

Lordsburg Municipal School District No. 1

**FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS'
REPORT THEREON**

For The Fiscal Year Ended June 30, 2017

Lordsburg Municipal School District #1
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Lordsburg Municipal School District No. 1
DIRECTORY OF OFFICIALS
June 30, 2017

BOARD OF EDUCATION

Ruben Gomez	President
Maria Sanchez	Vice-President
Susie Cole	Secretary
Alfredo Morales	Member
Edgar Gomez	Member

SCHOOL OFFICIALS

Randall Piper	Superintendent
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MIKE STONE, C.P.A.
LINDA STONE MCGEE, C.P.A.
KAY STONE, C.P.A.
JARROD MASON, C.P.A.
KELLEY WYATT, C.P.A.

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INDEPENDENT AUDITOR'S REPORT

Timothy Keller, State Auditor
And
Board of Education
Lordsburg Municipal School District No. 1
Lordsburg, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of the Lordsburg Municipal School District No. 1, as of and for the year ended June 30, 2017, and the related notes to the financial statements which collectively comprise the Lordsburg Municipal School District No. 1'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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of 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 Lordsburg Municipal School District No. 1 as of June 30, 2017, and the respective changes in financial position and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that information related to the District's pension plan presented on pages 43 to 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of 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 Lordsburg Municipal School District No. 1's financial statements that collectively comprise the District's basic financial statements. The Schedule of Expenditures of Federal Awards as required by the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Guidance, Cost Principles, and Audit Requirements for Federal Awards*, and the other schedules presented as other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2017, on our consideration of the Lordsburg Municipal School District No. 1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreement and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Lordsburg Municipal School District No. 1's internal control over financial reporting and compliance.

Stone, McGee & Co., CPAs

Silver City, New Mexico
November 1, 2017

Stone, McGee & Co.
Certified Public Accountants

Lordsburg Municipal School District #1
STATEMENT OF NET POSITION
June 30, 2017

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 1,379,983
Property taxes receivable	142,126
Accounts receivable	4,890
Due from other governments	434,957
Inventory	11,318
Capital assets:	
Land and improvements	341,566
Buildings and improvements	27,922,727
Equipment	4,017,656
Construction in progress	19,027,089
Less accumulated depreciation	(17,074,678)
Total capital assets, net of depreciation	\$ 34,234,360
Total assets	\$ 36,207,634
Deferred Outflows of Resources	
Related to pensions	\$ 1,309,090
Liabilities	
Accounts payable	\$ 69,657
Bond premiums	720
Long-term liabilities:	
Portion due or payable within one year:	
Bonds payable	625,000
Accrued interest payable	40,749
Portion due or payable after one year:	
Net pension liability	9,301,390
Bonds payable	5,495,000
Compensated absences	74,511
Total liabilities	\$ 15,607,027
Deferred Inflows of Resources	
Related to pensions	\$ 477,454
Net Position	
Net investment in capital assets	\$ 28,114,360
Restricted for:	
Capital projects	
Debt service	1,021,836
Other purposes	571,331
Unrestricted	(8,275,284)
Total net position	\$ 21,432,243

The accompanying notes are an integral part of these financial statements

Lordsburg Municipal School District #1
STATEMENT OF ACTIVITIES
 For the Fiscal Year Ended June 30, 2017

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position Total Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
<u>Functions/Programs</u>				
Governmental activities:				
Instruction	\$ 3,562,747	\$ 105,157	\$ 1,071,221	\$ (2,386,369)
Support services - Students	720,440		61,583	(658,857)
Support services - Instruction	59,877			(59,877)
General administration	314,681			(314,681)
School administration	661,785		90,242	(571,543)
Central services	331,771			(331,771)
Operation of plant	1,106,773		19,937	9,780,164
Food services	423,505	3,415	381,863	(38,227)
Transportation	493,369		272,452	(220,917)
Other support services	6,349			(6,349)
Interest on long-term debt	166,342			(166,342)
	<u>\$ 7,847,639</u>	<u>\$ 108,572</u>	<u>\$ 1,897,298</u>	<u>\$ 9,780,164</u>
Total governmental activities				\$ 3,938,395

