

OFFICIAL STATEMENT DATED JULY 9, 2019

\$6,500,000

LOS ALAMOS PUBLIC SCHOOL DISTRICT  
Los Alamos County, New Mexico  
General Obligation School Bonds  
Series 2019

**NEW ISSUE**

Book-Entry Only

**BANK QUALIFIED**

Moody's Rating: Enhanced Aa3 (Underlying Aa2)

**PURPOSES**

The District has an on-going school building and renovation program. Proceeds of the Bonds will be used to erect, remodel, make additions to and furnish school buildings, to improve school grounds, to provide matching funds for capital outlay projects funded pursuant to the Public School Capital Outlay Act and to pay costs of issuance.

**THE BONDS**

The Bonds are issuable as fully registered bonds and when initially issued will be registered in the name of Cede & Co., as nominee of the Depository Trust Company, New York, New York ("DTC"). Purchases of the Bonds will be made in book-entry form only, in the principal amount of \$5,000 or any integral multiple thereof, through brokers and dealers who are, or who act through a DTC Participant. Beneficial owners of the Bonds will not be entitled to receive physical delivery of bond certificates so long as DTC or a successor securities depository acts as the securities depository with respect to the Bonds. Interest on the Bonds is payable on each February 1 and August 1, commencing February 1, 2020. As long as DTC or its nominee is the registered owners of the Bonds, reference in this Official Statement to registered owner will mean Cede & Co., and payments of principal of and interest on the Bonds will be made directly to DTC by the Paying Agent. Disbursements of such payments to DTC Participants is the responsibility of DTC. See Appendix C "Book-Entry-Only System". BOKF, N.A., Albuquerque, New Mexico or its successor, is the Registrar and Paying Agent for the Bonds.

**OPTIONAL  
REDEMPTION**

The Series 2019 Bonds are subject to redemption prior to maturity as provided herein. See "THE BONDS."

**SECURITY**

The Bonds are general obligations of the Los Alamos Public School District, Los Alamos County, New Mexico, payable solely out of general (ad valorem) property taxes which are required to be levied against all taxable property in the District without limitation as to rate or amount.

**BOND AND  
TAX OPINION**

In the opinion of Modrall, Sperling, Roehl, Harris & Sisk, P.A., Bond Counsel, under existing laws, regulations, rulings and judicial decisions, and assuming compliance with certain covenants described herein, interest on the Bonds (a) is excludable from the gross income of the recipients thereof for federal income tax purposes, under Section 103 of the Internal Revenue Code of 1986, as amended, and (b) is not an item of tax preference under Section 57 of the Internal Revenue Code of 1986, as amended, for purposes of the federal alternative minimum tax imposed on individuals. Bond Counsel is also of the opinion, based on existing laws of the State of New Mexico as enacted and construed, that the Bonds and income from the Bonds are exempt from all taxation by the State of New Mexico or any political subdivision thereof.

**DELIVERY**

When, as and if issued, through DTC's facilities, on or about July 23, 2019

**DATED DATE**

Date of Delivery.

**DUE DATE**

August 1, as shown on the following page:

**General Obligation School Building Bonds, Series 2019**

<b>Year</b>	<b>Principal</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>Cusip # 54422N</b>	<b>**</b>	<b>Year</b>	<b>Principal</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>Cusip # 54422N</b>
2020	\$625,000	5.000%	1.310%	FP6		2026	\$520,000	5.000%	1.610%	FV3
2021	650,000	5.000%	1.360%	FQ4		2027	520,000	5.000%	1.680%	FW1
2022	530,000	5.000%	1.390%	FR2		2028	520,000	5.000%	1.750%	FX9
2023	520,000	5.000%	1.420%	FS0		2029	520,000	3.000%	1.900%	FY7
2024	520,000	5.000%	1.480%	FT8		2030	520,000	3.000%	2.000%	FZ4
2025	520,000	5.000%	1.550%	FU5		2031	535,000	3.000%	2.100%	GAB

*\*\* - CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Capital IQ LLC on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. CUSIP numbers are included herein solely for the convenience of the owners of the Series 2019 Bonds. None of the District, the Financial Advisor nor the Underwriters shall be responsible for the selection or the correctness of the CUSIP numbers shown herein.*

**ISSUER**

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## A Few Words About Official Statements

Official statements for municipal securities issues – like this one – contain the only “official” information about a particular issue of municipal securities. This Official Statement is not an offer to sell or solicitation of an offer to buy Bonds in any jurisdiction where it is unlawful to make such offer, solicitation or sale and no unlawful offer, solicitation or sale of the Bonds may occur through this Official Statement or otherwise. This Official Statement is not a contract and provides no investment advice. Investors should consult their advisors and legal counsel with their questions about this Official Statement, the Bonds or anything else related to this issue.

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### MARKET STABILIZATION

*In connection with this Official Statement, the Underwriter may over-allot or effect transactions which stabilize and maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. The Underwriter is not obligated to do this and is free to discontinue it at any time.*

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The estimates, forecasts, projections and opinions in this Official Statement are not hard facts, and no one, including the District, guarantees them.

The District and other reliable sources have provided information for this Official Statement, with the goal of providing disclosure to investors which meets legal requirements.

The information set forth or included in this Official Statement has been provided by the District and from other sources believed by the District to be reliable. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall create any implication that there has been no change in the financial condition or operations of the District described herein since the date hereof. This Official Statement contains, in part, estimates and matters of opinion that are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinions or that they will be realized.

Bond Counsel, Modrall, Sperling, Roehl, Harris & Sisk, P.A., Albuquerque, New Mexico was not requested and did not take part in the preparation of the Official Statement nor has such firm undertaken to independently verify any of the information contained herein. Such firm has no responsibility for the accuracy or completeness of any information furnished in connection with any offer or sale of the Bonds in the Official Statement or otherwise. The legal fees to be paid to bond counsel for services rendered in connection with the issuance of the Bonds is contingent, in part, upon the sale and delivery of such Bonds and all legal fees will be paid from bond proceeds.

Any part of this Official Statement may change at any time, without prior notice. Also, important information about the District and other relevant matters may change after the date of this Official Statement.

All document summaries are just that – they are not complete or definitive, and they may omit relevant information. Such documents are qualified in their entirety to the complete documents. Any investor who wishes to review the full text of documents may request them at no cost from the District or the Financial Advisor as follows:

**District**

Los Alamos Public School District  
2075 Trinity Drive  
Los Alamos, NM 87544  
Attn: wood

**Financial Advisor**

RBC Capital Markets, LLC  
6301 Uptown Blvd. NE, Suite 110  
Albuquerque, NM 87110  
Attn: Erik Harrigan

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**Los Alamos Public School District  
Los Alamos County, New Mexico  
\$6,500,000 – General Obligation School Bonds, Series 2019**

**INTRODUCTION**

Thank you for your interest in learning more about the \$6,500,000<sup>1</sup> Los Alamos Public School District, New Mexico, General Obligation School Bonds, Series 2019 (the "Bonds"). This Official Statement will tell you about the Bonds, their security and the risks involved in an investment in the Bonds.

Although the District has approved this Official Statement, it is not intended to substitute for competent investment advice, tailored for your situation.

The Bonds are fully registered bonds in denominations of \$5,000 or integral multiples thereof as described in the Bond Resolution. The Bonds mature and bear interest as presented on the cover page of this Official Statement.

**The Issuer**

The District is a political subdivision of the State of New Mexico (the "State") organized for the purpose of operating and maintaining an educational program for the school-age children residing within its boundaries. The District encompasses approximately 109 square miles, which includes all of Los Alamos County (the "County"). The District's 2018 Assessed valuation is \$753,568,300 and its projected 40<sup>th</sup> day enrollment for school year 2018-19 is 3,689 students. See "THE DISTRICT."

**Security**

The Bonds are general obligations of the District and paid from ad valorem taxes that are levied against all taxable property within the District. Neither the State nor the County has any responsibility to pay the debt service on the Bonds.

**Limited Role of Auditors**

Except for the audited financial statements of the District for the year ended June 30, 2018, contained in Appendix B, this Official Statement presents unaudited financial and statistical information from District records and other sources.

**The Financial Advisor**

The Issuer has retained RBC Capital Markets, LLC as financial advisor (the "Financial Advisor") in connection with the preparation, authorization and issuance of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Official Statement. The fee of the Financial Advisor for services with respect to the Bonds is contingent upon the issuance and sale of the Bonds.

**Purpose**

The Bonds are being offered for the purpose of providing proceeds for erecting, remodeling, making additions to and furnishing school buildings, purchasing and improving school grounds, and purchasing computer software and hardware for student use in public school classrooms, or any combination of these purposes within the District and to pay costs of issuance of the Bonds.

The Bonds represent the second series of a total of \$13 million in bonds authorized by voters at an election held on January 24, 2017.

## Selected Debt Ratios

2018 Assessed Valuation	\$753,568,300
2018 Estimated Actual Valuation <sup>(1)</sup>	\$3,049,920,360
District's General Obligation Debt Outstanding (including this issue)	\$37,780,000
District Net General Obligation Debt	\$32,633,740
Estimated Direct & Overlapping G/O Debt	\$42,106,211
<u>District Net Debt as a % of</u>	
2018 Assessed Valuation	4.33%
2018 Estimated Actual Valuation	1.07%
<u>Direct &amp; Overlapping Debt as a % of</u>	
2018 Assessed Valuation	5.59%
2018 Estimated Actual Valuation	1.38%
Estimated Population	18,000
District Net Debt Per Capita	\$1,812.99
Direct & Overlapping Debt Per Capita	\$2,339.23

*(1) - Actual valuation is computed by adding the exemptions to the assessed valuation and multiplying the result by three.*

## THE BONDS

New Mexico law enables the District to issue the Bonds pursuant to Section 6-15-11 through Section 6-15-22, NMSA, 1978. The New Mexico Attorney General will provide a written approving opinion with respect to the Bonds.

### General Terms

The Bonds will bear interest at the rates and mature in the amounts and on the dates shown on the front cover of this Official Statement. All Bonds are fully registered in denominations of \$5,000 or integral multiples thereof in conformance with the Constitution and laws of the State and pursuant to the Bond Resolution. Bond payments will go to The Depository Trust Company ("DTC"), and DTC will then remit the payments to its participants for disbursement to the beneficial owners of the Bonds. See "**Book-Entry-Only System**" in Appendix C.

### Bond Registrar and Paying Agent

BOKF, N.A., Albuquerque, New Mexico, or its successor, will serve as Paying Agent and Registrar for the Bonds. In the Bond Resolution, the District covenants to provide a Paying Agent/Registrar at all times until the Bonds are paid, and any Paying Agent/Registrar selected by the District shall be a commercial bank, a trust company, a financial institution or any other entity, as provided by State law, duly qualified and legally authorized to serve and perform the duties of the Paying Agent/Registrar. The Registration Books for the Bonds will be maintained by the Paying Agent/Registrar containing the names and addresses of the registered owners of the Bonds. In the Bond Resolution, the District retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the District, such Paying Agent/Registrar, promptly upon the appointment of a successor, is required to deliver the Registration Books to the successor Paying Agent/Registrar.

In the event there is a change in the Paying Agent/Registrar for the Bonds the District has agreed to notify each registered owner of the Bonds affected by the change by United States mail, first-class postage prepaid, at the address in the Registration Books, stating the effective date of the change and the mailing address of the successor Paying Agent/Registrar.

### **Optional Prior Redemption**

Bonds maturing on and after August 1, 2029, are subject to prior redemption at the District's option in one or more units of \$5,000 on and after August 1, 2028 in whole or in part at any time in such order of maturities as the District may determine for the principal amount of each \$5,000 unit of principal so redeemed and accrued interest to the redemption date. If the District redeems only part of the Bonds of a given maturity, the Registrar will select those Bonds by lot.

### **Record Date**

The Record Date for the Bonds with respect to any interest payment date is the 15th day of the month (whether or not a business day) immediately preceding the interest payment date. The person in whose name any Bond is registered on any Record Date with respect to any interest payment date shall be entitled to receive the interest payable thereon on such interest payment date notwithstanding any transfer or exchange thereof subsequent to such Record Date and prior to such interest payment date.

### **Redemption Notices**

Notice of prior redemption shall be given by the Registrar by sending a copy of such notice by first-class, postage prepaid mail, not less than 30 days prior to the redemption date as shown on the registration books as of the date of selection of the bonds to be redeemed. Failure to give such notice by mailing to the registered owner of any Bond, any defect therein, shall not affect the validity of the proceedings for the redemption of any of the Bonds.

While the Bonds remain under the Book-Entry-Only System, the Paying Agent/Registrar will send notices only to DTC. Any problems from DTC through its system and on to the Bond investors will not affect the validity of the Bond redemption or any other action based on the Paying Agent/Registrar's notice. Bond investors might consider arranging to receive redemption notices or other communications from DTC which affect them, including notice of interest payments. See "Book-Entry-Only System" in Appendix C.

If the Paying Agent/Registrar gives proper redemption notice and the Paying Agent/Registrar holds money to pay the redemption price of the affected Bonds, then on the redemption date the Bonds called for redemption will become due and payable. Thereafter, no interest will accrue on those Bonds, and their owners' only right will be to receive payment of the redemption price upon surrender of those Bonds to the Registrar.

### **Transfers and Exchanges**

Registered Bond owners may surrender and transfer their Bonds at the office of the Paying Agent/Registrar. They must complete an approved transfer form and pay any taxes or governmental charges which apply to the transfer. As explained below, while DTC is the securities depository for the Bonds, it will be the sole registered owner of the Bonds.

### **Limited Book-Entry Responsibilities**

While a Book-Entry-Only System is used for the Bonds, the Paying Agent/Registrar will send redemption and other notices only to DTC. Any failure of DTC to advise any DTC Participant, or of any DTC Participant to notify any Beneficial Owner, of any notice and its content or effect will not affect the validity of sufficiency of the proceedings relating to the Bond redemption or any other action based on the notice.

The District and the Financial Advisor have no responsibility or liability for any aspects of the records relating to or payments made on account of beneficial ownership, or for maintaining, supervising or reviewing any records relating to beneficial ownership of interests in the Bonds.

The District and the Financial Advisor cannot and do not give any assurances that DTC will distribute payments to DTC Participants or that DTC Participants or others will distribute payments with respect to the Bonds received by DTC or its nominees as the holder or any redemption notices or other notices to the beneficial holders, or that they will do so on a timely basis, or that DTC will serve and act in the manner described in this Official Statement.



## SECURITY AND REMEDIES

The Bonds are general obligations of the District payable from general (ad valorem) property taxes that may be levied against all taxable property within the District without limitation of rate or amount.

The District must use all of the property taxes collected for debt service, and any other legally available money, to pay the debt service on the Bonds and other outstanding debt.

Various New Mexico laws and constitutional provisions apply to the assessment and collection of ad valorem property taxes. There is no guarantee that there will not be any changes that would have a material effect on the District.

### Limitations of Remedies

There is no provision for acceleration of maturity of the principal of the Bonds in the event of a default in the payment of principal or interest on the Bonds. Consequently, remedies available to the owners of the Bonds may be required to be enforced from year to year.

The enforceability of the rights and remedies of the owners of the Bonds, and the obligations incurred by the District in issuing the Bonds, are subject to the following: the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditor's rights generally, now or hereafter in effect; usual equity principles that may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

## NEW MEXICO SCHOOL DISTRICT ENHANCEMENT PROGRAM

The New Mexico legislature amended NMSA 1978 § 22-18-1 et. seq. in the first session of 2003 by adding Section 22-18-13 which became effective July 1, 2003. Section 22-18-13 was further amended in 2007 and provides that, if the school district indicates that it will not make the payment by the date on which it is due, the New Mexico Department of Finance and Administration ("DFA") shall forward the amount in immediately available funds necessary to make the payment due on the bonds to the paying agent from the current fiscal year's undistributed State Equalization Guarantee ("SEG") distribution to that school district and, if not otherwise repaid by the school district from other legally available funds, withhold the distributions from the school district until the amount has been recouped by the DFA, provided that, if the amount of the undistributed SEG distribution in the current fiscal year is less than the payment due on the bond, the DFA shall:

- (1) forward in immediately available funds to the paying agent an amount equal to the total amount of the school district's undistributed SEG distribution and, if not otherwise repaid by the school district from other legally available funds, withhold all distributions to the school district for the remainder of the fiscal year; and
- (2) on July 1 of the following fiscal year, forward in immediately available funds an amount equal to the remaining amount due to the paying agent from that year's SEG distribution and, if not otherwise repaid by the school district from other legally available funds, withhold an equal amount from the distribution to the school district until the amount paid has been recouped in full.

**This provision applies to all New Mexico school districts.**

Withholding of the SEG distribution may affect the District's ability to continue to operate.

The New Mexico School District Enhancement Program was initially put on watch list for possible downgrade on May 15, 2007 after the state adopted new legislation that altered the mechanics of the program. After a review of the law and policies regarding the implementation of the law, program ratings were bifurcated, with one rating applying to bonds issued prior to the March 30, 2007 effective date of the legislation and a second rating applying to bonds issued on or after the March 30, 2007 effective date. Under the new law, the State cannot immediately advance more than the remaining undistributed SEG payments for the fiscal year of default. As a result, those districts with principal and interest payments that fall in the latter part of the fiscal year or that are significant in amount relative to the district's total annual SEG distribution may not have sufficient undistributed SEG payments to cover debt service payments in the event of a default.

On June 18, 2018, Moody's downgraded the enhancement rating from "Aa2" to "Aa3" and assigned a stable outlook.

The Moody's rating for the SEG is "Aa3" and extends only to the Bonds.

Moody's has assigned the "Aa3" rating to school district bonds upon verification of a requirement in the authorizing bond resolution that an independent, third-party paying agent will be appointed and maintained. The District has qualified the Bonds under the SEG and received a rating of "Aa3" on the Bonds.

## DEBT AND OTHER FINANCIAL OBLIGATIONS

Article IX, Section 11 of the New Mexico Constitution limits the powers of a District to incur general obligation debt extending beyond the fiscal year. The District can incur such debt for the purpose of erecting, remodeling, making additions to and furnishing school buildings or purchasing or improving school grounds or any combination of these purposes but only after the proposition to create any such debt has been submitted to a vote of the qualified electors of the District, and a majority of those voting on the question vote in favor of creating the debt. The total indebtedness of the District may not exceed 6% of the assessed valuation of the taxable property within the District as shown by the last preceding general assessment. The District also may create a debt by entering into a lease-purchase arrangement to acquire education technology equipment without submitting the proposition to a vote of the qualified electors of the District, but any such debt is subject to the 6% debt limitation. The issuance of refunding bonds does not have to be submitted to a vote of the qualified electors of the District.

The assessed valuation of taxable property within the District is \$753,568,300 for the tax year 2018, as approved by the State of New Mexico Taxation and Revenue Department, Property Tax Division. The maximum general obligation indebtedness of the District may not exceed 6% of the assessed valuation or \$45,214,098.

After the Bonds are issued, the ratio of total outstanding general obligation (G/O) debt of the District to the 2018 assessed valuation will be no greater than 4.33% as summarized below:

2018 Assessed Valuation	\$753,568,300
2018 Estimated Actual Valuation <sup>(1)</sup>	3,049,920,360
Bonded Debt (Including this issue)	37,780,000
Less Debt Service Fund Balance <sup>(2)</sup>	<u>5,146,260</u>
NET DEBT	32,633,740

Ratio of Estimated Net Debt to 2018 Assessed Valuation:	4.33%
Ratio of Estimated Net Debt to 2018 Estimated Assessed Valuation:	1.07%
Per Capita Net Bonded Debt:	\$1,813
Estimated Population:	18,000

1) - Actual valuation is computed by adding the exemptions to the assessed valuation and multiplying the result by three.

(2) As of 6/1/2019, the debt service fund cash balance was \$6,078,292. The amount attributable to principal reduction is 84.67%.

## Outstanding Debt

The District has issued debt ("Outstanding Debt") in the past for various capital improvements and has never defaulted in the payment of any of its debt or other obligations. Listed below is the District's total general obligation debt outstanding including the Bonds.

Series	Original Amount Issued	Final Maturity	Principal Outstanding
2008	3,000,000	8/1/20	620,000
2009	10,000,000	8/1/21	1,775,000
2010	20,000,000	8/1/22	6,840,000
2011	6,865,000	8/1/23	1,590,000
2012	5,000,000	8/1/24	2,365,000
2013	6,900,000	8/1/25	3,850,000
2014	4,900,000	8/1/26	2,800,000
2015	8,200,000	8/1/27	5,465,000
2017	6,500,000	8/1/29	5,975,000
2019	6,500,000	8/1/30	6,500,000
	<b>\$77,865,000</b>		<b>\$37,780,000</b>

## Debt Service Requirements to Maturity

The District schedules principal and interest payments at the time of the bond sales with constraints being general obligation debt capacity and expected property tax revenues and computed at the desired tax rate. Listed below is a summary of the currently scheduled principal and interest on the District's outstanding debt as well as the proposed principal and interest payments on the Bonds.

TYE	Current Requirements			Series 2019			Total Requirements		
	Principal	Interest	Total	Principal	Coupon	Interest	Principal	Interest	Total
2019	\$5,050,000	\$845,388	\$5,895,388				\$5,050,000	\$845,388	\$5,895,388
2020	4,670,000	700,788	5,370,788	\$625,000	5.00%	\$300,022	5,295,000	1,000,810	6,295,810
2021	4,745,000	570,863	5,315,863	650,000	5.00%	262,250	5,395,000	833,113	6,228,113
2022	4,265,000	439,050	4,704,050	530,000	5.00%	229,750	4,795,000	668,800	5,463,800
2023	3,100,000	320,225	3,420,225	520,000	5.00%	203,250	3,620,000	523,475	4,143,475
2024	2,830,000	238,625	3,068,625	520,000	5.00%	177,250	3,350,000	415,875	3,765,875
2025	2,330,000	164,963	2,494,963	520,000	5.00%	151,250	2,850,000	316,213	3,166,213
2026	1,730,000	108,925	1,838,925	520,000	5.00%	125,250	2,250,000	234,175	2,484,175
2027	1,435,000	62,625	1,497,625	520,000	5.00%	99,250	1,955,000	161,875	2,116,875
2028	550,000	28,125	578,125	520,000	5.00%	73,250	1,070,000	101,375	1,171,375
2029	575,000	14,375	589,375	520,000	3.00%	47,250	1,095,000	61,625	1,156,625
2030				520,000	3.00%	31,650	520,000	31,650	551,650
2031				535,000	3.00%	16,050	535,000	16,050	551,050
	<b>\$31,280,000</b>	<b>\$3,493,950</b>	<b>\$34,773,950</b>	<b>\$6,500,000</b>		<b>\$1,716,472</b>	<b>\$37,780,000</b>	<b>\$5,210,422</b>	<b>\$42,990,422</b>

## Statement of Estimated Direct and Overlapping Debt

The following is a calculation which is useful to investors in assessing the debt load and per capita debt of the District payable from property taxes. In addition to outstanding debt of the District, the calculation takes into account debt attributable to taxing entities which is the responsibility of property taxpayers within the boundaries of the District. Revenue bonds are payable from sources other than property taxes.

	2018 Assessed Value	G/O Debt Outstanding	Percent Applicable	Amount
State of New Mexico	\$61,126,458,199	\$350,925,000	1.23%	\$4,326,211
Los Alamos County	753,568,300	-	100.00%	-
University of New Mexico - Los Alamos	753,568,300	-	100.00%	-
Los Alamos Public School District	753,568,300	37,780,000	100.00%	<u>37,780,000</u>
Total Direct & Overlapping Debt				\$42,106,211
Ratio of Estimated Direct & Overlapping Debt to 2018 Assessed Valuation:				5.59%
Ratio of Estimated Direct & Overlapping Debt to 2018 Estimated Actual Valuation:				1.38%
Per Capita Direct & Overlapping Debt:				\$2,339.23
Population:				18,000

Source: Los Alamos County Assessor's Office and individual entities

## TAX BASE

### Analysis of Assessed Valuation

Assessed Valuation of property within the District is calculated as follows: Of the total estimated actual valuation of all taxable property in the District, 33 1/3% is legally subject to ad valorem taxes. After deduction of certain exemptions, the 2018 Assessed Valuation is \$753,568,300. The actual value of personal property within the District (see "Assessments" below) is determined by the County Assessor. The actual value of certain corporate property within the District (see "Centrally Assessed" below) is determined by the State of New Mexico, Taxation and Revenue Department, Property Tax Division. The analysis of Assessed Valuation follows.

	2018	2017	2016	2015	2014
<b>Assessments</b>					
Value of Land	\$394,931,260	\$382,986,670	\$382,600,190	\$386,114,510	\$385,600,270
Improvements	607,028,870	578,490,240	546,897,360	534,353,640	519,641,690
Personal Property	7,920,170	8,109,120	8,194,380	8,390,600	8,075,980
Mobile Homes	1,910,840	1,462,350	1,357,870	1,287,580	1,278,310
Livestock	61,010	64,690	59,930	64,420	49,390
<b>Assessors Taxable Value</b>	<b>\$1,011,852,150</b>	<b>\$971,113,070</b>	<b>\$939,109,730</b>	<b>\$930,210,750</b>	<b>\$914,645,640</b>
<b>Less Exemptions</b>					
Head of Family	\$4,557,680	\$4,524,000	\$4,500,000	\$4,428,000	\$4,448,000
Veterans	4,517,380	4,436,460	4,243,650	4,516,770	4,436,910
Other	253,996,760	247,731,570	244,406,100	244,941,140	244,064,690
<b>Total Exemptions</b>	<b>\$263,071,820</b>	<b>\$256,692,030</b>	<b>\$253,149,750</b>	<b>\$253,885,910</b>	<b>\$252,949,600</b>
<b>Assessors Net Taxable Value</b>	<b>\$748,780,330</b>	<b>\$714,421,040</b>	<b>\$685,959,980</b>	<b>\$676,324,840</b>	<b>\$661,696,040</b>
<b>Centrally Assessed</b>	<b>4,787,970</b>	<b>6,048,100</b>	<b>6,165,250</b>	<b>5,762,060</b>	<b>5,601,978</b>
<b>Total Assessed Valuation</b>	<b>\$753,568,300</b>	<b>\$720,469,140</b>	<b>\$692,125,230</b>	<b>\$682,086,900</b>	<b>\$667,298,018</b>
<b>Residential</b>					
	2018	2017	2016	2015	2014
Residential	\$647,308,600	\$616,486,490	\$593,073,280	\$582,502,620	\$572,249,680
Non-Residential	\$106,259,700	\$103,982,650	\$99,051,950	\$99,584,280	95,048,338
<b>Total</b>	<b>\$753,568,300</b>	<b>\$720,469,140</b>	<b>\$692,125,230</b>	<b>\$682,086,900</b>	<b>\$667,298,018</b>

Source: Los Alamos County Assessor's Office.

## History of Assessed Valuation

Listed below is a 10-year history of assessed valuation for the District which is the Incorporated County of Los Alamos. The tax base of the District has increased 6.27% since 2009.

Tax Year	Residential	Non-Residential	Los Alamos County
2009	\$614,802,360	\$94,289,430	\$709,091,790
2010	595,822,550	95,895,700	691,718,250
2011	605,495,780	96,855,270	702,351,050
2012	606,374,330	93,332,620	699,706,950
2013	600,120,590	92,662,330	692,782,920
2014	572,249,680	95,048,338	667,298,018
2015	582,502,620	99,584,280	682,086,900
2016	593,073,280	99,051,950	692,125,230
2017	616,486,490	103,982,650	720,469,140
2018	753,598,300	106,259,700	753,568,300

Source: Los Alamos County Assessor's Office.

## Major Taxpayers

As highlighted in the table below, the ten largest taxpayers in the District for tax year 2018 have a combined assessed valuation of \$44,509,840 which represents 5.91% of the District's total 2018 assessed valuation.

Major Taxpayers	2018 Assessed Valuation	% of Total
PHC - Los Alamos Inc	\$10,844,550	1.44%
Central Park Square LLC	6,917,180	0.92%
Topvalco, Inc.	5,669,540	0.75%
Los Alamos Commerce & Development	4,490,560	0.60%
Oppenheimer Place Condo Assoc.	3,699,300	0.49%
Los Alamos National Bank	3,585,590	0.48%
Canyon Village Housing Solutions	2,886,860	0.38%
Smith's Food & Drug Center	2,210,400	0.29%
NMC Holdings LLC	2,187,070	0.29%
CC&F Los Alamos Investment Co.	2,018,790	0.27%
<b>Total</b>	<b>\$44,509,840</b>	<b>5.91%</b>

Source: Los Alamos County Assessor's Office.

