



State of New Mexico
Logan Municipal Schools

Annual Financial Report
June 30, 2019

De'Aun Willoughby CPA, PC
Certified Public Accountant
Clovis, New Mexico



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State of New Mexico
Logan Municipal Schools
Official Roster
June 30, 2019

Board of Education

Bryan Roach	President
Scott Osborn	Vice-President
Tom Bruhn	Secretary
Lynn Birch	Member
Tom Humble	Member

School Officials

Dennis Roch	Superintendent
Nikki Ward	Business Manager
Dennis Roch	Chief Procurement Officer

De'Aun Willoughby CPA, PC

Certified Public Accountant

225 Innsdale Terrace Clovis, NM 88101

(855) 253-4313

Independent Auditor's Report

Mr. Brian S. Colón
State Auditor of the State of New Mexico
Board Members of the Logan Municipal Schools

Mr. Colón and Members of the Board

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, and the budgetary comparisons for the general and major special revenue funds of Logan Municipal Schools (District), as of and for the year ended June 30, 2019, 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 misstatements, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2019, and the respective changes in financial position, thereof and the respective budgetary comparisons for the general and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedules of Required Supplementary Information for Pension Plan and related notes 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 consider 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 my audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management's Discussion and Analysis which is required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the District's financial statements that collectively comprise the District's basic financial statements. The supplemental information such as the combining and individual nonmajor fund financial statements and the other schedules 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 statements and other schedules required by 2.2.2.NMAC presented as supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 22, 2019 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.

De'Aun Willoughby, CPA, PC

Clovis, New Mexico

October 22, 2019

Financial Section

State of New Mexico
Logan Municipal Schools
Government Wide-Statement of Net Position
June 30, 2019

	Governmental Activities
Assets	
Current Assets	
Cash and Cash Equivalents	\$ 1,560,078
Taxes Receivable	64,681
Due From Grantor	85,958
Inventory	10,841
Total Current Assets	<u>1,721,558</u>
Noncurrent Assets	
Capital Assets	11,593,731
Less Accumulated Depreciation	<u>(6,734,590)</u>
Total Noncurrent Assets	<u>4,859,141</u>
Total Assets	<u>6,580,699</u>
Deferred Outflows of Resources	
Deferred Outflows Related to Pensions	
Actuarial Experience	6,603
Changes of Assumptions	1,864,528
Investment Experience	20,028
Changes in Proportion	289,237
Contributions Subsequent to Measurement Date	295,188
Deferred Outflows Related to Other Post Employment Benefits	
Changes in Proportion	66,103
Contributions Subsequent to Measurement Date	42,475
Total Deferred Outflows of Resources	<u>2,584,162</u>
Liabilities	
Current Liabilities	
Accounts Payable	4,302
Accrued Interest	13,488
Compensated Absences	19,855
Current Portion of Long-Term Debt	245,000
Total Current Liabilities	<u>282,645</u>
Noncurrent Liabilities	
Bonds	1,965,000
Pension Liability	9,046,925
Other Post Employment Benefits Liabilities	2,165,046
Total Noncurrent Liabilities	<u>13,176,971</u>
Total Liabilities	<u>13,459,616</u>
Deferred Inflows of Resources	
Deferred Inflows Related to Pensions	
Actuarial Experience	172,178
Deferred Inflows Related to Other Post Employment Benefits	
Actuarial Experience	128,185
Investment Experience	27,019
Changes of Assumptions	404,204
Total Deferred Inflows of Resources	<u>731,586</u>
Net Position	
Net Investment in Capital Assets	2,649,141
Restricted for	
Capital Projects	321,671
Debt Service	217,855
Unrestricted	(8,215,008)
Total Net Position	<u>\$ (5,026,341)</u>

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

State of New Mexico
Logan Municipal Schools
Government Wide-Statement of Activities
For the Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Governmental Activities					
Instruction	\$ 3,561,840	\$ 3,041	\$ 190,608	\$ 10,660	\$ (3,357,531)
Support Services					
Students	526,672	28,775	34,297	0	(463,600)
Instruction	5,059	0	0	0	(5,059)
General Administration	236,715	0	0	0	(236,715)
School Administration	170,810	0	0	0	(170,810)
Central Services	152,019	0	0	0	(152,019)
Operation of Plant	645,952	0	433	40,862	(604,657)
Student Transportation	235,554	0	220,241	0	(15,313)
Food Services Operations	223,216	37,148	99,229	0	(86,839)
Interest Expense	76,433	0	0	0	(76,433)
Total Governmental Activities	\$ 5,834,270	\$ 68,964	\$ 544,808	\$ 51,522	\$ (5,168,976)
General Revenues					
Taxes					
Property Taxes, Levied for General Purposes					35,274
Property Taxes, Levied for Capital Projects					141,251
Property Taxes, Levied for Debt Service					410,660
Federal and State aid not restricted to specific purpose					
General					3,690,243
Capital					0
Interest and investment earnings					15,959
Miscellaneous					48,376
Subtotal, General Revenues					4,341,763
Change in Net Position					(827,213)
Net Position -Beginning					(4,173,871)
Restatement (Note P)					(25,257)
Restated Beginning Net Position					(4,199,128)
Net Position - Ending					\$ (5,026,341)

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

State of New Mexico
Logan Municipal Schools
 Governmental Funds
 Balance Sheet
 June 30, 2019

	General Fund		
	Operational 11000	Transportation 13000	Instructional Materials 14000
Assets			
Cash and Cash Equivalents	\$ 997,358	\$ 0	\$ 9,302
Receivables			
Property Taxes	4,553	0	0
Due From Grantor	0	0	0
Interfund Balances	77,583	0	0
Inventory	0	0	0
Total Assets	\$ 1,079,494	\$ 0	\$ 9,302
Liabilities and Fund Balance			
Liabilities			
Accounts Payable	\$ 4,302	\$ 0	\$ 0
Interfund Balances	0	0	0
Total Liabilities	4,302	0	0
Deferred Inflows of Resources			
Unavailable Revenue	4,407	0	0
Total Deferred Inflows of Resources	4,407	0	0
Fund Balances			
Nonspendable-Inventory	0	0	0
Restricted for			
Special Revenue Funds	0	0	0
Capital Projects	0	0	0
Debt Service	0	0	0
Unassigned	1,070,785	0	9,302
Total Fund Balances	1,070,785	0	9,302
Total Liabilities, Deferred Inflows and Fund Balances	\$ 1,075,087	\$ 0	\$ 9,302

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

State of New Mexico
Logan Municipal Schools
 Governmental Funds
 Balance Sheet
 June 30, 2019

	Special Revenue Fund		
	Title I	IDEA B	NM Reads
	24101	Entitlement 24106	to Lead 27114
Assets			
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 0
Receivables			
Property Taxes	0	0	0
Due From Grantor	19,678	25,035	17,394
Interfund Balances	0	0	0
Inventory	0	0	0
Total Assets	\$ 19,678	\$ 25,035	\$ 17,394
Liabilities and Fund Balance			
Liabilities			
Accounts Payable	\$ 0	\$ 0	\$ 0
Interfund Balances	19,678	25,035	17,394
Total Liabilities	19,678	25,035	17,394
Deferred Inflows of Resources			
Unavailable Revenue	0	0	0
Total Deferred Inflows of Resources	0	0	0
Fund Balances			
Nonspendable-Inventory	0	0	0
Restricted for			
Special Revenue Funds	0	0	0
Capital Projects	0	0	0
Debt Service	0	0	0
Unassigned	0	0	0
Total Fund Balances	0	0	0
Total Liabilities, Deferred Inflows and Fund Balances	\$ 19,678	\$ 25,035	\$ 17,394

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

State of New Mexico
Logan Municipal Schools
 Governmental Funds
 Balance Sheet
 June 30, 2019

	Capital Projects Fund		
	Senate Bill Nine-Local 31701	Debt Service Fund 41000	Other Governmental Funds
Assets			
Cash and Cash Equivalents	\$ 226,798	\$ 216,123	\$ 110,497
Receivables			
Property Taxes	20,521	39,607	0
Due From Grantor	0	0	23,851
Interfund Balances	0	0	0
Inventory	0	0	10,841
Total Assets	<u>\$ 247,319</u>	<u>\$ 255,730</u>	<u>\$ 145,189</u>
Liabilities and Fund Balance			
Liabilities			
Accounts Payable	\$ 0	\$ 0	\$ 0
Interfund Balances	0	0	15,476
Total Liabilities	<u>0</u>	<u>0</u>	<u>15,476</u>
Deferred Inflows of Resources			
Unavailable Revenue	19,933	37,875	0
Total Deferred Inflows of Resources	<u>19,933</u>	<u>37,875</u>	<u>0</u>
Fund Balances			
Nonspendable-Inventory	0	0	10,841
Restricted for			
Special Revenue Funds	0	0	24,587
Capital Projects	227,386	0	94,285
Debt Service	0	217,855	0
Unassigned	0	0	0
Total Fund Balances	<u>227,386</u>	<u>217,855</u>	<u>129,713</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 227,386</u>	<u>\$ 217,855</u>	<u>\$ 145,189</u>

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

State of New Mexico
Logan Municipal Schools
 Governmental Funds
 Balance Sheet
 June 30, 2019

	Total Governmental Funds
Assets	
Cash and Cash Equivalents	\$ 1,560,078
Receivables	
Property Taxes	64,681
Due From Grantor	85,958
Interfund Balances	77,583
Inventory	10,841
Total Assets	\$ 1,799,141
Liabilities and Fund Balance	
Liabilities	
Accounts Payable	\$ 4,302
Interfund Balances	77,583
Total Liabilities	81,885
Deferred Inflows of Resources	
Unavailable Revenue	62,215
Total Deferred Inflows of Resources	62,215
Fund Balances	
Nonspendable-Inventory	10,841
Restricted for	
Special Revenue Funds	24,587
Capital Projects	321,671
Debt Service	217,855
Unassigned	1,080,087
Total Fund Balances	1,655,041
Total Liabilities, Deferred Inflows and Fund Balances	\$ 1,736,926

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

State of New Mexico
Logan Municipal Schools
 Reconciliation of the Governmental Funds
 Balance Sheet to the Statement of Net Assets
 June 30, 2019

Total Fund Balance - Governmental Funds \$ 1,655,041

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

Property taxes receivable will be collected after the period of availability, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds. 62,215

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

Capital Assets	\$ 11,593,731	
Accumulated Depreciation	<u>(6,734,590)</u>	4,859,141

Deferred Outflows and Inflows Related to Pensions and Other Post-Employment Benefits (OPEB) are the results of differences in expected and actual actuary experience and the difference in actuary projected and actual earnings. Also changes in proportion and differences between contributions and proportionate share of contributions.