General revenues:	
Property taxes:	
Levied for general purposes	\$ 59,493
Levied for debt service	878,398
Levied for capital improvements	259,572
State aid - formula grants	4,315,451
Recoveries and refunds	17,055
Gain (Loss) on disposition of assets	(129,593)
Unrestricted investment earnings	<u>2,688</u>
 Total general revenues and special items	 <u>\$ 5,403,064</u>
 Change in net position	 \$ 9,341,459
Net position - beginning of year	<u>12,090,784</u>
Net position - end of year	<u><u>\$ 21,432,243</u></u>

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

Lordsburg Municipal School District #1
BALANCE SHEETS
GOVERNMENTAL FUNDS
June 30, 2017

	General Fund	Title I	Entitlement	SB-9
Assets				
Cash and investments	\$ -	\$ -	\$ -	\$ 425,635
Property taxes receivable	14,443			29,909
Accounts receivable				
Inventory	5,875			
Due from other governments		172,434	153,946	
Interfund receivable	352,422			
	<u>352,422</u>	<u>172,434</u>	<u>153,946</u>	<u>455,544</u>
Total assets	<u>\$ 372,740</u>	<u>\$ 172,434</u>	<u>\$ 153,946</u>	<u>\$ 455,544</u>
 Liabilities				
Accounts payable	\$ 54,287	\$ -	\$ -	\$ -
Interfund payable		172,434	153,946	32,951
	<u>54,287</u>	<u>172,434</u>	<u>153,946</u>	<u>32,951</u>
Total liabilities	<u>\$ 54,287</u>	<u>\$ 172,434</u>	<u>\$ 153,946</u>	<u>\$ 32,951</u>
 Deferred Inflows of Resources				
Unavailable revenue	\$ 10,562	\$ -	\$ -	\$ 14,120
	<u>10,562</u>	<u>-</u>	<u>-</u>	<u>14,120</u>
Total deferred inflows of resources	<u>\$ 10,562</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,120</u>
 Fund balance:				
Nonspendable:				
Inventories	\$ 5,875	\$ -	\$ -	\$ -
Restricted for:				
Education	36,725			408,473
Food service				
Social services				
Transportation				
Capital projects				
Debt service				
Unassigned	265,291			
	<u>265,291</u>	<u>-</u>	<u>-</u>	<u>408,473</u>
Total fund balances	<u>\$ 307,891</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 408,473</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 372,740</u>	<u>\$ 172,434</u>	<u>\$ 153,946</u>	<u>\$ 455,544</u>

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

<u>Bond Building</u>	<u>Debt Service</u>	<u>Other Funds</u>	<u>Total Governmental Funds</u>
\$ 6,888	\$ 928,218 97,774 4,890	\$ 19,242	\$ 1,379,983 142,126 4,890 11,318 434,957 455,185
<u>6,888</u>	<u>31,703</u>	<u>71,060</u>	<u>455,185</u>
<u>\$ 6,888</u>	<u>\$ 1,062,585</u>	<u>\$ 204,322</u>	<u>\$ 2,428,459</u>
\$ 13,040	\$ -	\$ 2,330	\$ 69,657
<u>13,040</u>	<u>-</u>	<u>95,854</u>	<u>455,185</u>
<u>\$ 13,040</u>	<u>\$ -</u>	<u>\$ 98,184</u>	<u>\$ 524,842</u>
\$ -	\$ 44,460	<u>-</u>	\$ 69,142
<u>-</u>	<u>44,460</u>	<u>-</u>	<u>69,142</u>
\$ -	\$ -	\$ 5,443	\$ 11,318
<u>-</u>	<u>-</u>	<u>2,417</u>	<u>447,615</u>
<u>-</u>	<u>1,018,125</u>	<u>94,878</u>	<u>94,878</u>
<u>(6,152)</u>	<u>3,400</u>	<u>-</u>	<u>3,400</u>
<u>(6,152)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(6,152)</u>	<u>1,018,125</u>	<u>106,138</u>	<u>1,834,475</u>
<u>\$ (6,152)</u>	<u>\$ 1,018,125</u>	<u>\$ 106,138</u>	<u>\$ 1,834,475</u>
<u>\$ 6,888</u>	<u>\$ 1,062,585</u>	<u>\$ 204,322</u>	<u>\$ 2,428,459</u>