## Tax Rates

Article VIII, Section 2, of the New Mexico Constitution limits the total ad valorem taxes for operational purposes levied by all overlapping governmental units within the District to \$20.00 per \$1,000 of assessed value. This limitation does not apply to levies for public debt and levies for additional taxes if authorized at an election by a majority of the qualified voters of the jurisdiction voting on the question. The following table summarizes the tax status on residential property in Los Alamos County for tax year 2018 and the previous four years. A high level of taxation may impact the District's ability to repay the Bonds.

<b>RESIDENTIAL TAX RATES - Per \$1,000 Assessed Valuation</b>					
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
State of New Mexico	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000
Los Alamos County	5.705	5.761	5.873	5.944	5.942
City of Los Alamos	3.837	3.875	3.950	3.998	1.748
Los Alamos Schools	0.326	0.330	0.336	0.340	0.340
University of New Mexico - Los Alamos	1.950	1.969	0.988	1.000	1.000
<b>Total</b>	<b>\$11.818</b>	<b>\$11.935</b>	<b>\$11.147</b>	<b>\$11.282</b>	<b>\$9.030</b>
<b>OVER 20 MILL LIMIT - Interest, Principal, Judgement, etc.</b>					
State of New Mexico	\$1.360	\$1.360	\$1.360	\$1.360	\$1.360
Los Alamos County	0.000	0.000	0.000	0.000	0.000
City of Los Alamos	0.000	0.000	0.000	0.000	0.000
Los Alamos Schools	11.909	11.938	11.867	11.788	12.194
University of New Mexico - Los Alamos	0.000	0.000	0.000	0.000	0.000
<b>Total</b>	<b>\$13.269</b>	<b>\$13.298</b>	<b>\$13.227</b>	<b>\$13.148</b>	<b>\$13.554</b>
<b>TOTAL LEVY</b>					
State of New Mexico	\$1.360	\$1.360	\$1.360	\$1.360	\$1.360
Los Alamos County	5.705	5.761	5.873	5.944	5.942
City of Los Alamos	3.837	3.875	3.950	3.998	1.748
Los Alamos Schools	12.235	12.268	12.203	12.128	12.534
University of New Mexico - Los Alamos	1.950	1.969	0.988	1.000	1.000
<b>Total Residential</b>	<b>\$25.087</b>	<b>\$25.233</b>	<b>\$24.374</b>	<b>\$24.430</b>	<b>\$22.584</b>
<b>Total Non-Residential</b>	<b>\$28.710</b>	<b>\$28.708</b>	<b>\$27.575</b>	<b>\$27.496</b>	<b>\$25.652</b>

Source: New Mexico Department of Finance & Administration.

## School Tax Rates

The following table summarizes the historical school tax levies on residential and non-residential property within the District since the 2009 tax year (2009-10 fiscal year). In February 2016, voters re-authorized the Public School Buildings Act levy (the "HB33" levy) at \$3.246 for residential property for property tax years 2016 through 2021.

Tax Year	Operational		HB 33		Debt Service	Total Residential	Non-Residential
	Residential	Non-Residential	Residential	Non-Residential			
2009	0.286	0.500	3.246	3.246	8.721	12.253	12.467
2010	0.296	0.500	3.246	3.246	8.725	12.267	12.471
2011	0.299	0.500	3.246	3.246	8.727	12.272	12.473
2012	0.310	0.500	3.246	3.246	8.760	12.316	12.506
2013	0.320	0.500	3.246	3.246	8.741	12.307	12.487
2014	0.340	0.500	3.246	3.246	8.948	12.534	12.694
2015	0.340	0.500	3.246	3.246	8.542	12.128	12.288
2016	0.336	0.500	3.246	3.246	8.621	12.203	12.367
2017	0.330	0.500	3.184	3.246	8.754	12.268	12.500
2018	0.326	0.500	3.153	3.246	8.756	12.235	12.502

Source: New Mexico Department of Finance & Administration.

## Yield Control Limitation

State law limits property tax increases from the prior property tax year. Specifically, no taxing entity may set a rate or impose a tax (excluding oil and gas production ad valorem and oil and gas production equipment ad valorem taxes) or assessment which will produce revenues which exceed the prior year's tax revenues from residential and non-residential property multiplied by a "growth control factor." The growth control factor is the percentage equal to the sum of (a) "percent change I" plus (b) the prior property tax year's total taxable property value plus "net new value", as defined by Statute, divided by such prior property tax year's total taxable property value, but if that percentage is less than 100 percent, then the growth control factor is (a) "percent change I" plus (b) 100%. "Percent change I" is based upon the annual implicit price deflator index for state and local government purchases of goods and services (as published in the United States Department of Commerce monthly publication entitled "Survey of Current Business," or any successor publication) and is a percent (not to exceed five percent) that is derived by dividing the increase in the prior calendar year (unless there was a decrease, in which case zero is used) by the index for such calendar year next preceding the prior calendar year. *The growth control factor applies to authorized operating levies and to any capital improvements levies, but does not apply to levies for paying principal and interest on public general obligation debt.*

## Developments Limiting Residential Property Tax Increases

In an effort to limit large annual increases in residential property taxes in some areas of the State (particularly the Santa Fe and Taos areas which have experienced large increases in residential property values in recent years), an amendment to the uniformity clause (Article VIII, Section 1) of the New Mexico Constitution was proposed during the 1997 Legislative Session. The amendment was submitted to voters of the State at the general election held on November 3, 1998 and was approved by a wide margin.

The amendment directs the Legislature to provide for valuation of residential property in a manner that limits annual increases in valuation. The limitation may be applied to classes of residential property taxpayers based on occupancy, age or income. Further, the limitations may be authorized statewide or at the option of a local jurisdiction and may include conditions for applying the limitations.

Bills implementing the constitutional amendment were enacted in 2001 and were codified as Sections 7-36-21.2 NMSA 1978 and 7-36-21.3 NMSA 1978.

Section 7-36-21.2 NMSA 1978 establishes a statewide limitation on residential property valuation increases beginning in tax year 2001. Annual valuation increases are limited to 3% over the prior year's valuation or 6.1% over the valuation from two years prior. Subject to certain exceptions, these limitations do not apply:



1. To property that is being valued for the first time;
2. To physical improvements made to the property in the preceding year;
3. When the property is transferred to a person other than a spouse, or a child who occupies the property as his principal residence and who qualifies for the head of household exemption on the property under the Property Tax Code;
4. When a change occurs in the zoning or use of the property; and
5. To property that is subject to the valuation limitations under Section 7-36-21.3 NMSA 1978.

On March 28, 2012, the New Mexico Court of Appeals upheld the constitutionality of a law capping residential valuation increases until a home changes ownership. This decision was appealed to the New Mexico Supreme Court. The Supreme Court affirmed this decision on June 30, 2014. The New Mexico Legislature has brought up the issue of the disparity in valuations in the past several years, but has not enacted any of the bills into law. To the extent that court or legislative action is taken or a further constitutional amendment is passed amending the valuation provisions, it could have a material impact on the valuation of residential property within the boundaries of the District.

Section 7-36-21.3 NMSA 1978 places a limitation on the increase in value for property taxation purpose for single-family dwellings occupied by low-income owners who are 65 years of age or older or who are disabled. The statute fixes the valuation of the property to the valuation in the year that the owner turned 65 or became disabled. The Section 7-36-21.3 limitation does not apply:

1. To property that is being valued for the first time;
2. To a change in valuation resulting from physical improvements made to the property in the preceding year; and
3. To a change in valuation resulting from a change in the zoning or permitted use of the property in the preceding year.

## Tax Collections

General (ad valorem) taxes for all units of government are collected by the county treasurer and distributed monthly to the various political subdivisions to which they are due.

Property taxes are due in two installments. The first half installment is due on November 10 and becomes delinquent on December 10. The second half installment is due on April 10 and becomes delinquent on May 10.

Collection statistics for all political subdivisions for which the county treasurer collects taxes are presented below:

Los Alamos County Tax Collections						
Tax Year	Fiscal Year	Net Taxes Charged to Treasurer	Current <sup>(1)</sup>		Current/Delinquent <sup>(2)</sup>	
			Current <sup>(1)</sup> Tax Collections	Collections as a % of Net Levied	Current/Delinquer Tax Collections	Collections as a % of Net Levied
2018	18/19	\$19,561,970	\$17,334,320	88.61%	\$17,334,320	88.61%
2017	17/18	18,771,146	18,441,627	98.24%	18,608,870	99.14%
2016	16/17	17,408,494	16,834,904	96.71%	17,200,404	98.80%
2015	15/16	17,183,974	16,690,916	97.13%	16,919,866	98.46%
2014	14/15	15,569,160	15,018,695	96.46%	15,278,277	98.13%
2013	13/14	15,770,349	15,376,204	97.50%	15,376,204	97.50%
2012	12/13	15,801,448	15,376,204	97.31%	15,376,204	97.31%
2011	11/12	15,698,140	15,015,951	95.65%	15,662,500	99.77%
2010	10/11	15,345,609	14,981,454	97.63%	15,326,956	99.88%
2009	09/10	16,859,063	16,365,480	97.07%	16,853,490	99.97%

(1) As of June 30 of each year. Except for tax year 2018.

(2) As of April 30, 2019.

Source: Los Alamos County Treasurer's Office

### **Interest on Delinquent Taxes**

Pursuant to Section 7-38-49, NMSA 1978, if property taxes are not paid for any reason within thirty (30) days after the date they are due, interest on the unpaid taxes shall accrue from the thirtieth (30th) days after they are due until the date they are paid. Interest accrues at the rate of 1% per month or any fraction of a month.

### **Penalty for Delinquent Taxes**

Pursuant to Section 7-38-50, NMSA 1978, if property taxes become delinquent, a penalty of 1% of the delinquent tax for each month, or any portion of a month, they remain unpaid shall be imposed, but the total penalty shall not exceed 5% of the delinquent taxes. The minimum penalty imposed is \$5.00. A county can suspend application of the minimum penalty requirement for any tax year.

If property taxes become delinquent because of an intent to defraud by the property owner, 50% of the property tax due or fifty dollars (\$50.00), whichever is greater, shall be added as a penalty.

### **Remedies Available for Non-Payment of Taxes**

Pursuant to Section 7-38-47, NMSA 1978, property taxes are the personal obligation of the person owning the property on the date on which the property was subject to valuation for property taxation purposes. A personal judgment may be rendered against the taxpayer for payment of taxes that are delinquent, together with any penalty and interest on the delinquent taxes.

Taxes on real property are a lien against the real property. Pursuant to Section 7-38-65, NMSA 1978, delinquent taxes on real property may be collected by selling the real property on which taxes are delinquent.

Pursuant to Section 7-38-53, NMSA 1978, delinquent property taxes on personal property may be collected by asserting a claim against the owner(s) of the personal property for which taxes are delinquent.

## **THE DISTRICT**

The District is a political subdivision of the State organized for the purpose of operating and maintaining an education program for school-age children residing within its boundaries.

The Los Alamos Public Schools have expanded from a one-building operation to five elementary and two secondary school complexes, as well as administrative and service offices. The District serves over 3,500 students. Student teacher ratio is small: 11-1 on average. Individualized special education programs are also offered.

### **School District Powers**

Pursuant to Chapter 27, Laws 2004 passed in the 2004 legislative session, the District's powers are subject to regulations promulgated by the Secretary of the New Mexico Public Education Department (the "Secretary") with the advice of the Public Education Commission. The Secretary of the Public Education Department ("PED") is responsible for control, management and direction of all public schools. The Public Education Commission is comprised of ten members, elected from public education districts for staggered four-year terms. Generally, the powers of the PED include determining policy of operations of all public schools; designating courses of instruction for all public schools in the State; adopting regulations for the administration of all public schools; determining qualifications for teachers, counselors, and their assistants; and prescribing minimum educational standards for all public schools. The PED may order the creation of new school districts or may require consolidation of school districts.

## Management

The District's Board of Education (the "Board"), subject to regulations of the Secretary of the PED, develops educational policies for the District. The Board employs a superintendent of schools, delegates administrative and supervisory functions to the superintendent, including fixing the salaries of all employees, reviews and approves the annual District budget, has the capacity to sue and be sued, contracts, leases, purchases and sells for the District, acquires and disposes of all property, and adopts regulations pertaining to the administration of all powers or duties of the Board. Members serve without compensation for four-year terms of office in non-partisan elections held every two years on the first Tuesday in November. The current District Board Members are:

Ellen Ben-Naim , President  
Term Expires: December 31, 2021

Stephen Boerigter, Vice President  
Term Expires: December 31, 2021

Jenny McCumber, Secretary  
Term Expires: December 31, 2019

Bill Hargraves, Member  
Term Expires: December 31, 2019

Andrea Cunningham, Member  
Term Expires: December 31, 2019

The Superintendent of Schools is selected by and serves at the discretion of the Board. All other staff members are selected by the Superintendent with the approval of the Board. The current Administrative Staff is:

Dr. Kurt Steinhaus, Superintendent, Kurt Steinhaus was born in Los Alamos, New Mexico and has dedicated his career to education in our State. Dr. Steinhaus currently serves as Superintendent of the Los Alamos Public Schools. His prior appointment was at Los Alamos National Laboratory. He has served as director of student programs, education, workforce development, scholarships, and community giving. For four years, he was part of the Lab's Executive Loan Program as Education Policy Advisory for the Governor of New Mexico. Kurt's work in education has ranged from Pre-Kindergarten through graduate school and postdocs. His workforce development assignment included technical assistance for small businesses and helping entrepreneurs recruit and develop high-quality employees. In the area of scholarships and community giving, Kurt partnered with local non-profit organizations to advance their strategic goals and meet objectives such as tutoring, mentoring, and growing tomorrow's leaders.

He has led many local, national, and international initiatives including development of the New Mexico student and teacher information system as well as President of the International Society for Technology in Education. Kurt has eleven years of experience as a teacher and department chairman as well as 12 years at the New Mexico Public Education Department (PED). His highest level at PED was Deputy Secretary of Education. He is past-President of five non-profit educational organizations and has also served as visiting professor of Graduate Education at the University of New Mexico.

His Bachelor's degree is in music education. He has two Masters Degrees, a Master of Arts in Music and a more recent Master of Science in Educational Technology from the University of Oregon. His Doctorate, from the University of New Mexico, is in Educational Leadership and Organizational Learning.

## Insurance

State Public School Insurance Authority (the "Insurance Authority") which was established to provide a comprehensive insurance program for school districts, board members and retirees and public school employees and retirees with the State. The Insurance Authority provides risk related insurance to the District such as workman's compensation, property and casualty insurance, general automobile and fire insurance and general liability insurance for the District, its property, its board members, and employees.

## Intergovernmental Agreements

The District has entered into various joint powers agreements with other governmental entities in the State which permit all the governmental entities to jointly provide certain equipment purchases and other services cooperatively.

## School Property

Currently, the District operates and maintains a variety of facilities in meeting its obligations to provide an educational program for the school-aged children residing within its boundaries. The District operates seven school sites, including one high school, one middle school, and five elementary schools. In addition to the school buildings and their contents, the District owns the land upon which school buildings and grounds are located, which include the District Administration Building and a Maintenance Shop and Custodial Center.

In addition to the regular educational program of grades kindergarten through 12, the District offers vocational programs in agriculture, home economics, horticulture, nurses' training, drafting, woodworking and technology. The District offers special education services and bilingual education.

## Student Enrollment

The District's enrollment for the 2018-19 school year and previous four years is as follows:

	2014-15	2015-16	2016-17	2017-18	2018-19
Elementary	1,572	1,573	1,615	1,617	1,620
Middle School	842	891	887	908	872
High School	1,074	1,099	1,133	1,138	1,197
<b>Total</b>	<b>3,488</b>	<b>3,563</b>	<b>3,635</b>	<b>3,663</b>	<b>3,689</b>

*40th day enrollment. Includes special education, gifted and bilingual students*

*Source: New Mexico Public Education Department and the District.*

## FINANCES OF THE EDUCATIONAL PROGRAM

The basic format for the financial operation of the District is provided by the Public Education Department through the School Budget Planning Division which is directed by State law to supervise and control the preparation of all budgets of all school districts. The District receives revenue from a variety of local, State, and federal sources, the most important of which are described below. New Mexico's public school finance laws are subject to review and examination through the judicial process, and are subject to legislative changes as well. As a result, the District cannot anticipate with certainty all of the factors which may influence the financing of its future activities. There is no assurance that there will not be any change in, interpretation of, or addition to the applicable laws, provisions, and regulations which would have a material effect, directly or indirectly, on the affairs of the District.

### Recent Legislative Action

The New Mexico State Legislature met in special session in October, 2016, to address the statewide budget deficit. The state equalization guarantee for public schools support was reduced by \$37,800,000. The effect of that reduction was to reduce the District's 2016-2017 state equalization guarantee appropriation by \$408,880. The New Mexico State Legislature additionally reduced appropriations to both the Transportation Fund and the Instructional Material Fund. The effect of that reduction was to reduce District's 2016-2017 transportation appropriation by \$78,218, and the instructional material appropriation by \$27,539. The total reduction to District's 2016-2017 operational budget was \$514,137.

Additionally, the New Mexico State Legislature met in its 2017 regular session in January. Early in the session, SB114 was enacted a reduction to school district cash balances of \$46 million (which was transferred to the State) of which \$530,023 came from the District's balances. The Governor vetoed over \$3 billion from the General Appropriations Act, including over \$700 million in general fund appropriations, none of which affected public education operational funding. These actions led to a special legislative session being held in late May that ultimately reversed these vetoes and used state capital funding to balance the budget. The District's administration had initially planned for a 3-5% reduction in State Equalization Guarantee ("SEG") payments (see "State Equalization Guarantee Program" herein), but changed direction when the New Mexico Public Education Department announced an increase in SEG of 0.3%. Ultimately, the District has \$1.6 million in operational funds as a contingency in case of further reductions.

See "LITIGATION" for a discussion of current litigation that could impact the funding of education in the State.

### District Budget Process

Each year, the school district budget process begins with the educational appropriations passed by the Legislature and signed into law by the Governor. The actual budget process follows specific steps set by the PED.

- Pursuant to instruction by the PED, the District must submit an operating budget for the next school year to the PED. If the District fails to submit a budget, the PED must prepare a District budget for the ensuing year. Upon written approval of the state superintendent [secretary], the date for the submission of the operating budget may be extended to a later date fixed by the state superintendent (Section 22-8-6).
- Before May 31 of each year, the District Board must hold a public hearing to fix the estimated budget for the next school year.
- Before June 20 of each year, the District must submit a balanced budget to the PED.
- On or before July 1 of each year, the PED must approve and certify an approved operating budget for use by the District Board.

No school board, officer or employee of a school district may make an expenditure or incur any obligation for the expenditure of public funds unless that expenditure is made in accordance with an operating budget approved by the PED. This requirement, however, does not prohibit the transfer of funds between line items within a series of a budget. Final budgets may not be altered or amended after approval by the PED except upon the District's request to the PED. An instance in which such requests will be approved include a change within the budget that does not increase the total amount of the budget. Additional budget items may also be approved if the District is to receive unanticipated revenues. Finally, if it becomes necessary to increase the District's budget by more than \$1,000 for any reason other than those listed above, the PED may order a special public hearing to consider the requested increase.

Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, and Debt Service Fund with appropriations lapsing at year end. Total expenditures of any function category may not exceed categorical appropriations.

To conform to PED's requirements, budgets for all funds of the District are adopted on the cash basis of accounting except for state instructional material credit. State instructional material funds provide for free textbooks from the PED. As a result, budgets are not prepared in conformity with generally accepted accounting principles (GAAP), and budgetary comparisons are presented on the cash basis of accounting.

### **Sources of Revenue for General Fund**

The General Fund is used to account for resources of the operational fund, student activity funds and other resources not accounted for in another fund. The sources of revenue for the District's General Fund are:

Local Revenues - Local revenues are a minor source of revenue to the District composed, in part, by a property tax annually levied on and against all of the taxable property within the District for operational purposes. The levy is limited by State law to a rate of 50 cents for each \$1,000 of net taxable value of taxable property. Other sources of local revenues include interest income earned on the District's investments, rentals and sale of property. In the fiscal year 2018 the District received \$639,788 from local sources.

Federal Revenues - Another source of annual revenue for the District's General Fund is derived from indirect costs of direct federal grant funds related to vocational, special education, various other programs and P.L. 874 federal impact moneys paid to the District in lieu of taxes on federal land located in the District. In fiscal year 2018 the District received \$8,401,666 in federal revenues for its General Fund.

State Revenues - The District's largest source of annual revenue is derived from the State Equalization Guarantee payments described below. During fiscal year 2018, the District received \$28,457,419 from state sources. Such payments represented approximately 75.9% of actual fiscal year 2018 General Fund revenues.

### **State Equalization Guarantee**

The State Legislature enacted New Mexico's current public school funding formula in 1974. Designed to distribute operational funds to local school districts in an objective manner, the funding formula is based upon the educational needs of individual students and costs of the programs designed to meet those needs. Program cost differentials are based upon nationwide data regarding the relative costs of various school programs, as well as data specific to New Mexico. The objectives of the formula are (1) to equalize educational opportunity statewide (by crediting certain local and federal support and then distributing state support in an objective manner) and (2) to retain local autonomy in actual use of funds by allowing funds to be used in local districts at the discretion of local policy making bodies. The formula is divided into three basic parts:

1. Educational program units that reflect the different costs of identified programs;
2. Training and experience units that attempt to provide additional funds so that districts may hire and retain better educated and more experienced instructional staff; and
3. Size adjustment units that recognize local school and community needs, economies of scale, types of students, marginal costs increases for growth in enrollment from one year to the next, and adjustments for the creation of new districts.

SEG payments are made monthly and prior to June 30 each fiscal year. The calculation of the distribution is also based on the local and federal revenues received from July 1 of the previous fiscal year through May 31 of the fiscal year for which the SEG distribution is being computed. In the event that a district receives more SEG funds than its entitlement, the district must make a refund to the State's general fund.

Even though the current public school funding formula has been in place for more than two decades, some districts have indicated a concern about the fact that some districts receive less revenue per pupil compared to others. In response to these concerns, the Legislature, the Governor, and the State Board of Education authorized an independent, comprehensive study of the formula, that was conducted in 1996. In its principal finding the independent consultant concluded, ". . .When evaluated on the basis of generally accepted standards of equity, the New Mexico public school

funding formula is a highly equitable formula. . . . [S]pending disparities are less than in other states and statistically insignificant.”

Despite the acknowledged equity of the formula, the independent consultant pointed out a strong perception of unfairness in the so-called “density” factor and in the training and experience computations of some districts. As a result, the Legislature enacted the following changes to the funding formula:

- Required that special education students be counted with regular students with “add-on” weights assigned depending upon the severity of the disability;
- Changed weights for special education ancillary services and included diagnosticians in ancillary services computations; and
- Repealed the so-called “density” factor and replaced it with an at-risk factor that is available to all school districts.

State Equalization Guarantee payments to the District for the past five fiscal years are as follows:

<b>Year</b>	<b>Program Unit Value</b>	<b>Amount</b>
2018-2019	\$4,159.23	\$29,072,386
2017-2018	4,053.55	28,258,606
2016-2017	3,979.63	27,253,231
2015-2016	4,027.75	27,052,653
2014-2015	4,005.75	26,371,443

*Source: New Mexico Public Education Department.*

The New Mexico PED receives Federal mineral-leasing funds from which it makes annual allocations to the school district for purchasing text books. In fiscal year 2018, the District received \$121,212 of cash and credit for textbook purchases.

The District is also reimbursed by the State for the costs of transporting pupils to and from school pursuant to the Act. These payments are based upon a formula consisting of the number of students per square mile that are transported. In fiscal year 2018 the District received \$674,256 for transportation purposes.

## Statement of Net Position

Detailed below is a history of the Statement of Net Position for the District. For a more detailed explanation of the District's basic financial statements, statement reconciliation, and Management's Discussion and Analysis, see Appendix B.

Fiscal Year Ending June 30	<b>STATEMENT OF NET POSITION</b>				
	Governmental Activities 2014	Governmental Activities 2015	Governmental Activities 2016	Governmental Activities 2017	Governmental Activities 2018
<b>ASSETS</b>					
Current assets:					
Cash & cash equivalents	\$ 19,764,346	\$ 17,574,005	\$ 22,316,165	\$ 18,015,825	\$ 25,378,505
Receivables:					
Taxes	225,796	198,394	193,978	172,746	127,756
Other	560,857	205,692	709,285	626,662	644,164
Internal balances	(392,381)	-	-		
Inventory	211,419	234,129	194,579	210,944	168,438
Noncurrent Assets	138,612,405	142,987,830	140,446,642	141,783,251	141,443,602
<b>Total Assets</b>	<u>158,982,442</u>	<u>161,200,050</u>	<u>163,860,649</u>	<u>160,809,428</u>	<u>167,762,465</u>
Deferred Outflows of Resources	-	3,340,171	5,289,136	8,742,797	31,117,712
<b>Total Assets and Deferred Outflows of Resources</b>	<u>\$ 158,982,442</u>	<u>\$ 164,540,221</u>	<u>\$ 169,149,785</u>	<u>\$ 169,552,225</u>	<u>\$ 198,880,177</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	350,229	178,457	402,267	435,069	967,896
Accrued payroll liabilities	1,336,899	1,219,665	701,702	755,441	1,183,089
Accrued compensated absences	531,112	577,915	356,915	213,156	332,810
Accrued interest	459,928	404,123	435,150	384,642	409,787
Deferred revenue	-	-	-		
Current portion of long-term obligations	5,150,000	5,050,000	4,810,000	5,030,000	4,930,000
Noncurrent liabilities	37,094,949	80,750,048	90,829,021	92,268,749	149,942,637
<b>Total Liabilities</b>	<u>44,923,117</u>	<u>88,180,208</u>	<u>97,535,055</u>	<u>99,087,057</u>	<u>157,766,219</u>
Deferred Inflows of Resources	-	5,263,329	1,757,275	784,212	8,345,021
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	101,469,365	106,183,701	107,118,126	109,583,169	84,400,164
Restricted for:					
Debt service	6,010,974	5,801,730	5,332,194	5,422,645	5,680,089
Capital projects	2,194,360	10,986,712	18,397,091	6,617,891	35,143,085
Other	-	1,325,355	1,278,638	1,079,064	1,340,040
Unrestricted	4,384,626	(53,200,814)	(62,268,594)	(53,021,813)	(93,794,441)
<b>TOTAL NET ASSETS</b>	<u>\$ 114,059,325</u>	<u>\$ 71,096,684</u>	<u>\$ 69,857,455</u>	<u>\$ 69,680,956</u>	<u>\$ 32,768,937</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 158,982,442</u>	<u>\$ 164,540,221</u>	<u>\$ 169,149,785</u>	<u>\$ 169,552,225</u>	<u>\$ 198,880,177</u>

Source: The figures above have been extracted from the District's audited financial statements. Such figures are excerpts only and do not purport to be complete. A portion of the independent audit report for year-ended June 30, 2018 is attached as Appendix B.



## Statement of Activities

Detailed below is a history of the Statement of Activities for the District. For a more detailed explanation of the District's basic financial statements, statement reconciliation, and Management's Discussion and Analysis, see Appendix B.