Deferred Outflows Related to Pensions	2,475,584	
Deferred Outflows Related to OPEB	108,578	
Deferred Inflows Related to Pensions	(172,178)	
Deferred Inflows Related to OPEB	<u>(559,408)</u>	1,852,576

Long-term and certain other liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term and other liabilities at year end consist of :

Compensated Absences	(19,855)	
Accrued interest on bonds	(13,488)	
Bonds payable	(2,210,000)	
Pension Liability	(9,046,925)	
Other Post-Employment Benefits Liability	<u>(2,165,046)</u>	<u>(13,455,314)</u>

Total Net Position - Governmental Activities \$ (5,026,341)

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

State of New Mexico
Logan Municipal Schools
 Governmental Funds
 Statement of Revenues, Expenditures and
 Changes in Fund Balance
 For the Year Ended June 30, 2019

	General Fund		
	Operational	Transportation	Instructional
	11000	13000	Materials 14000
Revenues			
Property Taxes	\$ 34,643	\$ 0	\$ 0
Interest Income	13,201	0	0
Fees	3,041	0	0
State & Local Grants	3,690,243	220,241	10,235
Federal Grants	0	0	0
Miscellaneous	48,376	0	0
Total Revenues	3,789,504	220,241	10,235
Expenditures			
Current			
Instruction	2,070,999	0	9,202
Support Services			
Students	345,403	0	0
Instruction	4,360	0	0
General Administration	170,519	0	0
School Administration	118,747	0	0
Central Services	121,295	0	0
Operation and Maintenance of Plant	470,287	0	0
Student Transportation	0	220,241	0
Food Services	15,187	0	0
Capital Outlay	41,286	0	0
Debt Service			
Principal	0	0	0
Interest	0	0	0
Total Expenditures	3,358,083	220,241	9,202
Excess (Deficiency) of Revenues			
Over Expenditures	431,421	0	1,033
Fund Balances at Beginning of Year	639,364	0	8,269
Fund Balance End of Year	\$ 1,070,785	\$ 0	\$ 9,302

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

State of New Mexico
Logan Municipal Schools
 Governmental Funds
 Statement of Revenues, Expenditures and
 Changes in Fund Balance
 For the Year Ended June 30, 2019

	Special Revenue Fund		
	Title I 24101	IDEA B Entitlement 24106	NM Reads to Lead 27114
Revenues			
Property Taxes	\$ 0	\$ 0	\$ 0
Interest Income	0	0	0
Fees	0	0	0
State & Local Grants	0	0	37,500
Federal Grants	49,058	38,327	0
Miscellaneous	0	0	0
Total Revenues	49,058	38,327	37,500
Expenditures			
Current			
Instruction	49,058	37,894	37,500
Support Services			
Students	0	0	0
Instruction	0	0	0
General Administration	0	0	0
School Administration	0	0	0
Central Services	0	0	0
Operation and Maintenance of Plant	0	433	0
Student Transportation	0	0	0
Food Services	0	0	0
Capital Outlay	0	0	0
Debt Service			
Principal	0	0	0
Interest	0	0	0
Total Expenditures	49,058	38,327	37,500
Excess (Deficiency) of Revenues Over Expenditures	0	0	0
Fund Balances at Beginning of Year	0	0	0
Fund Balance End of Year	\$ 0	\$ 0	\$ 0

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

State of New Mexico
Logan Municipal Schools
Governmental Funds
Statement of Revenues, Expenditures and
Changes in Fund Balance
For the Year Ended June 30, 2019

	Capital Projects Fund		
	Senate Bill Nine-Local 31701	Debt Service Fund 41000	Other Governmental Funds
Revenues			
Property Taxes	\$ 138,770	\$ 409,442	\$ 0
Interest Income	0	0	2,758
Fees	0	0	65,923
State & Local Grants	0	0	98,929
Federal Grants	0	0	142,040
Miscellaneous	0	0	0
Total Revenues	<u>138,770</u>	<u>409,442</u>	<u>309,650</u>
Expenditures			
Current			
Instruction	18,194	0	93,864
Support Services			
Students	0	0	34,297
Instruction	0	0	0
General Administration	1,334	3,300	0
School Administration	0	0	0
Central Services	0	0	0
Operation and Maintenance of Plant	84,171	0	0
Student Transportation	0	0	0
Food Services	0	0	177,262
Capital Outlay	51,241	0	161,085
Debt Service			
Principal	0	260,000	0
Interest	0	78,174	0
Total Expenditures	<u>154,940</u>	<u>341,474</u>	<u>466,508</u>
Excess (Deficiency) of Revenues Over Expenditures	(16,170)	67,968	(156,858)
Fund Balances at Beginning of Year	<u>243,556</u>	<u>149,887</u>	<u>286,571</u>
Fund Balance End of Year	<u>\$ 227,386</u>	<u>\$ 217,855</u>	<u>\$ 129,713</u>

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

State of New Mexico
Logan Municipal Schools
 Governmental Funds
 Statement of Revenues, Expenditures and
 Changes in Fund Balance
 For the Year Ended June 30, 2019

	Total Governmental Funds
Revenues	
Property Taxes	\$ 582,855
Interest Income	15,959
Fees	68,964
State & Local Grants	4,057,148
Federal Grants	229,425
Miscellaneous	48,376
Total Revenues	<u>5,002,727</u>
Expenditures	
Current	
Instruction	2,316,711
Support Services	
Students	379,700
Instruction	4,360
General Administration	175,153
School Administration	118,747
Central Services	121,295
Operation and Maintenance of Plant	554,891
Student Transportation	220,241
Food Services	192,449
Capital Outlay	253,612
Debt Service	
Principal	260,000
Interest	78,174
Total Expenditures	<u>4,675,333</u>
Excess (Deficiency) of Revenues Over Expenditures	327,394
Fund Balances at Beginning of Year	<u>1,327,647</u>
Fund Balance End of Year	<u><u>\$ 1,655,041</u></u>

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

State of New Mexico
Logan Municipal Schools
 Reconciliation of the Governmental Funds
 Statement of Revenues, Expenditures and Changes in Fund Balance
 To the Statement of Activities
 June 30, 2019

Excess (Deficiency) of Revenues Over Expenditures \$ 327,394

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered "available" revenues in the governmental funds, and are instead reported as deferred revenues. They are however, recorded as revenues in the Statement of Activities.

Property Taxes Receivable, June 30, 2018	\$ (57,885)	
Property Taxes Receivable, June 30, 2019	<u>62,215</u>	4,330

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.

Depreciation expense	(348,538)	
Capital Outlays	<u>253,612</u>	(94,926)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

260,000

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.

Accrued Interest, June 30, 2018	15,229	
Accrued Interest, June 30, 2019	<u>(13,488)</u>	1,741

Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences, June 30, 2018	25,256	
Compensated Absences, June 30, 2019	<u>(19,854)</u>	<u>5,402</u>

Pension and Other Post-Employment Benefits (OPEB) contributions are reported as expenses in the government funds but are deferred outflows in the Statement of Net Position. Pension and OPEB expense is reported in the Statement of Activities but not in the governmental

Pension Contributions	295,188	
OPEB Contributions	42,475	
Pension Expense	(1,657,688)	
OPEB Expense	<u>(11,129)</u>	<u>(1,331,154)</u>

Changes in Net Position of Governmental Activities \$ (827,213)

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

State of New Mexico
Logan Municipal Schools
 General Fund-Operational-11000
 Statement of Revenues, Expenditures, and Changes in Cash Balance -
 Budget and Actual (Budgetary Basis)
 For the Year Ended June 30, 2019

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Property Taxes	\$ 33,888	\$ 33,888	\$ 34,640	\$ 752
Interest Income	3,500	3,500	13,201	9,701
Fees	2,961	2,961	3,040	79
State & Local Grants	3,374,733	3,690,243	3,690,243	0
Miscellaneous	0	0	48,376	48,376
Total Revenues	3,415,082	3,730,592	3,789,500	58,908
Expenditures				
Instruction				
Personnel Services	1,261,961	1,546,643	1,355,296	191,347
Employee Benefits	679,698	679,698	510,790	168,908
Professional & Tech Services	81,000	91,000	51,000	40,000
Purchased Property Services	1	1	1	0
Other Purchased Services	152,000	180,000	96,463	83,537
Supplies	46,343	65,413	37,271	28,142
Supply Assets	20,000	34,000	20,657	13,343
Total Instruction	2,241,003	2,596,755	2,071,478	525,277
Support Services				
Students				
Personnel Services	298,302	314,050	219,762	94,288
Employee Benefits	171,469	171,469	108,619	62,850
Professional & Tech Services	3,000	3,000	588	2,412
Other Purchased Services	23,000	23,000	12,239	10,761
Supplies	500	500	0	500
Supply Assets	500	25,650	4,964	20,686
Total Students	496,771	537,669	346,172	191,497
Instruction				
Personnel Services	134	271	1,142	(871)
Employee Benefits	134	271	268	3
Professional & Tech Services	0	0	0	0
Other Purchased Services	0	0	0	0
Supplies	3,500	3,500	2,950	550
Total Instruction	3,768	4,042	4,360	(318)
General Administration				
Personnel Services	112,835	112,835	96,000	16,835
Employee Benefits	41,541	41,541	36,826	4,715
Professional & Tech Services	39,500	39,500	31,580	7,920
Other Purchased Services	6,000	12,000	5,953	6,047
Supplies	2,500	2,500	290	2,210
Total General Administration	\$ 202,376	\$ 208,376	\$ 170,649	\$ 37,727

State of New Mexico

Logan Municipal Schools

General Fund-Operational-11000

Statement of Revenues, Expenditures, and Changes in Cash Balance -

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2019

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
School Administration				
Personnel Services	\$ 85,000	\$ 85,000	\$ 85,000	\$ 0
Employee Benefits	34,601	34,601	33,759	842
Professional & Tech Services	500	500	0	500
Other Purchased Services	1,000	1,000	810	190
Total School Administration	<u>121,101</u>	<u>121,101</u>	<u>119,569</u>	<u>1,532</u>
Central Services				
Personnel Services	65,302	65,302	57,879	7,423
Employee Benefits	30,009	30,011	13,454	16,557
Professional & Tech Services	5,500	11,000	5,706	5,294
Purchased Property Services	30,000	30,000	28,271	1,729
Other Purchased Services	15,000	15,000	12,074	2,926
Supplies	2,000	2,000	1,142	858
Supply Assets	500	3,000	2,768	232
Total Central Services	<u>148,311</u>	<u>156,313</u>	<u>121,294</u>	<u>35,019</u>
Operation of Plant				
Personnel Services	155,750	161,258	150,134	11,124
Employee Benefits	111,974	112,950	53,247	59,703
Professional & Tech Services	1,500	1,500	835	665
Purchased Property Services	150,000	291,981	170,637	121,344
Other Purchased Services	102,500	102,500	90,224	12,276
Supplies	10,000	22,754	9,838	12,916
Supply Assets	0	1,000	1,000	0
Total Operation of Plant	<u>531,724</u>	<u>693,943</u>	<u>475,915</u>	<u>218,028</u>
Student Transportation				
Fixed Assets	0	50,000	41,286	8,714
Total Student Transportation	<u>0</u>	<u>50,000</u>	<u>41,286</u>	<u>8,714</u>
Other				
Other	4,828	4,828	0	4,828
Total Other	<u>4,828</u>	<u>4,828</u>	<u>0</u>	<u>4,828</u>
Total Support Services	<u>1,508,879</u>	<u>1,776,272</u>	<u>1,279,245</u>	<u>497,027</u>
Food Service Operations				
Personnel Services	13,990	13,990	12,965	1,025
Employee Benefits	20,041	18,096	222	17,874
Supplies	0	2,000	2,000	0
Supply Assets	0	0	0	0
Total Food Service Operations	<u>\$ 34,031</u>	<u>\$ 34,086</u>	<u>\$ 15,187</u>	<u>\$ 18,899</u>