Lordsburg Municipal School District #1
**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
 TO NET POSITION OF GOVERNMENTAL ACTIVITIES**
 June 30, 2017

Total governmental fund balances	\$	1,834,475
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		34,234,360
Bond premiums are deferred and amortized over the life of the bonds		(720)
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property taxes not collected within the 60 day availability period		69,142
Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds		
Deferred inflows of resources related to pensions		(477,454)
Deferred outflows of resources related to pensions		1,309,090
Long-term liabilities, including bonds payable, compensated absences and accrued interest payable are not due and payable in the current period and therefore are not reported in the funds:		
Net pension liability		(9,301,390)
Bonds payable		(6,120,000)
Accrued interest payable		(40,749)
Accrued compensated absences		(74,511)
		(15,846,649)
<i>Net Position of Governmental Activities</i>	\$	21,432,243

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

Lordsburg Municipal School District #1
**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**
For The Fiscal Year Ended June 30, 2017

	General Fund	Title I	Entitlement
Revenues:			
Property taxes	\$ 69,909	\$ -	\$ -
Fees and charges	71,898		
State aid	5,114,467		
Federal aid	3,843	207,274	185,775
Earnings on investments	371		
Miscellaneous	16,665		
	<u>\$ 5,277,153</u>	<u>\$ 207,274</u>	<u>\$ 185,775</u>
 Total revenues			
Expenditures:			
Current:			
Instruction	\$ 2,558,109	\$ 179,826	\$ 130,566
Support services - Students	599,332		
Support services - Instruction	51,518		
General administration	198,238	27,448	55,209
School administration	576,550		
Central services	317,949		
Operation of plant	680,223		
Food service			
Transportation	402,933		
Other support services	6,349		
Debt service:			
Principal			
Interest			
Capital outlay			
	<u>\$ 5,391,201</u>	<u>\$ 207,274</u>	<u>\$ 185,775</u>
 Total expenditures			
Revenues over (under) expenditures	<u>\$ (114,048)</u>	<u>\$ -</u>	<u>\$ -</u>
 Net change in fund balance	 \$ (114,048)	 \$ -	 \$ -
Fund balance, July 1, 2016	<u>421,939</u>	<u>-</u>	<u>-</u>
Fund balance, June 30, 2017	<u>\$ 307,891</u>	<u>\$ -</u>	<u>\$ -</u>

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

<u>SB-9</u>	<u>Bond Building</u>	<u>Debt Service</u>	<u>Other Funds</u>	<u>Governmental Funds Total</u>
\$ 285,618	\$ -	\$ 969,092	\$ -	\$ 1,324,619
			36,674	108,572
	9,780,164		246,961	15,141,592
			454,429	851,321
192	2,061	26	38	2,688
	78		412	17,155
<u>\$ 285,810</u>	<u>\$ 9,782,303</u>	<u>\$ 969,118</u>	<u>\$ 738,514</u>	<u>\$ 17,445,947</u>
\$ -	\$ -	\$ -	\$ 272,296	\$ 3,140,797
			60,056	659,388
2,736		9,787	7,585	51,518
				301,003
				576,550
328,500	756		19,937	317,949
			377,943	1,029,416
			4,091	377,943
				407,024
				6,349
		655,000		655,000
		170,715		170,715
<u>252,509</u>	<u>11,739,884</u>	<u></u>	<u></u>	<u>11,992,393</u>
<u>\$ 583,745</u>	<u>\$ 11,740,640</u>	<u>\$ 835,502</u>	<u>\$ 741,908</u>	<u>\$ 19,686,045</u>
<u>\$ (297,935)</u>	<u>\$ (1,958,337)</u>	<u>\$ 133,616</u>	<u>\$ (3,394)</u>	<u>\$ (2,240,098)</u>
\$ (297,935)	\$ (1,958,337)	\$ 133,616	\$ (3,394)	\$ (2,240,098)
<u>706,408</u>	<u>1,952,185</u>	<u>884,509</u>	<u>109,532</u>	<u>4,074,573</u>
<u>\$ 408,473</u>	<u>\$ (6,152)</u>	<u>\$ 1,018,125</u>	<u>\$ 106,138</u>	<u>\$ 1,834,475</u>