Fiscal Year Ending June 30	<b>STATEMENT OF ACTIVITIES</b>				
	Governmental Activities <u>2014</u>	Governmental Activities <u>2015</u>	Governmental Activities <u>2016</u>	Governmental Activities <u>2017</u>	Governmental Activities <u>2018</u>
<b>Primary Government</b>					
Instruction	\$ (14,803,785)	\$ (15,652,101)	\$ (18,088,252)	\$ (18,115,910)	\$ (24,474,901)
Student support services	(2,665,604)	(2,857,621)	(3,289,692)	(3,387,258)	(4,223,357)
Instructional support services	(961,827)	(1,060,408)	(1,255,197)	(977,617)	(1,454,441)
Other support services	-	-	-		
General administration	(474,423)	(558,624)	(632,777)	(784,902)	(927,232)
School administration	(1,239,700)	(1,287,203)	(1,563,597)	(1,625,094)	(2,154,477)
Central services	(1,257,830)	(1,193,579)	(1,319,449)	(4,289,967)	(4,576,679)
Operation & maintenance of plant	(5,383,445)	(5,777,108)	(7,478,456)	(4,480,186)	(6,288,285)
Food services	-	-	-		(72,808)
Non-operating	-	(1,152)	-		
Transportation	(607,480)	(601,057)	(711,381)	(640,601)	(638,257)
Community services	(160,091)	(178,206)	(168,826)	(165,385)	(46,400)
Bond interest paid	(1,076,560)	(904,895)	(973,695)	(834,837)	(827,481)
Depreciation, facilities & constructi	-	-	-		
Business-type activities	<u>1,785,038</u>	<u>1,399,199</u>	<u>2,534,834</u>	<u>1,768,917</u>	<u>3,291,555</u>
Total governmental activities	\$ (26,845,707)	\$ (28,672,755)	\$ (32,946,488)	\$ (33,532,840)	\$ (42,392,763)
<b>General Revenues</b>					
Property taxes for general purposes	239,792	241,942	244,936	250,464	256,095
Property taxes for debt service	6,081,515	5,967,216	5,765,104	6,000,486	6,301,484
Property taxes for capital projects	2,258,307	2,164,800	2,190,285	2,259,420	2,298,809
General Federal & State aid	24,950,238	26,332,797	26,683,509	26,233,240	27,661,951
Interest & investment earnings	109,653	105,370	56,415	74,415	118,495
Loss on disposition of capital assets					(1,129,611)
Miscellaneous	<u>(707,582)</u>	<u>(467,398)</u>	<u>254,533</u>	<u>750,233</u>	<u>1,000</u>
Total general revenues	<u>32,931,923</u>	<u>34,344,727</u>	<u>35,194,782</u>	<u>35,568,258</u>	<u>35,508,223</u>
Gain/Loss on disposal of fixed ass	-		8,600		
Total General Revenues	32,931,923	34,344,727	35,203,382	35,568,258	35,508,223
Changes in net assets	6,086,216	5,671,972	2,256,894	2,035,418	(6,884,540)
Adjustment	1,469,032	(51,312,425)	-		(30,296,317)
Net assets, beginning	<u>113,639,735</u>	<u>121,194,983</u>	<u>75,554,530</u>	<u>77,811,244</u>	<u>79,846,662</u>
Net assets, ending	<u>\$ 121,194,983</u>	<u>\$ 75,554,530</u>	<u>\$ 77,811,244</u>	<u>\$ 79,846,662</u>	<u>\$ 42,665,805</u>

Source: The figures above have been extracted from the District's audited financial statements. Such figures are excerpts only and do not purport to be complete.

A portion of the independent audit report for year-ended June 30, 2018 is attached as Appendix B.

## Balance Sheet

Listed below is the Balance Sheet. The following funds are included: General, Transportation and Instructional Materials.

### BALANCE SHEET - GOVERNMENTAL FUND <sup>(1)</sup>

<i>Fiscal Year Ending June 30</i>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b><u>ASSETS:</u></b>					
Cash and investments	\$3,961,395	\$5,539,852	\$1,979,527	\$942,351	\$2,221,931
Accounts Receivable				234,934	41,893
Taxes	6,558	6,026	6,298	5,856	4,223
Due from other governments	-	-	-		
Interfund balances	354,406	147,227	713,446	406,892	466,903
Other	16,975	49,989	23,140	23,617	
Inventory	<u>211,419</u>	<u>234,129</u>	<u>194,579</u>	<u>210,944</u>	<u>168,438</u>
<i>Total assets</i>	<i>\$4,550,753</i>	<i>\$5,977,223</i>	<i>\$2,916,990</i>	<i>\$1,824,594</i>	<i>\$2,903,388</i>
<b><u>LIABILITIES &amp; FUND BALANCES</u></b>					
<i>Current liabilities:</i>					
Accounts Payable	\$150,534	\$121,596	\$62,060	\$122,053	\$244,398
Accrued payroll liabilities	1,308,884	1,183,124	682,889	743,418	1,156,429
Interfund balances	359,208	-	-		
Deferred revenue - property taxes	<u>2,894</u>	<u>34,762</u>	<u>30,870</u>	-	<u>31,022</u>
<i>Total liabilities</i>	<i>\$1,821,520</i>	<i>\$1,339,482</i>	<i>\$775,819</i>	<i>\$865,472</i>	<i>\$1,431,851</i>
<i>Total deferred inflows of resources</i>	<u>-</u>	<u>4,745</u>	<u>1,302</u>	<u>2,461</u>	<u>404</u>
<i>Fund Balances:</i>					
Nonspendable	\$211,419	234,129	\$194,579	\$210,944	\$168,438
Restricted for:					
General Fund	2,131,924	3,945,862	1,732,027	64,030	138,942
Reserved:					
Reserved for inventory	-	-			
Assigned	385,890	390,864	214,580	411,074	777,885
Unreserved:					
Designated for next year's expenses	-	-			
Undesignated, general fund	<u>-</u>	<u>62,141</u>	<u>(1,317)</u>	<u>270,614</u>	<u>385,870</u>
<i>Total fund balance</i>	<i>\$2,729,233</i>	<i>\$4,632,996</i>	<i>\$2,139,869</i>	<i>\$956,662</i>	<i>\$1,471,135</i>
<i>Total liabilities and fund balance</i>	<i>\$4,550,753</i>	<i>\$5,977,223</i>	<i>\$2,916,990</i>	<i>\$1,824,595</i>	<i>\$2,903,390</i>

(1) Includes General, Transportation and Instructional Materials

*Source: The figures above have been extracted from the District's audited financial statements.*

*Such figures are excerpts only and do not purport to be complete.*

*A portion of the independent audit report for year-ended June 30, 2018 is attached as Appendix B.*

## Statement of Revenues, Expenditures & Changes in Fund Balances

Listed below is the Statement of Revenues, Expenditures and Changes in Fund Balances. The following funds are included: General, Transportation and Instructional Materials.

### STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCES - GOVERNMENTAL FUND <sup>(1)</sup>

<i>Fiscal Year Ending June 30</i>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b>REVENUES:</b>					
Property taxes	\$334,248	\$383,454	\$355,105	\$418,515	\$582,976
State grants	25,646,044	27,114,802	27,529,562	26,994,283	28,457,419
Federal grants	8,306,897	8,156,878	8,247,470	8,333,740	8,401,666
Miscellaneous	26,550	61,874	252,853	292,319	10,855
Investment Income	<u>16,257</u>	<u>13,296</u>	<u>13,788</u>	<u>19,749</u>	<u>45,957</u>
<i>Total revenues</i>	\$34,329,996	\$35,730,304	\$36,398,778	\$36,058,606	\$37,498,873
<b>EXPENDITURES:</b>					
Direct instruction	\$21,069,353	\$21,373,828	\$21,693,719	\$21,143,743	\$21,264,229
Student support services	3,812,952	3,967,552	4,013,257	4,012,267	3,997,580
Instruction support services	1,386,917	1,561,097	1,599,775	1,210,404	1,386,667
General administraton support services	637,562	746,065	740,747	927,128	869,060
School administration support services	1,869,435	1,907,080	2,021,743	2,039,765	2,014,156
Central services	1,908,112	1,764,282	1,727,858	1,900,173	1,615,478
Operation and maintenance of plant	4,713,218	4,853,165	4,988,904	5,306,527	5,467,105
Student transportation	905,541	953,450	1,027,055	842,956	933,959
Community services	99,595	96,484	98,872	104,827	1,303
Other support services	-	1,707	-	-	-
Capital outlay	<u>377,968</u>	<u>16,794</u>	<u>12,523</u>	<u>-</u>	<u>-</u>
<i>Total expenditures</i>	\$36,780,653	\$37,241,504	\$37,924,453	\$37,487,790	\$37,549,537
Excess (deficiency) of revenues over expenditur	<b>(\$2,450,657)</b>	<b>(\$1,511,200)</b>	<b>(\$1,525,675)</b>	<b>(\$1,429,184)</b>	<b>(\$50,664)</b>
Other financing sources (uses):					
Proceeds from sale of capital assets	-	-	8,600	-	-
Operating transfers in	2,075,000	3,455,343	145,684	400,314	800,071
Operating transfers out	<u>-</u>	<u>(21,980)</u>	<u>(1,121,736)</u>	<u>-</u>	<u>-</u>
<i>Total other financing sources (uses)</i>	2,075,000	3,433,363	(967,452)	400,314	800,071
Net changes in fund balance	<b>(\$375,657)</b>	\$1,922,163	<b>(\$2,493,127)</b>	<b>(\$1,028,870)</b>	\$749,407
Fund balances, beginning of year	\$3,104,890	\$2,729,233	\$4,632,996	\$2,139,869	\$956,662
Adjustment	<u>-</u>	<u>(18,400)</u>	<u>-</u>	<u>(154,337)</u>	<u>(234,934)</u>
Adjusted fund balances, beginning of year	<u>\$3,104,890</u>	<u>\$2,710,833</u>	<u>\$4,632,996</u>	<u>\$1,985,532</u>	<u>\$721,728</u>
Fund Balance, end of year	<u><u>\$2,729,233</u></u>	<u><u>\$4,632,996</u></u>	<u><u>\$2,139,869</u></u>	<u><u>\$956,662</u></u>	<u><u>\$1,471,135</u></u>

(1) Includes General, Transportation and Instructional Materials

Source: The figures above have been extracted from the District's audited financial statements. Such figures are excerpts only and do not purport to be complete.

A portion of the independent audit report for year-ended June 30, 2018 is attached as Appendix B.

## Other Funds Maintained by the District

### Special Revenue Funds

Special revenue funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

### Debt Service Funds

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

### Capital Projects Funds

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.

### Fiduciary Funds

Fiduciary Funds are used to account for assets held by the District as an agent for individuals, private organizations or other governments. Agency Funds are custodial in nature (assets = liabilities) and do not present results of operations or have a measurement focus. These funds relate primarily to the activities of individual schools. While these funds are under the supervision of the District and enhance the District's educational programs, they are funds of the individual schools and/or their student bodies and are not available for use by the District.

## Employee and Retirement Plan and Other Post-Employment Benefits

The District employs 615 permanent employees including 20 administrators, 316 teachers and other professional instructional personnel, 140 instructional assistants, 58 administrative support, 51 maintenance and custodial staff, and 30 full and part-time bus drivers and bus assistants.

In addition to the following discussion, Notes 11 and 12 of the District's June 30, 2018 Audited Financial Statements attached hereto as Appendix B provides additional information regarding the District's pension and other post-employment benefit plans.

### ERB Pension Plan:

Plan Description: Substantially all of the District's full-time employees participate in a public employee retirement system authorized under the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978). The Educational Retirement Board ("ERB") is the administrator of the plan, which is a cost-sharing, multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members (certified teachers and other employees of State public school districts, colleges and universities) and beneficiaries. ERB issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. The report may be obtained by writing to ERB, P.O. Box 26129, Santa Fe, New Mexico 87502. The report is also available on ERB's website at [www.nmerb.org](http://www.nmerb.org).

Pensions Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2018, the District reported a liability of \$93,563,178 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2017 using generally accepted actuarial principles. The roll-forward incorporates the impact of the new assumptions adopted by the Board on April 21, 2017. There were no other significant events of change in benefit provisions that required and 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 the contributions to the pension plan related to the projected contributions of all participating educational institutions, actuarially determined. At June 30, 2017, the District's proportion was 0.84189% percent, which was a decrease of 0.74479% percent from its proportion measures as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$14,202,619.

On June 25, 2012, the Governmental Accounting Standards Board approved Statement No. 68 which addresses accounting and financial reporting for pensions that are provided to employees of state and local government employers through pension plans that are administered through trusts and also establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. According to Statement No. 68, the School District, as a contributor to ERB, is required to recognize its proportionate share of the collective net pension liability, pension expense, and deferred inflows or outflows of resources of the cost-sharing, multi-employer plan with ERB.

In July 2012, the ERB adopted goals of achieving 95%, plus or minus 5% funded ratio by the year 2042. To achieve this goal, the New Mexico Legislature amended the Educational Retirement Act in the 2013 legislative session (Senate Bill 115; Chapter 61, Laws 2013). The amendments increased employee contributions for members whose salary exceeds \$20,000 per year to 10.1% in Fiscal Year 2014 and 10.7% in Fiscal Year 2015 (ERB members who make less than \$20,000 contribute 7.9% of their gross salary). The legislation also kept in place scheduled increases in employer contribution rates, created a new tier membership for persons who become members of the ERB Fund on or after July 1, 2013, created certain actuarial limitations on benefits of new tier members, placed limitations on future cost of living adjustments ("COLA") for current and future retirees which are tied to the future funded ratios of the Fund, and made certain other clarifying and technical changes.

In December 2013, the New Mexico Supreme Court in *Barlett v. Cameron*, 316 P.3d 889 (N.M. 2013), rejected the claims of certain retired teachers, professors and other public education employees challenging the state constitutionality of Senate Bill 115 to the extent that it reduces the future amounts that all education retirees might receive as annual COLA. The Court held that Article XX, Section 22 of the New Mexico Constitution did not grant the retirees a right to an annual COLA based on the formula in effect on the date of their retirement for the entirety of their retirement. The Court held that in the absence of any contrary indication from the New Mexico Legislature, any future COLA to a retirement benefit is merely a year-to-year expectation that, until paid, does not create a property right under the New Mexico Constitution. Once paid, the COLA, by statute, becomes part of the retirement benefit, and a property right subject to those constitutional protections.

### Pension Plan Statistics

Following is a 5-year history of employer and employee contributions statewide, and average asset balance of the fund:

<b>Fiscal Year Ending June 30</b>	<b>Employer Contributions</b>	<b>Employee Contributions</b>	<b>Net Assets Held in Trust</b>
2014	\$362,462,537	\$268,693,991	\$11,442,171,449
2015	395,129,621	292,822,396	11,497,723,115
2016	396,988,557	293,847,970	11,532,837,951
2017	395,843,795	292,809,008	12,509,355,910
2018	388,723,983	287,323,804	12,970,300,855

*Source: New Mexico Educational Retirement Board, Financial Report.*

### Post Employment Benefits

The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) (the "RHCA") issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the post-employment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

Funding Policy: The RHCA authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at [www.nmrhca.state.nm.us](http://www.nmrhca.state.nm.us).

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

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

Payable Changes in the Net OPEB Liability. At June 30, 2018, the District reported a payable of \$58,899 for outstanding contributions due to NMRHCA for the year ended June 30, 2018.

Prior Period Adjustments and Reclassifications. The District has a prior period adjustment for Governmental Activities of (\$29,713,764) which was required for implementation of GASB Statement No. 75. The adjustment reflects a beginning net OPEB liability of (\$30,187,701) and a beginning of deferred outflow of resources-employer contributions subsequent to the measurement date of \$473,936.

The District has a prior period adjustment for Business-Type Activities of (\$347,619) which was required for implementation of GASB Statement No.75. The adjustment reflects a beginning net pension liability of (\$353,162) and a beginning of deferred outflow of resources-employer contributions subsequent to the measurement date of \$5,545.

## TAX EXEMPTION

In the opinion of Modrall, Sperling, Roehl, Harris & Sisk, P.A., Bond Counsel, to be delivered at the time of original issuance of the Bonds, under existing laws, regulations rulings and judicial decisions, and assuming compliance with covenants described herein, interest on the Bonds (a) is excludable from the gross income of the recipients thereof for federal income tax purposes, under Section 103 of the Internal Revenue Code of 1986, as amended, (b) is not an item of tax preference under Section 57 of the Internal Revenue Code of 1986, as amended, for purposes of the federal alternative minimum tax imposed on individuals. Bond Counsel is also of the opinion, based on existing laws of the State of New Mexico as enacted and construed, that the Bonds and income from the Bonds are exempt from all taxation by the State of New Mexico or any political subdivision thereof.

The Internal Revenue Code of 1986, as amended (the "Code"), imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal tax purposes of interest on obligations, such as the Bonds. The District has made various representations and warranties with respect to, and has covenanted in the resolution authorizing the Bonds and other documents, instruments and certificates to comply with certain guidelines designed to assure that interest on the Bonds will not become includible in gross income. Failure to comply with these covenants or the inaccuracy of these representations and warranties may result in interest on the Bonds being included in gross income from the date of the issue of the Bonds. The opinion of Bond Counsel assumes compliance with the covenants and the accuracy of such representations and warranties.

Although Bond Counsel will render an opinion that interest on the Bonds is excludable from gross income for federal income tax purposes, the accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. Bond Counsel expresses no opinion regarding any such consequences. Purchasers of the Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the

United States), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of Social Security or Railroad Retirement benefits, taxpayers otherwise entitled to claim the earned income credit, or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations are advised to consult their tax advisors as to the tax consequences of purchasing or owning the Bonds.

The opinions to be rendered by Bond Counsel will be based upon existing legislation as of the date of issuance and delivery of the Bonds, and Bond Counsel will express no opinion as of any date subsequent thereto or with respect to any pending legislation. From time to time, there are legislative proposals in Congress that, if enacted, could alter or amend the federal tax matters referred to above or adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. Each purchaser of the Bonds should consult his or her own tax advisor regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

## **FINANCIAL INSTITUTION INTEREST DEDUCTION**

The Code generally provides that a financial institution may not deduct that portion of its interest expense which is allocable to tax-exempt interest. The interest expense which is allocable to tax-exempt interest is an amount which bears the same ratio to the institution's interest expense as the institution's average adjusted basis of tax-exempt obligations acquired after August 7, 1986 bears to the average adjusted basis of all assets of the institution. Tax exempt obligations may be treated as if issued prior to August 7, 1986 (and therefore are not subject to this rule) if they are "qualified tax-exempt obligations" as defined in the Code and are designated for this purpose by the issuer. The District has designated the Bonds as "qualified tax-exempt obligations" for this purpose; however, under provisions of the Code dealing with financial institution preference items, certain financial institutions, including banks, are denied 20% of their otherwise allowable deduction for interest expense with respect to obligations incurred or continued to purchase or carry the Bonds. In general, interest expense with respect to obligations incurred or continued to purchase or carry the Bonds will be in an amount which bears the same ratio as the institution's average adjusted basis in the Bonds bears to the average adjusted basis of all assets of the institution.

Amendments to the Code could be enacted in the future and there is no assurance that any such future amendments which may be made to the Code will not adversely affect the ability of banks or other financial institutions to deduct any portion of its interest expense allocable to tax-exempt interest.

## **ORIGINAL ISSUE PREMIUM**

The Bonds were offered at a premium ("original issue premium") over their principal amount. For federal income tax purposes, original issue premium is amortizable periodically over the term of a bond through reductions in the holders' tax basis in the bond for determining taxable gain or loss from sale or from redemption prior to maturity. Amortizable premium is accounted for as reducing the tax-exempt interest on the bond rather than creating a deductible expense or loss. Holders of Bonds offered at an original issue premium should consult their tax advisors for an explanation of the amortization rules.

## **INTERNAL REVENUE SERVICE AUDIT PROGRAM**

The Internal Revenue Service (the "Service") has an ongoing program auditing tax-exempt obligations to determine whether, in view of the Service, interest on such tax-exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. No assurances can be given as to whether the Service will commence an audit of the Bonds. If an audit is commenced, under current procedures, the Service will treat the District as the taxpayer and the Bond owners may have no right to participate in such procedure. Neither the initial purchasers of the Bonds, the Financial Advisor nor Bond Counsel is obligated to defend the tax-exempt status of the Bonds. The District has covenanted in the Bond Resolution not to take action that would cause the interest on the Bonds to lose its exclusion from gross income except to the extent described above for the owners thereof for federal income tax purposes. None of the District, the Financial Advisor nor Bond Counsel is responsible to pay or reimburse the costs of an Bond owner with respect to any audit or litigation relating to the Bonds.

## LITIGATION

There is no litigation pending about the validity of the Bonds or the use of Bond proceeds, the corporate existence of the District or the titles of its officers or contesting or affecting the District's ability to receive taxes that could be used for Bond payments.

At the time of the original delivery of the Bonds, the District will deliver a no-litigation certificate to the effect that no litigation or administrative action or proceeding is pending or, to the knowledge of the appropriate officials, threatened, restraining or enjoining, or seeking to restrain or enjoin, the issuance and delivery of the Bonds, the effectiveness of the Bond Resolution, the levying or collection of taxes to pay the principal of and interest on the Bonds or contesting or questioning the proceedings and authority under which the Bonds have been authorized and are to be issued, sold, executed or delivered, or the validity of the Bonds.

## RATING

Moody's Investors Service has given the Bonds a rating of "Aa3". The underlying rating is Aa2. This rating reflects only the views of such rating agency, and an explanation of the significance of the ratings may be obtained only from each rating agency. There is no assurance that the rating will be obtained or will continue for any given period of time after received or that the rating will be revised downward or withdrawn entirely by the rating agency, if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of such rating may have effect on the market price of the Bond.

## LEGAL MATTERS

The opinion of Modrall, Sperling, Roehl, Harris & Sisk, P.A., Albuquerque, New Mexico, Bond Counsel, approving the legality of the Bonds and relating to the tax-exempt status of the Bonds will be furnished to the successful bidder at no cost to the successful bidder. A form of the opinion of Bond Counsel is attached hereto as Appendix D.

## CONTINUING DISCLOSURE UNDERTAKING

For the benefit of bondholders and to enable a broker, dealer or municipal securities dealer to comply with requirements of Rule 15c2-12 (the "Rule") of the United States Securities and Exchange Commission, the District has undertaken to provide to the Municipal Securities Rulemaking Board (the "MSRB") MSRB's Electronic Municipal Market Access ("EMMA"), its audited financial statements and certain financial and operating information and notices of certain enumerated events. The District will provide financial information and operating data with respect to the District of the general type included in this Official Statement under the headings "DEBT AND OTHER FINANCIAL OBLIGATIONS," "TAX BASE," "THE DISTRICT – Student Enrollment," "FINANCES OF THE EDUCATIONAL PROGRAM-State Equalization Guarantee," "Statement of Net Position", "Statement of Activities", "Balance Sheet-General Fund" and "Statement of Revenues & Expenditures & Changes in Fund Balances – General Fund." The District will update and provide this information no later than March 31 of each year, commencing March 31, 2020, for the fiscal year ending on the preceding June 30. A draft of the Continuing Disclosure Undertaking is attached hereto as Appendix E.

Any or all of such information may be incorporated by reference from other documents, as permitted by the Rule. The annual information will include audited financial statements, if the District commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, unaudited financial statements must be provided as part of the annual financial information, and audited financial statements when and if audited financial statements become available. Any such financial statements will be prepared in accordance with generally accepted accounting principles and state law requirements, as in effect from time to time. (See Note 1 of the District's audited financial statements included as Appendix B for a description of the accounting principles currently followed in the preparation of the District's audited annual financial statements.)

If the District changes its fiscal year, it may change the date by which it must provide its annual financial information to a date no later than six months after the end of its new fiscal year. In addition, the District shall provide to EMMA timely notice of any failure to provide required annual financial information on or before the filing date.

### Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following



events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of Beneficial Owners of the Bonds, if material; (8) bond calls, if material, or tender offers; (9) defeasances; (10) release, substitution or sale of property securing repayment of the security, if material; (11) rating change; (12) bankruptcy, insolvency, receivership or similar event with respect to the District or an obligated person; (13) merger, consolidation or acquisition and sale of all or substantially all assets;; (14) appointment of a successor or additional trustee, or the change of name of a trustee, if material; (15) the incurrence of a Financial Obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the District, any of which affect security holders, if material; and (16) a default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the District, any of which reflect financial difficulties.

In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described in Appendix E.

### **Compliance with Previous Continuing Disclosure Undertakings**

The District has previously entered into continuing disclosure undertakings in accordance with SEC Rule 15c2-12 with respect to certain bonds issued by the District. In connection with the Series 2006 and Series 2008 Bonds, for fiscal year 2014, the District failed to file its annual financial information and audited financial statements by the required due date of December 31st. The information was subsequently filed on March 27, 2015 and a Failure to File Notice was posted on EMMA on September 11, 2017. All bonds issued after 2008 have a disclosure due date of March 31st of each year and disclosure requirements have been met for those issues. With the FY2014 exception, for the past five years the District has filed all necessary reports and is in material compliance with its disclosure requirements.

The District intends to maintain compliance with its continuing disclosure undertakings in future years through the collective oversight and effort of District staff and private consultants, all of whom have experience and knowledge related to the District's continuing disclosure obligations. Additionally, the District formally established continuing disclosure procedures by action of the District Board on September 8, 2015.

## **DISCLOSURE CERTIFICATE**

The final certificates included in the transcript of legal proceedings will include the following: At closing the President of the Board, the Superintendent of Schools and the Assistant Superintendent of Finance & Operations will sign a certificate stating, after reasonable investigation, that to the best of their knowledge (a) no action, suit, proceeding, inquiry, or investigation, at law or in equity, before or by any court, public board, or body, is pending, or, to the best of their knowledge, threatened in any way contesting the completeness or accuracy of this Official Statement or the Final Official Statement, (b) this Official Statement or the Final Official Statement, as they pertain to the District and the Bonds, does not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading, and (c) no event affecting the District has occurred since the date of this Official Statement or the date of the Final Official Statement, which should be disclosed therein for the purpose for which it is to be used or which it is necessary to disclose therein in order to make the statements and information therein not misleading in any respect; provided, however, that the District does not make any representation concerning the pricing information contained in the Final Official Statement.

## **ADDITIONAL MATTERS**

Two lawsuits were filed challenging the funding of the State's primary and secondary education system. In March 2014, individual plaintiffs in New Mexico District Court in McKinley County brought suit against the State, and others alleging, among other things, that the State's educational funding formula violated the sufficiency of education and uniform system of public schools provision of the New Mexico Constitution and asked the court for injunctive relief ordering the State to develop a budget and funding formula that sufficiently, uniformly and equitably funded the public school system. In April 2014, individual plaintiffs in New Mexico District Court in Santa Fe County brought suit against the State, among others,

alleging, among other things, that the State has failed to provide a sufficient and uniform system of education in violation of the sufficiency, uniformity, equal protection and due process provisions of the New Mexico Constitution because of an inadequate and arbitrary funding system. The cases were consolidated and on July 20, 2018 the District Court entered its Decision on the consolidated suits which concluded that the State has failed to provide educational funding sufficient to meet its obligations under Article XII, §1 of the New Mexico Constitution, the state Constitution's Equal Protection Clause and its Due Process Clause with respect to "at risk" students. Final Judgment was entered on February 2, 2019. The State has not appealed. The Judgement does not directly affect ad valorem taxes in the State.

All summaries of the statutes, resolutions, opinions, contracts, agreements, financial and statistical data and other related reports described in this Official Statement are subject to the actual provisions of such documents. The summaries do not purport to be complete statements of such provisions and reference is made to such documents, copies of which are either publicly available or available for inspection during normal business hours at the offices of the District located at the School Administration Office, or at the offices of RBC Capital Markets, LLC, 6301 Uptown Boulevard, NE, Suite 110, Albuquerque, New Mexico 87110.

## A LAST WORD

Anything in this Official Statement involving matters of opinion or estimates – whether labeled as such or not – are just that. They are not representations of fact. They might not prove true. Neither this Official Statement nor any other written or oral information is to be construed as a contract with the registered owners of the Bonds.

The District has duly authorized the execution and delivery of this Official Statement.

/s/ Ellen Ben-Naim  
President, Board of Education

/s/ Jenny McCumber  
Secretary, Board of Education

## APPENDIX A

### ECONOMIC & DEMOGRAPHIC INFORMATION

## THE ECONOMY

### General

*The Los Alamos Public School District* is located in Los Alamos County in the heart of northern New Mexico. The District encompasses approximately 110 square miles, of which 41.3% is National Forest Service, 33.4% is DOE, 14.6% is County and private, 9% is Bandelier National Monument, and 1.7% is in the hands of General Services Administration for Federal disposal.

*Los Alamos County* (2010 Census Population 17,950), was created in 1949 from three other existing counties as a separate political subdivision by the New Mexico legislature. It was incorporated on December 10, 1968 by adoption of the Charter by the County electorate. Under the Charter and state law, the County has all of the powers granted to municipalities by statute. Los Alamos became New Mexico's 32<sup>nd</sup> county. The County is considered part of the Santa Fe Metropolitan Statistical Area (the "Santa Fe MSA"), which includes Los Alamos and Santa Fe counties.

The economy of the District is dependent upon the activities of the Los Alamos National Laboratory ("LANL") around which the County has developed. Los Alamos is evolving into more than "The Atomic City" by designating itself a superior recreation and tourism destination.