State of New Mexico

Logan Municipal Schools

General Fund-Operational-11000

Statement of Revenues, Expenditures, and Changes in Cash Balance -

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2019

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Total Expenditures	\$ 3,783,913	\$ 4,407,113	\$ 3,365,910	\$ 1,041,203
Excess (Deficiency) of Revenues Over Expenditures	(368,831)	(676,521)	423,590	1,100,111
Cash Balance Beginning of Year	651,351	651,351	651,351	0
Cash Balance End of Year	\$ 282,520	\$ (25,170)	\$ 1,074,941	\$ 1,100,111
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 423,590	
Net Change in Taxes Receivable			634	
Net Change in Accounts Payable			7,828	
Net Change in Deferred Taxes			(631)	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			\$ 431,421	

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

State of New Mexico
Logan Municipal Schools
 General Fund-Transportation-13000
 Statement of Revenues, Expenditures, and Changes in Cash Balance -
 Budget and Actual (Budgetary Basis)
 For the Year Ended June 30, 2019

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
State & Local Grants	\$ 220,241	\$ 220,241	\$ 220,241	\$ 0
Total Revenues	<u>220,241</u>	<u>220,241</u>	<u>220,241</u>	<u>0</u>
Expenditures				
Support Services				
Student Transportation				
Personnel Services	25,000	25,000	25,000	0
Employee Benefits	5,912	5,912	5,912	0
Professional & Tech Services	25	25	25	0
Purchased Property Services	19,615	19,615	19,615	0
Other Purchased Services	167,039	167,039	167,370	(331)
Supplies	2,650	2,650	2,319	331
Total Student Transportation	<u>220,241</u>	<u>220,241</u>	<u>220,241</u>	<u>0</u>
Total Support Services	<u>220,241</u>	<u>220,241</u>	<u>220,241</u>	<u>0</u>
Total Expenditures	<u>220,241</u>	<u>220,241</u>	<u>220,241</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	0	0
Cash Balance Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 0	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			\$ 0	

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

State of New Mexico

Logan Municipal Schools

General Fund-Instructional Materials-14000

Statement of Revenues, Expenditures, and Changes in Cash Balance -

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2019

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
State Grant	\$ 10,235	\$ 10,235	\$ 10,235	\$ 0
Total Revenues	<u>10,235</u>	<u>10,235</u>	<u>10,235</u>	<u>0</u>
Expenditures				
Instruction				
Supplies	10,235	10,346	9,202	1,144
Total Instruction	<u>10,235</u>	<u>10,346</u>	<u>9,202</u>	<u>1,144</u>
Total Expenditures	<u>10,235</u>	<u>10,346</u>	<u>9,202</u>	<u>1,144</u>
Excess (Deficiency) of Revenues Over Expenditures	0	(111)	1,033	1,144
Cash Balance Beginning of Year	<u>8,269</u>	<u>8,269</u>	<u>8,269</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 8,269</u>	<u>\$ 8,158</u>	<u>\$ 9,302</u>	<u>\$ 1,144</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 1,033	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 1,033</u>	

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

State of New Mexico
Logan Municipal Schools
Special Revenue Fund-Title I-24101
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Federal Grant	\$ 48,337	\$ 65,552	\$ 40,665	\$ (24,887)
Total Revenues	<u>48,337</u>	<u>65,552</u>	<u>40,665</u>	<u>(24,887)</u>
Expenditures				
Instruction				
Personnel Services	17,920	26,419	26,419	0
Employee Benefits	10,684	7,897	7,526	371
Professional & Tech Services	6,011	6,386	3,465	2,921
Other Purchased Services	0	1,269	1,269	0
Supplies	2,436	12,295	10,378	1,917
Total Instruction	<u>37,051</u>	<u>54,266</u>	<u>49,057</u>	<u>5,209</u>
Total Expenditures	<u>37,051</u>	<u>54,266</u>	<u>49,057</u>	<u>5,209</u>
Excess (Deficiency) of Revenues Over Expenditures	11,286	11,286	(8,392)	(19,678)
Cash Balance Beginning of Year	<u>(11,286)</u>	<u>(11,286)</u>	<u>(11,286)</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (19,678)</u>	<u>\$ (19,678)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (8,392)	
Net Change in Due from Grantor			<u>8,392</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 0</u>	

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

State of New Mexico
Logan Municipal Schools
Special Revenue Fund-IDEA B Entitlement-24106
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Federal Grant	\$ 25,246	\$ 124,870	\$ 39,212	\$ (85,658)
Total Revenues	<u>25,246</u>	<u>124,870</u>	<u>39,212</u>	<u>(85,658)</u>
Expenditures				
Instruction				
Personnel Services	0	46,920	20,203	26,717
Employee Benefits	0	11,551	6,667	4,884
Professional & Tech Services	0	2,173	92	2,081
Purchased Property Services	0	2,232	2,231	1
Other Purchased Services	0	4,500	4,500	0
Supplies	0	23,314	4,875	18,439
Supply Assets	0	0	0	0
Total Instruction	<u>0</u>	<u>90,690</u>	<u>38,568</u>	<u>52,122</u>
Support Services				
Students				
Professional & Tech Services	0	6,434	0	6,434
Other Purchased Services	0	1,500	0	1,500
Total Students	<u>0</u>	<u>7,934</u>	<u>0</u>	<u>7,934</u>
Central Services				
Professional & Tech Services	0	500	0	500
Total Central Services	<u>0</u>	<u>500</u>	<u>0</u>	<u>500</u>
Operation of Plant				
Purchased Property Services	0	500	433	67
Total Operation of Plant	<u>0</u>	<u>500</u>	<u>433</u>	<u>67</u>
Total Support Services	<u>0</u>	<u>8,934</u>	<u>433</u>	<u>8,501</u>
Total Expenditures	<u>0</u>	<u>99,624</u>	<u>39,001</u>	<u>60,623</u>
Excess (Deficiency) of Revenues Over Expenditures	25,246	25,246	211	(25,035)
Cash Balance Beginning of Year	<u>(25,246)</u>	<u>(25,246)</u>	<u>(25,246)</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (25,035)</u>	<u>\$ (25,035)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 211	
Net Change in Due from Grantor			(884)	
Net Change in Deferred Revenue			673	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 0</u>	

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

State of New Mexico
Logan Municipal Schools
Special Revenue Fund-NM Reads to Lead-27114
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
State Grant	\$ 56,507	\$ 56,507	\$ 39,113	\$ (17,394)
Total Revenues	<u>56,507</u>	<u>56,507</u>	<u>39,113</u>	<u>(17,394)</u>
Expenditures				
Instruction				
Personnel Services	30,300	29,520	29,520	0
Employee Benefits	7,178	7,980	7,980	0
Supplies	22	0	0	0
Total Instruction	<u>37,500</u>	<u>37,500</u>	<u>37,500</u>	<u>0</u>
Total Expenditures	<u>37,500</u>	<u>37,500</u>	<u>37,500</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	19,007	19,007	1,613	(17,394)
Cash Balance Beginning of Year	<u>(19,007)</u>	<u>(19,007)</u>	<u>(19,007)</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (17,394)</u>	<u>\$ (17,394)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 1,613	
Net Change in Due from Grantor			<u>(1,613)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 0</u>	

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

State of New Mexico
Logan Municipal Schools
Statement of Fiduciary Assets and Liabilities-Agency Funds
June 30, 2019

	<u>Agency Funds</u>
Assets	
Cash in Banks	\$ 95,466
Total Assets	<u>\$ 95,466</u>
Liabilities	
Deposits Held for Others	\$ 95,466
Total Liabilities	<u>\$ 95,466</u>

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

Summary of Significant Accounting Policies

The financial statements of the Logan Municipal School (District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

Financial Reporting Entity

The District has been in existence since the early nineteen hundreds, and is currently operating under the provisions of the Public School District Code, Chapter 22, of the New Mexico Statutes Annotated, 1978 Compilation. The District operates with a local board of education - superintendent form of government and provides a supervised program of instruction designed to educate students at the elementary and secondary level.

GASB Statement No. 14 established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the District is considered a *primary government*, since it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the District may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges and issue bonded debt.

The District has no component units, defined by GASB Statement No. 14 as other legally separate organizations for which the elected District members are financially accountable. There are no other primary governments with which the School Board Members are financially accountable. There are no other primary governments with which the District has a significant relationship.

The accounts of the District are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

The funds of the District are classified into two categories: governmental and fiduciary. In turn, each category is divided into separate fund types. The fund classification and a description of each existing fund type follows below.

Governmental Funds

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

General Fund - The General Fund accounts for all revenues and expenditures of the District not encompassed within other funds.

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

Capital Projects Fund - The Capital Projects Fund is used to account for all resources for the acquisition of capital facilities by the District.

Debt Service Fund - The Debt Service Fund is used to account for the resources for, and the payment of, principal, interest and related costs.

Fiduciary Fund Type

Fiduciary funds account for assets held by the government in a trustee capacity or as an agent on behalf of outside parties, including other governments, or on behalf of other funds within the District.

The Student Activity Fund, an agency fund, accounts for assets held by the District as an agent for the District organizations. These organizations exist with the explicit approval of and are subject to revocation by the District's Board of Education. This account is accounted for using the economic resources measurement focus and the accrual basis of accounting.

Major Funds

The District reports the following major governmental funds:

General Fund (11000)(13000)(14000)

The General Fund consist of three sub funds. The first is the Operational Fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. The second is the Transportation Fund includes a state grant to provide transportation for students in the District. The third is the Instructional Materials Fund accounts for a state grant to provide text books for students in the District.

Special Revenue Fund

Title I (24101). To account for a program funded by a Federal grant to supplement the regular instructional program for educationally deprived students. Funding authorized by the Elementary and Secondary Act of 1965, Chapter I of Title I, as amended, Public Laws 100-297, 20 U.S.C. 2701. The fund was created by the authority of federal grant provisions.

IDEA B Entitlement (24106). To account for a program funded by a Federal grant to assist the District in providing free appropriate public education to all handicapped children. Funding authorized by the Individuals with Disabilities Education Act, Part B, Sections 611-620, as amended, Public Laws 91-230, 93-380, 94-142, 98-199, 99-457, 100-639, and 101-476, 20 U. S. C. 1411-1420. The fund was created by the authority of federal grant provisions.

NM Reads to Lead (27114). To account for revenue and expenditures received from a state grant for the purpose of improving skills of young students in the area of reading. The fund was created by the authority of state grant provisions.

Major Capital Projects Funds

Senate Bill-Nine-Local (31701). The revenues are derived from a district tax levy for the purpose of the repairs and maintenance to the facilities, purchase of supply assets for instruction and purchase of vehicles.

Major Debt Service Fund

Debt Service Fund (41000). To account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. The resources of this fund are generated by a tax levy based upon property values.

Measurement Focus and Basis of Accounting ***Government-Wide Financial Statements (GWFS)***

The Statement of Net Position and the Statement of Activities displays information about the reporting government as a whole. Fiduciary funds are not included in the GWFS. Fiduciary Funds are reported only in the Statement of Fiduciary Assets and Liabilities at the fund financial statement level.

The Statement of Net Position and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, deferred outflow of resources, liabilities and deferred inflow of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, deferred outflow of resources, liabilities and deferred inflow of resources resulting from nonexchange transactions are recognized in accordance with the requirement of GASB Statement No. 33 "Accounting and Financial Reporting for Nonexchange Transactions."

