll calendar change was effective July 1, 2018. Supervisors who fail to report employee separation timely will receive disciplinary action, up to and including termination. The Assistant Superintendent of Business Services and the Assistant Superintendent of Support Services will be responsible for monitoring this change and assuring that employees are not being overpaid.

2018-004—Control Environment and Information and Communication

Type of Finding: B, G

Statement of Condition

During forensic consulting procedures, contracted through the Office of the State Auditor, the consultant noted that there were deficiencies in the entity wide internal control structure that led to employees not being made aware of certain policies including conflicts of interest and related parties.

Criteria

The Committee of Sponsoring Organizations (COSO) COSO Internal Control – Integrated Framework (2013), consists of five critical elements that must be present in carrying out the achievement objectives of an organization. These elements are known as the control environment, risk assessment, control activities, information and communication and monitoring, which includes the implementation of internal controls with financial close functions to produce accurate and timely financial information in accordance with generally accepted accounting principles.

Effect

GMCS employees are not aware of the conflict of interest policy in place governing related parties and related party transactions. This could create a scenario where employees in positions that could be influenced do not have exposure and training to ensure all conflicts of interest, or situations where they are not independent in mind and appearance, are disclosed and properly vetted prior to procuring goods and/or services.

Cause

It appears that the elements of Control Environment and Information and Communication were not properly implemented as several of the employees interviewed were not aware of properly disclosing conflicts of interest. Also, they were not aware of what constitutes a conflict of interest or related party transaction.

Recommendation

The consultant recommends that the GMCS conduct an initial, and annually thereafter, standardized Conflict of Interest training for all GMCS administration or any individuals that have responsibility to initiate or approve purchase requisitions or have any role in the procurement process.

View of Responsible Officials and Corrective Action Plan

Gallup-McKinley County Schools (GMCS) will provide an initial Conflict of Interest training for all GMCS administration or any individuals that have responsibility to initiate or approve purchase requisitions or have any role in the procurement process. This training will be provided no less than annually each year after the initial training.

Corrective Action Plan Timeline

The first training will be provided no later than August 15, 2018 and subsequent trainings will be provided at GMCS administrative and secretarial conferences.

Timeline For Completion

On July 24, 2018 the Business Office provided training and a copy of the Government Conduct Act to management level employees. The District also provided all employees Conflict of Interest policies and method to

**STATE OF NEW MEXICO
GALLUP-MCKINLEY COUNTY SCHOOLS
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018**

report a Conflict of Interest (including related parties) on August 15, 2018 via district e-mail. Each employee is required to electronically certify that they understand it is their responsibility to follow these policies and procedures. The Assistant Superintendent of Business Services and the Director of Personnel will be responsible for providing on-going training and assuring appropriate documentation is retained.

2018-005—Lack of Controls over Operations Management Software

Type of Finding: B, G

Statement of Condition

During forensic consulting procedures, contracted through the Office of the State Auditor, the consultant noted that one vendor part of the On-Call contract had access to the GMCS work order system (School Dude) (Operations Management Software), which was being monitored by the vendor and they were able to gain preference and an unfair advantage as they were aware of work orders prior to any other vendor.

Criteria

New Mexico Public Education Department's Manual of Procedures PSAB Supplement 2 related to Internal Control Structure states the following:

"MONITORING

District and charter school systems and internal activities require monitoring to assess the quality of the system's performance over time. Assessment is accomplished through ongoing monitoring activities, separate evaluations, or a combination of the two. Deficiencies should be reported to supervisors, with serious matters reported to top management.

Monitoring requires continuous assessment and implementation of the district's internal control system. Monitoring includes the normal day to day standard operating procedures used by the district to conduct business, and the evaluation of employees' understanding of those procedures. Monitoring also includes both internal and external quality assessments of the internal control system. The results of the quality assessments are used to produce a positive impact on the internal control system and ensure that recommendations are actually implemented."

Effect

The vendor with access to School Dude was able to have vendor preference during the period that they were able to access the work order system and other vendors did not have access. This led to more work being directed towards this vendor and a potential vendor preference.

Cause

GMCS did not properly monitor the access of the work order system to allow employees to assess the IT General Computer access controls to ensure all vendors have the same rights and admittance to the work order system.

Recommendations

The consultant recommends that the District review its internal controls and process surrounding the work order system to ensure that all GMCS employees allow appropriate access to all vendors and ensure the process does not promote any preferences or advantages of any particular vendor.

View of Responsible Officials and Corrective Action Plan

Gallup-McKinley County Schools will not allow any vendors to have access to the GMCS work-order system.