### Los Alamos National Laboratory ("LANL")

Los Alamos National Laboratory ("LANL") is one of the world's leading research institutions. Located in northern New Mexico 35 miles northwest of Santa Fe, LANL was created in 1943 to develop the atomic bomb that ended World War II. Today, LANL enhances national security by ensuring the safety and reliability of the U.S. nuclear stockpile, developing technologies to reduce threats from weapons of mass destruction, and solving problems related to energy, environment, infrastructure, health, and global security concerns. Since its creation, however, the primary responsibility of the laboratory has been to maintain the effectiveness of the nation's nuclear deterrent.

LANL, a multidisciplinary research institution engaged in strategic science on behalf of national security, is operated by Los Alamos National Security, LLC, a team composed of Bechtel National, the University of California, The Babcock & Wilcox Company, and URS for the Department of Energy's National Nuclear Security Administration. Currently, LANL employees over 10,000 people (7,200 permanent employees and 2,800 contract employees). More than three-fourths of LANL's funding comes from the National Nuclear Security Administration.

## Population

The following chart sets forth historical and current population data for Los Alamos County and the State.

Year	Los Alamos County	State of New Mexico
1960	13,037	951,023
1970	15,198	1,017,055
1980	17,599	1,303,143
1990	18,115	1,515,069
2000	18,343	1,819,046
2010	17,950	2,059,179
2018*	19,101	2,095,428
2019 <sup>(1)</sup>	19,163	2,091,198
2024 <sup>(1)</sup>	21,158	2,110,284
<b>Projected Growth 2019-2024<sup>(2)</sup></b>	<b>10.41%</b>	<b>0.91%</b>

\*Estimates. Source: U.S. Census Bureau: State and County QuickFacts

(1) Estimates. Source: Environics Analytics, April 2019.

(2) Projected. Source: Environics Analytics, April 2019.

## Age Distribution

The following table sets forth a comparative age distribution profile for Los Alamos County, the State of New Mexico and the United States.

Age	Los Alamos County	State of New Mexico	United States
0 - 17	22.0%	23.3%	22.5%
18 - 24	8.3%	9.7%	9.6%
25 - 34	9.6%	13.2%	13.5%
35 - 44	12.2%	12.0%	12.6%
45 - 54	13.4%	11.5%	12.7%
55 & Older	34.5%	30.3%	29.2%

Source: Spotlight, April 2019.

## Income

The following table reflects the percentage of households by Effective Buying Income ("EBI") and a five-year comparison of the estimated median household income as reported by The Nielsen Company. EBI is personal income less personal tax and non tax payments. Personal income includes wages and salaries, other labor income, proprietors' income, rental income, dividends, personal interest income and transfer payments. Deductions are made for federal, state and local taxes, non-tax payments such as fines and penalties, and personal contributions for social security insurance. During the period shown in the following chart, the median household income level for Los Alamos remains significantly higher than the state and national level.

Effective Buying Income Group	Los Alamos	New Mexico	United States
Under \$25,000	9.29%	26.42%	19.58%
\$25,000 - \$34,999	3.76%	10.23%	8.89%
\$35,000 - \$49,999	9.33%	13.64%	12.61%
\$50,000 - \$74,999	8.59%	17.16%	16.92%
\$75,000 & Over	69.04%	32.59%	42.00%
2015 Est. Median Household Income	\$108,003	\$45,633	\$53,706
2016 Est. Median Household Income	\$107,654	\$45,445	\$55,551
2017 Est. Median Household Income	\$108,683	\$47,043	\$57,462
2018 Est. Median Household Income	\$107,091	\$48,044	\$60,133
2019 Est. Median Household Income	\$112,863	\$49,655	\$62,279

Source: *Spotlight, 2019.*

## Gross Receipts

The following table shows the total reported gross receipts generated in Los Alamos County and the State of New Mexico. For the purposes of this table, gross receipts means the total amount of money received from selling property in the State of New Mexico, from leasing property in the State and from performing services in the State.

FYE 30-Jun	Los Alamos County		New Mexico	
	Retail	Total	Retail	Total
2018	\$146,222,361	\$3,172,587,372	\$26,770,655,797	\$114,662,938,781
2017	131,691,914	2,554,528,948	22,390,695,699	95,719,119,259
2016	135,121,489	3,126,938,692	24,532,529,977	108,784,679,530
2015	147,693,954	3,131,010,038	27,481,308,472	119,726,977,705
2014	111,533,059	2,755,572,638	24,395,913,091	107,584,899,939
2013	111,681,973	2,774,807,900	24,239,671,094	108,060,633,566
2012	102,340,594	3,330,682,460	23,914,774,137	104,221,140,556
2011	106,625,754	3,033,761,316	23,789,930,180	102,715,750,442
2010	94,611,915	2,994,206,441	24,608,799,717	94,722,576,401
2009	99,447,650	3,134,202,429	23,812,635,284	104,562,006,074

Source: *New Mexico Taxation & Revenue Dept.*

## Employment

Historically, the unemployment rates for the County have been lower than the State and national levels. The following table provides a ten year history of labor force and unemployment rates for the County, the State and the United States.

Year <sup>(1)</sup>	Los Alamos County		State of New Mexico		United States
	Labor Force	% Unemployed	Labor Force	% Unemployed	% Unemployed
2019 <sup>(2)</sup>	9,028	2.90%	950,986	4.30%	3.30%
2018	9,098	3.40%	940,359	4.90%	3.90%
2017	9,108	3.70%	936,237	5.90%	4.40%
2016	8,682	4.20%	927,355	6.70%	4.90%
2015	8,396	4.10%	919,889	6.60%	5.30%
2014	8,426	4.20%	918,206	6.50%	6.20%
2013	8,627	4.20%	922,960	6.90%	7.40%
2012	9,004	3.90%	928,050	7.10%	8.10%
2011	9,257	3.60%	929,862	7.60%	8.90%
2010	9,478	3.70%	936,088	8.10%	9.60%
2009	9,889	3.30%	940,352	7.50%	9.30%

(1) Numbers are annual averages.

(2) Data for the month of April 2019. Numbers are Preliminary.

Source: U.S. Bureau of Labor Statistics, May 2019.

## Major Employers

The following table shows major employers in Los Alamos County.

Employer	Type of Business
Los Alamos National Laboratory	Research & Development
Los Alamos County	Government
Los Alamos Public School District	Education
PHC - Los Alamos Inc	Medical
Central Park Square LLC	Real Estate Mngmt
Topvalco, Inc.	Retail
Los Alamos Commerce & Development	Financial
Oppenheimer Place Condo Assoc.	Maintenance & Operations Services
Los Alamos National Bank	Financial
Canyon Village Housing Solutions	Real Estate Mngmt
Smith's Food & Drug Center	Retail
NMC Holdings LLC	Medical
CC&F Los Alamos Investment Co.	Financial

Source: Los Alamos County May 2019



## Covered Wage and Salary Employment by Major Industrial Sector

The New Mexico Department of Workforce Solutions publishes quarterly reports of covered employment and wages according to the [North American Industry Classification System \(NAICS\)](#).

	2014	2015	2016	2017	2018 <sup>(1)</sup>
Grand Total	15,264	15,352	15,817	16,394	16,279
Total All Private	13,471	13,588	14,027	14,628	14,472
Accommodation and Food Services	447	426	430	477	456
Administrative and Waste Services	629	695	706	732	693
Arts, Entertainment, and Recreation	79	96	105	104	44
Construction	173	207	200	197	191
Educational Services	118	61	53	62	70
Finance and Insurance	318	278	266	232	181
Health Care and Social Assistance	832	836	888	883	882
Information	50	51	47	48	55
Management of Companies and Enterprises	*	*	*	*	*
Manufacturing (31-33)	55	73	87	94	106
Mining	*	*	*	*	*
Other Services, Ex. Public Admin	282	286	285	276	288
Professional and Technical Services	9,858	*	*	*	*
Real Estate and Rental and Leasing	87	81	82	80	88
Retail Trade (44-45)	484	542	535	498	487
Transportation and Warehousing (48-49)	*	*	*	*	*
Wholesale Trade	50	46	40	33	26
Total Government	1,793	1,764	1,790	1,766	1,807

(1) Data as of Fourth Quarter of 2018

\* Withheld to avoid disclosing confidential data. Data that are not disclosed for individual industries are always included in the totals. Therefore, the individual industries may not sum to the totals.

Note: Figures shown here are annual averages of quarterly data.

Source: New Mexico Department of Workforce Solutions, Quarterly Census of Employment and Wages program.

**APPENDIX B**

**JUNE 30, 2018  
AUDITED FINANCIAL STATEMENTS**

Los Alamos Public Schools  
Financial Statements  
For the Year Ended June 30, 2018



**Los Alamos**  
PUBLIC SCHOOLS

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**STATE OF NEW MEXICO**  
 Los Alamos Public Schools  
 June 30, 2018  
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**STATE OF NEW MEXICO**  
 Los Alamos Public Schools  
 June 30, 2018  
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**STATE OF NEW MEXICO**  
Los Alamos Public Schools  
June 30, 2018

<u>Name</u>	<u>Board of Education</u>	<u>Title</u>
Jenny McCumber		President
Andrea Cunningham		Vice President
Ellen Ben-Naim		Member
Bill Hargraves		Member
Stephen Boerigter		Member
	<u>Administrative Officials</u>	
Dr. Kurt Steinhaus		Superintendent
Lisa Montoya		Assistant Superintendent for Finance and Operations
Teresa Gatewood		Comptroller

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## INDEPENDENT AUDITORS' REPORT

Board of Education and Management  
Los Alamos Public Schools  
Wayne Johnson  
New Mexico State Auditor  
U.S. Office of Management and Budget  
Los Alamos, New Mexico

### Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, the aggregate remaining fund information, and the budgetary comparison of the General Fund of Los Alamos Public Schools (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

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

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

## Opinions

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

## Other Matters

### *Required Supplementary Information*

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

Accounting principles generally accepted in the United States of America require Schedules A-1 through B-2 and notes to the Required Supplementary Information on pages 70 through 77 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, the combining and individual fund financial statements, the combining financial statements for the general fund and related budgetary comparisons, the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Supporting Schedules I through IV required by 2.2.2 NMAC are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

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

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 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.

A handwritten signature in blue ink that reads "Cordova CPAs LLC". The signature is written in a cursive, flowing style.

Cordova CPAs LLC  
Albuquerque, New Mexico  
November 9, 2018

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**BASIC  
FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO**  
Los Alamos Public Schools  
Statement of Net Position  
June 30, 2018

	<b>Primary Government</b>			
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Component Unit</b>
<b>Assets</b>				
Current assets				
Cash and cash equivalents	\$ 14,596,693	\$ 5,919,422	\$20,516,115	\$ 17,729
Investments	10,781,812	4,001,851	14,783,663	-
Receivables:				
Property taxes	127,756	-	127,756	-
Due from other governments	637,916	1,200,000	1,837,916	-
Internal balances	6,248	(6,248)	-	-
Inventory	168,438	-	168,438	-
	26,318,863	11,115,025	37,433,888	17,729
Total current assets				
Noncurrent assets				
Restricted cash and cash equivalents	5,999,766	-	5,999,766	96,612
Investments	-	-	-	276,279
Capital assets	175,552,494	-	175,552,494	515
Less: accumulated depreciation	(40,108,658)	-	(40,108,658)	(361)
	141,443,602	-	141,443,602	373,045
Total noncurrent assets				
	167,762,465	11,115,025	178,877,490	390,774
<i>Total assets</i>				
<b>Deferred outflows of resources</b>				
Deferred outflows- pension	30,639,377	376,490	31,015,867	-
Deferred outflows- OPEB	478,335	5,596	483,931	-
	31,117,712	382,086	31,499,798	-
<i>Total deferred outflows of resources</i>				
	\$ 198,880,177	\$ 11,497,111	210,377,288	\$ 390,774
<i>Total assets and deferred outflows of resources</i>				

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

	<b>Primary Government</b>			<b>Component Unit</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
<b>Liabilities</b>				
Current liabilities				
Accounts payable	\$ 967,896	\$ 100,045	1,067,941	\$ -
Accrued payroll	1,183,089	10,791	1,193,880	2,550
Accrued interest	409,787	-	409,787	-
Accrued compensated absences	332,810	-	332,810	-
Current portion of bonds payable	4,930,000	-	4,930,000	-
<b>Total current liabilities</b>	<b>7,823,582</b>	<b>110,836</b>	<b>7,934,418</b>	<b>2,550</b>
Noncurrent liabilities				
Accrued compensated absences	229,302	-	229,302	-
Bonds payable	31,280,000	-	31,280,000	-
Bond premium, net of accumulated amortization of \$608,605	956,776	-	956,776	-
Net pension liability	92,461,626	1,101,552	93,563,178	-
Net OPEB liability	25,014,933	292,648	25,307,581	-
<b>Total noncurrent liabilities</b>	<b>149,942,637</b>	<b>1,394,200</b>	<b>151,336,837</b>	<b>-</b>
<b>Total liabilities</b>	<b>157,766,219</b>	<b>1,505,036</b>	<b>159,271,255</b>	<b>-</b>
<b>Deferred inflows of resources</b>				
Deferred inflows- pension	2,651,681	28,601	2,680,282	-
Deferred inflows- OPEB	5,693,340	66,606	5,759,946	-
<b>Total deferred inflows of resources</b>	<b>8,345,021</b>	<b>95,207</b>	<b>8,440,228</b>	<b>-</b>
<b>Net position</b>				
Net investment in capital assets	84,400,164	-	84,400,164	-
Restricted for:				
Debt service	5,680,089	-	5,680,089	-
Capital projects	35,143,085	-	35,143,085	-
Special revenue	1,340,040	-	1,340,040	-
Scholarships & endowments	-	-	-	372,891
Unrestricted	(93,794,441)	9,896,868	(83,897,573)	15,333
<b>Total net position</b>	<b>32,768,937</b>	<b>9,896,868</b>	<b>42,665,805</b>	<b>388,224</b>
<b>Total liabilities, deferred inflows of resources, and net position</b>	<b>\$ 198,880,177</b>	<b>\$ 11,497,111</b>	<b>210,377,288</b>	<b>\$ 390,774</b>

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

**STATE OF NEW MEXICO**  
Los Alamos Public Schools  
Statement of Activities  
For the Year Ended June 30, 2018

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Primary government:</b>				
<b>Governmental Activities:</b>				
Instruction	\$ 30,658,522	\$ 589,446	\$ 5,467,829	\$ 126,346
Support services - students	5,290,395	101,714	943,522	21,802
Support services - instruction	1,821,907	35,028	324,930	7,508
Support services - general administration	1,161,499	22,331	207,149	4,787
Support services - school administration	2,698,809	51,888	481,322	11,122
Central services	5,732,983	110,223	1,022,455	23,626
Operation and maintenance of plant	7,877,030	151,445	1,404,838	32,462
Student transportation	1,312,363	-	674,106	-
Food services operations	72,808	-	-	-
Community services operations	58,123	1,117	10,366	240
Interest and other charges	827,481	-	-	-
<i>Total governmental activities</i>	<u>57,511,920</u>	<u>1,063,192</u>	<u>10,536,517</u>	<u>227,893</u>
<b>Business-type activities:</b>				
Land sale	-	-	-	-
Leased facilities	966,529	4,258,084	-	-
<i>Total business-type activities</i>	<u>966,529</u>	<u>4,258,084</u>	<u>-</u>	<u>-</u>
<i>Total Primary Government</i>	<u>\$ 58,478,449</u>	<u>\$ 5,321,276</u>	<u>\$ 10,536,517</u>	<u>\$ 227,893</u>
<b>Component Unit:</b>				
Los Alamos Education Foundation	<u>\$ 198,401</u>	<u>\$ 32,364</u>		

**General Revenues:**

Taxes:

Property taxes, levied for operating programs

Property taxes, levied for debt services

Property taxes, levied for capital projects

State equalization guarantee

Investment income

Loss on disposition of capital assets

Gain (loss) on investments

Miscellaneous income

Transfers

Contributed capital

Donations

Total general revenues

Change in net position

Net position, beginning

Net position - restatement (Note 12)

Net position - reclassification (Note 12)

Net position - as restated and reclassified

*Net position, ending*

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



**Net (Expense) Revenue and Changes in Net Position**

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Component Unit</b>
\$ (24,474,901)	\$ -	\$ (24,474,901)	\$ -
(4,223,357)	-	(4,223,357)	-
(1,454,441)	-	(1,454,441)	-
(927,232)	-	(927,232)	-
(2,154,477)	-	(2,154,477)	-
(4,576,679)	-	(4,576,679)	-
(6,288,285)	-	(6,288,285)	-
(638,257)	-	(638,257)	-
(72,808)	-	(72,808)	-
(46,400)	-	(46,400)	-
(827,481)	-	(827,481)	-
<u>(45,684,318)</u>	<u>-</u>	<u>(45,684,318)</u>	<u>-</u>
-	-	-	-
-	3,291,555	3,291,555	-
-	3,291,555	3,291,555	-
<u>\$ (45,684,318)</u>	<u>\$ 3,291,555</u>	<u>\$ (42,392,763)</u>	<u>-</u>
			<u>(166,037)</u>
256,095	-	256,095	-
6,301,484	-	6,301,484	-
2,298,809	-	2,298,809	-
27,661,951	-	27,661,951	-
100,227	18,268	118,495	16,935
(1,129,611)	-	(1,129,611)	-
-	-	-	9,247
1,000	-	1,000	-
938,671	(938,671)	-	-
2,246,038	(2,246,038)	-	-
-	-	-	162,409
<u>38,674,664</u>	<u>(3,166,441)</u>	<u>35,508,223</u>	<u>188,591</u>
<u>(7,009,654)</u>	<u>125,114</u>	<u>(6,884,540)</u>	<u>22,554</u>
69,680,956	10,165,706	79,846,662	365,670
(29,948,698)	(347,619)	(30,296,317)	-
46,333	(46,333)	-	-
<u>39,778,591</u>	<u>9,771,754</u>	<u>49,550,345</u>	<u>365,670</u>
<u>\$ 32,768,937</u>	<u>\$ 9,896,868</u>	<u>\$ 42,665,805</u>	<u>\$ 388,224</u>

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

**STATE OF NEW MEXICO**  
Los Alamos Public Schools  
Balance Sheet  
Governmental Funds  
June 30, 2018

	<b>General Fund 11000, 13000, 14000</b>	<b>Bond Building Capital Projects Fund 31100</b>	<b>Capital Improvements HB-33 Capital Projects Fund 31600</b>
<i>Assets</i>			
Cash and cash equivalents	\$ 2,221,931	\$ 6,123,228	\$ 4,936,083
Investments	41,893	8,184,737	2,555,182
Receivables:			
Property taxes	4,223	-	33,423
Due from other governments	-	-	-
Inventory	168,438	-	-
Due from other funds	466,903	89,400	67,634
<i>Total assets</i>	<u>\$ 2,903,388</u>	<u>\$ 14,397,365</u>	<u>\$ 7,592,322</u>
<i>Liabilities, deferred inflows of resources, and fund balances</i>			
<i>Liabilities</i>			
Accounts payable	\$ 244,398	\$ 520,469	\$ 203,029
Accrued payroll	1,156,429	-	-
Due to other funds	31,022	-	-
<i>Total liabilities</i>	<u>1,431,849</u>	<u>520,469</u>	<u>203,029</u>
<i>Deferred inflows of resources</i>			
Unavailable revenue - property taxes	404	-	2,849
<i>Total deferred inflows of resources</i>	<u>404</u>	<u>-</u>	<u>2,849</u>
<i>Fund balances</i>			
Nonspendable:			
Inventory	168,438	-	-
Spendable:			
Restricted for:			
Transportation	12,006	-	-
Instructional materials	126,936	-	-
Food services	-	-	-
Extracurricular activities	-	-	-
Education	-	-	-
Capital acquisitions and improvements	-	13,876,896	7,386,444
Debt service	-	-	-
Committed for:			
Subsequent year's expenditures	777,885	-	-
Unassigned	385,870	-	-
<i>Total fund balances</i>	<u>1,471,135</u>	<u>13,876,896</u>	<u>7,386,444</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 2,903,388</u>	<u>\$ 14,397,365</u>	<u>\$ 7,592,322</u>

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

<b>Debt Service Fund 41000</b>	<b>Other Governmental Funds</b>	<b>Total</b>
\$ 5,999,766	\$ 1,315,451	\$ 20,596,459
-	-	10,781,812
90,110	-	127,756
-	637,916	637,916
-	-	168,438
-	-	623,937
<u>\$ 6,089,876</u>	<u>\$ 1,953,367</u>	<u>\$ 32,936,318</u>
-	-	967,896
-	26,660	1,183,089
-	586,667	617,689
-	613,327	2,768,674
<u>7,075</u>	<u>-</u>	<u>10,328</u>
<u>7,075</u>	<u>-</u>	<u>10,328</u>
-	-	168,438
-	-	12,006
-	-	126,936
-	48,525	48,525
-	1,209,822	1,209,822
-	90,246	90,246
-	-	21,263,340
6,082,801	-	6,082,801
-	-	777,885
-	(8,553)	377,317
<u>6,082,801</u>	<u>1,340,040</u>	<u>30,157,316</u>
<u>\$ 6,089,876</u>	<u>\$ 1,953,367</u>	<u>\$ 32,936,318</u>

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

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**STATE OF NEW MEXICO**  
Los Alamos Public Schools  
Reconciliation of the Balance Sheet to the Statement of Net Position  
Governmental Funds  
June 30, 2018

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

Fund balances - total governmental funds	\$ 30,157,316
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds	135,443,836
Delinquent property taxes not collected within sixty days after year end are not considered "available" revenues and are considered to be unavailable revenue in the fund financial statements, but are considered revenue in the Statement of Activities	10,328
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and therefore, are not reported in funds:	
Deferred outflows - pensions	30,639,377
Deferred outflows - OPEB	478,335
Deferred inflows - pensions	(2,651,681)
Deferred outflows - OPEB	(5,693,340)
Liabilities, including bonds payable, and net pension and OPEB liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Accrued compensated absences not due and payable	(562,112)
Accrued interest payable	(409,787)
Bonds payable	(36,210,000)
Bond premiums (net of amortization)	(956,776)
Net pension liability	(92,461,626)
Net OPEB liability	<u>(25,014,933)</u>
<i>Total net position - governmental activities</i>	<u><u>\$ 32,768,937</u></u>

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

**STATE OF NEW MEXICO**  
Los Alamos Public Schools  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2018

	<b>General Fund 11000, 13000, 14000</b>	<b>Bond Building Capital Projects Fund 31100</b>	<b>Capital Improvements HB-33 Capital Projects Fund 31600</b>
<i>Revenues</i>			
Property taxes	\$ 258,152	\$ -	\$ 2,313,362
Intergovernmental revenue:			
Federal flowthrough	-	-	-
Federal direct	8,401,666	-	-
Local sources	41,098	-	-
State flowthrough	10,855	-	9,926
State direct	27,783,163	-	-
Transportation distribution	674,256	-	-
Charges for services	283,726	-	-
Investment income	45,957	35,380	17,454
Miscellaneous	-	-	-
<b>Total revenues</b>	<b>37,498,873</b>	<b>35,380</b>	<b>2,340,742</b>
<i>Expenditures</i>			
Current:			
Instruction	21,264,229	-	-
Support services - students	3,997,580	-	-
Support services - instruction	1,386,667	-	-
Support services - general administration	869,060	-	23,111
Support services - school administration	2,014,156	-	-
Central services	1,615,478	-	-
Operation and maintenance of plant	5,467,105	-	-
Student transportation	933,959	-	-
Food services operations	-	-	-
Community services operations	1,303	-	-
Capital outlay	-	1,939,339	1,561,479
Debt service:			
Principal	-	-	-
Interest	-	-	-
<b>Total expenditures</b>	<b>37,549,537</b>	<b>1,939,339</b>	<b>1,584,590</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(50,664)</b>	<b>(1,903,959)</b>	<b>756,152</b>
<i>Other financing sources (uses)</i>			
Transfers in	800,071	-	-
Bond premium	-	354,650	-
Bond proceeds	-	6,500,000	-
<b>Total other financing sources (uses)</b>	<b>800,071</b>	<b>6,854,650</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>749,407</b>	<b>4,950,691</b>	<b>756,152</b>
<i>Fund balances - as originally stated</i>	956,662	8,926,205	6,630,292
<i>Fund balances - reclassification (note 12)</i>	(234,934)	-	-
<i>Fund balances - beginning as reclassified</i>	721,728	8,926,205	6,630,292
<b>Fund balances - end of year</b>	<b>\$ 1,471,135</b>	<b>\$ 13,876,896</b>	<b>\$ 7,386,444</b>

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

<b>Debt Service Fund 41000</b>	<b>Other Governmental Funds</b>	<b>Total</b>
\$ 6,340,339	\$ -	\$ 8,911,853
-	926,341	926,341
-	40,436	8,442,102
-	44,327	85,425
-	494,292	515,073
-	-	27,783,163
-	-	674,256
-	779,467	1,063,193
1,339	97	100,227
-	1,000	1,000
<u>6,341,678</u>	<u>2,285,960</u>	<u>48,502,633</u>
-	1,648,116	22,912,345
-	314,818	4,312,398
-	9,487	1,396,154
63,326	1,073	956,570
-	-	2,014,156
-	9,550	1,625,028
-	211	5,467,316
-	-	933,959
-	72,808	72,808
-	44,501	45,804
-	217,966	3,718,784
5,030,000	-	5,030,000
926,908	-	926,908
<u>6,020,234</u>	<u>2,318,530</u>	<u>49,412,230</u>
<u>321,444</u>	<u>(32,570)</u>	<u>(909,597)</u>
-	138,600	938,671
-	-	354,650
-	-	6,500,000
<u>-</u>	<u>138,600</u>	<u>7,793,321</u>
<u>321,444</u>	<u>106,030</u>	<u>6,883,724</u>
5,761,357	1,187,677	23,462,193
-	46,333	(188,601)
<u>5,761,357</u>	<u>1,234,010</u>	<u>23,273,592</u>
<u>\$ 6,082,801</u>	<u>\$ 1,340,040</u>	<u>\$ 30,157,316</u>

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

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**STATE OF NEW MEXICO**  
**Los Alamos Public 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	\$ 6,883,724
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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	2,169,577
Contributed capital	2,246,038
Depreciation expense	(3,933,100)
Loss on disposition of capital assets	(1,129,611)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds:

Change in unavailable revenue related to property taxes receivable	(55,465)
--	----------

Governmental funds report District pension and OPEB contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension and OPEB expense:

District pension contributions subsequent to measurement date	3,322,623
District OPEB contributions subsequent to measurement date	478,335
Net Pension expense	(14,202,619)
Net OPEB expense	(994,509)

The issuance of long-term debt (e.g. bonds, notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities:

Original issue bond premiums	(354,650)
Current year amortization of bond premiums and discounts	121,645
Bond proceeds	(6,500,000)
Increase in accrued compensated absences not due and payable	(66,497)
Increase in accrued interest payable	(25,145)
Principal payments on bonds	5,030,000

<i>Change in net position of governmental activities</i>	<u>\$ (7,009,654)</u>
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The accompanying notes are an integral part of these financial statements.