Program Revenues

Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the District's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the District's general revenues. Program revenues include: 1) charges for services to students or applicants who purchase, use or directly benefit from the goods or services provided by the given function 2) program-specific operating grants and contributions, Transportation, Food Service, Special Revenue Funds such as special education as well as others, and 3) program specific capital grants and contributions.

Fund Financial Statements (FFS)

Governmental Funds

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within 30 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured principal and interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. Any effect of interfund activity has been eliminated from the district-wide financial statements.

Revenues

Taxes. Ad valorem taxes are susceptible to full accrual on the government wide financial statements. Property Tax revenues recognize revenues net of estimated refunds and uncollectible accounts in the period for which the taxes are levied.

Grants. Government mandated nonexchange transaction and voluntary nonexchange transactions. Recipients should recognize revenues in the period when all applicable eligibility requirements have been met and the resources are available.

Revenue Recognition for Grants.

Eligibility requirements for government-mandated and voluntary nonexchange transaction comprise one or more of the following:

1. Required characteristics of recipients. The recipient has the characteristics specified by the provider (are required to be school districts).
2. Time requirements. Time requirements specified by enabling legislation or the provider have been met (period when the resources are required to be used).

3. Reimbursements. The provider offers resources on a reimbursement ("expenditure-driven") basis and the recipient has incurred allowable costs under the applicable program.

4. Contingencies. The providers offer of resources is contingent upon a specified action of the recipient and that action has occurred (the recipient has raised the matching funds).

Entitlement and shared revenues (which include state equalization and state revenue sharing) are recorded as unrestricted grants-in-aid at the time of receipt or earlier if the susceptible to accrual criteria are 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.

Other receipts become measurable and available when cash is received by the District and are recognized as revenue at that time.

Expenditures

Salaries are recorded as paid. Salaries for nine-month employees are paid prior to the end of the fiscal year and therefore are not accrued. Salaries for the twelve month employees payroll are accrued.

Other Financing Sources (Uses)

Transfers between funds that are not expected to be repaid (or any other types, such as capital lease transactions, sale of fixed assets, debt extinguishments, long-term debt proceeds, etc.) are accounted for as other financing sources (uses). These other financing sources (uses) are recognized at the time the underlying events occur.

Basis of Budgeting

Formal budgetary integration is employed as a management control device during the year.

Budgets for the General, Special Revenue, Debt Service and Capital Projects Funds are adopted on a basis inconsistent with generally accepted accounting principles (GAAP). These budgets are prepared using the cash basis of accounting. Budgetary comparisons for the various funds in this report are on the non-GAAP budgetary basis.

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

1. Prior to April 15, (unless a later date is fixed by the Superintendent of Public Instruction) the local school board submits to the District Budget Planning Unit (SBPU) of the New Mexico Public Education Department an estimated budget for the District for the ensuing fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them. All budgets submitted to the New Mexico Public Education Department (PED) by the district shall contain headings and details as prescribed by law.
2. Prior to June 20, of each year, the proposed "operating" budget will be reviewed and approved by the SBPU and certified and approved by the local school board at the public hearing of which notice has been published by the local school board which fixed the estimated budget for the district for the ensuing fiscal year.
3. The "operating" budget will be used by the District until they have been notified that the budget has been approved by the SBPU and the local school board. The budget shall be integrated formally in to the accounting system. Encumbrances shall be used as an element for control and shall be integrated into the budget system.

4. 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 SBPU.
5. No school board or officer or employee of the District shall make any expenditures or incur any obligation for the expenditures of public funds unless such expenditure or contractual obligation is made in accordance with an operating budget approved by the division. But this does not prohibit the transfer of funds between line items within a series of a budget.
6. Budget change requests are processed in accordance with Supplement I (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 SBPU.
7. Legal budget control for expenditures is by function.
8. 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 the District 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.

Budget comparison schedules are no longer required for non-major funds and are not included.

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 three months or less from the date of acquisition.

The District is authorized under the provisions of Chapter 6, Article 10, paragraph 10, NMSA 1978, to deposit its money in banks, savings and loan associations and/or credit unions whose accounts are insured by an agency of the United States.

Investments

All money not immediately necessary for the public uses of the District may be invested in :

- (a) bonds or negotiable securities of the United States, the state or any county, municipality or school district which has a taxable valuation of real property for the last preceding year of at least one million dollars (1,000,000) and has not defaulted in the payment of any interest or sinking fund obligation or failed to meet any bonds at maturity at any time within five years last preceding; or
- (b) securities that are issued by the United States government or by its agencies or instrumentalities and that are either direct obligations of the United States or are backed by the full faith and credit of the United States government or agencies guaranteed by the United States government.
- (c) in contracts with banks, savings and loan associations or credit unions for the present purchase and resale at a specified time in the future of specific securities at specified prices at a price differential representing the interest income to be earned by the investor. The contract shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with the investment. The contract shall be fully secured by obligations of the United States having a market value of at least one hundred two percent of the contract. The collateral required for investment in the contracts provided for in this subsection shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with investment.

Receivables and Payables

Receivables include property taxes, interfund loans that are expected to be paid back and amount due from state government agencies related to various grant agreements. Payables represent routine monthly bills for services rendered and products purchased and accrued salaries and benefits.

Property Taxes

The County collects the District's share of property taxes assessed. Property taxes attach an enforceable lien on property as of January 1st. Tax notices are sent by the County treasurer to property owners by November 1st of each year to be paid in whole or in two installments by November 10th and April 10th of each year. The County collects such taxes and distributes them to the District on a monthly basis. The District accounts for its share of property taxes in the General, Debt Service and Capital Projects Funds. Only those collections received are recorded as revenues for the budget presentation.

Elimination and Reclassifications of Certain Receivables and Payables

In the process of aggregating data for the Statement of Net Position and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Inventories and Prepaid Items

Purchased inventory is valued at the lower of cost (first-in, first-out) or market. Inventory in the Cafeteria Fund consists of purchased food and non-food items and United States Department of Agriculture (USDA) commodities. Commodities are shown at the USDA procurement cost. Costs are recorded as expenditures at the time individual inventory items are used (consumption method). Reported inventories are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both District-wide and fund financial statements.

Capital Assets

Capital assets are recorded at historical costs and depreciated over their estimated useful lives (with no salvage value). Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Donated capital assets are recorded at their estimated fair market value on the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

If there are any construction projects funded by the NM Public School Facilities Authority they are included in the appropriate capital projects fund and in the capital assets.

Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Straight line depreciation is used based on the following estimated useful lives:

Buildings & Improvements	20-50 Years
Equipment, Vehicles, Information Technology Equipment, Software & Library Books	3-15 Years

Capital Leases

Capital leases are recorded at the inception of the leases as expenditures and other financing sources in governmental fund financial statement at the present value of the future minimum lease payments, using the stated or implicit interest rate in the leases. Lease payments are recorded as expenditures on the due date. Capital leases are recorded as a liability in the government-wide financial statement at the time of inception and the corresponding asset is recorded in the capital asset section on the balance sheet.

Compensated Absences

As per board policy, employees voluntarily terminating their service with the District are expected to give advance notice of not less than thirty (30) working days. This notice should be submitted to the supervisor in writing and should specify both the last day of work and the reason for terminating. Authorized unused vacation credit will be paid to employees with the last paycheck. Secretaries and bookkeepers working twelve (12) months shall earn one (1) day of vacation per month of employment. Vacation days must be used with administration approval. Custodians working twelve (12) months shall earn one (1) day of vacation per month of employment. Vacation days must be used with administration approval. Unused annual leave is cumulative, not to exceed thirty (30) days. Vacation leave of any staff member who does not serve a full school year shall be prorated at the rate of one (1) day per month.

Short -Term Debt

Short-term debt results from borrowings characterized by anticipation notes, use of lines of credit, and similar loans. The District does not have any activity in short-term debt.

Long-Term Liabilities

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 minimal. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of 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 net of debt proceeds received, are reported as debt service expenditures.

Restricted Net Position

For the government-wide statement of net position, net position is reported as restricted when constraints are placed are either:

Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments;

Imposed by law through constitutional provisions or enabling legislation.

When an expense is incurred for purposes for which both restricted and unrestricted net positions are available it will first be applied to restricted resources.

Fund Balances of Fund Financial Statements

Nonspendable Fund Balance is a category that is not converted into cash such as inventory.

Restricted fund balance includes amounts that have constraints placed on their use that are (a) externally imposed by grantors, laws or regulation of other governments or (b) imposed by enabling legislation.

Committed fund balance is a classification for governmental fund balance reporting that includes amounts that can only be used for specific purposes pursuant to constraints imposed by law and require a formal action of the government's highest level of decision-making authority.

Assigned fund balance is a classification for governmental fund balance reporting that includes amounts that the governmental entity intends to use for specific purposes.

Unassigned fund balance is the residual classification used for reporting spendable fund balance in the General Fund that represents amounts that have not been committed or assigned or restricted.

Interfund Transactions

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

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

Deferred Inflows of Resources

Deferred Inflows of Resources on the Statement of Net Position consist of unearned revenues. The District reports unearned revenues on its Statement of Net Position and Fund Balance Sheet. Unearned revenues arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when the District has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and the revenue is recognized. Unavailable revenues also occur in the fund financial statements when revenue is earned but is not available. The revenue becomes available if received within 30 days of the fiscal year end.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

A. Deposits and Investments

The District is required by New Mexico State Statute (Section 6-10-17) to be 50% collateralized. Following is a schedule calculating the requirement and disclosing the pledged securities.

First National Bank of New Mexico	Balance		
<u>Name of Account</u>	Per Bank	Reconciled	Type
	06/30/19	Balance	
Operational	\$ 1,614,203	\$ 1,465,792	Checking-Interest
Activity	141,985	95,467	Checking-Interest
Total Deposited	<u>1,756,188</u>	<u>\$ 1,561,259</u>	
Less: FDIC Coverage	<u>(250,000)</u>		
Uninsured Amount	1,506,188		
50% collateral requirement	753,094		
Pledged securities	951,015		
Over (Under) requirement	<u>\$ 197,921</u>		

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The difference between the bank balance and the reconciled balance is outstanding deposits, outstanding checks and pending bank adjustments.

The following securities are pledged:

<u>Description</u>	<u>CUSIP #</u>	<u>Market Value</u>	<u>Maturity Date</u>	<u>Location</u>
Logan NM Sch Dist. #32	541066BE5	\$ 125,318	04/15/2021	FHLB Irving, TX
FHR 4203 DG	3137B2CH1	85,308	04/15/2033	FHLB Irving, TX
SBAP 2016-20E 1	83162CXU2	740,389	05/01/2036	FHLB Irving, TX
		<u>\$ 951,015</u>		

Bank of America-NMFA

<u>Name of Account</u>	<u>Balance Per Bank 06/30/19</u>	<u>Reconciled Balance</u>	<u>Type</u>
Bond Building	\$ 94,285	\$ 94,285	Checking-Interest

Custodial Credit Risk-Deposits

<u>Depository Account</u>	<u>Bank Balance</u>
Insured	\$ 344,285
Collateralized:	
Collateral held by the pledging bank in District's name	951,015
Uninsured and uncollateralized	555,173
Total Deposits	<u>\$ 1,850,473</u>

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2019 \$555,173 of the District's bank balance of \$1,850,473 was exposed to custodial credit risk.