Corrective Action Plan Timeline

This policy will be documented in writing to Administrative Maintenance staff no later than August 15, 2018.

Timeline For Completion

Effective August 2018, no vendors had access to the Maintenance Work Order system. The Assistant Superintendent of Support Services will be responsible for maintaining this policy.

**STATE OF NEW MEXICO
GALLUP-MCKINLEY COUNTY SCHOOLS
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018**

2018-006—Circumvention of Procurement and Purchasing Policy

Type of Finding: B, G

Statement of Condition

During the consultant's forensic procedures, the following were noted:

- The former Maintenance Supervisor procured services from a related party that was excluded as an eligible vendor.
- The On-Call contract may have been a procurement vehicle that led to GMCS not achieving "Best Obtainable Price" as defined in 1.4.1 NMAC.

Criteria

Procurement requirements described in 1.4.1 NMAC 1978.

Effect

GMCS procured services that were not authorized. In addition, the consultant noted potential solicitations that may have not been the most advantageous for GMCS. There may have been other actual instances of services performed that the "Best Obtainable Price" was not obtained.

Cause

The employee (former Maintenance Supervisor) responsible to procure services for maintenance circumvented the procurement procedures in place. In addition, there were informal quotes obtained with varying prices proposed that may not have been within the scope of the on-call contract and/or higher than a specific quote for specified projects.

Recommendation

The consultant recommends that any contracts for "on-call" services be reevaluated to ensure the scope is within the spirit of the New Mexico Procurement Code, does not enable the procurement process to be circumvented, and risk of waste and/or abuse is mitigated by preventing 'projects' being classified through on-call contracts and obtaining the most advantageous outcome for GMCS. In addition, the consultant recommends that GMCS perform a full risk assessment over the entire purchasing process, factoring in corrective action plans already implemented as described in the report, and any that may arise from this report.

View of Responsible Officials and Corrective Action Plan

Gallup-McKinley County Schools will immediately implement a written policy related to on-call contractors who are awarded similar services to ensure qualified quotes are received from all vendors identified in the on-call solicitation. Emergency calls to on-call contractors will be rotated after each incident to assure all contractors in the on-call solicitation are being offered work.

Corrective Action Plan Timeline

The Assistant Superintendent of Business Services and the Assistant Superintendent of Support Services will be responsible for documenting and implementing the policy change no later than December 15, 2018.

Timeline For Completion

The Assistant Superintendent of Business Services and the Assistant Superintendent of Support Services will be responsible for documenting and implementing the policy change no later than December 15, 2018.

**STATE OF NEW MEXICO
GALLUP-MCKINLEY COUNTY SCHOOLS
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018**

2018-007—Weaknesses in the Design and Implementation of Related Party Policies

Type of Finding: B, G

Statement of Condition

During the consultant's forensic procedures, the following were noted:

- There does not appear to be clarity in the current policies that outlines what constitutes allowable fundraising given the high potential of conflicts of interest that may arise.
- There does not appear to be sufficient training that occurs surrounding fundraising and solicitation of funds from management that could create situations or scenarios that would be unallowable or require disclosure.
- There does not appear to be sufficient communication and training to the employees of GMCS that clearly communicates there are policies that surround related parties and that any potential circumstances should be brought to the attention of management immediately.

Criteria

10-16-3 NMSA. "Ethical principles of public service; certain official acts prohibited; penalty". States the following:

- A. A legislator or public officer or employee shall treat the legislator's or public officer's or employee's government position as a public trust. The legislator or public officer or employee shall use the powers and resources of public office only to advance the public interest and not to obtain personal benefits or pursue private interests.
- B. Legislators and public officers and employees shall conduct themselves in a manner that justifies the confidence placed in them by the people, at all times maintaining the integrity and discharging ethically the high responsibilities of public service.
- C. Full disclosure of real or potential conflicts of interest shall be a guiding principle for determining appropriate conduct. At all times, reasonable efforts shall be made to avoid undue influence and abuse of office in public service.
- D. No legislator or public officer or employee may request or receive, and no person may offer a legislator or public officer or employee, any money, thing of value or promise thereof that is conditioned upon or given in exchange for promised performance of an official act.

Effect

GMCS employees are not aware of the proper methods to fundraise and what scenarios that would give rise to making it mandatory to disclose fundraising activities to management. In addition, all potential methods to mitigate the risk of undisclosed related parties were not fully utilized.