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**STATE OF NEW MEXICO**  
 Los Alamos Public Schools  
 General Fund - 11000, 13000, 14000  
 Statement of Revenues, Expenditures, and Changes in  
 Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual  
 For the Year Ended June 30, 2018

Exhibit C-1

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variances</b>
	<b>Original</b>	<b>Final</b>		<b>Favorable (Unfavorable) Final to Actual</b>
<i>Revenues</i>				
Property taxes	\$ 248,799	\$ 248,799	\$ 256,794	\$ 7,995
Intergovernmental revenue:				
Federal direct	8,357,046	8,358,804	8,401,666	42,862
Local sources	20,134	20,134	41,098	20,964
State flowthrough	-	-	53,363	53,363
State direct	27,718,240	27,839,768	27,783,163	(56,605)
Transportation distribution	674,106	674,106	674,256	150
Charges for services	285,734	1,085,734	283,726	(802,008)
Investment income	12,000	12,000	45,957	33,957
<b>Total revenues</b>	<b>37,316,059</b>	<b>38,239,345</b>	<b>37,540,023</b>	<b>(699,322)</b>
<i>Expenditures</i>				
Current:				
Instruction	21,820,615	21,685,147	21,294,193	390,954
Support services - students	3,990,699	4,490,699	4,011,368	479,331
Support services - instruction	1,238,132	1,297,632	1,386,667	(89,035)
Support services - general administration	964,002	964,002	876,646	87,356
Support services - school administration	2,177,506	2,177,506	2,014,156	163,350
Central services	1,582,106	1,676,806	1,627,114	49,692
Operation and maintenance of plant	4,881,599	5,237,399	5,363,122	(125,723)
Student transportation	965,732	965,732	936,270	29,462
Other support services	25,115	142,869	-	142,869
Community services operations	81,627	12,627	1,303	11,324
<b>Total expenditures</b>	<b>37,727,133</b>	<b>38,650,419</b>	<b>37,510,839</b>	<b>1,139,580</b>
<i>Excess (deficiency) of revenues over expenditures</i>	<b>(411,074)</b>	<b>(411,074)</b>	<b>29,184</b>	<b>440,258</b>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	411,074	411,074	-	(411,074)
Transfers in	-	-	800,071	800,071
<b>Total other financing sources (uses)</b>	<b>411,074</b>	<b>411,074</b>	<b>800,071</b>	<b>388,997</b>
<i>Net change in fund balance</i>	-	-	829,255	829,255
<i>Fund balance - beginning of year</i>	-	-	840,678	840,678
<i>Fund balance - restatement (note 17)</i>	-	-	(126,657)	(126,657)
<i>Fund balance - beginning as restated</i>	-	-	714,021	714,021
<i>Fund balance - end of year</i>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,543,276</b>	<b>\$ 1,543,276</b>
Net change in fund balance (Non-GAAP Budgetary Basis)				\$ 829,255
Adjustments to revenues for taxes and intergovernmental revenue				(41,150)
Adjustments to expenditures for supplies and payroll expenditures				(38,698)
<i>Net change in fund balance (GAAP Basis)</i>				<b>\$ 749,407</b>

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

**STATE OF NEW MEXICO**  
Los Alamos Public Schools  
Statement of Net Position  
Proprietary Funds  
June 30, 2018

	<b>Land Sale 61000</b>	<b>Leased Facilities 62000</b>	<b>Total</b>
<b>Assets</b>			
<i>Current assets</i>			
Cash and cash equivalents	\$ -	\$ 5,919,422	\$ 5,919,422
Investments	-	4,001,851	4,001,851
Due from other governments	-	1,200,000	1,200,000
<i>Total current assets</i>	<u>-</u>	<u>11,121,273</u>	<u>11,121,273</u>
<i>Noncurrent assets</i>			
Capital assets	-	-	-
Less: accumulated depreciation	-	-	-
<i>Total noncurrent assets</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total assets</i>	<u>-</u>	<u>11,121,273</u>	<u>11,121,273</u>
<b>Deferred outflows of resources</b>			
Deferred outflows- pension	-	376,490	376,490
Deferred outflows- OPEB	-	5,596	5,596
<i>Total deferred outflows of resources</i>	<u>-</u>	<u>382,086</u>	<u>382,086</u>
<i>Total assets and deferred outflows of resources</i>	<u>\$ -</u>	<u>\$ 11,503,359</u>	<u>\$ 11,503,359</u>

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

**STATE OF NEW MEXICO**  
Los Alamos Public Schools  
Statement of Net Position  
Proprietary Funds  
June 30, 2018

Exhibit D-1

	<b>Land Sale 61000</b>	<b>Leased Facilities 62000</b>	<b>Total</b>
<b>Liabilities</b>			
<i>Current liabilities</i>			
Accounts payable	\$ -	\$ 100,045	\$ 100,045
Accrued payroll	-	10,791	10,791
Due to other funds	-	6,248	6,248
<i>Total current liabilities</i>	-	117,084	117,084
<i>Noncurrent liabilities</i>			
Net pension liability	-	1,101,552	1,101,552
Net OPEB Liability	-	292,648	292,648
<i>Total noncurrent liabilities</i>	-	1,394,200	1,394,200
<i>Total liabilities</i>	-	1,511,284	1,511,284
<b>Deferred inflows of resources</b>			
Deferred inflows- pension	-	28,601	28,601
Deferred inflows- OPEB	-	66,606	66,606
<i>Total deferred inflows of resources</i>	-	95,207	95,207
<b>Net position</b>			
Unrestricted	-	9,896,868	9,896,868
<i>Total net position</i>	-	9,896,868	9,896,868
<i>Total liabilities, deferred inflows of resources and net position</i>	\$ -	\$ 11,503,359	\$ 11,503,359

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

**STATE OF NEW MEXICO**  
Los Alamos Public Schools  
Statement of Revenues, Expenses, and Changes in Net Position  
Proprietary Funds  
For the Year Ended June 30, 2018

Exhibit D-2

	<b>Land Sale 61000</b>	<b>Leased Facilities 62000</b>	<b>Total</b>
<i>Operating revenues</i>			
Charges for services	\$ -	\$ 4,258,084	\$ 4,258,084
<i>Total operating revenues</i>	<u>-</u>	<u>4,258,084</u>	<u>4,258,084</u>
<i>Operating expenses</i>			
Payroll costs	-	479,527	479,527
Contractual services	-	11,179	11,179
Other operating costs	-	475,823	475,823
<i>Total operating expenses</i>	<u>-</u>	<u>966,529</u>	<u>966,529</u>
<i>Operating income (loss)</i>	<u>-</u>	<u>3,291,555</u>	<u>3,291,555</u>
<i>Non-operating revenues (expenses)</i>			
Investment income	60	18,208	18,268
<i>Total non-operating revenues (expenses)</i>	<u>60</u>	<u>18,208</u>	<u>18,268</u>
<i>Income (loss) before contributions and transfers</i>	<u>60</u>	<u>3,309,763</u>	<u>3,309,823</u>
Transfers (out)	(71)	(938,600)	(938,671)
Contributed capital	(456,016)	(1,790,022)	(2,246,038)
<i>Change in net position</i>	<u>(456,027)</u>	<u>581,141</u>	<u>125,114</u>
<i>Total net position, beginning of year</i>	456,027	9,709,679	10,165,706
<i>Total net position, restatement (Note 12)</i>	-	(347,619)	(347,619)
<i>Total net position, reclassification (Note 12)</i>	<u>-</u>	<u>(46,333)</u>	<u>(46,333)</u>
<i>Total net position, beginning as restated/reclassified</i>	<u>456,027</u>	<u>9,315,727</u>	<u>9,771,754</u>
<i>Total net position, end of year</i>	<u>\$ -</u>	<u>\$ 9,896,868</u>	<u>\$ 9,896,868</u>

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

**STATE OF NEW MEXICO**  
Los Alamos Public Schools  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2018

Exhibit D-3

	<b>Land Sale 61000</b>	<b>Leased Facilities 62000</b>	<b>Total</b>
<i>Cash flows from operating activities:</i>			
Cash received from user charges	\$ -	\$ 3,058,084	\$ 3,058,084
Cash payments to employees for services	-	(341,650)	(341,650)
Cash payments to suppliers for goods and services	-	(393,113)	(393,113)
<i>Net cash provided by operating activities</i>	-	2,323,321	2,323,321
<i>Cash flows from noncapital financing activities:</i>			
Changes in interfund activity	-	6,248	6,248
Transfers (net)	(71)	(938,600)	(938,671)
<i>Net cash (used) by noncapital financing activities</i>	(71)	(932,352)	(932,423)
<i>Cash flows from investing activities:</i>			
Interest on investments	60	18,208	18,268
<i>Net cash provided by investing activities</i>	60	18,208	18,268
<i>Cash flows from capital and related financing activities:</i>			
Contributed capital	(456,016)	(1,790,022)	(2,246,038)
<i>Net cash (used) by capital and related financing activities</i>	(456,016)	(1,790,022)	(2,246,038)
<i>Net increase (decrease) in cash and cash equivalents</i>	(456,027)	(380,845)	(836,872)
<i>Cash and cash equivalents - beginning of year</i>	456,027	10,302,118	10,758,145
<i>Cash and cash equivalents - end of year</i>	\$ -	\$ 9,921,273	\$ 9,921,273
<i>Reconciliation of operating income to net cash provided (used) by operating activities:</i>			
Operating income	\$ -	\$ 3,291,555	\$ 3,291,555
<i>Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:</i>			
Net pension and OPEB expense	-	133,372	133,372
<i>Changes in assets and liabilities:</i>			
Receivables	-	(1,200,000)	(1,200,000)
Accounts payable	-	93,889	93,889
Accrued payroll expenses	-	4,505	4,505
<i>Net cash provided by operating activities</i>	\$ -	\$ 2,323,321	\$ 2,323,321

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

**STATE OF NEW MEXICO**  
 Los Alamos Public Schools  
 Statement of Fiduciary Net Position  
 June 30, 2018

Exhibit E-1

	<b>Private Purpose Trust Funds</b>	<b>Agency Funds</b>
	<u>                    </u>	<u>                    </u>
<i>Current assets</i>		
Cash and cash equivalents	\$ -	\$ 4,445
Investments	316,662	-
	<u>                    </u>	<u>                    </u>
<i>Total assets</i>	<u>\$ 316,662</u>	<u>\$ 4,445</u>
 <i>Current liabilities</i>		
Due to student organizations	\$ -	\$ 4,445
	<u>                    </u>	<u>                    </u>
<i>Total liabilities</i>	<u>-</u>	<u>4,445</u>
 <i>Net Position</i>		
Restricted net position	316,662	-
	<u>                    </u>	<u>                    </u>
<i>Total net position</i>	<u>\$ 316,662</u>	<u>\$ -</u>

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



**STATE OF NEW MEXICO**  
 Los Alamos Public Schools  
 Statement of Changes in Fiduciary Net Position  
 June 30, 2018

Exhibit E-2

	<b>Private Purpose Trust Funds</b>
<i>Additions:</i>	
Investment earnings	\$ 329
Contributions and donations from private sources	100,000
<i>Total additions</i>	100,329
 <i>Deductions:</i>	
Scholarships	18,601
<i>Total deductions</i>	18,601
Change in net position	81,728
Total net position, beginning of year	-
Total net position, reclassification (Note 12)	234,934
Total net position, beginning as reclassified	234,934
Total Net Position, end of year	\$ 316,662

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

**STATE OF NEW MEXICO**  
Los Alamos Public Schools  
Notes to Financial Statements  
June 30, 2018

**NOTE 1. Summary of Significant Accounting Policies**

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

The 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 Legislative Finance Committee. The School Board is comprised of five members who are elected for terms of four years. The District operates seven schools within the District with a total enrollment of approximately 3,500 pupils. In conjunction with the regular educational programs, some of these schools offer special education. In addition, the District provides transportation and school food services 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 Los Alamos Public Schools’ management, who is responsible for their integrity and objectivity. The financial statements of the Los Alamos Public Schools (the “District”) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standard Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of the District’s accounting policies are described below.

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

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

*A. Financial Reporting Entity*

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

**STATE OF NEW MEXICO**  
Los Alamos Public Schools  
Notes to Financial Statements  
June 30, 2018

**NOTE 1. Summary of Significant Accounting Policies (continued)**

*A. Financial Reporting Entity (continued)*

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 component unit as described in the following paragraphs, and is not a component unit of another governmental agency.

The Los Alamos Education Foundation is a component unit of the District, as defined by GASB Statement No. 61, and has a separate governing board. The Foundation is deemed to be fiscally dependent upon the District and has been deemed to be a separate legal entity based on state statute and is presented as a discrete component unit. The discretely presented component unit does not have separately issued financial statements.

*B. Government-wide and fund financial statements*

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

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

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

**STATE OF NEW MEXICO**  
Los Alamos Public Schools  
Notes to Financial Statements  
June 30, 2018

**NOTE 1. Summary of Significant Accounting Policies (continued)**

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

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

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

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

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

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

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

**STATE OF NEW MEXICO**  
Los Alamos Public Schools  
Notes to Financial Statements  
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**NOTE 1. Summary of Significant Accounting Policies (continued)**

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

*General Fund:*

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

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

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

*Capital Projects Funds:*

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

The *Capital Improvements HB-33 Capital Projects Fund* is used to account for monies received from the State of New Mexico under Chapter 4, Laws of 1996 for the purpose of purchasing assets and supplies.

*Debt Service Funds:*

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

Additionally, the government reports the following proprietary and fiduciary fund types:

*Proprietary Funds*

The *Land Sale Fund* is used to account for land owned by the district held for sale and all costs and revenues associated with the sale of any land.

The *Leased Facilities Fund* is used to account for the rental income generated from facilities leased by the District.

**STATE OF NEW MEXICO**  
Los Alamos Public Schools  
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**NOTE 1. Summary of Significant Accounting Policies (continued)**

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

*Fiduciary Funds:*

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

The *Private Purpose Trust Fund* (The Zenas Boone Memorial Scholarship) stems from money bequeathed by the family of Irene Boone (husband is Zenas Boone) to Los Alamos High School. Irene Boone had owned a pediatric and adolescent medical practice in Los Alamos for thirty-one years. Prior to that she had worked at Los Alamos National Laboratory as the Section Leader for Cellular Biology in the Health Research Division. No instructions were left for the use of the money but it was determined that the best use of the money would be the establishment of scholarships for needy students graduating from Los Alamos High School. As this was determined to be a Private Purpose Trust Fund, Los Alamos Public Schools houses the money in its own separate account while the Foundation has established a committee to determine the parameters for the amounts to be awarded annually and to whom the awards are made.

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

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

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

**STATE OF NEW MEXICO**  
Los Alamos Public Schools  
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**NOTE 1. Summary of Significant Accounting Policies (continued)**

*D. Assets, Liabilities and Net Position or Equity*

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

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

Investments for the District are reported at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations.

The reported value of the Pool is the same as the fair value of the pool shares. As of June 30, 2018, the District did not hold any pool shares in the State Treasurer's Investment Pool.

**Fair Value Measurements:** The fair value framework uses a hierarchy that prioritizes the inputs to the valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements).

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

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

The District receives monthly income from a tax levy in Los Alamos 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 Los Alamos County Treasurers in July and August is considered 'measurable and available' and, accordingly, is recorded as revenue in the governmental fund financial statements during the year ended June 30, 2018. Period of availability is deemed to be sixty days subsequent to year end for property taxes and ninety days subsequent to year end for other nonexchange revenues.

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

**STATE OF NEW MEXICO**  
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June 30, 2018

**NOTE 1. Summary of Significant Accounting Policies (continued)**

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

**Inventory:** The District's method of accounting for inventory is the consumption method. Under the consumption approach, governments report inventories they purchase as an asset and defer the recognition of the expenditures until the period in which the inventories are actually consumed. Inventory is valued at cost. In the General Fund, inventory consists of expendable supplies held for consumption.

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

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

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

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

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

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

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

Land improvements	10-50 years
Buildings and improvements	10-50 years
Furniture, fixtures and equipment	5-15years

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



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Los Alamos Public Schools  
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June 30, 2018

**NOTE 1. Summary of Significant Accounting Policies (continued)**

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

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

**Deferred Inflows of Resources:** In addition to liabilities, the balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Revenue must be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period) to be recognized. If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding liability for deferred inflows of resources. The District has one type of item, which arises under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue – property taxes, are reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District has recorded \$10,328 related to property taxes that are considered “unavailable”. The District also has items related to the pension and OPEB plans which are discussed at Notes 10 and 11.

**Compensated Absences:** Qualified employees are entitled to earn and accumulate annual leave according to a graduated level schedule of up to 20 days per year, depending on length of service and employment status. Employees may accumulate and carry forward from one fiscal year to the next up to 40 days of annual leave. Upon termination, employees will be paid for up to 40 days of accrued annual leave.

Qualified employees are entitled to accumulate sick leave according to a graduated level schedule of up to 16 days per year, depending on length of service and employment status. Employees may accumulate and carry forward a maximum of 230 days of sick leave. Employees are eligible for deferred sick leave payment upon retirement from the District at a rate of 25-30% of the employee’s daily salary rate for any days above a 90 days base, up to a maximum of 140 days.

Vested or accumulated vacation leave that is expected to be liquidated with the 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 the expendable available financial resources are reported in the government-wide statement of net position.

**Long-term Obligations:** In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method or the straight-line method if the difference from the effective interest method is inconsequential.

**STATE OF NEW MEXICO**  
Los Alamos Public Schools  
Notes to Financial Statements  
June 30, 2018

**NOTE 1. Summary of Significant Accounting Policies (continued)**

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

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

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

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

*Net investment in capital assets:* Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The District has \$13,876,896 in unspent bond proceeds at June 30, 2018.

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

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

The government-wide Statement of Net Position reports \$42,163,214 of restricted net position related to grants, capital projects and debt service.

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

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

**STATE OF NEW MEXICO**  
Los Alamos Public Schools  
Notes to Financial Statements  
June 30, 2018

**NOTE 1. Summary of Significant Accounting Policies (continued)**

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

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

*Nonspendable:* Consists of amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. At June 30, 2018, the nonspendable fund balance of the District is comprised of inventory in the General fund of \$168,438 which is not in spendable form.

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

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

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

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

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

All other inter-fund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other inter-fund transfers are reported as operating transfers.

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

*E. Revenues*

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

**STATE OF NEW MEXICO**  
Los Alamos Public Schools  
Notes to Financial Statements  
June 30, 2018

**NOTE 1. Summary of Significant Accounting Policies (continued)**

*E. Revenues (Continued)*

A school district's program costs are determined through the use of various formulas using 'program units' which take into consideration 1) early childhood education; 2) basic education; 3) special education; 4) bilingual-multicultural education; 5) size, etc. Payment is made from the public school fund under the authority of the Secretary of the Public Education Department. The District received \$27,661,951 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 \$8,911,853 in tax revenues during the year ended June 30, 2018. Descriptions of the individual debt service and capital outlay funds contained in these financial statements include information regarding the authority for the collection and use of these taxes.

Property taxes attach an enforceable lien on property as of January 1. Tax notices are sent to property owners by November 1<sup>st</sup> of each year to be paid in whole or in two installments by November 10<sup>th</sup> and April 10<sup>th</sup> of each year. Los Alamos 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 Secretary of the Public Education Department. The funds shall be used only for the purpose of making payments to each school district for the to-and-from school transportation costs of students in grades K through twelve attending public school within the school district. The District received \$674,106 in transportation distributions during the year ended June 30, 2018.

**Instructional Materials:** The New Mexico Public Education Department (PED) receives federal mineral leasing funds from which it makes annual allocations to the various school districts for the purchase of educational materials. Of each allocation, fifty percent is restricted to the purchase of materials listed in the PED "Multiple List", while fifty percent of each allocation is available for purchases directly from vendors. Allocations received from the State for the year ended June 30, 2018 totaled \$121,212

**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.

**STATE OF NEW MEXICO**  
Los Alamos Public Schools  
Notes to Financial Statements  
June 30, 2018

**NOTE 1. Summary of Significant Accounting Policies (continued)**

*E. Revenues (Continued)*

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

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

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

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

During fiscal year 2018, the District did not receive any special capital outlay funds.

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

The district did not receive any funds 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.

**STATE OF NEW MEXICO**  
Los Alamos Public Schools  
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June 30, 2018

**NOTE 1. Summary of Significant Accounting Policies (continued)**

*F. Pensions*

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

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

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

**NOTE 2. Stewardship, Compliance and Accountability**

*Budgetary Information*

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

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

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

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

**STATE OF NEW MEXICO**  
Los Alamos Public Schools  
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**NOTE 2. Stewardship, Compliance and Accountability (continued)**

*Budgetary Information - (Continued)*

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

1. In April or May, the local school board submits to the School Budget and Finance Analysis Bureau (SBFAB) of the New Mexico Public Education Department, a proposed operating budget for the ensuing fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them. All budgets submitted to the State of New Mexico Public Education Department (PED) by the District shall contain headings and details as described by law and have been approved by the New Mexico Public Education Department.
2. In May or June of each year, the proposed “operating” budget will be reviewed and approved by the SBFAB and certified and approved by the local school board at a public hearing of which notice has been published by the local school board who fixes the estimated budget for the District for the ensuing fiscal year.
3. The school board meeting, while not intended for the general public, is open for the general public unless a closed meeting has been called.
4. The “operating” budget will be used by the District until they have been notified that the budget has been approved by the SBFAB 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 SBFAB.
6. The superintendent is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the school board and the New Mexico Public Education Department.
7. Budget change requests are processed in accordance with Supplement 1 (Budget Preparation and Maintenance) of the Manual of Procedures Public School Accounting and Budgeting. Such changes are initiated by the District and approved by the SBFAB.
8. Legal 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 Los Alamos Public Schools has been amended during the current fiscal year in accordance with these procedures. The budget schedules included in the accompanying financial statements reflect the approved budget and amendments thereto.
10. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Capital Projects Funds and Debt Service Funds.

**STATE OF NEW MEXICO**  
 Los Alamos Public Schools  
 Notes to Financial Statements  
 June 30, 2018

**NOTE 2. Stewardship, Compliance and Accountability (continued)**

*Budgetary Information - (Continued)*

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

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

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

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

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

Budgeted Funds:	<b>Excess (deficiency) of revenues over expenditures</b>	
	<b>Original Budget</b>	<b>Final Budget</b>
	General Fund	\$ (411,074)

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

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

**NOTE 3. Deposits and Investments**

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

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



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**NOTE 3. Deposits and Investments (continued)**

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

Excess of funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments. The collateral pledged is listed on Schedule II of this report. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico.

According to the Federal Deposit Insurance Corporation, public unit deposits are funds owned by the public unit. Time deposits, savings deposits and interest bearing NOW accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution.

**Deposits:**

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk, other than the following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978.) At June 30, 2018, \$33,586,781 of the District's deposits of \$40,086,933 was exposed to custodial credit risk. \$33,586,781 was uninsured and collateralized by collateral held by the pledging bank's trust department, not in the District's name. As of June 30, 2018, there were no amounts uninsured and uncollateralized. As of June 30, 2018, the carrying amount of these deposits was \$40,039,670; total amount of deposits of \$40,086,933 less outstanding items of \$47,263. New Mexico State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the District for a least one half of the amount on deposit with the institution. The schedule listed below will meet the State of New Mexico, Office of the State Auditor's requirements in reporting the insured portion of the deposits.

**Primary Government**

	<b>Sunflower/First National Bank 1870</b>	<b>Los Alamos National Bank</b>	<b>NM Bank and Trust</b>
Amount of deposits	\$ 20,247,645	\$ 13,190,302	\$ 1,148,834
FDIC Coverage	<u>(500,000)</u>	<u>(250,000)</u>	<u>(250,000)</u>
Total uninsured public funds	<u>19,747,645</u>	<u>12,940,302</u>	<u>898,834</u>
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the District's name	<u>19,747,645</u>	<u>12,940,302</u>	<u>898,834</u>
Uninsured and uncollateralized	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Collateral requirement (50% of uninsured funds)	\$ 9,873,823	\$ 6,470,151	\$ 449,417
Pledged Collateral	<u>20,979,551</u>	<u>21,645,163</u>	<u>971,577</u>
Over (Under) collateralized	<u>\$ 11,105,728</u>	<u>\$ 15,175,012</u>	<u>\$ 522,160</u>

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**NOTE 3. Deposits and Investments (continued)**

**Deposits: (continued)**

**Primary Government(continued)**

	<b>Los Alamos Schools Credit</b>		
	<b>Union</b>	<b>Charles Schwab</b>	<b>Total</b>
Amount of deposits	\$ 152	\$ 5,500,000	\$ 40,086,933
FDIC Coverage	<u>(152)</u>	<u>(5,500,000)</u>	<u>(6,500,152)</u>
Total uninsured public funds	<u>-</u>	<u>-</u>	<u>33,586,781</u>
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the District's name	<u>-</u>	<u>-</u>	<u>33,586,781</u>
Uninsured and uncollateralized	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Collateral requirement (50% of uninsured funds)	\$ -	\$ -	\$ 16,793,391
Pledged Collateral	<u>-</u>	<u>-</u>	<u>43,596,291</u>
Over (Under) collateralized	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,802,900</u>

Certificates of deposits with maturity dates of three months or less were included in the total amount of deposits. The District has presented certificates of deposits of \$13,205,867 as investments in the Statement of Net Position, as these have maturity dates greater than 90 days. In addition the District has the following investments at June 30, 2018 as follow:

<b>Investment</b>	<b>Rated</b>	<b>Weighted Average Maturity</b>	<b>Fair Value</b>
U.S Treasury Money Market Mutual Funds	Aaa**	>365 days	\$ 1,577,796

\*\* Based on Moody's rating

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**NOTE 3. Deposits and Investments (continued)**

Reconciliation to the Statement of Net Position:

Cash and cash equivalents- Exhibit A-1	\$ 20,516,115
Restricted cash and cash equivalents- Exhibit A-1	5,999,766
Investments- Exhibit A-1	14,783,663
Cash and cash equivalents - Fiduciary funds - Exhibit E-1	4,445
Investments- Fiduciary funds - Exhibit E-1	<u>316,662</u>
 Total cash and cash equivalents	 41,620,651
 Plus: reconciling items	 47,263
Less Charles Schwab US Treasury and Money Market	(1,577,796)
Less: petty cash	<u>(3,185)</u>
 Bank balance of deposits	 <u><u>\$ 40,086,933</u></u>

**Component Unit**

*Custodial Credit Risk – Deposits*

Custodial credit risk is the risk that in the event of a bank failure, the Foundation’s deposits may not be returned to it. The Foundation does not have a deposit policy for custodial credit risk. At June 30, 2018, there were no deposits of the Foundation’s bank balance of \$123,345 subject to custodial credit risk. As of June 30, 2018, the carrying amount of these deposits was \$123,345. The Foundation is a 501(c)(3) tax exempt organization not subject to the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978).

**Investments**

The Foundation maintains investments in the Edward Jones Association Account in the amount of \$276,279 as of June 30, 2018:

**Fair Value Measurement**

The fair value framework uses a hierarchy that prioritizes the inputs to the valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1            Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2            Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3            Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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**NOTE 3. Deposits and Investments (continued)**

**Fair Value Measurement (continued)**

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. See above for discussion of valuation methodologies used to measure fair value of investments.

The valuation methodologies described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2018:

Level 1	Level 2	Level 3	Total
<u>\$ 276,279</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ 276,279</u>

Component Unit

Reconciliation to the Statement of Net Position:

Cash and cash equivalents- Governmental Activities Exhibit A-1	\$ 17,729
Investments- Governmental Activities Exhibit A-1	276,279
Restricted cash and cash equivalents- Governmental Activities Exhibit A-1	<u>96,612</u>
 Total cash and cash equivalents	 390,620
 Plus: reconciling items	 <u>9,004</u>
 Bank balance of deposits	 <u><u>\$ 399,624</u></u>

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**NOTE 4. Receivables**

Receivables as of June 30, 2018 are as follows:

	<b>General Fund</b>	<b>Capital Improvements HB-33 Capital Projects Fund</b>	<b>Debt Service Fund</b>
Property taxes receivable	\$ 4,223	\$ 33,423	\$ 90,110
Due from other governments:			
Federal sources	-	-	-
State sources	-	-	-
	<u>\$ 4,223</u>	<u>\$ 33,423</u>	<u>\$ 90,110</u>
		<b>Other Governmental Funds</b>	<b>Total</b>
Property taxes receivable	\$ -	\$ 127,756	
Due from other governments:			
Federal sources	295,502	295,502	
State sources	342,414	342,414	
	<u>\$ 637,916</u>	<u>\$ 765,672</u>	

In accordance with GASB No. 33, property tax revenues in the amount of \$10,328, which were not collected within the period of availability have been reclassified as deferred inflows of resources-property taxes and grants in the governmental fund financial statements. All of the above receivables are deemed to be fully collectible.

**Business-Type**

	<b>Leased Facilities</b>
Due from other governments:	
Los Alamos County	<u>\$ 1,200,000</u>

The above receivable is deemed to be fully collectible.

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**NOTE 5. Interfund Receivables, Payables, and Transfers**

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:

<b>Governmental activities</b>	<b>Due to Other Funds</b>	<b>Amount</b>
<b>Due from Other Funds</b>		
Operational - 11000	Title I IASA - 24101	\$ 21,147
Operational - 11000	IDEA-B Entitlement - 24106	191,575
Operational - 11000	IDEA-B Preschool - 24109	3,917
Operational - 11000	Teacher/Principal Training Recruiting - 24154	26,730
Operational - 11000	Indian Education Formula Grant - 25184	3,645
Operational - 11000	Dual Credit Instructional Materials - 27103	699
Operational - 11000	New Mexico Reads to Lead K-3 Initiative - 27114	79,539
Operational - 11000	Recruitment Support - 27128	9,550
Operational - 11000	Pre-K Initiative - 27149	26,993
Operational - 11000	Early College High School Start-Up - 27180	4,906
Operational - 11000	Special Capital Outlay- State 31400	217,966
IDEA-B Early Intervention Services - 24112	Operational - 11000	<u>31,022</u>
	Total Governmental Activities	<u>617,689</u>
<b>Business-type activities</b>		
Operational - 11001	Leased Facilities- 62000	<u>6,248</u>
	Total Business-type Activities	<u>\$ 623,937</u>

All Interfund balances are to be paid within one year.