B. Receivables

Following is a schedule of property taxes receivable as of June 30, 2019:

	<u>General</u>	<u>Senate Bill Nine-Local</u>	<u>Debt Service</u>	<u>Totals</u>
Property Taxes Receivable:				
Available	\$ 146	\$ 588	\$ 1,732	\$ 2,466
Unavailable	4,407	19,933	37,875	62,215
Total Property Taxes	<u>\$ 4,553</u>	<u>\$ 20,521</u>	<u>\$ 39,607</u>	<u>\$ 64,681</u>

C. Interfund Receivables, Payables and Transfers

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Funds</u>			
	<u>Title I 24101</u>	<u>IDEA B Entitlement 24106</u>	<u>NM Reads to Lead 27114</u>	<u>Other Governmental Funds</u>
				<u>Totals</u>
Operational Fund	\$ 19,678	\$ 25,035	\$ 17,394	\$ 15,476
	<u>\$ 19,678</u>	<u>\$ 25,035</u>	<u>\$ 17,394</u>	<u>\$ 15,476</u>
				<u>\$ 77,583</u>

The above interfund balances resulted from reimbursement grants. The shortfalls were covered by the above funds. All transactions will be repaid within one year.

D. Capital Assets

Capital Assets Balances and Activity for the Year Ended June 30, 2019, is as follows:

	Balance 6/30/18	Additions	Deletions	Balance 6/30/19
Governmental Activities				
Capital Assets not being Depreciated				
Land	\$ 97,654	\$ 0	\$ 0	\$ 97,654
Construction in Progress	419,005	52,681	0	471,686
Total Capital Assets not being Depreciated	516,659	52,681	0	569,340
Capital Assets, being Depreciated				
Buildings & Improvements	9,726,165	129,355	0	9,855,520
Equipment, Vehicles, Information	1,122,295	71,576	25,000	1,168,871
Total Capital Assets, being Depreciated	10,848,460	200,931	25,000	11,024,391
Total Capital Assets	11,365,119	253,612	25,000	11,593,731
Less Accumulated Depreciation				
Buildings & Improvements	5,667,214	265,467	0	5,932,681
Equipment, Vehicles, Information	743,840	83,071	25,000	801,911
Total Accumulated Depreciation	6,411,054	348,538	25,000	6,734,592
Capital Assets, net	\$ 4,954,065	\$ (94,926)	\$ 0	\$ 4,859,139

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 348,538
Total depreciation expenses	\$ 348,538

E. Long-Term Liabilities and Other Liabilities

A summary of activity in the Long-Term Debt is as follows:

	Balance 6/30/18	Additions	Reductions	Balance 6/30/19	Amounts Due Within One Year
Governmental Activities					
Bonds and Notes Payable					
General Obligation					
Bonds	\$ 2,470,000	\$ 0	\$ 260,000	\$ 2,210,000	\$ 245,000
Total Bonds	\$ 2,470,000	\$ 0	\$ 260,000	\$ 2,210,000	\$ 245,000
Other Liabilities					
Compensated					
Absences	\$ 25,257	\$ 19,918	\$ 25,320	\$ 19,855	\$ 19,855
Total Other	\$ 25,257	\$ 19,918	\$ 25,320	\$ 19,855	\$ 19,855

Payments on the general obligation bonds are made by the Debt Service Funds. The compensated absences liability will ultimately be liquidated by several of the District's governmental funds, with most being paid by the General Fund.

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General Obligation Bonds.

The following bonds were issued for the purpose of erecting, furnishing, remodeling and making additions to District buildings and improving District grounds. A tax is annually assessed, levied and collected upon all taxable property within the District for the purpose of providing the necessary funds to meet the interest and principal payments as they become due.

Series	Date of Issue	Original Amount	Interest Rate	Balance
2009	04/15/09	1,500,000	4.2%-5.25%	\$ 795,000
2011	04/15/11	1,000,000	3.0%-5.0%	500,000
2017	07/01/17	1,000,000	1.38%-1.82%	915,000
				<u>\$ 2,210,000</u>

The annual requirements to amortize all of the general obligation bonds as of June 30, 2019, including interest payments are as follows:

	Principal	Interest	Total
2020	\$ 245,000	\$ 69,446	\$ 314,446
2021	245,000	60,449	305,449
2022	260,000	51,178	311,178
2023	275,000	41,283	316,283
2024	270,000	30,454	300,454
2025-2029	680,000	30,397	710,397
2030-2032	235,000	347	235,347
	<u>\$ 2,210,000</u>	<u>\$ 283,554</u>	<u>\$ 2,493,554</u>

F. Commitments

The District has various ongoing construction commitments on June 30, 2019.

G. Retirement Plan

Summary of Significant Accounting Policies

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

General Information about the Pension Plan

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

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

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

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

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 contributions and then becomes re-employed after July 1, 2010 is as follows:

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

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

*The member's minimum age is 55, and has earned 30 or more years of service credit. Those who retire earlier than age 55, but with 30 years of earned service credit will have a reduction in benefits to the actuarial equivalent of retiring at age 55.

*The member's minimum age and earned service credit add up to the sum of 80 or more. Those who retire under the age of 65, and who have fewer than 30 years of earned service credit will receive reduced retirement benefits.

*The member's age is 67, and has earned 5 or more years of service credit.

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

Benefit Options. The Plan has three benefit options available.

Option A. Straight Life Benefit. The single life annuity option has no reductions to the monthly benefit, and there is no continuing benefit due to a beneficiary or estate, except the balance, if any, of member contributions plus interest less benefits paid prior to the member's death.

Option B. Joint 100% Survivor Benefit. The single life annuity monthly benefit is reduced to provide for a 100% survivor's benefit. The reduced benefit is payable during the life of the member, with the provision that, upon death, the same benefit is paid to the beneficiary for his or her lifetime. If the beneficiary predeceases the member, the member's monthly benefit is increased to the amount the member would have received under Option A Straight Life benefit. The member's increased monthly benefit commences in the month following the beneficiary's death.

Option C. Joint 50% Survivor Benefit. The single life annuity monthly benefit is reduced to provide for a 50% survivor's benefit. The reduced benefit is payable during the life of the member, with the provision that, upon death, the reduced 50% benefit is paid to the beneficiary for his or her lifetime. If the beneficiary predeceases the member, the member's monthly benefit is increased to the amount the member would have received under Option A. The member's increased monthly benefit commences in the month following the beneficiary's death.

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

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

*Tier 1 membership is comprised of employees who became members prior to July 1, 2010.

*Tier 2 membership is comprised of employees who became members after July 1, 2010, but prior to July 1, 2013.

*Tier 3 membership is comprised of employees who became members on or after July 1, 2013.

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

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

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, 2019 educational employers contributed to the Plan based on the following rate schedule.

<u>Fiscal Year</u>	<u>Date Range</u>	<u>Wage Category</u>	<u>Member's Rate</u>	<u>Employer's Rate</u>	<u>Combined Rate</u>
2019	7-1-18 to 6-30-19	Over \$20K	10.70%	13.90%	24.60%
2019	7-1-18 to 6-30-19	\$20K or less	7.90%	13.90%	21.80%
2018	7-1-17 to 6-30-18	Over \$20K	10.70%	13.90%	24.60%
2018	7-1-17 to 6-30-18	\$20K or less	7.90%	13.90%	21.80%

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, 2019 and 2018, the District paid employee and employer contributions of \$517,412 and \$520,102 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, 2019, the District reported a liability of \$9,046,925 for their proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2018 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, 2018. Therefore, the District's portion was established as of the measurement date of June 30, 2018. 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 at June 30, 2018, actuarially determined. At June 30, 2018, the District's proportion was 0.07608%, which was an increase of 0.00319% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the District recognized pension expense of \$1,657,688. At the June 30, 2019, the District reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 6,603	\$ 172,178
Changes of assumptions	1,864,528	0
Net difference between projected and actual earnings on pension plan investments	20,028	0
Changes in proportion and differences between the District's contributions and proportionate share of contributions	289,237	0
District's contributions subsequent to the measurement date	295,188	0
	<u>\$ 2,475,584</u>	<u>\$ 172,178</u>

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\$295,188 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June</u>	
2019	\$ 1,210,249
2020	769,914
2021	27,791
2022	264
Total	<u>\$ 2,008,218</u>

Actuarial Assumptions and Methods. The total pension liability as of June 30, 2018 was based on an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 and was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry age normal										
Inflation	2.50%										
Salary Increases	3.25% composed of 2.50% inflation, plus 0.75% productivity increase rate, plus a step-rate promotional increase for members with less than 10 years of service.										
Investment Rate of Return	7.25% 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 Remaining Service Lives	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Fiscal year</th> <th style="text-align: center;"><u>2017</u></th> <th style="text-align: center;"><u>2016</u></th> <th style="text-align: center;"><u>2015</u></th> <th style="text-align: center;"><u>2014</u></th> </tr> </thead> <tbody> <tr> <td style="text-align: left;">Service life in years</td> <td style="text-align: center;">3.35</td> <td style="text-align: center;">3.77</td> <td style="text-align: center;">3.92</td> <td style="text-align: center;">3.88</td> </tr> </tbody> </table>	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
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							
Mortality	<p>Healthy males: Based on the RP-2000 Combined Mortality Table with White Collar adjustments, generational mortality improvements with Scale BB from the table's base year of 2000.</p> <p>Healthy females: Based on GRS Southwest Region Teacher Mortality Table, set back one year, generational mortality improvements in accordance with Scale BB from the table's base year of 2012.</p> <p>Disabled males: RP-2000 Disabled Mortality Table for males, set back three years, projected to 2016 with Scale BB.</p> <p>Disabled females: RP-2000 Disabled Mortality Table for females, no set back, projected to 2016 with Scale BB.</p> <p>Active members: RP-2000 Employee Mortality Tables, with males set back two years and scaled at 80%, and females set back five years and scaled at 70%. Static mortality improvement from the table's base year of 2000 to the year 2016 in accordance with Scale BB. No future improvement was assumed for preretirement mortality.</p>										

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June 30, 2019

Retirement Age	Experience based table of rates based on age and service. Adopted by NMERB on April 21, 2017 in conjunction with the six-year experience study for the period ended June 30, 2016.
Cost-of-living Increases	1.90% per year, compounded annually; increases deferred until July 1 following the year a member retires, or the year in which a member attains the age of 65 (67 for Tier 3), whichever is later or, for disabled retirees, until July 1 of the third year following retirement.
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 are applied to eligible members with at least 10 years of service.

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

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

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

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

Discount rate. A single discount rate of 5.69% was used to measure the total pension liability as of June 30, 2018. This rate is 0.21% less than the 5.90% discount rate used for June 30, 2017.

The June 30, 2018 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 3.62%. Based on the stated assumptions and the projection of cash flows, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2050. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the 2050 fiscal year, and the municipal bond rate was applied to all benefit payments after that date.

The projections of cash flows used to determine the June 30, 2018 single discount rate assumed that plan member and employer contributions will be made at the current statutory levels.