Lordsburg Municipal School District #1
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

June 30, 2017

Net change in fund balances-total governmental funds \$ (2,240,098)

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

Governmental funds report capital outlays as expenditures. However, in the
Statement of Activities, the cost of those assets is allocated over their
useful lives as depreciation expense.

Capital outlay	11,992,393
Depreciation expense	(475,537)

Bond proceeds are reported as financing sources in the funds. In the Statement of
Activities, however, issuing debt increases long-term liabilities. -

Revenue in the Statement of Activities that do not provide current financial
resources are not reported as revenues in the funds. This is the net change
during the year:

Property taxes not collected within the 60 day availability period	(127,256)
Losses on disposition of capital assets	(129,593)

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

Pension contributions	429,087
Cost of benefits earned net of employee contributions	(753,781)

Repayment of long-term debt is an expenditure in the governmental funds, but
the repayment reduces long-term liabilities in the Statement of Net Assets 655,000

Bond premiums are revenues in the funds but are deferred and amortized in the
Statement of Activities.

Bond premiums	
Amortization	511

In the Statement of Activities, interest is accrued on outstanding bonds,
whereas in governmental funds, an interest expenditure is reported when due.
This is the net change during the year. 3,862

Some expenses reported in the Statement of Activities, such as compensated
absences, do not require the use of current financial resources and there-
fore are not reported as expenditures in governmental funds. This is the net
change during the year. (13,129)

<i>Change in Net Position of Governmental Activities</i>	<u>\$ 9,341,459</u>
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The accompanying notes are an integral part of these financial statements.

Lordsburg Municipal School District #1
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Federal sources	\$ -	\$ -	\$ 3,843	\$ 3,843
State sources	5,020,553	5,094,869	5,114,467	19,598
Local sources	109,474	109,474	123,098	13,624
Interest income	150	150	371	221
Total revenues	\$ 5,130,177	\$ 5,204,493	\$ 5,241,779	\$ 37,286
Expenditures:				
Current:				
Instruction	\$ 2,498,214	\$ 2,521,201	\$ 2,429,043	\$ 92,158
Support services - Students	547,111	626,561	599,332	27,229
Support services - Instruction	50,101	52,101	51,518	583
General administration	196,973	205,973	198,139	7,834
School administration	801,550	670,050	576,550	93,500
Central services	165,587	341,087	321,519	19,568
Operation of plant	699,079	793,103	677,221	115,882
Transportation	313,238	373,857	362,545	11,312
Other support services	16,806	16,806	6,349	10,457
Food services	8,470	8,470		8,470
Capital outlay				-
Non-operating				-
Total expenditures	\$ 5,297,129	\$ 5,609,209	\$ 5,222,216	\$ 386,993
Revenues over (under) expenditure:	\$ (166,952)	\$ (404,716)	\$ 19,563	\$ 424,279
Other financing sources (uses)				
Transfers out	-	-	(87,040)	(87,040)
Net change in fund balance	\$ (166,952)	\$ (404,716)	\$ (67,477)	\$ 337,239
Fund balance, July 1, 2016	166,952	405,015	405,015	-
Fund balance, June 30, 2017	\$ -	\$ 299	\$ 337,538	\$ 337,239
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ (114,524)	
Revenue accruals (net)			(4,257)	
Expenditure accruals (net)			51,304	
Non-budgeted transactions (net)				
Net change in fund balance, NON-GAAP budgetary basis			\$ (67,477)	