Net operating transfers, made to close out funds and to supplement other funding sources in the normal course of operations, were as follows:

<b>Transfer from Other Funds</b>	<b>Transfers to Other Funds</b>	<b>Amount</b>
Leased Facilities- 62000	Operational- 11000	\$ 800,000
Land Sale- 61000	Operational- 11000	71
Leased Facilities- 62000	Food Service- 21000	75,000
Leased Facilities- 62000	Non Instructional Support- 13000	<u>63,600</u>
		<u>\$ 938,671</u>

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**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.

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Dispositions and adjustments</u>	<u>Balance June 30, 2018</u>
<b>Governmental activities:</b>				
Capital assets not depreciated				
Land	\$ 52,785,577	\$ -	\$ -	\$ 52,785,577
Construction in process	994,700	3,218,868	(835,838)	3,377,730
Total assets not depreciated	<u>53,780,277</u>	<u>3,218,868</u>	<u>(835,838)</u>	<u>56,163,307</u>
Capital assets depreciated				
Land improvements	10,239,800	28,061	11,709	10,279,570
Buildings and improvements	99,215,966	859,278	(324,409)	99,750,835
Furniture, fixtures and equipment	9,428,579	309,408	(379,205)	9,358,782
Total assets depreciated	<u>118,884,345</u>	<u>1,196,747</u>	<u>(691,905)</u>	<u>119,389,187</u>
Total assets	172,664,622	4,415,615	(1,527,743)	175,552,494
Less accumulated depreciation for:				
Land improvements	4,759,620	587,094	19,722	5,366,436
Buildings and improvements	25,010,006	2,659,202	(161,200)	27,508,008
Furniture, fixtures and equipment	6,804,064	686,804	(256,654)	7,234,214
Total accumulated depreciation	<u>36,573,690</u>	<u>3,933,100</u>	<u>(398,132)</u>	<u>40,108,658</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 136,090,932</u>	<u>\$ 482,515</u>	<u>\$ (1,129,611)</u>	<u>\$ 135,443,836</u>

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

Instruction	\$ 81,639
Support Services – Students	1,827
Central Services	3,641,748
Operations / Maintenance of Plant	42,941
Transportation Services	164,945
Total	<u>\$ 3,933,100</u>

The District has active construction projects as of June 30, 2018. The projects include additions, renovations and improvements to school buildings and grounds. A portion of the outstanding projects is funded by payments made directly to contractors by the Public School Capital Outlay Council (PSCOC). The PSCOC was created under the public school capital outlay council pursuant to Subsection A of Section 22-24-9 NMSA 1978 to assist in identifying and funding all outstanding deficiencies in public schools and grounds. The District received no awards as of June 30, 2018.

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**NOTE 6. Capital Assets (continued)**

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance</u> <u>June 30, 2018</u>
<b>Component Unit:</b>				
Capital assets depreciated				
Furniture, fixtures and equipment	515	-	-	515
Total assets depreciated	<u>515</u>	<u>-</u>	<u>-</u>	<u>515</u>
 Total assets	<u>515</u>	<u>-</u>	<u>-</u>	<u>515</u>
 Less accumulated depreciation for:				
Furniture, fixtures and equipment	(258)	(103)	-	(361)
Total accumulated depreciation	<u>(258)</u>	<u>(103)</u>	<u>-</u>	<u>(361)</u>
 <b>Capital assets, net</b>	 <u>\$ 257</u>	 <u>\$ (103)</u>	 <u>\$ -</u>	 <u>\$ 154</u>

**NOTE 7. Long-Term Debt**

*General Obligation Bonds:*

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. The original amount of the outstanding general obligation bonds as of June 30, 2018 was \$75,365,000. General obligation bonds are direct obligations and pledge the full faith and credit of the District. These bonds are issued with varying terms and varying amounts of principal maturing each year. All general obligation bonds as of June 30, 2018 are for governmental activities.

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

	<u>Series 2006</u>	<u>Series 2008</u>	<u>Series 2009</u>	<u>Series 2010</u>
Original Issue:	\$4,000,000	\$3,000,000	\$10,000,000	\$20,000,000
Principal Due:	August 1	August 1	August 1	August 1
Interest Due:	February 1	February 1	February 1	February 1
	August 1	August 1	August 1	August 1
Interest Rates:	3.35% - 3.60%	3.00% - 4.50%	3.00% - 4.00%	2.15% - 3.10%
Maturity Date:	08/01/2018	08/01/2020	08/01/2021	8/01/2022



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**NOTE 7. Long-Term Debt (continued)**

	<u>Series 2011</u>	<u>Series 2012</u>	<u>Series 2013</u>	<u>Series 2014</u>
Original Issue:	\$6,865,000	\$5,000,000	\$6,900,000	\$4,900,000
Principal Due:	August 1	August 1	August 1	August 1
Interest Due:	February 1	February 1	February 1	February 1
	August 1	August 1	August 1	August 1
Interest Rates:	2.00% - 3.00%	2.00% - 2.25%	2.00% - 3.00%	2.25% - 3.00%
Maturity Date:	08/01/2023	08/01/2024	08/01/2025	08/01/2026
	<u>Series 2015</u>	<u>Series 2017</u>		
Original Issue:	\$8,200,000	\$6,500,000		
Principal Due:	August 1	August 1		
Interest Due:	February 1	February 1		
	August 1	August 1		
Interest Rates:	2.00% - 3.00%	2.50% - 3.00%		
Maturity Date:	08/01/2027	08/01/2029		

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

	<u>Balance June 30, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2018</u>	<u>Due Within One Year</u>
General Obligation Bonds	\$ 34,740,000	\$ 6,500,000	\$ 5,030,000	\$ 36,210,000	\$ 4,930,000
Compensated Absences	495,615	399,307	332,810	562,112	332,810
Total long-term debt	<u>\$ 35,235,615</u>	<u>\$ 6,899,307</u>	<u>\$ 5,362,810</u>	<u>\$ 36,772,112</u>	<u>\$ 5,262,810</u>

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

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2019	\$ 4,930,000	\$ 914,438	\$ 5,844,438
2020	5,050,000	773,088	5,823,088
2021	4,670,000	616,826	5,286,826
2022	4,745,000	504,956	5,249,956
2023	4,265,000	379,637	4,644,637
2024-2028	11,425,000	749,313	12,174,313
2029-2030	1,125,000	28,439	1,153,439
	<u>\$ 36,210,000</u>	<u>\$ 3,966,697</u>	<u>\$ 40,176,697</u>

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**NOTE 7. Long-Term Debt (continued)**

Compensated Absences – Administrative employees of the Schools are able to accrue a limited amount of annual leave and all employees are able to accrue an unlimited amount of general leave during the year. During fiscal year June 30, 2018, compensated absences increased \$66,497 for annual leave over the prior year accrual. In prior years the general fund was used to liquidate such long-term liabilities. See Note 1 for more details.

**NOTE 8. Risk Management**

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

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

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

**NOTE 9. Other Required Individual Fund Disclosures**

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

- A.** Deficit fund balance of individual funds: The District reported the following deficit fund balances at June 30, 2018.

Indian Education Formula Grant- 25184	\$ (3,647)
Early College High School Start-Up- 27180	(4,906)

- B.** Excess of expenditures over appropriations: No funds of the District exceeded approved budgetary authority at the fund level for the year ended June 30, 2018.
- C.** Designated cash appropriations in excess of available balance: No funds of the District exceeded the budgeted cash appropriations for the year ended June 30, 2018.

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**NOTE 10. Pension Plan – Educational Retirement Board**

**General Information about the Pension Plan**

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

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

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

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

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

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

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

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

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

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

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

- 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 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

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

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

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

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

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

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

The contribution requirements are established in statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the New Mexico Legislature. For the fiscal years ended June 30, 2018 and 2017, the District paid employee and employer contributions of \$5,896,214 and \$5,566,222, which equal the amount of the required contributions for each fiscal year.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** – At June 30, 2018, the District reported a liability of \$93,563,178 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2017 using generally accepted actuarial principles. The roll-forward incorporates the impact of the new assumptions adopted by the Board on April 21, 2017. There were no other significant events of changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2017. Therefore, the employer’s portion was established as of the measurement date of June 30, 2017. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating educational institutions, actuarially determined. At June 30, 2017, the District’s proportion was 0.84189% percent, which was a decrease of 0.74479% percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$14,202,619. At June 30, 2018, District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 167,955	\$ 1,441,429
Net difference between expected and actual investments on pension plan investments	-	12,835
Change of assumptions	27,312,930	-
Change in proportion	173,474	1,226,018
District's contributions subsequent to the measurement date	3,361,508	-
Total	\$ 31,015,867	\$ 2,680,282

\$3,361,508 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a 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:

2018	\$	9,481,767
2019		10,189,428
2020		6,073,304
2021		(770,422)
2022		-
Thereafter		-

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

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

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

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

Mortality	<p><b>Healthy males:</b> 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.</p> <p><b>Healthy females:</b> 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.</p> <p><b>Disabled males:</b> RP-2000 Disabled Mortality Table for males, set back three years, projected to 2016 with Scale BB.</p> <p><b>Disabled females:</b> RP-2000 Disabled Mortality Table for females, no set back, projected to 2016 with Scale BB.</p> <p><b>Active members:</b> 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.</p>
Retirement Age	Experience-based table rates based on age and service, adopted by the Board on June 12, 2015 in conjunction with the six-year experience study for the period ending June 30, 2014.
Cost-of-living increases	1.90% per year, compounded annually.
Payroll growth	3.00% per year (with no allowance for membership growth).
Contribution accumulation	The accumulated member account balance with interest is estimated at the valuation date by assuming that member contributions increased 5.50% per year for all years prior to the valuation date. Contributions are credited with 4.00% interest, compounded annually, applicable to the account balances in the past as well as the future.
Disability Incidence	Approved rates applied to eligible members with at least 10 years of service.

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

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

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

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

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

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

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

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

	<b>1% Decrease (4.90%)</b>	<b>Current Discount Rate (5.90%)</b>	<b>1% Increase (6.90%)</b>
District’s proportionate share of the net pension liability	\$ 121,795,990	\$ 93,563,178	\$ 70,485,151

**Pension plan fiduciary net position.** Detailed information about the pension plan’s fiduciary net position is available in the separately issued separately issued NMERB’S financial reports. The reports can be found on NMERB’s Web site at [https://www.nmerb.org/Annual\\_reports.html](https://www.nmerb.org/Annual_reports.html).

**Payables to the pension plan.** At June 30, 2018, the District owed the ERB \$479,796 for the contributions withheld in the month of June 2018.



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

General Information about the OPEB

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

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

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

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

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

**Contributions** – Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee’s salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer’s participation in the Fund. Contributions to the Fund from the District were \$725,859 for the year ended June 30, 2018.

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

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

At June 30, 2018, the District reported a liability of \$25,307,581 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District’s proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2017. At June 30, 2017, the District’s proportion was 0.55846 percent.

For the year ended June 30, 2018, the District recognized OPEB expense of \$994,509. At June 30, 2018 the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 971,171
Net difference between expected and actual investments on OPEB plan investments	-	364,067
Change of assumptions	-	4,424,708
District’s contributions subsequent to the measurement	483,931	-
<b>Total</b>	<b>\$ 483,931</b>	<b>\$ 5,759,946</b>

Deferred outflows of resources totaling \$483,931 represent District contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

2019	\$	(1,224,605)
2020		(1,224,605)
2021		(1,224,605)
2022		(1,224,605)
2023		(861,526)

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

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

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

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

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

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

**STATE OF NEW MEXICO**  
 Los Alamos Public Schools  
 Notes to Financial Statements  
 June 30, 2018

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

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

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

	<b>1% Decrease (2.81%)</b>	<b>Current Discount Rate (3.81%)</b>	<b>1% Increase (4.81%)</b>
District’s proportionate share of the net OPEB liability	\$ 30,697,702	\$ 25,307,581	\$ 21,078,547

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

**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.

	<b>Trend Rate Sensitivity Analysis</b>		
	<b>1% Decrease</b>	<b>Rate</b>	<b>1% Increase</b>
District’s proportionate share of the net OPEB liability	\$ 21,525,841	\$ 25,307,581	\$ 28,256,404

**Payable Changes in the Net OPEB Liability.** At June 30, 2018, the District reported a payable of \$58,899 for outstanding contributions due to NMRHCA for the year ended June 30, 2018.

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**NOTE 12. Prior Period Adjustments and Reclassifications**

The District has a prior period adjustment for Governmental Activities of (\$29,713,764) which was required for implementation of GASB Statement No. 75. The adjustment reflects a beginning net OPEB liability of (\$30,187,701) and a beginning of deferred outflow of resources- employer contributions subsequent to the measurement date of \$473,936.

The District has a prior period adjustment for Business-Type Activities of (\$347,619) which was required for implementation of GASB Statement No. 75. The adjustment reflects a beginning net pension liability of (\$353,163) and a beginning of deferred outflow of resources- employer contributions subsequent to the measurement date of \$5,545.

The District had a prior period adjustment for Governmental Funds in the amount of (\$234,934). In prior years the General fund was combined with a private purpose trust fund (Zenas Boone) which was broken out separately to properly present the funds in accordance with the GASB codification as of June 30, 2018.

During the year ended June 30, 2018 the Food Service Fund was reclassified from a Business-type activity (Enterprise fund) to a Governmental fund. In prior years this fund received charges for services for student meals and currently no charges are being received as the student nutrition program is being ran by a 3<sup>rd</sup> party.

**NOTE 13. Construction and Other Significant Commitments**

The District has committed to the following construction contracts that were not completed as of June 30, 2018, and will continue throughout FY 18/19:

<u>Contract</u>	<u>Year Ending</u>	<u>Amount</u>
Barranca Elementary School	2019	\$ 20,300,000
Mountain Elementary Systems Award	2019	4,581,436
Athletics Field House	2019	5,000,000
Pajarito Window Replacement	2019	700,000
Chamisa Elementary Safety Enhancements	2019	<u>36,385</u>
Total Outstanding Commitments		<u>\$ 30,617,821</u>

**NOTE 14. Concentrations**

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

**STATE OF NEW MEXICO**  
Los Alamos Public Schools  
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**NOTE 15. Subsequent Events**

The date to which events occurring after June 30, 2018, the date of the most recent Statement of Net Position, have been evaluated for possible adjustment to the financial statements or disclosures is November 9, 2018 which is the date on which the financial statements were available to be issued.

**NOTE 16. Contingent Liabilities**

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

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

**NOTE 17. Joint Powers Agreements**

Facilities Management Assistance and Oversight

Participants – Los Alamos Public Schools

Public School Capital Outlay Council

Responsible party – All participants

Description – To provide ongoing capital outlay projects and inventory of facilities and equipment, their condition and maintenance activities for them.

Begin date – September 14, 2010

Ending date – Until notified

Estimated amount of project – Unknown

Audit responsibility – Each participant

Fiscal agent – Not applicable

**REQUIRED SUPPLEMENTARY INFORMATION**

**STATE OF NEW MEXICO**  
Los Alamos Public Schools  
Schedule of Proportionate Share of the Net Pension Liability  
Educational Retirement Board (ERB) Pension Plan  
Last 10 Fiscal Years\*

	<b>2018 Measurement Date (As of and for the Year Ended June 30, 2017)</b>	<b>2017 Measurement Date (As of and for the Year Ended June 30, 2016)</b>
Los Alamos Public Schools proportion of the net pension liability (asset)	0.84189%	0.86560%
Los Alamos Public Schools proportionate share of the net pension liability (asset)	\$ 93,563,178	\$ 62,292,329
Los Alamos Public Schools covered-payroll	23,992,338	24,717,550
Los Alamos Public Schools proportionate share of the net pension liability (asset) as a percentage of its covered-payroll	390%	252%
Plan fiduciary net position as a percentage of the total pension liability	52.95%	61.58%

\* The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, Los Alamos Public Schools will present information for those years for which information is available.

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



<b>2016 Measurement Date (As of and for the Year Ended June 30, 2015)</b>	<b>2015 Measurement Date (As of and for the Year Ended June 30, 2014)</b>
0.85983%	0.86523%
\$ 55,693,479	\$ 49,367,686
24,318,885	23,848,938
229%	207%
63.97%	66.54%

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

**STATE OF NEW MEXICO**  
Los Alamos Public Schools  
Schedule of Contributions  
Educational Retirement Board (ERB) Pension Plan  
Last 10 Fiscal Years\*

	<b>As of and for the Year Ended June 30, 2018</b>	<b>As of and for the Year Ended June 30, 2017</b>
Contractually required contribution	\$ 3,361,509	\$ 3,334,935
Contributions in relation to the contractually required contribution	<u>3,361,509</u>	<u>3,334,935</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Los Alamos Public Schools covered-payroll	24,196,447	23,992,338
Contribution as a percentage of covered payroll	13.89%	13.90%

\* The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, Los Alamos Public Schools will present information for those years for which information is available.

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

<b>As of and for the Year Ended June 30, 2016</b>	<b>As of and for the Year Ended June 30, 2015</b>
\$ 3,435,739	\$ 3,380,325
<u>3,435,739</u>	<u>3,380,325</u>
<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
24,717,550	24,318,885
13.90%	13.90%

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

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**STATE OF NEW MEXICO**  
Los Alamos Public Schools  
Notes to Required Supplementary Information  
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 recommendation 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 3.5% to 3.00%, and the annual assumed COLA from 2.00% to 1.90%.

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

**STATE OF NEW MEXICO**  
 Los Alamos Public Schools  
 Schedule of Proportionate Share of the Net OPEB Liability  
 Retiree Health Care OPEB Plan  
 Last 10 Fiscal Years\*

Schedule B-1

	<b>2018 Measurement Date (As of and for the Year Ended June 30, 2017)</b>
Los Alamos Public School's proportion of the net OPEB liability (asset)	0.55846%
Los Alamos Public School's proportionate share of the net OPEB liability (asset)	\$ 25,307,581
Los Alamos Public School's covered payroll	23,263,474
Los Alamos Public School's proportionate share of the net OPEB liability as a percentage of its covered payroll	108.79%
Plan fiduciary net position as a percentage of the total OPEB liability	11.34%

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

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

**STATE OF NEW MEXICO**  
 Los Alamos Public Schools  
 Schedule of Contributions  
 Retiree Health Care OPEB Plan  
 Last 10 Fiscal Years\*

Schedule B-2

	<b>As of and for the Year Ended June 30, 2018</b>
Contractually required contribution	\$ 483,931
Contributions in relation to the contractually required contribution	483,931
Contribution deficiency (excess)	\$ -
Los Alamos Public School's covered payroll	24,195,330
Contribution as a percentage of covered payroll	2.00%

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

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

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## **SUPPLEMENTARY INFORMATION**

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**NONMAJOR GOVERNMENTAL FUNDS**

**STATE OF NEW MEXICO**  
Los Alamos Public Schools  
Nonmajor Governmental Fund Descriptions  
June 30, 2018

**Special Revenue Funds**

**Food Service (21000)** – This fund is used to account for costs of operating a student food program and is financed with the fees paid by program users. Authority for the creation of this fund is the New Mexico Public Education Department.

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

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

**Title I- IASA (24101)** – Used to provide supplemental educational opportunity for academically disadvantaged children in the area of residing. Campuses are identified for program participation by the percentage of students on free or reduced-price lunches. Any school with a free and reduced-price lunch percentage that is equal to or greater than the total district percentage becomes eligible for program participation. Any student whose test scores fall below District established criteria and who is attending a Title I campus is eligible to receive Title I services. Poverty is the criterion that identifies a campus; educational need determines the students to be served. Federal revenues accounted for in this fund are allocated to the Schools through the New Mexico Department of Education. Authority for creation of this fund is Part A of Chapter I of Title I of Elementary and Secondary Education Act (ESEA) of 1965, as amended, Public Law 103-383.

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

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

**IDEA-B Early Intervention Services (24112)** – To account for a program funded by a Federal grant to assist the District to make improvements in elementary and secondary education. Funding authorized by Elementary and Secondary Education Act of 1965, as amended, Title I, Chapter, Part A; Augustus F. Hawkins-Robert T. Stafford Elementary and Secondary School Improvement of 1988, Public Law 100-297, 20 U.S.C. 2911-2952, 2971-2976.

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

**Impact Aid Indian Education (25147)** – To account for federal funds providing assistance for Indian students' needs, support services and special projects. The authority for this fund is Public Law 103-382.

**STATE OF NEW MEXICO**  
Los Alamos Public Schools  
Nonmajor Governmental Fund Descriptions  
June 30, 2018

**Special Revenue Funds (continued)**

**Indian Education Formula Grant (25184)** – To account for a program funded by a Federal grant to develop and carry out supplementary elementary and secondary school programs designed to meet the special educational and culturally related academic needs of Indian children, for example to: 1) Improve academic performance, 2) Reduce school dropout rates and improve attendance, and 3) Integrate the value of cultural education into the school curriculum for Indian children. Funding authorized by Indian Education Act of 1988, Title V, Part C, Subpart 1, as amended, Public Law 100-297 and 93-638, 25 U.S.C. 2601-2606.

**LANL Foundation (26113)** – Educational enrichment grant in support of the Renaissance Program. The authority for creation of this fund is the New Mexico Public Education Department.

**Golden Apple Foundation (26163)** – To account for a program in which Wells Fargo and Golden Apple Foundation of New Mexico partnered to provide opportunities for academic enrichment and to encourage positive change in New Mexico classrooms. The authority for creation of this fund is the New Mexico Public Education Department.

**Los Alamos Public School Foundation (26189)** – Grant funds awarded from The Bridge of Southern New Mexico Daniels Fund Grant to expand Early College High Schools throughout New Mexico. Authority for creation of this fund is the New Mexico Public Education Department.

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

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

**NM Reads to Lead K-3 Initiative (27114)** – 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 love 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 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.

**Recruitment Support (27128)** – The purpose of this fund appropriated by the State and awarded by the New Mexico Public Education Department is to provide money to allow for expanded recruitment efforts including advertising, bonuses for new teachers, or travel related to recruitment/hiring of new teachers. Authority for the creation of this fund is the New Mexico Public Education Department.

**PreK Initiative (27149)** – The purpose of this fund is to allow the opportunity for every child to receive a high-quality education program prior to attending Kindergarten. Specifically, for the FY 2017-2018, funds were provided to outfit and establish new classrooms for this start-up program in Los Alamos. Authority for the creation of this fund is the New Mexico Public Education Department.

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**STATE OF NEW MEXICO**  
Los Alamos Public Schools  
Nonmajor Governmental Fund Descriptions  
June 30, 2018

**Special Revenue Funds (continued)**

**Early College High School Start-Up (27180)** – This award allows low-income youth, first-generation college goers, English language learners, students of color, and other young people underrepresented in higher education to simultaneously earn a high school diploma and an Associate’s degree or up to two years of credit toward a Bachelor’s degree-tuition free. The authority for creation of this fund is the New Mexico Public Education Department.

**Zenas Boone Memorial (29102)** – To account for funds received as an endowment. These funds will be used to fund scholarships for graduating seniors in need. Authority for creation of this fund is the New Mexico Public Education Department.

**Capital Projects Funds**

**Special Capital Outlay – State (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. Authority for the creation of this fund is the New Mexico Public Education Department.

**STATE OF NEW MEXICO**  
 Los Alamos Public Schools  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2018

Statement A-1

	<b>Special Revenue</b>	<b>Capital Projects</b>	<b>Total</b>
<i>Assets</i>			
Cash and cash equivalents	\$ 1,315,451	\$ -	\$ 1,315,451
Receivables:			
Property taxes	-	-	-
Due from other governments	419,950	217,966	637,916
<i>Total assets</i>	<b>\$ 1,735,401</b>	<b>\$ 217,966</b>	<b>\$ 1,953,367</b>
 <i>Liabilities, deferred inflows of resources, and fund balances</i>			
<i>Liabilities</i>			
Accounts payable	\$ -	\$ -	\$ -
Accrued payroll	26,660	-	26,660
Due to other funds	368,701	217,966	586,667
<i>Total liabilities</i>	395,361	217,966	613,327
 <i>Deferred inflows of resources</i>			
Unavailable revenue - property taxes	-	-	-
<i>Total deferred inflows of resources</i>	-	-	-
 <i>Fund balances</i>			
<i>Spendable:</i>			
<i>Restricted for:</i>			
Food services	48,525	-	48,525
Extracurricular activities	1,209,822	-	1,209,822
Education	90,246	-	90,246
Unassigned	(8,553)	-	(8,553)
<i>Total fund balances</i>	1,340,040	-	1,340,040
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<b>\$ 1,735,401</b>	<b>\$ 217,966</b>	<b>\$ 1,953,367</b>

See independent auditors' report.



**STATE OF NEW MEXICO**  
 Los Alamos Public Schools  
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Nonmajor Governmental Funds  
 For the Year Ended June 30, 2018

Statement A-2

	<b>Special Revenue</b>	<b>Capital Projects</b>	<b>Total</b>
<i>Revenues</i>			
Property taxes	\$ -	\$ -	\$ -
Intergovernmental revenue:			
Federal flowthrough	926,341	-	926,341
Federal direct	40,436	-	40,436
Local sources	44,327	-	44,327
State flowthrough	276,326	217,966	494,292
Charges for services	779,467	-	779,467
Investment income	97	-	97
Miscellaneous income	1,000	-	1,000
<i>Total revenues</i>	2,067,994	217,966	2,285,960
<i>Expenditures</i>			
Current:			
Instruction	1,648,116	-	1,648,116
Support services - students	314,818	-	314,818
Support services - instruction	9,487	-	9,487
Support services - general administrati	1,073	-	1,073
Central services	9,550	-	9,550
Operation and maintenance of plant	211	-	211
Food services operations	72,808	-	72,808
Community service operations	44,501	-	44,501
Capital outlay	-	217,966	217,966
<i>Total expenditures</i>	2,100,564	217,966	2,318,530
<i>Excess (deficiency) of revenues over expenditures</i>	(32,570)	-	(32,570)
<i>Other financing sources (uses)</i>			
Transfers in	138,600	-	138,600
<i>Total other financing sources (uses)</i>	138,600	-	138,600
<i>Net change in fund balances</i>	106,030	-	106,030
<i>Fund balances - beginning</i>	1,187,677	-	1,187,677
<i>Fund balances - reclassification (note 12)</i>	46,333	-	46,333
<i>Fund balances - as reclassified</i>	1,234,010	-	1,234,010
<i>Fund balances - end of year</i>	\$ 1,340,040	\$ -	\$ 1,340,040

See independent auditors' report.

**STATE OF NEW MEXICO**  
Los Alamos Public Schools  
Combining Balance Sheet  
Nonmajor Special Revenue Funds  
June 30, 2018

	<b>Food Service 21000</b>	<b>Athletics 22000</b>	<b>Non- Instructional Support 23000</b>	<b>Title I- IASA 24101</b>
<i>Assets</i>				
Cash and cash equivalents	\$ 48,525	\$ 121,039	\$ 1,089,751	\$ -
Receivables:				
Due from other governments	-	-	-	22,698
<i>Total assets</i>	<u>\$ 48,525</u>	<u>\$ 121,039</u>	<u>\$ 1,089,751</u>	<u>\$ 22,698</u>
<i>Liabilities, deferred inflows of resources, and fund balances</i>				
<i>Liabilities</i>				
Accrued payroll	\$ -	\$ -	\$ 968	\$ 1,551
Due to other funds	-	-	-	21,147
<i>Total liabilities</i>	<u>-</u>	<u>-</u>	<u>968</u>	<u>22,698</u>
<i>Fund balances</i>				
<i>Spendable:</i>				
<i>Restricted for:</i>				
Food services	48,525	-	-	-
Extracurricular activities	-	121,039	1,088,783	-
Education	-	-	-	-
Unassigned	-	-	-	-
<i>Total fund balances</i>	<u>48,525</u>	<u>121,039</u>	<u>1,088,783</u>	<u>-</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 48,525</u>	<u>\$ 121,039</u>	<u>\$ 1,089,751</u>	<u>\$ 22,698</u>

See independent auditors' report.