Sensitivity of the Net Pension Liability. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 5.69 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 (4.69 percent) or 1-percentage-point higher (6.69 percent) than the current rate:

	1% Decrease (4.69%)	Current Discount Rate (5.69%)	1% Increase (6.69%)
The Districts' proportionate share of the net pension liability	\$ 11,757,537	\$ 9,046,925	\$ 6,835,234

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

**H. Other Post-Employment Benefits (OPEB)
Retiree Health Care Plan**

The New Mexico Retiree Health Care Authority (the Authority) 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 Retiree Health Care Fund (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.

Summary of Significant Accounting Policies. *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.

Plan Description. 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 of the Authority also participate in the Fund.

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, 2018, the Fund’s measurement date, the following employees were covered by the benefit terms:

Plan membership	
Current retirees and surviving spouses	51,205
Inactive and eligible for deferred benefit	11,471
Current active members	93,349
	<u>156,025</u>
Active membership	
State general	19,593
State police and corrections	1,886
Municipal general	17,004
Municipal police	3,820
Municipal FTRE	2,290
Educational Retirement Board	48,756
	<u>93,349</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 \$42,475 for the year ended June 30, 2019.

Actuarial Assumptions

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

Valuation Date	June 30, 2017
Actuarial cost method	Entry age normal, level percent of pay, calculated on individual employee basis
Asset valuation method	Market value of assets

Actuarial assumptions:	
Inflation	2.50% for ERB members; 2.25% for PERA members
Projected payroll increases	3.25% to 12.50%, based on years of service, including inflation
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
Mortality	ERB members: RP-2000 Combined Healthy Mortality Table with White Collar Adjustment (males) and GRS Southwest Region Teacher Mortality Table (females) PERA members: RP-2000 Combined Healthy Mortality

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	2.1%
U.S. equity - large cap	7.1%
Non U.S. - emerging markets	10.2%
Non U.S. - developed	7.8%
Private equity	11.8%
Credit and structured	5.3%
Real estate	4.9%
Absolute return	4.1%
U.S. equity - small/mid cap	7.1%

Discount Rate

The discount rate used to measure the Fund's total OPEB liability is 4.08% as of June 30, 2018. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future 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, 2029. 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, 4.08% is the blended discount rate.

Sensitivity of the Net OPEB Liability

The following presents the net OPEB liability, calculated using the discount rate of 4.08%, as well as what the Fund's net OPEB liability would be if it were calculated using a discount rate that is 1-percent lower or 1-percent higher than the current rate:

	1% Decrease (3.08%)	Current Discount Rate (4.08%)	1% Increase (5.08%)
The Districts' proportionate share of the net OPEB liability	\$ 2,620,215	\$ 2,165,046	\$ 1,806,271

The following presents the Net OPEB Liability of the District, as well as what the Fund's Net OPEB Liability would be if it were calculated using a health cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the health cost trend rates used:

	1% Decrease	Current Trend Rates	1% Increase
The Districts' proportionate share of the net OPEB liability	\$ 1,830,233	\$ 2,165,046	\$ 2,427,555

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

At June 30, 2019, the District reported a liability of \$2,165,046 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. The District's proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2018. At June 30, 2018, the School's proportion was 0.04979%.

For the year ended June 30, 2019, the District recognized OPEB expense of \$11,129. At June 30, 2019 the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 0	\$ 128,185
Net difference between projected and actual earnings on OPEB investments	0	27,019
Changes in assumptions	0	404,204
Changes in proportion and differences between the District's contributions and proportionate share of contributions	66,103	0
District's contributions subsequent to the measurement date	42,475	0
	<u>\$ 108,578</u>	<u>\$ 559,408</u>

Deferred outflows of resources totaling \$42,475 represent District's contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

<u>Year ended June</u>	
2019	\$ (128,129)
2020	(128,129)
2021	(128,129)
2022	(95,758)
2023	(13,160)
Total	<u>\$ (493,305)</u>

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

I. Reconciliation of Budgetary Basis to GAAP Basis Statements

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - all Governmental Fund Types is presented on the budgetary basis to provide a comparison of actual results with the budget. The major differences between the budget basis and GAAP (Generally Accepted Accounting Principles) basis are that:

- A. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- B. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

The adjustments necessary to convert the results of operations for the year from GAAP basis to the budget basis for the governmental funds are presented on each individual Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget and Actual (Budgetary Basis).

The reconciliation of budgetary basis to GAAP basis statements are located at the bottom of each budget actual.

J. Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; error and omissions; and injuries to employees; and natural disasters. The District, as a New Mexico Public School, is insured through the New Mexico Public Schools Insurance Authority (NMPSIA). Annual premiums are paid by the District to NMPSIA for coverage provided in the following areas:

- Workers Compensation
- Property and Automobile Liability and Physical Damage
- Liability and Civil Rights and Personal Injury
- Contract School Bus Coverage; and
- Crime

The officials and certain employees of the District are covered by a surety bond as required by Section 12-6-7, NMSA, 1978 Compilation.

K. Joint Powers Agreements

A joint powers agreement was entered into with the Regional Education Cooperative No. 6 (REC). The purpose of the agreement is to allow the submission of a consolidated application to the State Department of Education for certain funds granted to the State of New Mexico by the United States Department of Education under the Education of the Handicapped Act, Part B, PL 94-142 among others.

There are ten schools that participate in the REC, they are Dora, Elida, Floyd, Fort Sumner, Grady, House, Logan, Melrose, San Jon, and Texico. The agreement became effective on July 1, 1995 and is to remain in effect until the end of any fiscal year during which the school gives notice of intent to terminate.

The REC funds include IDEA B Entitlement and IDEA Preschool. The REC has not reimbursed the District or paid expenditures on behalf of the District. The REC assisted in writing the SPED Federal grants.

The financial statements for the REC were prepared by an IPA. The audit report is available at the REC located at 1500 South Ave K, Station 9, Portales, New Mexico 88130.

A joint powers agreement (College Dual Enrollment Agreement) was entered into with Logan Municipal Schools, Clovis Community College, Eastern New Mexico University, and Mesalands Community College. The purpose of the agreement is to provide higher education to qualified Logan High School junior and senior students in both technical and arts and science courses.

The agreement became effective on July 1, 2015 - June 30, 2016 where agreement shall automatically renew annually unless either party notifies intent to terminate. and is to remain in effect until the end of any fiscal year during which the school gives notice of intent to terminate.

Logan Municipal Schools will be responsible for tuition and enrollment fees for the junior and senior students of Logan Municipal Schools. The total cost will vary depending on the number of junior's and senior's that are enrolled.

L. Related Party Transactions

The District purchases supplies from Bruhn Hardware which is owned by a board member. During this fiscal year Bruhn Hardware was paid for supplies totaling \$1,712.85.

The District contracted with an individual as a bus contractor who is related to a school member and has an ownership interest in Bruhn Hardware. The total paid for to the bus contractor was \$42,619.00.

The District made purchases from a business, Amy's Oasis, who is owned by the board president's spouse. Total purchases were \$3,978.67.

M. 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.

N. Subsequent Events

Subsequent events were evaluated through October 22, 2019 which is the date the financial statements were available to be issued.

O. Tax

The District has not been affected by a tax abatement.

P. Restatement

Net Position was restated \$(25,257) for compensated absences. This restatement is related to Finding 2019-002. In past years the District has not compensated terminated employees. Current management does not know when the policy was changed and there is not an effective date on the policy thus requiring a restatement.

Required Supplemental Information

State of New Mexico
Logan Municipal Schools
Schedules of Required Supplementary Information for Pension Plan

Schedule of the District's Proportionate Share of the Net Pension Liability

Last 10 Fiscal Years*

Fiscal Year Measurement Date	2015 2014	2016 2015	2017 2016	2018 2017	2019 2018
District's proportion of the net pension liability.	0.06952%	0.06724%	0.07104%	0.07289%	0.07608%
District's proportionate share of the net pension liability.	\$ 3,966,615	\$ 4,355,314	\$ 5,112,346	\$ 8,100,607	\$ 9,046,925
District's covered-employee payroll.	\$ 1,911,446	\$ 2,028,952	\$ 2,075,625	\$ 2,131,895	\$ 2,123,651
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll.	207.52%	214.66%	246.30%	379.97%	426.01%
Plan fiduciary net position as a percentage of the total pension liability.	66.54%	63.97%	61.58%	52.95%	52.17%

**Governmental Accounting Standards Board Statement No. 68* requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the District is not available prior to fiscal year 2015, the year the statement's requirements became effective.

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

State of New Mexico
Logan Municipal Schools
Schedules of Required Supplementary Information for Pension Plan

Schedule of District's Contributions

Last 10 Fiscal Years*

	June 30,				
	2015	2016	2017	2018	2019
Contractually required contribution.	\$ 265,691	\$ 282,024	\$ 288,512	\$ 296,333	\$ 295,188
Contributions in relation to the contractually required contribution.	<u>265,691</u>	<u>282,024</u>	<u>288,512</u>	<u>296,333</u>	<u>295,188</u>
Contribution deficiency (excess).	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Districts covered-employee payroll.	\$ 1,911,446	\$ 2,028,952	\$ 2,075,625	\$ 2,131,895	\$ 2,123,651
Contributions as a percentage of covered-employee		13.90%	13.90%	13.90%	13.90%

**Governmental Accounting Standards Board Statement No. 68* requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for District is not available prior to fiscal year 2015, the year the statement's requirements became effective.

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

Notes to Required Supplementary Information

Changes of benefit terms and assumptions.

Changes in benefit provisions. There were no modifications to the benefit provisions that were reflected in the actuarial valuation as of June 30, 2018.

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

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

Logan Municipal Schools

Schedules of Required Supplementary Information and Notes for Other Post Employment Benefits

Schedule of the District's Proportionate Share of the Net Other Post Employment Benefits(OPEB) Liability

Last 10 Fiscal Years*

	Fiscal Year Measurement Date	2018 2017	2019 2018
District's proportion of the net OPEB liability.		0.04835%	0.04979%
District's proportionate share of the net OPEB liability.	\$	2,191,064	\$ 2,165,046
District's covered-employee payroll.	\$	2,131,895	\$ 2,123,651
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll.		102.78%	101.95%
Plan fiduciary net OPEB as a percentage of the total OPEB liability.		11.34%	13.14%

**Governmental Accounting Standards Board Statement No. 68* requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the District is not available prior to fiscal year 2018, the year the statement's requirements became effective.

Schedule of District's Contributions

Last 10 Fiscal Years*

	June 30,	
	2018	2019
Contractually required contribution.	\$ 42,523	\$ 42,475
Contributions in relation to the contractually required contribution.	42,523	42,475
Contribution deficiency (excess).	\$ 0	\$ 0
District's covered-employee payroll.	1,261,026	2,123,651
Contributions as a percentage of covered-employee payroll.	2.00%	2.00%

**Governmental Accounting Standards Board Statement No. 68* requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for District is not available prior to fiscal year 2018, the year the statement's requirements became effective.

Notes to Required Supplementary Information

Changes of benefit terms and assumptions. There were no changes in benefit terms from the previous valuation. A description of these benefits may be found at www.nmrhca.org by clicking on Retirees. Assumptions are included in the notes to the financial statements Note H.

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

**Supplemental Information Related to
Nonmajor Funds**

Nonmajor Special Revenue Funds

Food Services (21000). To account for revenue and expenditures associated with the school breakfast and lunch program. Funding is provided from fees from patrons and USDA food reimbursements. Authority for creation of this fund is NMSA 22-13-13.