Cause

The lack of clarity of fundraising policies and training surrounding related parties has led to the circumstances included in this report and there are questions surrounding the procurement transaction cycle.

Recommendation

The consultant recommends that GMCS design and implement clear fundraising policies and training for all GMCS staff, including extra-curricular activity program leaders. In addition, the consultant recommends that GMCS perform a District-wide training over conflicts of interest and related parties to clearly communicate the District's policies and the proper chain of command when disclosing potential concerns surrounding the procurement process.

View of Responsible Officials and Corrective Action Plan

Gallup-McKinley County Schools implemented a Fundraising Handbook in July of 2018. The District will train all Administrators, Athletic Directors and Secretarial staff about restrictions on related party transactions. Each training will document the training and all participants will sign that they have received the training. This training will be provided no less than annually each year after the initial training.

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GALLUP-MCKINLEY COUNTY SCHOOLS
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Corrective Action Plan Timeline

The first training will be provided no later than August 15, 2018 and subsequent trainings will be provided at GMCS administrative, Athletic and secretarial conferences.

Timeline For Completion

On July 24, 2018 the Business Office provided training and a copy of the Government Conduct Act to management level employees. The District also provided all employees Conflict of Interest policies and method to report a Conflict of Interest (including related parties) on August 15, 2018 via district e-mail. Each employee is required to electronically certify that they understand it is their responsibility to follow these policies and procedures. The Assistant Superintendent of Business Services and the Director of Personnel will be responsible for providing on-going training and assuring appropriate documentation is retained.

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CURRENT YEAR FINDINGS – Component Unit -Middle College High School

2018-008—Executed Charter School Contract

Type of Finding: G

Statement of Condition

No record could be found that the Middle College High School, a charter school of Gallup-McKinley County Schools, properly obtained an executed charter contract from the District.

Criteria

Section 22-8B-9(A) of the New Mexico Charter School Act, requires the chartering authority to enter into a contract with the governing body of the applicant charter school within thirty days of approval of the charter application.

Effect

It appears the charter school has not met one of the key legal requirements to be recognized as charter school as discussed under the New Mexico Charter School Act.

Cause

It appears that either the contract was never obtained or has been lost.

Recommendation

We recommend the charter school meet the requirements of the New Mexico Charter School Act.

Views of Responsible Officials and Corrective Action Plan

Middle College High School does not agree with this finding.

The School was first established sixteen years ago when it was authorized by the Gallup McKinley School District (GMCS) and since then has been renewed by the GMCS three (3) times. Most recently the GMCS Board took action to approve the renewal of the Middle College High School's charter at its October 16, 2017 regular board meeting. Middle College High School's (MCHS or School) CEO contacted the Superintendent via email on November 1, 2017, indicating that a Contract and Performance Framework was due to be executed within 30 days of the GMCS Board's approval of the renewal application. The contract was signed on November 2, 2017. Attached here is the signature page that establishes there is a contract. Based on the above the School asserts there is a valid contract. Further the School questions whether the issue of a valid charter contract is within the scope of a financial audit pursuant to the Audit Act. If it is within the scope, however, the School would assert that the finding should be against the School District which resides in the superior position in the relationship rather than with the charter school.

Auditor Follow-Up

As stated in Note 17, the District has formally elected not to renew the charter contract with the Middle College High School past the fiscal year ending 2019. Therefore, no corrective action plan was provided by the Component Unit (CU) nor does one appear necessary as the CU will soon no longer be affiliated with the District.

2018-009—Violation of Academic Calendar Requirements

Type of Finding: G

Statement of Condition

The Component Unit has been following the academic calendar of the University of New Mexico which requires fewer academic days and hours of instruction and administration than what is required of New Mexico public schools. It also appears the annual budget documents and information submitted to New Mexico Public Education Department overinflate the hours actually worked in order to meet the expected academic hours for New Mexico Public Schools.

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Criteria

New Mexico Public Schools require instruction of 1,080 hours per school year and requires teachers and school administrators work those hours for their compensation.

Effect

The Component Unit appears to be in violation of the Anti-Donation Clause of Article IX, Section 14 of the New Mexico Constitution and the Public School Finance Act since teachers and school administrators are being compensated based on the 1,080 hour requirement but are not meeting the 1,080 rule for teaching and school administration.

Cause

It appears the Component Unit have inappropriately followed the academic calendar of the University of New Mexico rather than an academic calendar that meets the requirements for New Mexico Public Schools.

Recommendation

We recommend the Component Unit meet the academic calendar requirements for New Mexico Public Schools.