The accompanying notes are an integral part of these financial statements

Lordsburg Municipal School District #1
SPECIAL REVENUE FUND - TITLE I
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Federal sources	\$ 262,271	\$ 279,126	\$ 136,083	\$ (143,043)
Expenditures:				
Current:				
Instruction	\$ 233,660	\$ 250,515	\$ 179,826	\$ 70,689
Support services - Students				-
School administration	<u>28,611</u>	<u>28,611</u>	<u>27,448</u>	<u>1,163</u>
Total expenditures	<u>\$ 262,271</u>	<u>\$ 279,126</u>	<u>\$ 207,274</u>	<u>\$ 71,852</u>
Net change in fund balance	\$ -	\$ -	\$ (71,191)	\$ (71,191)
Fund balance, July 1, 2016	<u>-</u>	<u>-</u>	<u>(101,243)</u>	<u>(101,243)</u>
Fund balance, June 30, 2017	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (172,434)</u>	<u>\$ (172,434)</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			(71,191)	
Expenditure accruals (net)				
Other financing uses (net)				
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ (71,191)</u>	

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

Lordsburg Municipal School District #1
SPECIAL REVENUE FUND -ENTITLEMENT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Federal sources	\$ 178,724	\$ 383,098	\$ 79,672	\$ (303,426)
Expenditures:				
Current:				
Instruction	\$ 127,606	\$ 234,460	\$ 130,566	\$ 103,894
Student support	34,698	132,218	38,866	93,352
School administration	16,420	16,420	16,343	77
Total expenditures	\$ 178,724	\$ 383,098	\$ 185,775	\$ 197,323
Net change in fund balance	\$ -	\$ -	\$ (106,103)	\$ (106,103)
Fund balance, July 1, 2016	-	-	(47,843)	(47,843)
Fund balance, June 30, 2017	\$ -	\$ -	\$ (153,946)	\$ (153,946)
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			(106,103)	
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			\$ (106,103)	

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

Lordsburg Municipal School District #1
SPECIAL REVENUE FUND - SENATE BILL 9
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
State sources	\$ 14,643	\$ 29,077	\$ -	\$ (29,077)
Local sources	256,768	256,768	305,908	49,140
Earnings on investments			192	192
	<u>\$ 271,411</u>	<u>\$ 285,845</u>	<u>\$ 306,100</u>	<u>\$ 20,255</u>
Total revenues				
Expenditures:				
Current:				
Administration	\$ 2,575	\$ 2,575	\$ 3,060	\$ (485)
Operation of plant	647,621	661,124	327,750	333,374
Capital outlay	325,000	325,000	252,509	72,491
	<u>\$ 975,196</u>	<u>\$ 988,699</u>	<u>\$ 583,319</u>	<u>\$ 405,380</u>
Total expenditures				
Net change in fund balance	\$ (703,785)	\$ (702,854)	\$ (277,219)	\$ 425,635
Fund balance, July 1, 2016	<u>703,785</u>	<u>703,785</u>	<u>702,854</u>	<u>(931)</u>
Fund balance, June 30, 2017	<u>\$ -</u>	<u>\$ 931</u>	<u>\$ 425,635</u>	<u>\$ 424,704</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ (297,935)	
Revenue accruals (net)			20,290	
Expenditure accruals (net)			<u>426</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ (277,219)</u>	

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

Lordsburg Municipal School District #1
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
June 30, 2017

	<u>Private Purpose Trust Funds</u>	<u>Agency</u>
Assets		
Cash and investments	\$ 53,641	\$ 87,952
Interest receivable	-	-
	<u>53,641</u>	<u>87,952</u>
Total assets	<u>\$ 53,641</u>	<u>\$ 87,952</u>
 Liabilities and Net Position		
Deposits held for others	<u>\$ -</u>	<u>\$ 87,952</u>
Total liabilities	<u>\$ -</u>	<u>\$ 87,952</u>
Net Position:		
Reserved for scholarship	\$ 641	
Reserved for endowment	<u>53,000</u>	
Total net position	<u>\$ 53,641</u>	