<b>IDEA-B Entitlement 24106</b>	<b>IDEA-B Preschool 24109</b>	<b>IDEA-B Early Intervention Services 24112</b>	<b>Teacher/Principal Training &amp; Recruitment 24154</b>	<b>Impact Aid Indian Education 25147</b>	<b>Indian Education Formula Grant 25184</b>
\$ -	\$ -	\$ -	\$ -	\$ 39,310	\$ -
<u>235,213</u>	<u>3,917</u>	<u>-</u>	<u>33,674</u>	<u>-</u>	<u>-</u>
<u>\$ 235,213</u>	<u>\$ 3,917</u>	<u>\$ -</u>	<u>\$ 33,674</u>	<u>\$ 39,310</u>	<u>\$ -</u>
\$ 15,338	\$ -	\$ -	\$ 6,944	\$ -	\$ 2
<u>191,575</u>	<u>3,917</u>	<u>-</u>	<u>26,730</u>	<u>-</u>	<u>3,645</u>
<u>206,913</u>	<u>3,917</u>	<u>-</u>	<u>33,674</u>	<u>-</u>	<u>3,647</u>
-	-	-	-	-	-
-	-	-	-	-	-
28,300	-	-	-	39,310	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,647)</u>
<u>28,300</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,310</u>	<u>(3,647)</u>
<u>\$ 235,213</u>	<u>\$ 3,917</u>	<u>\$ -</u>	<u>\$ 33,674</u>	<u>\$ 39,310</u>	<u>\$ -</u>

See independent auditors' report.

**STATE OF NEW MEXICO**  
Los Alamos Public Schools  
Combining Balance Sheet  
Nonmajor Special Revenue Funds  
June 30, 2018

	<b>LANL Foundation 26113</b>	<b>Golden Apple Foundation 26163</b>	<b>Los Alamos Public School Foundation 26189</b>	<b>Dual Credit Instructional Materials 27103</b>
<i>Assets</i>				
Cash and cash equivalents	\$ 2,319	\$ 370	\$ 13,130	\$ -
Receivables:				
Due from other governments	-	-	-	699
<i>Total assets</i>	<u>\$ 2,319</u>	<u>\$ 370</u>	<u>\$ 13,130</u>	<u>\$ 699</u>
<i>Liabilities, deferred inflows of resources, and fund balances</i>				
<i>Liabilities</i>				
Accrued payroll	\$ 318	\$ -	\$ -	\$ -
Due to other funds	-	-	-	699
<i>Total liabilities</i>	<u>318</u>	<u>-</u>	<u>-</u>	<u>699</u>
<i>Fund balances</i>				
Spendable:				
Restricted for:				
Food services	-	-	-	-
Extracurricular activities	-	-	-	-
Education	2,001	370	13,130	-
Unassigned	-	-	-	-
<i>Total fund balances</i>	<u>2,001</u>	<u>370</u>	<u>13,130</u>	<u>-</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 2,319</u>	<u>\$ 370</u>	<u>\$ 13,130</u>	<u>\$ 699</u>

See independent auditors' report.

<b>2012 G.O. Bond Student Library Fund 27107</b>	<b>NM Reads to Lead K-3 Initiative 27114</b>	<b>Recruitment Support 27128</b>	<b>PreK Initiative 27149</b>	<b>Early College High School Start-Up 27180</b>	<b>Zenas Boone Memorial 29102</b>	<b>Total</b>
\$ 7	\$ -	\$ -	\$ -	\$ -	\$ 1,000	\$ 1,315,451
-	87,206	9,550	26,993	-	-	419,950
<u>\$ 7</u>	<u>\$ 87,206</u>	<u>\$ 9,550</u>	<u>\$ 26,993</u>	<u>\$ -</u>	<u>\$ 1,000</u>	<u>\$ 1,735,401</u>
\$ -	\$ 1,539	\$ -	\$ -	\$ -	\$ -	\$ 26,660
-	79,539	9,550	26,993	4,906	-	368,701
-	81,078	9,550	26,993	4,906	-	395,361
-	-	-	-	-	-	48,525
-	-	-	-	-	-	1,209,822
7	6,128	-	-	-	1,000	90,246
-	-	-	-	(4,906)	-	(8,553)
<u>7</u>	<u>6,128</u>	<u>-</u>	<u>-</u>	<u>(4,906)</u>	<u>1,000</u>	<u>1,340,040</u>
<u>\$ 7</u>	<u>\$ 87,206</u>	<u>\$ 9,550</u>	<u>\$ 26,993</u>	<u>\$ -</u>	<u>\$ 1,000</u>	<u>\$ 1,735,401</u>

See independent auditors' report.

**STATE OF NEW MEXICO**  
**Los Alamos Public Schools**  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Special Revenue Funds  
For the Year Ended June 30, 2018

	<b>Food Service 21000</b>	<b>Athletics 22000</b>	<b>Non- Instructional Support 23000</b>	<b>Title I- IASA 24101</b>
<i>Revenues</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue:				
Federal flowthrough	-	-	-	58,852
Federal direct	-	-	-	-
Local sources	-	-	-	-
State flowthrough	-	-	-	-
Charges for services	-	75,017	704,450	-
Investment income	-	-	97	-
Miscellaneous income	-	-	-	-
<b>Total revenues</b>	<b>-</b>	<b>75,017</b>	<b>704,547</b>	<b>58,852</b>
<i>Expenditures</i>				
Current:				
Instruction	-	65,287	699,573	58,852
Support services - students	-	-	-	-
Support services - instruction	-	-	-	-
Support services - general administration	-	-	-	-
Central services	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Food services operations	72,808	-	-	-
Community service operations	-	-	-	-
<b>Total expenditures</b>	<b>72,808</b>	<b>65,287</b>	<b>699,573</b>	<b>58,852</b>
<i>Excess (deficiency) of revenues over expenditures</i>	<b>(72,808)</b>	<b>9,730</b>	<b>4,974</b>	<b>-</b>
<i>Other financing sources (uses)</i>				
Transfers in	75,000	-	63,600	-
<b>Total other financing sources (uses)</b>	<b>75,000</b>	<b>-</b>	<b>63,600</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>2,192</b>	<b>9,730</b>	<b>68,574</b>	<b>-</b>
<i>Fund balances - beginning</i>	-	111,309	1,020,209	-
<i>Fund balances - reclassification (note 12)</i>	46,333	-	-	-
<b>Fund balances - as reclassified</b>	<b>46,333</b>	<b>111,309</b>	<b>1,020,209</b>	<b>-</b>
<b>Fund balances - end of year</b>	<b>\$ 48,525</b>	<b>\$ 121,039</b>	<b>\$ 1,088,783</b>	<b>\$ -</b>

See independent auditors' report.

<b>IDEA-B Entitlement 24106</b>	<b>IDEA-B Preschool 24109</b>	<b>IDEA-B Early Intervention Services 24112</b>	<b>Teacher/Principal Training &amp; Recruitment 24154</b>	<b>Impact Aid Indian Education 25147</b>	<b>Indian Education Formula Grant 25184</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
822,738	11,077	-	33,674	-	-
-	-	-	-	33,140	7,296
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>822,738</u>	<u>11,077</u>	<u>-</u>	<u>33,674</u>	<u>33,140</u>	<u>7,296</u>
471,678	7,758	-	30,644	-	10,943
311,999	2,819	-	-	-	-
-	500	-	3,030	-	-
1,073	-	-	-	-	-
-	-	-	-	-	-
211	-	-	-	-	-
-	-	-	-	-	-
44,501	-	-	-	-	-
<u>829,462</u>	<u>11,077</u>	<u>-</u>	<u>33,674</u>	<u>-</u>	<u>10,943</u>
<u>(6,724)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,140</u>	<u>(3,647)</u>
-	-	-	-	-	-
-	-	-	-	-	-
<u>(6,724)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,140</u>	<u>(3,647)</u>
35,024	-	-	-	6,170	-
-	-	-	-	-	-
<u>35,024</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,170</u>	<u>-</u>
<u>\$ 28,300</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,310</u>	<u>\$ (3,647)</u>

See independent auditors' report.

**STATE OF NEW MEXICO**  
**Los Alamos Public Schools**  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Special Revenue Funds  
For the Year Ended June 30, 2018

	<b>LANL Foundation 26113</b>	<b>Golden Apple Foundation 26163</b>	<b>Los Alamos Public School Foundation 26189</b>	<b>Dual Credit Instructional Materials 27103</b>
<i>Revenues</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue:				
Federal flowthrough	-	-	-	-
Federal direct	-	-	-	-
Local sources	2,500	995	40,832	-
State flowthrough	-	-	-	4,662
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous income	-	-	-	-
<b>Total revenues</b>	<b>2,500</b>	<b>995</b>	<b>40,832</b>	<b>4,662</b>
<i>Expenditures</i>				
Current:				
Instruction	14,090	625	33,982	4,662
Support services - students	-	-	-	-
Support services - instruction	-	-	-	-
Support services - general administration	-	-	-	-
Central services	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Food services operations	-	-	-	-
Community service operations	-	-	-	-
<b>Total expenditures</b>	<b>14,090</b>	<b>625</b>	<b>33,982</b>	<b>4,662</b>
<i>Excess (deficiency) of revenues over expenditures</i>	<b>(11,590)</b>	<b>370</b>	<b>6,850</b>	<b>-</b>
<i>Other financing sources (uses)</i>				
Transfers in	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<i>Net change in fund balances</i>	<b>(11,590)</b>	<b>370</b>	<b>6,850</b>	<b>-</b>
<i>Fund balances - beginning</i>	13,591	-	6,280	-
<i>Fund balances - reclassification (note 12)</i>	-	-	-	-
<i>Fund balances - as reclassified</i>	13,591	-	6,280	-
<b>Fund balances - end of year</b>	<b>\$ 2,001</b>	<b>\$ 370</b>	<b>\$ 13,130</b>	<b>\$ -</b>

See independent auditors' report.



<b>2012 G.O. Bond Student Library Fund 27107</b>	<b>NM Reads to Lead K-3 Initiative 27114</b>	<b>Recruitment Support 27128</b>	<b>PreK Initiative 27149</b>	<b>Early College High School Start-Up 27180</b>	<b>Zenas Boone Memorial 29102</b>	<b>Total</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	926,341
-	-	-	-	-	-	40,436
-	-	-	-	-	-	44,327
5,964	229,157	9,550	26,993	-	-	276,326
-	-	-	-	-	-	779,467
-	-	-	-	-	-	97
-	-	-	-	-	1,000	1,000
<u>5,964</u>	<u>229,157</u>	<u>9,550</u>	<u>26,993</u>	<u>-</u>	<u>1,000</u>	<u>2,067,994</u>
-	223,029	-	26,993	-	-	1,648,116
-	-	-	-	-	-	314,818
5,957	-	-	-	-	-	9,487
-	-	-	-	-	-	1,073
-	-	9,550	-	-	-	9,550
-	-	-	-	-	-	211
-	-	-	-	-	-	72,808
-	-	-	-	-	-	44,501
<u>5,957</u>	<u>223,029</u>	<u>9,550</u>	<u>26,993</u>	<u>-</u>	<u>-</u>	<u>2,100,564</u>
<u>7</u>	<u>6,128</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,000</u>	<u>(32,570)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>138,600</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>138,600</u>
<u>7</u>	<u>6,128</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,000</u>	<u>106,030</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,906)</u>	<u>-</u>	<u>1,187,677</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,333</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,906)</u>	<u>-</u>	<u>1,234,010</u>
<u>\$ 7</u>	<u>\$ 6,128</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,906)</u>	<u>\$ 1,000</u>	<u>\$ 1,340,040</u>

See independent auditors' report.

**STATE OF NEW MEXICO**  
 Los Alamos Public Schools  
 Combining Balance Sheet  
 Nonmajor Capital Project Funds  
 June 30, 2018

Statement C-1

	<b>Special Capital Outlay - State 31400</b>	<b>Total</b>
<i>Assets</i>		
Cash and cash equivalents	\$ -	\$ -
Receivables:		
Property taxes	-	-
Due from other governments	217,966	217,966
Due from other funds	-	-
<i>Total assets</i>	\$ 217,966	\$ 217,966
 <i>Liabilities, deferred inflows of resources, and fund balances</i>		
<i>Liabilities</i>		
Accounts payable	\$ -	\$ -
Due to other funds	217,966	217,966
<i>Total liabilities</i>	217,966	217,966
 <i>Deferred inflows of resources</i>		
Unavailable revenue - property taxes	-	-
<i>Total deferred inflows of resources</i>	-	-
 <i>Fund balances</i>		
Spendable:		
Restricted for:		
Capital acquisitions and improvements	-	-
<i>Total fund balances</i>	-	-
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	\$ 217,966	\$ 217,966

See independent auditors' report.

**STATE OF NEW MEXICO**  
 Los Alamos Public Schools  
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Nonmajor Capital Project Funds  
 For the Year Ended June 30, 2018

	<b>Special Capital Outlay - State 31400</b>	<b>Total</b>
<i>Revenues</i>	<u>                    </u>	<u>                    </u>
Property taxes	\$ -	\$ -
Intergovernmental revenue:		
Federal flowthrough	-	-
Federal direct	-	-
Local sources	-	-
State flowthrough	217,966	217,966
State direct	-	-
Charges for services	-	-
Investment income	-	-
Miscellaneous income	-	-
<i>Total revenues</i>	<u>217,966</u>	<u>217,966</u>
<i>Expenditures</i>		
Current:		
Instruction	-	-
Support services - students	-	-
Support services - instruction	-	-
Support services - general administration	-	-
Support services - school administration	-	-
Central services	-	-
Operation and maintenance of plant	-	-
Student transportation	-	-
Food services operations	-	-
Capital outlay	217,966	217,966
<i>Total expenditures</i>	<u>217,966</u>	<u>217,966</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>		
Bond proceeds	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	-	-
<i>Fund balances - beginning</i>	<u>-</u>	<u>-</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>

See independent auditors' report.

**STATE OF NEW MEXICO**  
Los Alamos Public Schools  
Combining Balance Sheet  
General Fund  
June 30, 2018

Statement E-1

	<b>Operational 11000</b>	<b>Pupil Transportation 13000</b>	<b>Instructional Materials 14000</b>	<b>Total</b>
<i>Assets</i>				
Cash and cash equivalents	\$ 2,074,439	\$ 20,556	\$ 126,936	\$ 2,221,931
Investments	41,893	-	-	41,893
Receivables:				
Property taxes	4,223	-	-	4,223
Inventory	168,438	-	-	168,438
Due from other funds	466,903	-	-	466,903
<i>Total assets</i>	<u>\$ 2,755,896</u>	<u>\$ 20,556</u>	<u>\$ 126,936</u>	<u>\$ 2,903,388</u>
 <i>Liabilities, deferred inflows of resources, and fund balances</i>				
<i>Liabilities</i>				
Accounts payable	\$ 244,398	\$ -	\$ -	\$ 244,398
Accrued payroll	1,147,879	8,550	-	1,156,429
Due to other funds	31,022	-	-	31,022
<i>Total liabilities</i>	<u>1,423,299</u>	<u>8,550</u>	<u>-</u>	<u>1,431,849</u>
 <i>Deferred inflows of resources</i>				
Unavailable revenue - property taxes	404	-	-	404
<i>Total deferred inflows of resources</i>	<u>404</u>	<u>-</u>	<u>-</u>	<u>404</u>
 <i>Fund Balances</i>				
Nonspendable:				
Inventory	168,438	-	-	168,438
Spendable:				
Restricted for:				
Transportation	-	12,006	-	12,006
Instructional materials	-	-	126,936	126,936
Committed for:				
Subsequent year's expenditures	777,885	-	-	777,885
Unassigned	385,870	-	-	385,870
<i>Total fund balances</i>	<u>1,332,193</u>	<u>12,006</u>	<u>126,936</u>	<u>1,471,135</u>
 <i>Total liabilities, deferred inflows of resources, and fund balances</i>	 <u>\$ 2,755,896</u>	 <u>\$ 20,556</u>	 <u>\$ 126,936</u>	 <u>\$ 2,903,388</u>

See independent auditors' report.

**STATE OF NEW MEXICO**  
**Los Alamos Public Schools**  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
General Fund  
For the Year Ended June 30, 2018

Statement E-2

	<b>Operational 11000</b>	<b>Pupil Transportation 13000</b>	<b>Instructional Materials 14000</b>	<b>Total</b>
<i>Revenues</i>				
Property taxes	\$ 258,152	\$ -	\$ -	\$ 258,152
Intergovernmental revenue:				
Federal direct	8,401,666	-	-	8,401,666
Local sources	41,098	-	-	41,098
State flowthrough	10,855	-	-	10,855
State direct	27,661,951	-	121,212	27,783,163
Transportation distribution	-	674,256	-	674,256
Charges for services	283,726	-	-	283,726
Investment income	45,957	-	-	45,957
<i>Total revenues</i>	<u>36,703,405</u>	<u>674,256</u>	<u>121,212</u>	<u>37,498,873</u>
<i>Expenditures</i>				
Current:				
Instruction	21,205,923	-	58,306	21,264,229
Support services - students	3,997,580	-	-	3,997,580
Support services - instruction	1,386,667	-	-	1,386,667
Support services - general administration	869,060	-	-	869,060
Support services - school administration	2,014,156	-	-	2,014,156
Central services	1,615,478	-	-	1,615,478
Operation and maintenance plant	5,467,105	-	-	5,467,105
Student transportation	274,223	659,736	-	933,959
Community services operations	1,303	-	-	1,303
<i>Total expenditures</i>	<u>36,831,495</u>	<u>659,736</u>	<u>58,306</u>	<u>37,549,537</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(128,090)</u>	<u>14,520</u>	<u>62,906</u>	<u>(50,664)</u>
<i>Other financing sources (uses):</i>				
Transfers in	800,071	-	-	800,071
<i>Total other financing sources (uses)</i>	<u>800,071</u>	<u>-</u>	<u>-</u>	<u>800,071</u>
<i>Net change in fund balances</i>	671,981	14,520	62,906	749,407
<i>Fund balances - as originally stated</i>	895,146	(2,514)	64,030	956,662
<i>Fund balances - restatement (note 12)</i>	<u>(234,934)</u>	<u>-</u>	<u>-</u>	<u>(234,934)</u>
<i>Fund balances - beginning</i>	<u>660,212</u>	<u>(2,514)</u>	<u>64,030</u>	<u>721,728</u>
<i>Fund balances - end of year</i>	<u>\$ 1,332,193</u>	<u>\$ 12,006</u>	<u>\$ 126,936</u>	<u>\$ 1,471,135</u>

See independent auditors' report.

## STATE OF NEW MEXICO

Statement E-3

Los Alamos Public Schools

Operational Fund - 11000

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

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Property taxes	\$ 248,799	\$ 248,799	\$ 256,794	\$ 7,995
Intergovernmental revenue:				
Federal direct	8,357,046	8,358,804	8,401,666	42,862
Local sources	20,134	20,134	41,098	20,964
State flowthrough	-	-	53,363	53,363
State direct	27,615,380	27,736,908	27,661,951	(74,957)
Transportation distribution	-	-	-	-
Charges for services	285,734	1,085,734	283,726	(802,008)
Investment income	12,000	12,000	45,957	33,957
Miscellaneous	-	-	-	-
<b>Total revenues</b>	<b>36,539,093</b>	<b>37,462,379</b>	<b>36,744,555</b>	<b>(717,824)</b>
<i>Expenditures</i>				
Current:				
Instruction	21,717,755	21,582,287	21,235,887	346,400
Support services - students	3,990,699	4,490,699	4,011,368	479,331
Support services - instruction	1,238,132	1,297,632	1,386,667	(89,035)
Support services - general administration	964,002	964,002	876,646	87,356
Support services - school administration	2,177,506	2,177,506	2,014,156	163,350
Central services	1,582,106	1,676,806	1,627,114	49,692
Operation and maintenance of plant	4,881,599	5,237,399	5,363,122	(125,723)
Student transportation	291,626	291,626	275,257	16,369
Other support services	25,115	142,869	-	142,869
Community services operations	81,627	12,627	1,303	11,324
<b>Total expenditures</b>	<b>36,950,167</b>	<b>37,873,453</b>	<b>36,791,520</b>	<b>1,081,933</b>
<i>Excess (deficiency) of revenues over expenditures</i>	<b>(411,074)</b>	<b>(411,074)</b>	<b>(46,965)</b>	<b>364,109</b>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	411,074	411,074	-	(411,074)
Transfers in	-	-	800,071	800,071
<b>Total other financing sources (uses)</b>	<b>411,074</b>	<b>411,074</b>	<b>800,071</b>	<b>388,997</b>
<i>Net change in fund balance</i>	-	-	753,106	753,106
<i>Fund balance - beginning of year</i>	-	-	777,885	777,885
<i>Fund balance - restatement (note 12)</i>	-	-	(126,657)	(126,657)
<i>Fund balance - beginning as restated</i>	-	-	651,228	651,228
<b>Fund balance - end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,404,334</b>	<b>\$ 1,404,334</b>
Net change in fund balance (Non-GAAP Budgetary Basis)				\$ 753,106
Adjustments to revenues for taxes and intergovernmental revenue				(41,150)
Adjustments to expenditures for supplies and payroll expenditures				(39,975)
<b>Net change in fund balance (GAAP Basis)</b>				<b>\$ 671,981</b>

See independent auditors' report.

**STATE OF NEW MEXICO**  
 Los Alamos Public Schools  
 Pupil Transportation Fund - 13000  
 Statement of Revenues, Expenditures, and Changes in  
 Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual  
 For the Year Ended June 30, 2018

Statement E-4

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variances</b>
	<b>Original</b>	<b>Final</b>		<b>Favorable (Unfavorable) Final to Actual</b>
<i>Revenues</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue:				
Federal flowthrough	-	-	-	-
Federal direct	-	-	-	-
Local sources	-	-	-	-
State flowthrough	-	-	-	-
State direct	-	-	-	-
Transportation distribution	674,106	674,106	674,256	150
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total revenues</b>	<b>674,106</b>	<b>674,106</b>	<b>674,256</b>	<b>150</b>
<i>Expenditures</i>				
Current:				
Instruction	-	-	-	-
Support services - students	-	-	-	-
Support services - instruction	-	-	-	-
Support services - general administration	-	-	-	-
Support services - school administration	-	-	-	-
Central services	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Student transportation	674,106	674,106	661,013	13,093
Other support services	-	-	-	-
Food services operations	-	-	-	-
Community services operations	-	-	-	-
Capital outlay	-	-	-	-
<b>Total expenditures</b>	<b>674,106</b>	<b>674,106</b>	<b>661,013</b>	<b>13,093</b>
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	13,243	13,243
<i>Other financing sources (uses):</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<i>Net change in fund balance</i>	-	-	13,243	13,243
<i>Fund balance - beginning of year</i>	-	-	(1,237)	(1,237)
<i>Fund balance - end of year</i>	\$ -	\$ -	\$ 12,006	\$ 12,006
Net change in fund balance (Non-GAAP Budgetary Basis)				\$ 13,243
No adjustments to revenues				-
Adjustments to expenditures for student transportation				1,277
<b>Net change in fund balance (GAAP Basis)</b>				<b>\$ 14,520</b>

See independent auditors' report.

**STATE OF NEW MEXICO**  
 Los Alamos Public Schools  
 Instructional Materials Fund - 14000  
 Statement of Revenues, Expenditures, and Changes in  
 Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual  
 For the Year Ended June 30, 2018

Statement E-5

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variances</b>
	<b>Original</b>	<b>Final</b>		<b>Favorable (Unfavorable) Final to Actual</b>
<i>Revenues</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue:				
Federal flowthrough	-	-	-	-
Federal direct	-	-	-	-
Local sources	-	-	-	-
State flowthrough	-	-	-	-
State direct	102,860	102,860	121,212	18,352
Transportation distribution	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total revenues</b>	<b>102,860</b>	<b>102,860</b>	<b>121,212</b>	<b>18,352</b>
<i>Expenditures</i>				
Current:				
Instruction	102,860	102,860	58,306	44,554
Support services - students	-	-	-	-
Support services - instruction	-	-	-	-
Support services - general administration	-	-	-	-
Support services - school administration	-	-	-	-
Central services	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Food services operations	-	-	-	-
Community services operations	-	-	-	-
Capital outlay	-	-	-	-
<b>Total expenditures</b>	<b>102,860</b>	<b>102,860</b>	<b>58,306</b>	<b>44,554</b>
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	62,906	62,906
<i>Other financing sources (uses):</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<i>Net change in fund balance</i>	-	-	62,906	62,906
<i>Fund balance - beginning of year</i>	-	-	64,030	64,030
<i>Fund balance - end of year</i>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 126,936</b>	<b>\$ 126,936</b>
Net change in fund balance (Non-GAAP Budgetary Basis)				\$ 62,906
No adjustments to revenues				-
No adjustments to expenditures				-
<i>Net change in fund balance (GAAP Basis)</i>				<b>\$ 62,906</b>

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## **SUPPORTING SCHEDULES**

**STATE OF NEW MEXICO**  
 Los Alamos Public Schools  
 Schedule of Changes in Fiduciary Assets and Liabilities  
 Agency Funds  
 For the Year Ended June 30, 2018

Schedule I

	<u>Balance</u> <u>June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
High School Athletics Concession Fund	<u>\$ 18,829</u>	<u>\$ 26,213</u>	<u>\$ 40,597</u>	<u>\$ 4,445</u>
Totals	<u><u>\$ 18,829</u></u>	<u><u>\$ 26,213</u></u>	<u><u>\$ 40,597</u></u>	<u><u>\$ 4,445</u></u>

**STATE OF NEW MEXICO**  
Los Alamos Public Schools  
Schedule of Collateral Pledged by Depository for Public Funds  
June 30, 2018

Schedule II

<u>Name of Depository</u>	<u>Description of Pledged Collateral</u>	<u>Maturity</u>	<u>CUSIP Number</u>	<u>Fair Market Value June 30, 2018</u>
<b>Los Alamos National Bank</b>				
	FHMS K049 A2-20% pledged	7/25/2025	3137BLMZ8	\$ 1,973,190
	FHMS K049 A2-30% pledged	7/25/2025	3137BLMZ8	2,959,785
	FHMS K049 A2-15% pledged	7/25/2025	3137BLMZ8	1,479,892
	FHMS K049 A2-5% pledged	7/25/2025	3137BLMZ8	493,297
	FHMS K052 A2- 50% pledged	11/25/2025	3137BMTX4	4,972,377
	FHMS K052 A2- 30% pledged	11/25/2025	3137BMTX4	2,983,426
	FHMS K052 A2- 20% pledged	11/25/2025	3137BMTX4	1,988,951
	FHMS K055 A2- 80% pledged	3/25/2026	3131BPW21	3,835,396
	FHMS K055 A2- 20% pledged	3/25/2026	3131BPW21	958,849
<b>Total Los Alamos National Bank</b>				<u>21,645,163</u>
Name and location of safekeeper for above pledged collateral: Federal Home Loan Bank Dallas, TX				
<b>Sunflower Bank First National Bank 1870</b>				
	FNR 2014-26 VA	9/25/2025	3136AJC46	3,384,328
	FHR 4337 BA	2/15/2046	3137BBA91	3,368,981
	FHR 4390 CA	6/15/2050	3137BDX76	3,268,343
	FHR 4555 CP	4/15/2045	3137BN4M3	4,076,121
	FHR 4622 KB	1/15/2055	3137BSEB5	2,591,970
	FHR 4698 DA	5/15/2045	3137F1XE3	4,289,808
<b>Total Sunflower Bank First National Bank 1870</b>				<u>20,979,551</u>
Name and location of safekeeper for above pledged collateral: Vinning Sparks, Memphis, TN				
<b>New Mexico Bank and Trust</b>				
	SBA PC VAR QTRLY ADJ	1/25/2026	83165AML5	421,729
	SBA PC VAR QTRLY ADJ	11/25/2027	83165AT3B	549,848
<b>Total New Mexico Bank and Trust</b>				<u>971,577</u>
Name and location of safekeeper for above pledged collateral: Suntrust Bank, Atlanta				
<i>Total collateral pledged</i>				<u><u>\$ 43,596,291</u></u>

See independent auditors' report.