Athletics (22000). To account for revenue and expenditures associated with the District's budgeted athletic activities. Authority for creation of this fund is NMAC 6.20.2.

IDEA Preschool (24109). To account for a program funded by a Federal grant to assist the District in providing a free appropriate public education to preschool disabled children aged three through five years. Funding authorized by the Individuals with Disabilities Education Act, Part B, Section 619, as amended, Public Laws 94-142, 99-457, 100-630, 101-497, 101-476, and 102-119. The fund was created by the authority of federal grant provisions.

Teacher/Principal Training and Recruiting (24154). To provide grants to State Education Agencies (SEAs) on a formula basis to increase student academic achievement through strategies such as improving teacher and principal quality and increasing the number of highly qualified teachers in the classroom and highly qualified principals and assistant principals in schools and hold local educational agencies and schools accountable for improvements in student academic achievement. Elementary and Secondary Education Act of 1965, as amended, Title II, Part A (PL 107-110). The fund was created by the authority of federal grant provisions.

Title IV Academic Achievement (24189). This grant supports well-rounded educational opportunities, safe and healthy students and effective use of technology (ESEA sections 4107, 4108 and 4109). The fund was created by the authority of federal grant provisions.

Rural Education Achievement Program (REAP) (25233). Part B of Title VI of the reauthorized ESEA contains Rural Education Achievement Program (REAP) initiatives that are designed to help rural districts that may lack the personnel and resources to compete effectively for Federal competitive grants and that often receive grant allocations in amounts that are too small to be effective in meeting their intended purposes. The fund was created by the authority of federal grant provisions.

Pre-K (26107). To account for revenues and expenditure received from a grant funded through the Regional Education Cooperative #6 to provide for the education of preschool students. The fund was created by a memorandum of understanding.

Dual Credit Instructional Materials (27103). To provide funding to the District to purchase college books for students attending college classes and obtaining dual credits. The fund was created by grant provisions.

NM Highway Department (28120). To account for funds received from NM Department of Transportation to repair a parking lot. The fund was created by the authority of state grant provisions.

Nonmajor Capital Projects Funds

Bond Building (31100). The revenues are derived from a bond debt levy. Expenditures are restricted to capital improvements.

Senate Bill Nine-State (31700). The revenues are derived from a district tax levy and matched by the state. Expenditures are restricted to capital improvements, maintenance of the facilities and supplies.

State of New Mexico
Logan Municipal Schools
 Nonmajor Funds
 Combining Balance Sheet
 June 30, 2019

	Special Revenue Funds		
	Food Service 21000	Athletics 22000	IDEA Preschool 24109
Assets			
Cash and Cash Equivalents	\$ 1,820	\$ 14,392	\$ 0
Receivables			
Due From Grantor	8,375	0	669
Inventory	10,841	0	0
Total Assets	<u>\$ 21,036</u>	<u>\$ 14,392</u>	<u>\$ 669</u>
Liabilities and Fund Balance			
Liabilities			
Interfund Balances	\$ 0	\$ 0	\$ 669
Total Liabilities	<u>0</u>	<u>0</u>	<u>669</u>
Deferred Inflows of Resources			
Unavailable Revenue	<u>0</u>	<u>0</u>	<u>0</u>
Total Deferred Inflows of Resources	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance			
Nonspendable-Inventory	10,841	0	0
Restricted for			
Special Revenue Funds	10,195	14,392	0
Capital Projects	0	0	0
Total Fund Balances	<u>21,036</u>	<u>14,392</u>	<u>0</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 21,036</u>	<u>\$ 14,392</u>	<u>\$ 669</u>

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

State of New Mexico
Logan Municipal Schools
 Nonmajor Funds
 Combining Balance Sheet
 June 30, 2019

	Special Revenue Funds		
	Teacher/Principal Training 24154	Title IV Student Support 24189	REAP 25233
Assets			
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 0
Receivables			
Due From Grantor	2,087	1,635	0
Inventory	0	0	0
Total Assets	<u>\$ 2,087</u>	<u>\$ 1,635</u>	<u>\$ 0</u>
Liabilities and Fund Balance			
Liabilities			
Interfund Balances	\$ 2,087	\$ 1,635	\$ 0
Total Liabilities	<u>2,087</u>	<u>1,635</u>	<u>0</u>
Deferred Inflows of Resources			
Unavailable Revenue	0	0	0
Total Deferred Inflows of Resources	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance			
Nonspendable-Inventory	0	0	0
Restricted for			
Special Revenue Funds	0	0	0
Capital Projects	0	0	0
Total Fund Balances	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 2,087</u>	<u>\$ 1,635</u>	<u>\$ 0</u>

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

State of New Mexico
Logan Municipal Schools
 Nonmajor Funds
 Combining Balance Sheet
 June 30, 2019

	Special Revenue Funds		
	Pre-K 26107	Dual Credit Instructional Materials 27103	NM Highway Department 28120
Assets			
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 0
Receivables			
Due From Grantor	0	425	0
Inventory	0	0	0
Total Assets	<u>\$ 0</u>	<u>\$ 425</u>	<u>\$ 0</u>
Liabilities and Fund Balance			
Liabilities			
Interfund Balances	<u>\$ 0</u>	<u>\$ 425</u>	<u>\$ 0</u>
Total Liabilities	<u>0</u>	<u>425</u>	<u>0</u>
Deferred Inflows of Resources			
Unavailable Revenue	<u>0</u>	<u>0</u>	<u>0</u>
Total Deferred Inflows of Resources	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance			
Nonspendable-Inventory	0	0	0
Restricted for			
Special Revenue Funds	0	0	0
Capital Projects	<u>0</u>	<u>0</u>	<u>0</u>
Total Fund Balances	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 0</u>	<u>\$ 425</u>	<u>\$ 0</u>

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

State of New Mexico
Logan Municipal Schools
 Nonmajor Funds
 Combining Balance Sheet
 June 30, 2019

	<u>Capital Outlay Fund</u>		
	<u>Bond Building 31100</u>	<u>Senate Bill Nine-State 31700</u>	<u>Total</u>
Assets			
Cash and Cash Equivalents	\$ 94,285	\$ 0	\$ 110,497
Receivables			
Due From Grantor	0	10,660	23,851
Inventory	0	0	10,841
Total Assets	<u>\$ 94,285</u>	<u>\$ 10,660</u>	<u>\$ 145,189</u>
Liabilities and Fund Balance			
Liabilities			
Interfund Balances	\$ 0	\$ 10,660	\$ 15,476
Total Liabilities	<u>0</u>	<u>10,660</u>	<u>15,476</u>
Deferred Inflows of Resources			
Unavailable Revenue	<u>0</u>	<u>0</u>	<u>0</u>
Total Deferred Inflows of Resources	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance			
Nonspendable-Inventory	0	0	10,841
Restricted for			
Special Revenue Funds	0	0	24,587
Capital Projects	94,285	0	94,285
Total Fund Balances	<u>94,285</u>	<u>0</u>	<u>129,713</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 94,285</u>	<u>\$ 10,660</u>	<u>\$ 145,189</u>

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

State of New Mexico
Logan Municipal Schools
 Nonmajor Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balance
 For the Year Ended June 30, 2019

	Special Revenue Funds		
	Food Service 21000	Athletics 22000	IDEA Preschool 24109
Revenues			
Interest Income	\$ 0	\$ 0	\$ 0
Fees	37,148	28,775	0
State & Local Grants	0	0	0
Federal Grants	99,229	0	3,651
Total Revenues	<u>136,377</u>	<u>28,775</u>	<u>3,651</u>
Expenditures			
Current			
Instruction	0	14,383	2,982
Support Services			
Students	0	0	669
Food Services	177,262	0	0
Capital Outlay	0	0	0
Total Expenditures	<u>177,262</u>	<u>14,383</u>	<u>3,651</u>
Excess (Deficiency) of Revenues Over Expenditures	(40,885)	14,392	0
Fund Balances at Beginning of Year	<u>61,921</u>	<u>0</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 21,036</u>	<u>\$ 14,392</u>	<u>\$ 0</u>

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

State of New Mexico
Logan Municipal Schools
 Nonmajor Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balance
 For the Year Ended June 30, 2019

	Special Revenue Funds		
	Teacher/Principal Training 24154	Title IV	
		Student Support 24189	REAP 25233
Revenues			
Interest Income	\$ 0	\$ 0	\$ 0
Fees	0	0	0
State & Local Grants	0	0	0
Federal Grants	5,532	1,635	31,993
Total Revenues	<u>5,532</u>	<u>1,635</u>	<u>31,993</u>
Expenditures			
Current			
Instruction	5,532	0	0
Support Services			
Students	0	1,635	31,993
Food Services	0	0	0
Capital Outlay	0	0	0
Total Expenditures	<u>5,532</u>	<u>1,635</u>	<u>31,993</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	0
Fund Balances at Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance End of Year	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>

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

State of New Mexico
Logan Municipal Schools
 Nonmajor Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balance
 For the Year Ended June 30, 2019

	Special Revenue Funds		
		Dual Credit	
	Pre-K 26107	Instructional Materials 27103	NM Highway Department 28120
Revenues			
Interest Income	\$ 0	\$ 0	\$ 0
Fees	0	0	0
State & Local Grants	45,343	2,064	40,862
Federal Grants	0	0	0
Total Revenues	<u>45,343</u>	<u>2,064</u>	<u>40,862</u>
Expenditures			
Current			
Instruction	45,343	2,064	0
Support Services			
Students	0	0	0
Food Services	0	0	0
Capital Outlay	0	0	40,862
Total Expenditures	<u>45,343</u>	<u>2,064</u>	<u>40,862</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	0
Fund Balances at Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance End of Year	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>

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

State of New Mexico
Logan Municipal Schools
 Nonmajor Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balance
 For the Year Ended June 30, 2019

	<u>Capital Outlay Fund</u>		
	<u>Bond Building 31100</u>	<u>Senate Bill Nine-State 31700</u>	<u>Total</u>
Revenues			
Interest Income	\$ 2,758	\$ 0	\$ 2,758
Fees	0	0	65,923
State & Local Grants	0	10,660	98,929
Federal Grants	0	0	142,040
Total Revenues	<u>2,758</u>	<u>10,660</u>	<u>309,650</u>
Expenditures			
Current			
Instruction	23,560	0	93,864
Support Services			
Students	0	0	34,297
Food Services	0	0	177,262
Capital Outlay	109,563	10,660	161,085
Total Expenditures	<u>133,123</u>	<u>10,660</u>	<u>466,508</u>
Excess (Deficiency) of Revenues Over Expenditures	(130,365)	0	(156,858)
Fund Balances at Beginning of Year	<u>224,650</u>	<u>0</u>	<u>286,571</u>
Fund Balance End of Year	<u>\$ 94,285</u>	<u>\$ 0</u>	<u>\$ 129,713</u>

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

Other Supplemental Information

Fiduciary Fund

Activity Trust Fund

To account for funds of various student groups that are custodial in nature.