Views of Responsible Officials and Corrective Action Plan

Middle College High School does not agree with this finding.

Pursuant to 22-2-8.1(A)(3) Middle College High School is compliant with the requirement of at least 1080 minimum hours of instruction time for students. The School calendar was provided to School District which it was then required to send to Public Education Department for approval where it was approved by the PED. If this finding is found to be true the School would assert that the finding should be against the School District which resides in the superior position in the relationship rather than with the Charter School as the School met its requirements of submission of the budget to the School District.

Auditor Follow-Up

As stated in Note 17, the District has formally elected not to renew the charter contract with the Middle College High School past the fiscal year ending 2019. Therefore, no corrective action plan was provided by the Component Unit (CU) nor does one appear necessary as the CU will soon no longer be affiliated with the District.

2018-010—Inaccurate Allocation of Salary Expense Between Instruction and School Administration

Type of Finding: G

Statement of Condition

The allocation of salary expenses of the CEO was recorded into categories of instruction and administration that does not appear reasonable or based on a clear methodology.

Criteria

New Mexico Public Education Department requires accurate budgeting in order to be compliant with the Public School Finance Act.

Effect

The Component Unit appears to be in violation of the Anti-Donation Clause of Article IX, Section 14 of the New Mexico Constitution and the Public School Finance Act.

Cause

It appears the Component Unit does not have an accurate and clear methodology for tracking salary expenses of the CEO.

Recommendation

We recommend the Component Unit adopt an accurate and clear methodology for tracking the salary expenses of the CEO.

**STATE OF NEW MEXICO
GALLUP-MCKINLEY COUNTY SCHOOLS
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018**

Views of Responsible Officials and Corrective Action Plan

Middle College High School does not agree with this finding.

The School's CEO has both administrative and instructional responsibilities. The School's CEO had a contract and he performed his duties pursuant to that contract. Accordingly, there is no violation of the Anti-donation clause since CEO was paid for the services he actually provided. The School's budget was submitted to its authorizer and approved by PED and so the School would assert that, if this is indeed a finding, that the finding should be against the School District which resides in the superior position in the relationship rather than with the charter school.

Auditor Follow-Up

As stated in Note 17, the District has formally elected not to renew the charter contract with the Middle College High School past the fiscal year ending 2019. Therefore, no corrective action plan was provided by the Component Unit (CU) nor does one appear necessary as the CU will soon no longer be affiliated with the District.

2018-011—Inappropriate Travel of Unauthorized Person

Type of Finding: G

Statement of Condition

The Component Unit approved and paid for travel, totaling \$440, of an individual that did not meet the criteria of an official of the Component Unit.

Criteria

The Component Unit should only approve individuals who represent the school in an official capacity for travel and that activity must meet the criteria of a proper business expense of the Component Unit.

Effect

The Component Unit appears to be in violation of the Anti-Donation Clause of Article IX, Section 14 of the New Mexico Constitution and the Public School Finance Act.

Cause

The individual was represented the Component Unit as a board member at the New Mexico Coalition of Charter School Annual Conference before she was officially appointed to the Component Unit's board.

Recommendation

We recommend the Component Unit only approve expenses for officials of the Component Unit and that those expenses meet the criteria of a proper business expense of the Component Unit.

Views of Responsible Officials and Corrective Action Plan

Middle College High School does not agree with this finding.

On July 25, 2017 a new administrative rule was promulgated by the PED at 6.80.5 NMAC requiring, in part, that newly appointed board members not vote until they have had required training. The Board member in question attended based on guidance given to the School verbally by the Charter School Division (CSD) that potential board members should get credit for attending training before they are formally appointed. That same guidance was subsequently communicated at a later time published by the CSD in an email to all Charter Schools.

The GC Board member candidate in question attended the NM Charter School Coalition training on December 6-7, 2017, before being appointed to the GC Board. This training was directly related to her ability to execute her duties as a board member. The Board member candidate was appointed as GC Board member on December 12, 2017. The check payment for travel reimbursement was issued on December 21, 2017. This timeline allowed this Board member to be able to vote after being appointed. If the individual had not attended the training, or had not been appointed as GC Board member, no reimbursement would have been issued.

Auditor Follow-Up

As stated in Note 17, the District has formally elected not to renew the charter contract with the Middle College High School past the fiscal year ending 2019. Therefore, no corrective action plan was provided by the Component Unit (CU) nor does one appear necessary as the CU will soon no longer be affiliated with the District.