**STATE OF NEW MEXICO**  
 Los Alamos Public Schools  
 Schedule of Deposits and Investments  
 June 30, 2018

<b>Bank Account Type/ Name</b>	<b>Sunflower/ First National Bank 1870</b>	<b>Los Alamos National Bank</b>
Cash Deposits:		
Checking - Bond Building	\$ 3,392,947	\$ 2,730,280
Checking - HB-33	4,883,158	-
Checking - Leased Facilities	6,022,466	-
Checking - Zenus Boone Estate	316,662	-
Checking - AP Clearing	-	191,482
Checking - Payroll Clearing	-	731,266
Checking - Operational	-	2,608,441
Checking - Concession (Agency)	-	4,445
Checking - Debt Service	-	5,999,766
Certificate of Deposit - HB-33 *	2,555,182	-
Certificate of Deposit - Leased Facilities *	1,516,210	924,622
Certificate of Deposit - Leased Facilities *	537,235	-
Certificate of Deposit - Leased Facilities *	1,023,785	-
Certificate of Deposit- Bond Building *	-	-
Money Market- Bond Building *	-	-
Money Market- Operational *	-	-
U.S. Treasury- Bond Building *	-	-
<b>Total Cash Deposits</b>	<b>20,247,645</b>	<b>13,190,302</b>
<b>Total Deposits and Investments</b>	<b>20,247,645</b>	<b>13,190,302</b>
Reconciling items	-	(47,263)
Plus: Cash on hand	-	-
<b>Reconciled balance June 30, 2018</b>	<b>\$ 20,247,645</b>	<b>\$ 13,143,039</b>

\* represents investments

Reconciliation to financial statements:

Cash and cash equivalents:

Government-wide statement of net position - Exhibit A-1

Investments:

Government-wide statement of net position - Exhibit A-1

Restricted cash and cash equivalents:

Government-wide statement of net position - Exhibit A-1

Cash and cash equivalents:

Statement of fiduciary net position agency funds - Exhibit E-1

Investments:

Statement of fiduciary net position agency funds - Exhibit E-1

*Cash and cash equivalents per Financial Statements*

See independent auditors' report.

<u>New Mexico Bank &amp; Trust</u>	<u>Los Alamos Credit Union</u>	<u>Charles Schwab</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 6,123,227
-	-	-	4,883,158
-	-	-	6,022,466
-	-	-	316,662
-	-	-	191,482
-	-	-	731,266
-	152	-	2,608,593
-	-	-	4,445
-	-	-	5,999,766
-	-	-	2,555,182
-	-	-	2,440,832
-	-	-	537,235
-	-	-	1,023,785
1,148,834	-	5,500,000	6,648,834
-	-	535,903	535,903
-	-	41,893	41,893
-	-	1,000,000	1,000,000
1,148,834	152	7,077,796	41,664,729
1,148,834	152	7,077,796	41,664,729
-	-	-	(47,263)
			3,185
<u>\$ 1,148,834</u>	<u>\$ 152</u>	<u>\$ 7,077,796</u>	<u>\$ 41,620,651</u>

\$ 20,516,115

14,783,663

5,999,766

4,445

316,662

\$ 41,620,651

See independent auditors' report.

**STATE OF NEW MEXICO**  
 Los Alamos Public Schools  
 Schedule of Deposits and Investments  
 June 30, 2018

**Component Unit**

<u>Bank Account Type/ Name</u>	<u>Los Alamos National Bank</u>	<u>Los Alamos Credit Union</u>
Cash Deposits:		
Checking - Regular	\$ 10,390	\$ 11,189
Checking - Savings	5,154	-
Checking - Restricted	96,612	-
Total Cash Deposits	112,156	11,189
Investments	-	-
Total Deposits and Investments	112,156	11,189
Reconciling items	(9,004)	-
<i>Reconciled balance June 30, 2018</i>	<u>\$ 103,152</u>	<u>\$ 11,189</u>

Reconciliation to financial statements:  
 Cash and cash equivalents:  
   Government-wide statement of net position - Exhibit A-1  
 Investments:  
   Government-wide statement of net position - Exhibit A-1  
 Restricted Cash and cash equivalents:  
   Government-wide statement of net position - Exhibit A-1

*Cash, investments and cash equivalents per Financial Statements*

See independent auditors' report.

<u>Edward Jones</u>	<u>Total</u>
\$ -	\$ 21,579
-	5,154
-	96,612
-	123,345
<u>276,279</u>	<u>276,279</u>
<u>276,279</u>	<u>399,624</u>
-	(9,004)
<u>\$ 276,279</u>	<u>\$ 390,620</u>

\$ 17,729
276,279
<u>96,612</u>
<u>\$ 390,620</u>

See independent auditors' report.

**STATE OF NEW MEXICO**  
Los Alamos Public Schools  
Cash Reconciliation  
For the Year Ended June 30, 2018

	<b>Operational 11000</b>	<b>Transportation 13000</b>	<b>Instructional Materials 14000</b>	<b>Food Services 21000</b>
Audited Cash June 30, 2017	\$ 1,110,419	\$ 2,836	\$ 64,030	\$ 46,333
Add:				
2017-2018 receipts	36,744,555	674,256	121,212	-
Transfers from other sources	800,071	-	-	75,000
Total cash available	<u>38,655,045</u>	<u>677,092</u>	<u>185,242</u>	<u>121,333</u>
Less:				
2017-2018 expenditures	<u>(36,880,863)</u>	<u>(661,013)</u>	<u>(58,306)</u>	<u>(72,808)</u>
Total Cash	<u>1,774,182</u>	<u>16,079</u>	<u>126,936</u>	<u>48,525</u>
Add / Less:				
Prior Year Auditor Error	197,620	-	-	-
Adjustment	(234,934)	-	-	-
Negative cash loans from (to)	(28,989)	-	-	-
Change in Payroll Accruals	408,453	4,477	-	-
<i>Cash per financial statement</i>	<u><u>\$ 2,116,332</u></u>	<u><u>\$ 20,556</u></u>	<u><u>\$ 126,936</u></u>	<u><u>\$ 48,525</u></u>

See independent auditors' report.



<b>Athletics 22000</b>	<b>Non-Instructional Support 23000</b>	<b>Federal Flowthrough 24000</b>	<b>Federal Direct 25000</b>	<b>Local Grants 26000</b>	<b>State Flowthrough 27000</b>
\$ 111,872	\$ 1,028,486	\$ 6,897	\$ 6,170	\$ 20,668	\$ -
75,018	704,537	962,319	44,982	44,327	238,068
-	63,600	-	-	-	-
186,890	1,796,623	969,216	51,152	64,995	238,068
(65,851)	(707,346)	(926,421)	(10,943)	(49,494)	(270,191)
121,039	1,089,277	42,795	40,209	15,501	(32,123)
-	-	12,784	-	-	-
-	-	-	-	-	-
-	-	(72,794)	(899)	-	35,502
-	474	17,215	-	318	(3,372)
<u>\$ 121,039</u>	<u>\$ 1,089,751</u>	<u>\$ -</u>	<u>\$ 39,310</u>	<u>\$ 15,819</u>	<u>\$ 7</u>

See independent auditors' report.

**STATE OF NEW MEXICO**  
Los Alamos Public Schools  
Cash Reconciliation  
For the Year Ended June 30, 2018

	<b>Local or state 29000</b>	<b>Bond Building 31100</b>	<b>Capital Improvements SB-9 31400</b>	<b>Capital Improvements HB-33 31600</b>
Audited Cash June 30, 2017	\$ -	\$ 8,956,008	\$ -	\$ 6,714,609
Add:				
2017-2018 receipts	1,000	6,890,030	157,034	2,338,518
Transfers from other sources	-	-	-	-
Total cash available	<u>1,000</u>	<u>15,846,038</u>	<u>157,034</u>	<u>9,053,127</u>
Less:				
2017-2018 expenditures	-	(1,538,073)	(217,966)	(1,561,862)
Total Cash	<u>1,000</u>	<u>14,307,965</u>	<u>(60,932)</u>	<u>7,491,265</u>
Add / Less:				
Prior Year Auditor Error	-		-	-
Adjustment	-	-	-	-
Negative cash loans from (to)	-	-	60,932	-
Change in Payroll Accruals	-	-	-	-
<i>Cash per financial statement</i>	<u>\$ 1,000</u>	<u>\$ 14,307,965</u>	<u>\$ -</u>	<u>\$ 7,491,265</u>

See independent auditors' report.

<b>Capital Improvements SB-9 31700</b>	<b>Capital Improvements SB-9 Local 31701</b>	<b>Debt Service 41000</b>	<b>Total</b>
\$ -	\$ -	\$ 5,686,149	\$ 23,754,477
-	-	6,333,851	55,329,707
-	-	-	938,671
-	-	12,020,000	80,022,855
-	-	(6,020,234)	(49,041,371)
-	-	5,999,766	30,981,484
-	-	-	210,404
-	-	-	(234,934)
-	-	-	(6,248)
-	-	-	427,565
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,999,766</u>	<u>\$ 31,378,271</u>

See independent auditors' report.

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## **COMPLIANCE SECTION**

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

**INDEPENDENT AUDITORS' REPORT**

Board of Education and Management  
Los Alamos Public Schools  
Wayne Johnson  
New Mexico State Auditor  
U.S. Office of Management and Budget  
Los Alamos, 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, business-type activities, the discretely presented component unit, each major fund, the aggregate remaining fund information and the budgetary comparisons of the general fund of Los Alamos Public Schools (the "District") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 9, 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. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that is required to be reported per section 12-6-5 NMSA 1978 that we have described in the accompanying schedule of Section 12-6-5 NMSA 1978 Findings are items 2018-001 and 2018-002.

## **The District's Response to Findings**

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

## **Purpose of this Report**

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

A handwritten signature in blue ink that reads "Cordova CPAs LLC". The signature is written in a cursive, flowing style.

Cordova CPAs LLC  
Albuquerque, New Mexico  
November 9, 2018

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**FEDERAL FINANCIAL ASSISTANCE**

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

### INDEPENDENT AUDITORS' REPORT

Board of Education and Management  
Los Alamos Public Schools  
Wayne Johnson  
New Mexico State Auditor  
U.S. Office of Management and Budget  
Los Alamos, New Mexico

#### Report on Compliance for Each Major Federal Program

We have audited Los Alamos Public Schools (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2018. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

#### Management's Responsibility

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

#### Auditors' Responsibility

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

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

## Opinion on Major Federal Program

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

## Report on Internal Control Over Compliance

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

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

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

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



Cordova CPAs LLC  
Albuquerque, New Mexico  
November 9, 2018

**STATE OF NEW MEXICO**  
Los Alamos Public Schools  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2018

<u>Federal Grantor or Pass-Through Grantor / Program Title</u>	<u>Pass Thru Number</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>	<u>Funds Provided to Subrecipients</u>	<u>Noncash Assistance</u>
<b>U.S. Department of Energy</b>					
<i>Direct United States Department of Energy</i>					
DOE Assistance Grant	11000	Public Law 108-375	\$ 8,000,000 *	\$ -	\$ -
<i>Total U.S. Department of Energy</i>			<u>8,000,000</u>	<u>-</u>	<u>-</u>
<b>U.S. Department of Defense</b>					
<i>Direct United States Department of Defense</i>					
NJROTC	11000	12.XXX	\$ 46,637	\$ -	\$ -
<i>Total U.S. Department Defense</i>			<u>46,637</u>	<u>-</u>	<u>-</u>
<b>U.S. Department of Education</b>					
<i>Passed through New Mexico Public Education Department</i>					
IDEA-B Entitlement	24106	84.027	(1) 829,462 *	-	-
IDEA-B Preschool	24109	84.173	(1) 11,077 *	-	-
IDEA-B Early Intervention	24112	84.027	(1) - *	-	-
<i>Total IDEA Cluster</i>			<u>840,539</u>	<u>-</u>	<u>-</u>
Title I - IASA	24101	84.010	58,852	-	-
Teacher/ Principal Training /Recruiting	24154	84.367A	33,674	-	-
<i>Subtotal - Passed through New Mexico Public Education Department</i>			<u>933,065</u>	<u>-</u>	<u>-</u>
<i>Direct U.S. Department of Education</i>					
Impact Aid - General Fund	11000	84.041	397,160	-	-
Indian Education Grants to Local Educational Agencies- Formula	25184	84.041	10,943	-	-
<i>Subtotal - Direct U.S. Department of Education</i>			<u>408,103</u>	<u>-</u>	<u>-</u>
<i>Total U.S. Department of Education</i>			<u>1,341,168</u>	<u>-</u>	<u>-</u>
<b>U.S. Department of Agriculture</b>					
<i>Federal Direct Payments</i>					
Forest Reserve	11000	10.665	4,506	-	-
<i>Total U.S. Department of Agriculture</i>			<u>4,506</u>	<u>-</u>	<u>-</u>
<i>Total Federal Financial Assistance</i>			<u>\$ 9,392,311</u>	<u>\$ -</u>	<u>\$ -</u>

\* Denotes Major Federal Financial Assistance Program  
() Denotes Cluster

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

**Notes to Schedule of Expenditures of Federal Awards****1 Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of the Los Alamos Public Schools (The District) and is presented on the modified accrual basis of accounting, which is the same basis as was used to prepare the fund financial statements. The information in this Schedule is presented in accordance with the requirements of *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

**2 Loans**

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

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

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

**4 Federally Funded Insurance**

The District has no federally funded insurance.

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**STATE OF NEW MEXICO**  
**Los Alamos Public Schools**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2018**

**SECTION I - SUMMARY OF AUDITORS' RESULTS**

*Financial Statements:*

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

*Federal Awards:*

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

CFDA Number	Federal Program
Public Law 108-375 84.027 and 84.173	DOE Assistance Grant Special Education Cluster

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

**STATE OF NEW MEXICO**  
Los Alamos Public Schools  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2018

**SECTION II - FINANCIAL STATEMENT FINDINGS**

None noted

**SECTION III - FEDERAL AWARD FINDINGS**

None noted

**SECTION IV – SECTION 12-6-5 NMSA FINDINGS**

**2018-001 Capital Assets – (Finding that does not rise to the level of significant deficiency)**

*Condition:* Beginning cost balances and accumulated depreciation which is maintained by the District’s software did not roll forward from the prior year properly. Adjustments were made during the year to account for the difference in the beginning balances, however these adjustments were immaterial but necessary for proper roll forward of capital assets. The District is working with the accounting software provider to ensure this issue is resolved in subsequent years.

*Criteria:* According to NMAC 2.20.1.8 (A) Fixed Asset Accounting System- Agencies should implement systematic and well documented methods for accounting for fixed assets. A computerized system with appropriate controls on access and authorizations of transactions should be implemented.

*Effect:* The District’s cost and accumulated depreciation balances required a net book value adjustment of \$1,060,181.

*Cause:* When a year is closed out in the accounting software system it is unknown to management or representatives from the software company why ending balances do not roll to subsequent year beginning balances. In addition, there was a lack of communication during the audit process in the prior year that potentially resulted in erroneous balances in the prior year financial statements.

*Auditors’ Recommendations:* We recommend that the District review its internal controls over capital assets to include verification of cost and accumulated depreciation on a timely basis and we also recommend that the system edits be limited to only individuals that are involved in the accounting process and changes be made for appropriate circumstances only.

*Agency’s Response:* Review of the Fixed Assets Module in our financial system has begun and will continue for the next few months. If necessary, we will establish a better system that is more easily managed, before end of fiscal year 2018-2019. The Assistant Superintendent of Finance and Operations and Comptroller will monitor this plan.



**STATE OF NEW MEXICO**  
Los Alamos Public Schools  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2018

**SECTION IV – SECTION 12-6-5 NMSA FINDINGS (continued)**

**2018-002 Credit Cards – (Finding that does not rise to the level of significant deficiency)**

*Condition:* During our fieldwork, we noted that the District's was missing receipts for credit card transactions in the amount of \$186.81.

*Criteria:* Per New Mexico Manual of Procedures for Public School Accounting and Budgeting, Supplement 13 – Purchasing, “the preparation and execution of a duly authorized purchase order must precede the placement of any order for goods, services or construction.” Additionally, “all verified items or services should be recorded on the receiving document or other recording instrument (i.e., electronic file)”, and “upon verifying and recording the receipt of all the items or services ordered, the receiving document or recording instrument shall be manually or electronically signed by authorized receiving personnel and processed for payment according to procedures established by school District or charter school boards’ of education local procedures.” Relevant statutes include 13-1-157 and 13-1-158 NMSA 1978.

*Effect:* The District could potentially be paying for unauthorized items and misappropriation of cash could occur.

*Cause:* Employees of the District who are authorized for credit card are not consistently turning in receipts for all purchases and management who reviews are not communicating the importance of proper support for all transactions.

*Auditors' Recommendation:* We recommend that the District require all receipts be turned in timely after use of credit cards to support the cash disbursements. In addition, it may require a reminder to principals and other members of management the importance of obtaining supporting documentation for authorized purchases.

*Agency's Response:* The Accounts Payable staff have been reminded that appropriate support documentation is required prior to payments being made. This particular finding was due to an unusual set of circumstances, however, more oversight will occur going forward. The Assistant Superintendent of Finance and Operations and Comptroller will monitor this plan. Subsequent to the Exit Conference in November, it has been communicated to the department using credit cards that they should follow this process going forward - \*\*Upon receipt of a billing statement from the credit card company, credit card users will have 15 days to supply a Payment Authorization along with the original receipts to Accounts Payable.\*\* At the beginning of the next fiscal year when "back to school training occurs", there will be a reminder of the importance of providing original credit card receipts for reconciliation of credit card billing statements.

**STATE OF NEW MEXICO**  
Los Alamos Public Schools  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2018

Schedule VI

**SECTION V      PRIOR YEAR AUDIT FINDINGS**

**NM 2016-001 Budgetary Controls (Other Noncompliance) – Resolved**

**NM 2017-001 Pledged Collateral (Other Noncompliance) Resolved**

**STATE OF NEW MEXICO**  
Los Alamos Public Schools  
Other Disclosures  
June 30, 2018

**OTHER DISCLOSURES**

**Exit Conference**

An exit conference was held on November 9, 2018. In attendance were the following:

**Representing Los Alamos Public Schools:**

Jenny McCumber – Board President  
Dr. Kurt Steinhaus – Superintendent  
Lisa Montoya – Assistant Superintendent of Finance and Operations  
Teresa Gatewood – Comptroller  
Lorraine Hartway, CPA – Audit Committee

**Representing Los Alamos Public Schools Foundation:**

Lorraine Hartway, CPA – Board Member  
Laura Loy – Director

**Representing Cordova CPAs LLC:**

Robert Cordova, CPA – Principal

**Auditor Prepared Financial Statements**

Cordova CPAs LLC prepared the GAAP-basis financial statements and footnotes of Los Alamos Public Schools from the original books and records asserted by management. The responsibility for the financial statements remains with Los Alamos Public Schools.

## APPENDIX C

### BOOK-ENTRY-ONLY SYSTEM

## The Book-Entry-Only System

*This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by The Depository Trust Company, New York, New York ("DTC") while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District, the Financial Advisor and the Underwriters believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.*

*The District and the Underwriters cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption notices or other notices to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption notices or other notices to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.*

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a S&P Global Ratings rating of AA+. The DTC Rules applicable to its Participants are on file with the United States Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be

governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

All payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. All payments, with respect to the Bonds, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor Securities depository). In that event, Bond certificates will be printed and delivered to bond holders.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District, the Financial Advisor and the Underwriters believe to be reliable, but none of the District, the Financial Advisor or the Underwriters take any responsibility for the accuracy thereof.

#### **Use of Certain Terms in Other Sections of this Official Statement**

In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Direct or Indirect Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Bond Order will be given only to DTC.

#### **Effect of Termination of Book-Entry-Only System**

In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the District, printed Bonds will be issued to the holders and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Resolution and summarized under "The Bonds" below in this Official Statement.

APPENDIX D

FORM OF BOND COUNSEL OPINION

[FORM OF BOND COUNSEL OPINION]

July 23, 2019

Los Alamos Public School District  
Los Alamos, New Mexico

Re: \$6,500,000 Los Alamos Public School District, General Obligation School Bonds, Series 2019

Ladies and Gentlemen:

We have acted as bond counsel to the Los Alamos Public School District (the "District") in connection with the issuance of its \$6,500,000 General Obligation School Bonds, Series 2019 (the "Bonds"), dated their date of issuance, with interest payable on February 1, 2020, and semi-annually thereafter on August 1 and February 1, until maturity, and being bonds in registered form maturing on August 1 in the years 2020 through 2031, inclusive.

We have examined the transcript of proceedings (the "Transcript") relating to the issuance of the Bonds and the law under authority of which the Bonds are issued. Based on our examination, we are of the opinion that, under the law existing on the date of this opinion, subject to the provisions of federal bankruptcy law and other laws affecting creditors' rights and further subject to exercise of judicial discretion in accordance with general principles of equity:

1. The Bonds constitute valid and binding general obligations of the District and are to be paid from the proceeds of the levy of ad valorem taxes on all taxable property within the District without limitation as to rate or amount.

2. Under existing laws, regulations, rulings and judicial decisions, interest on the Bonds is excludable from gross income for federal income tax purposes. We are also of the opinion that interest on the Bonds is not a specific preference item for purposes of calculating the alternative minimum tax imposed on individuals under provisions contained in the Internal Revenue Code of 1986, as amended (the "Code"). Although we are of the opinion that interest on the Bonds is excludable from gross income for federal income tax purposes, the accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. We express no opinion regarding any such consequences.

3. The Bonds and the income from the Bonds are exempt from all taxation by the State or any political subdivision of the State.

Other than as described herein, we have not addressed nor are we opining on the tax consequences to any person of the investment in, or the receipt of interest on, the Bonds.

We express no opinion as of any date subsequent hereto, and our engagement with respect to the Bonds has concluded with their issuance. We disclaim any obligation to update this opinion.

The opinions expressed herein represent our legal judgment based upon a review of existing legal authorities as of the date of issuance and delivery of the Bonds that we deem relevant to render such opinions and are not a guarantee of a result. We express no opinion with respect to any pending legislation.

We are passing upon only those matters set forth in this opinion and are not passing upon the accuracy or completeness of any statement made in connection with any sale of the Bonds.

Respectfully Submitted,



## APPENDIX E

### CONTINUING DISCLOSURE UNDERTAKING

## CONTINUING DISCLOSURE UNDERTAKING

Section 1. Recitals. This Continuing Disclosure Undertaking (the "Undertaking") is executed and delivered by the Los Alamos Public School District No. 1, Los Alamos County, New Mexico (the "District"), in connection with the issuance of the \$6,500,000 Los Alamos Public School District, Los Alamos County, New Mexico, General Obligation School Bonds, Series 2019 (the "Bonds"). The Bonds are being issued pursuant to the Resolution of the District adopted on May 14, 2019, (the "Resolution"). Pursuant to the Resolution, to allow the underwriters of the Bonds to comply with the Rule (defined below), the District is required to make certain continuing disclosure undertakings for the benefit of owners (including beneficial owners) of the Bonds (the "Owners"). This Undertaking is intended to satisfy the requirements of the Rule.

### Section 2. Definitions.

(a) "Annual Financial Information" means the financial information (which will be based on financial statements prepared in accordance with generally accepted accounting principles, as in effect from time to time ("GAAP"), for governmental units as prescribed by the Governmental Accounting Standards Board ("GASB")) or operating data with respect to the District, delivered at least annually pursuant to Sections 3(a) and 3(b) of this Undertaking, consisting of information of the type included in the section of the Official Statement entitled "DEBT AND OTHER FINANCIAL OBLIGATIONS," "TAX BASE," "THE DISTRICT-Student Enrollment," and "FINANCES OF THE EDUCATIONAL PROGRAM-State Equalization Guarantee, Statement of Net Assets, Statement of Activities, Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances." Annual Financial Information may, but is not required to, include Audited Financial Statements.

(b) "Audited Financial Statements" means the District's annual financial statements, prepared in accordance with GAAP for governmental units as prescribed from time to time by GASB, which financial statements have been audited by such auditor as may then be required or permitted by the laws of the State.

(c) "EMMA" means the MSRB's Electronic Municipal Market Access system located on the MSRB website at [emma.msrb.org](http://emma.msrb.org).

(d) "Event Information" means the information delivered pursuant to section 3(d).

(e) "Financial Obligation" means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided however that a "financial obligation" shall not include municipal securities as to which a final official statement (as defined in Rule 15c2-12) has been provided to the MSRB consistent with Rule 15c2-12.

(f) "Official Statement" means the Official Statement delivered in connection with the original issue and sale of the Bonds.

(g) "Report Date" means March 31 of each year, beginning in 2020.

(h) "Rule" means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934, as amended (17 C.F.R. Part 240, 5 240.15~2-12), as the same may be amended from time to time.

(i) "SEC" means the Securities and Exchange Commission.

(j) "State" means the State of New Mexico.

Section 3. Provision of Annual Financial Information and Reporting of Event Information.

(a) The District, or its designated agent, will provide the Annual Financial Information for the preceding fiscal year to EMMA on or before each Report Date while the Bonds are outstanding.

(b) If Audited Financial Statements are not provided as a part of the Annual Financial Information, the District, or its designated agent, will provide unaudited financial statements as part of the Annual Financial Information. In such cases, Audited Financial Statements will be provided to EMMA when and if available.

(c) The District, or its designated agent, may provide Annual Financial Information by specific reference to other documents, including information reports and official statements relating to other debt issues of the District, which have been submitted to EMMA or filed with the SEC; provided, however, that if the document so referenced is a "final official statement" within the meaning of the Rule, such final official statement must also be available from the MSRB.

(d) The District, or its designated agent, will provide, to EMMA, notice of any of the following events with respect to the Bonds in a timely manner not in excess of ten (10) business days after the occurrence of the event:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability. Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax-exempt status of the security;
- (vii) modifications to rights of security holders, if material;
- (viii) bond calls, if material or tender offers;
- (ix) defeasances;

- (x) release, substitution or sale of property securing repayment of the securities, if material; and
- (xi) rating changes;
- (xii) bankruptcy, insolvency, receivership or a similar event with respect to the District or an obligated person;
- (xiii) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (xiv) appointment of a successor or additional trustee, or a change of name of a trustee, if material;
- (xv) the incurrence of a Financial Obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the District, any of which affect security holders, if material; and
- (xvi) a default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the District, any of which reflect financial difficulties.

(e) The District or its designated agent, will provide, in a timely manner after the occurrence of the event, to EMMA, notice of failure of the District to timely provide the Annual Financial Information as specified in Sections 3(a) and 3(b).

Section 4. Method of Transmission. Unless otherwise required by law and subject to technical or economic feasibility, the District, or its designated agent, will employ such methods of electronic or physical information transmission as are requested or recommended from time to time by EMMA, the MSRB or the SEC.

Section 5. Enforcement. The obligations of the District under this Undertaking are for the benefit of the Owners. Each Owner is authorized to take action to seek specific performance by court order to compel the District to comply with its obligations under this Undertaking, which action will be the exclusive remedy available to it or any other Owner. The District's breach of its obligations under this Undertaking will not constitute an event of default under the Resolution, and none of the rights and remedies provided by such Resolution will be available to the Owners with respect to such a breach.

Section 6. Term. The District's obligations under this Undertaking will be in effect from and after the issuance and delivery of the Bonds and will extend to the earliest of (i) the date all principal and interest on the Bonds has been paid or legally defeased pursuant to the terms of the Resolution; (ii) the date on which the District is no longer an "obligated person" with respect to the Bonds within the meaning of the Rule; or (iii) the date on which those portions of the Rule which require this Undertaking are determined to be invalid or unenforceable by a court of competent jurisdiction in a non-appealable action, have been repealed retroactively or otherwise do not apply to the Bonds.

Section 7. Amendments. The District may amend this Undertaking from time to time, without the consent of any Owner, upon the District's receipt of an opinion of independent counsel experienced in federal securities laws to the effect that such amendment:

(a) is made in connection with a change in circumstances that arises from a change in legal requirements, a change in law or a change in the identity, nature or status of the District;

(b) this Undertaking, as amended, would have complied with the Rule at the time of the initial issue and sale of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any changes in circumstances; and

(c) the amendment does not materially impair the interests of the Owners.

Any Annual Financial Information containing amended operating data or financial information will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided. If an amendment changes the accounting principles to be followed in preparing financial statements, the Annual Financial Information and Audited Financial Statements for the year in which the change is made will present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 8. Beneficiaries. This Undertaking binds and inures to the sole benefit of the District and the Owners and creates no rights in any other person or entity.

Section 9. Undertaking Does Not Create General Obligation Debt. The District's performance of its obligations under this Undertaking shall be subject to the availability of necessary funds from annual operating revenues of the District and this Undertaking shall not be deemed to create a long-term general obligation indebtedness of the District.

Section 10. Governing Law. This Undertaking is governed by and is to be construed in accordance with the law of the State.

Date: \_\_\_\_\_, 2019

LOS ALAMOS PUBLIC SCHOOL DISTRICT

By: \_\_\_\_\_  
President, Board of Education

By: \_\_\_\_\_  
Superintendent