State of New Mexico
Logan Municipal Schools
Agency Funds - Activity
Schedule of Fiduciary Assets and Liabilities-Agency Funds
For the Year Ended June 30, 2019

	Balance 06/30/18	Additions	Deductions	Balance 06/30/19
23087 · Class of 2025	\$ 0	\$ 405	\$ 104	\$ 301
23088 · Class of 2024	410	326	0	736
23089 · Class of 2023	173	101	0	274
23090 · Class of 2022	684	5,010	1,910	3,784
23091 · Class of 2021	4,377	7,602	2,792	9,187
23092 · Class of 2020	6,270	37,066	16,237	27,099
23093 · Class of 2019	29,698	28,904	58,046	556
23094 · Class of 2018	607	14	187	434
23095 · Class of 2017	28	0	0	28
23096 · Class of 2016	71	0	0	71
23200 · Athletics	1,710	9,050	10,753	7
23202 · Boys Basketball	1,201	2,515	2,906	810
23203 · Girls Basketball	1,263	2,756	2,931	1,088
23204 · Football	117	3,504	3,444	177
23206 · Cheerleaders	2,564	9,363	9,319	2,608
23207 · Volleyball	978	9,979	9,942	1,015
23209 · Softball	541	16	307	250
23300 · Cafeteria Workshop	499	200	24	675
23304 · FFA	1,769	53,449	50,897	4,321
23305 · National Honor Society	3,230	2,079	2,156	3,153
23309 · Library	396	4,916	4,447	865
23310 · Preschool	884	265	616	533
23311 · Staff Fund	11,820	12,572	9,268	15,124
23314 · Student Council	1,352	827	609	1,570
23317 · Yearbook	8,399	4,201	3,500	9,100
23322 · Elementary Arts	1,545	210	202	1,553
23323 · Burns Family Foundation	100	0	0	100
23326 · Honor Rewards	791	0	25	766
23328 · Ute Lake Online Learning Center	96	0	0	96
23329 · District 3A VB/BB	0	75	50	25
23331 · Woodshop	164	0	0	164
23332 · EPAC	911	1,065	675	1,301
23333 · Chess Club	36	0	0	36
23335 · Elementary Fund	795	1,082	549	1,328
23336 · Fellowship of Christian Athletes	383	370	578	175
23337 · 6A District Athletics	0	14,575	8,622	5,953
23338 · Drama	0	203	0	203
	<u>\$ 83,862</u>	<u>\$ 212,700</u>	<u>\$ 201,096</u>	<u>\$ 95,466</u>
Liabilities				
Deposits Held for Others	\$ 83,862	\$ 212,700	\$ 201,096	\$ 95,466
Total Liabilities	<u>\$ 83,862</u>	<u>\$ 212,700</u>	<u>\$ 201,096</u>	<u>\$ 95,466</u>

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

State of New Mexico
Logan Municipal Schools
Cash Reconciliations - All Funds
For the Year Ended June 30, 2019

		Beginning Cash Balance 6/30/18	Revenue	Expenditures	Ending Cash Balance 6/30/19
Operational	11000	\$ 651,351	\$ 3,789,500	\$ 3,365,910	\$ 1,074,941
Transportation	13000	0	220,241	220,241	0
Instructional Materials	14000	8,269	10,235	9,202	9,302
Food Services	21000	55,461	113,102	166,743	1,820
Athletics	22000	(0)	28,774	14,383	14,391
Activity Funds	23000	83,862	212,700	201,095	95,467
Federal Flowthrough	24000	(42,310)	92,083	98,875	(49,102)
Federal Direct	25000	0	31,993	31,993	0
Local Grants	26000	0	45,343	45,343	0
State Flowthrough	27000	(20,219)	41,964	39,564	(17,819)
State Direct	28000	0	40,862	40,862	0
Bond Building	31100	233,357	2,758	141,830	94,285
Senate Bill Nine-State	31700	(10,443)	10,443	10,660	(10,660)
Senate Bill Nine-Local	31701	242,871	138,866	154,940	226,797
Debt Service	41000	148,409	409,187	341,474	216,122
Total		<u>\$ 1,350,608</u>	<u>\$ 5,188,051</u>	<u>\$ 4,883,115</u>	<u>\$ 1,655,544</u>

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

De'Aun Willoughby CPA, PC

Certified Public Accountant

225 Innsdale Terrace Clovis, NM 88101

(855) 253-4313

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

Independent Auditor's Report

Mr. Brian S. Colón
State Auditor of the State of New Mexico
Board Members of the Logan Municipal Schools

Mr. Colón and Members of the Board

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general and major special revenue funds, of Logan Municipal Schools (District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Districts basic financial statements, and have issued our report thereon dated October 22, 2019.

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 District'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 are 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. 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses, that we consider to be significant deficiencies. 2019-001, 2019-002, and 2019-003

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards and* which are described in the accompanying Schedule of Findings and Responses as item 2019-001, 2019-002, 2019-003, 2019-004, and 2019-005.

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

De'Aun Willoughby, CPA, PC

Clovis, New Mexico

October 22, 2019

Prior Year Audit Findings	Status
2018-001 Unbalanced Budget	Repeated and Modified
2018-002 Certified Chief Procurement Officer	Resolved
2018-003 Payroll/Personnel	Resolved
2018-004 Sale of Property	Resolved

Current Year Audit Findings
Summary of Audit Results

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
• Material weakness (es) identified?	N/A
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	3
Noncompliance material to financial statements noted?	N/A

Current Year Audit Findings

2019-001 (2018-001) Unbalanced Budget-Compliance and Internal Control-Significant Deficiency Condition

The District maintained a deficit budget in excess of available cash balance in the following funds:

Major Fund

Operational-11000 \$(25,170)

Non-Major Fund

Capital Improvements-Senate Bill Nine-State-31700 \$(10,443)

The District has not made progress in resolving this finding because they had a new businesses manager for this fiscal year.

Criteria

Section 2.2.2.10. (P) (1), NMAC, requires all school district funds, with the exception of agency funds, to be budgeted by the local governing body and submitted to the PED for approval. Cash balances budgeted to make up the deficit budgeted revenues that do not cover the budgeted expenditures, cannot exceed the actual cash balance available at the end of the prior year.

Cause

The District does not have a procedure in place to ensure sufficient beginning cash balances exist to absorb budget deficits.

Effect

The District will have to supplement the budget deficit with other funds, which may lead to financial difficulties and deplete the budget in other funds.

Recommendation

BARS should be issued shortly after audited cash balances are confirmed if estimated cash balances are more than audited cash balances and cash was used to balance the budget.

Response

I will utilize a spreadsheet that calculates a balanced budget. I will complete this spreadsheet after cash balances are audited, after each quarterly report is submitted to the state and again before year end and will submit BARS if necessary.

Responsible Position: Business Manager

Timeframe: June 30, 2020

2019-002 Compensated Absences-Compliance and Internal Control-Significant Deficiency

Condition

While reviewing compensated absences it was found that one employee's ending balance as of June 30, 2018 was not the same as the beginning balance for July 1, 2018. The beginning balance increased by 2.5 days and occurred in both the first and second pay periods of the 18-19 fiscal year. There was not an adjustment report providing an explanation for the increases. The employee left the District at the end of July 2018. Visions software calculated the daily pay rate incorrectly because a calendar was not attached to the contract. These two issues caused the employee to be overpaid \$2,479.21. Administration has not made an effort to recover the overpaid compensating absences. The balance of the compensating absences were not included on the financials causing a restatement.

Criteria

The New Mexico Criminal Code makes it a fourth-degree felony for a public official to pay public money for services that have not been rendered. "Paying or receiving public money for services not rendered consists of knowingly making or receiving payment or causing payment to be made from public funds where such payment purports to be for wages, salary or remuneration for personal services [services] which have not in fact been rendered." NMSA 1978, § 30-23-2.

Cause

The failure of internal controls in this scenario resulted from an atypical convergence of several factors - (1) the departing employee was one of only two staff members with access to alter leave balances and (2) the departing employee was the only staff member responsible for calculating payouts from unused leave.

Effect

The overpayment of \$2,479.21 utilized funds that could have been spent on other educational opportunities for the students.

Recommendation

The adjustment report should be approved by the superintendent and his approval documented with his initials. All salary schedules should be attached to a calendar in the Visions software. Pay out of compensated absences should be hand calculated to verify the software calculation.

Response

In the future, any alteration to employee leave balances will require superintendent approval. Furthermore, all calculations of payouts from unused leave must be supported by written documentation (i.e., calendar and contract) and approved by the superintendent before payment is issued.

Responsible Position: Business Manager

Timeframe: Immediately

2019-003 Adjusting Journal Entries-Compliance and Internal Control-Significant Deficiency

Condition

There was no supporting documentation attached to the adjusting journal entries and no evidence of review and approval.

Criteria

The AICPA Practice Alert 2003-02, Journal Entries and Other Adjustments requires supporting documentation, and evidence that the entry was properly authorized and approved.

Cause

Journal Entries were verbally discussed between the business manager and superintendent but did not have the proper documentation attached to the paperwork.

Effect

Without supporting documentation which consists of source documents, supportive calculations, and/or other items necessary to substantiate the accuracy and appropriateness of a journal entry it is unclear if the adjusting journal is correct and not perpetuating fraud.

Recommendation

Supporting documentation is necessary to substantiate the accuracy and appropriateness of an adjusting journal entry. Journal entries should be reviewed and approved and such approval should be documented.

Response

Journal entries will have supporting documentation attached and the superintendent will sign each journal entry for approval.

Responsible Position: Business Manager

Timeframe: June 30, 2020

2019-004 Coaching License-Compliance and Internal Control-Other Matter

Condition

It was noted that the District had paid a non-employee coach a stipend for coaching during the 18-19 school year. However, the coach did not have a coaching license issued by PED.

Criteria

New Mexico Public Education Department (PED) is the state agency and department in which administers the coaching licensure regulations. Athletic Coach Licenses is required for all athletic services in grades 7-12 performed by a head coach or assistant coach, paid or volunteer, for any athletic sport, including cheer, dance or drill.

Cause

Upon the early departure of a coach, we had to fill a coaching spot quickly.

Effect

The District is not in compliance with NMPED or the NMAA regarding coaching license.

Recommendation

Each year, the Athletic Director should review all coaches' files to ensure there is a current coaching license and the required certifications.

Response

We will ensure that all coaches have the proper license prior to issuing a contract.

Responsible Position: Athletic Director

Timeframe: June 30, 2020

2019-005 Late IPA Recommendation and Audit Contract-Compliance-Other Matter

Condition

The IPA recommendation and audit contract was not received by the Office of the State Auditor by the May 1, 2019 due date.

Criteria

Paragraph (6) or Subsection G of 2.2.2.8 NMAC requires the contract be received by the Office of the State Auditor by May 1, 2019.

Cause

The 18-19 school year was my first year as a Business Manager and I was unaware that I needed to submit the contract to the State Auditors Office before May 1, 2019.

Effect

Paragraph (6) or Subsection G of 2.2.2.8 NMAC was violated.

Recommendation

The District should contract with an approved auditor timely.

Response

The Business Manager will make sure that we have a contract in place with the State Auditor before May 1, 2020.

Responsible Position: Business Manager

Timeframe: May 1, 2020.

Financial Statement Preparation

The financial statements were prepared by De'Aun Willoughby CPA. However, they are the responsibility of management.

Exit Conference

An exit conference was held on October 22, 2019 with Tom Humble-Board Member, Dennis Roch-Superintendent, Garrett Baker-Audit Committee Member, Nikki Ward-Business Manager, Starla Sharp-Auditor, and De'Aun Willoughby, CPA.