**STATE OF NEW MEXICO
GALLUP-MCKINLEY COUNTY SCHOOLS
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018**

2018-012—Undercollateralized Bank Account

Type of Finding: G

Statement of Condition

The Component Unit's operating bank accounts in Wells Fargo Bank are under collateralized at June 30, 2018 as follows:

| <u>Cash and investments</u> | <u>Wells Fargo</u> |
|---|--------------------|
| Total deposits in bank | \$ 765,199 |
| Less: FDIC coverage | <u>(250,000)</u> |
| Uninsured public funds | 515,199 |
| 50% pledged collateral requirement per State statute | 257,600 |
| Pledged collateral held by pledging bank's trust, but not in the District's name | <u>237,008</u> |
| Pledged collateral (under) over the requirements | \$ <u>(20,592)</u> |

Criteria

Section 6-10-17 NMSA 1978 requires any public money on deposit with a depository bank to have an aggregate value of securities (specified in Section 6-10-16 NMSA 1978) or a depository bond (in accordance with Subsection B of Section 6-10-16 NMSA 1978) in the amount of one-half the amount of public money to be received.

Effect

The Component Unit is not in compliance with Section 6-10-17 NMSA 1978.

Cause

The Component Unit did not confirm its account balances and ensure that its depository institutions were in compliance with Section 6-10-17 NMSA 1978.

Recommendation

The Component Unit should monitor and maintain collateral required in accordance with state regulations.

Views of Responsible Officials and Corrective Action Plan

Middle College High School agrees with this finding but contends it was out of the School's control.

According to Section 22-8-15, NMSA 1978, a local school district is required to distribute the appropriate allocation of public school funding to locally chartered charter schools pursuant to each locally chartered charter school's school-based budget approved by the local school board and the NM Public Education Department. This distribution is required to flow to the locally chartered charter school within five days after the school district's receipt of the state equalization guarantee for that month.

Middle College High School received its June 2018 state equalization guarantee distribution from the School District on June 29, 2018. The school district received its distribution on June 28, 2018. Since the distribution was credited to the Charter School's bank account one day before the end of the month and fiscal year, the Charter School's Collateralization Broker/Dealer did not have adequate time to appropriately segregate collateralization on behalf of the Charter School for the end of the month and fiscal year.

Correction Action Plan Timeline:

The Charter School had processes in place in the fiscal year 2017/2018 to ensure deposits were properly collateralized, and those processes have continued into the current fiscal year. For this one instance, a large deposit was credited on the last business day of the month and fiscal year, which did not allow the Charter School's Broker/Dealer adequate time to secure appropriate collateralization.

Designated Employee Position:

Business Manager

**STATE OF NEW MEXICO
GALLUP-MCKINLEY COUNTY SCHOOLS
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018**

Auditor Follow-Up

As stated in Note 17, the District has formally elected not to renew the charter contract with the Middle College High School past the fiscal year ending 2019. Therefore, the corrective action plan provided by the Component Unit (CU) does not appear necessary as the CU will soon no longer be affiliated with the District.

**STATE OF NEW MEXICO
GALLUP-MCKINLEY COUNTY SCHOOLS
Exit Conference
For the Year Ended June 30, 2018**

A. AUDITOR PREPARED FINANCIAL STATEMENTS

The accompanying financial statements are the responsibility of the District and are based on information from the District's financial records. Assistance was provided by Hinkle + Landers, PC to the District in preparing the financial statements.

B. EXIT CONFERENCE

Gallup-McKinley County Schools

An exit conference was held on November 13, 2018 at the District's offices in Gallup New Mexico. The following individuals were in attendance.

Gallup-McKinley County Schools Officials

| | |
|-----------------|---|
| Mike Hyatt | Superintendent |
| Jvanna Hanks | Asst. Superintendent of Business Services |
| Chris Mortensen | GMCS Board Vice President |

Hinkle + Landers, P.C.

| | |
|------------------------------|----------------------------------|
| Farley Vener, CPA, CFE, CGMA | President & Managing Shareholder |
|------------------------------|----------------------------------|

Middle College High School (Component Unit)

An exit conference was held on November 13, 2018 at the District's offices in Gallup New Mexico. The following individuals were in attendance.

Middle College High School Officials

| | |
|---------------|------------------|
| Robert Hunter | Principal |
| Kim Brown | Business Manager |
| Tony Major | Board Member |

Hinkle + Landers, P.C.

| | |
|------------------------------|----------------------------------|
| Farley Vener, CPA, CFE, CGMA | President & Managing Shareholder |
|------------------------------|----------------------------------|