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

Lordsburg Municipal School District #1
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2017

	<u>Private Purpose Trust Funds</u>
Additions	
Gifts and contributions	\$ -
Interest earned	-
	-
Total additions	\$ -
 Deductions	
Scholarships awarded	-
	-
Change in net position	\$ -
Net position, July 1, 2016	53,641
Net position, June 30, 2017	\$ 53,641

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

Lordsburg Municipal Schools
NOTES TO FINANCIAL STATEMENTS
For The Fiscal Year Ended June 30, 2017

Note 1 Summary of Significant Accounting Policies

Lordsburg Municipal Schools organized under the laws of the State of New Mexico, operates under the school board-superintendent form of government. The System provides public education opportunities for children from first through twelfth grade, including but not limited to classroom and vocational studies; as well as school oriented social and athletic activities.

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the District are discussed below:

A. REPORTING ENTITY

These financial statements present the District (the primary government). As defined by Generally Accepted Accounting Principles, component units are legally separate entities that are included in the District's reporting entity because of the significance or their operating no financial relationships with the District. Based on the criterion in Generally Accepted Accounting Principles, the District had no component units.

B. BASIS OF PRESENTATION

Government-wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The District has no business-type activities.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditure/expenses. Funds are organized into two major categories: governmental, and fiduciary. An emphasis is placed on major funds within the governmental categories. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental funds are at least 10 percent of the corresponding total for all funds of that category or type.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the District and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds. Included in the General Fund are sub-funds: Operational, the Unrestricted District Fund; Transportation, which accounts for State source revenue used to transport students; Instructional Materials, which accounts for State Source Funds used to purchase textbooks; and Non-instructional Support, which accounts for various student extracurricular activities.

Special Revenue Funds

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

Capital Project Fund

The Capital Project Fund is used to account for resources restricted for the acquisition or construction of specific capital projects or items.

Debt Service Fund

The Debt Service Fund accounts for the accumulation of financial resources for the payment of interest and principle on the general long-term debt of the District.

Fiduciary Funds

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support District programs. The reporting focus is a net position and changes in net position and are reported using accounting principles similar to proprietary funds.

Agency Funds account for assets held in a purely custodial capacity. Since agency funds are custodial in nature (i.e.) assets equal liabilities, they do not involve the measurements of results of operations. Typically, these funds are owned by clubs, athletic teams, and/or student organizations.

The emphasis in fund financial statements is on the major funds in the governmental category. Non-major funds are summarized into a single column.

The District's fiduciary funds are presented in the fiduciary fund financial statements by type (pension, private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

Major-Fund Descriptions

General – See above description

Title I – To account for the federal assistance provided to the District for the improvement of educational opportunities to deprived children, and is a Special Revenue Fund. (Authority, P.L. 103-382).

SB -9 - Created by State Law to account for the Districts tax levy restricted solely for improvements to the physical plant NMSA 1978 22-25-1, and is a special revenue fund.

Entitlement – P.L. 94-142, Individuals with Disabilities Education Act – to account for a federal grant restricted to the operation and maintenance of meeting the special education need of children with disabilities. Authority for the creation of this fund is Individuals with Disabilities Act, Part B, Sec. 611, as amended: Public Laws 91-230, 93-380, 94-142, 98-199, 99-457, 100-630 and 101-476; 20 U.S.C. 1401 – 1419, Public Law 105-17, and is a Special Revenue Fund.

Debt Service – See above description.

Bond Building – accounts for bond proceeds along with other funding to be utilized for construction of facilities, and is a Capital Project Fund.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of net position and the Statement of Activities, governmental activities are presented using the economic resources measurement focus as defined in item “b” below.

In the fund financial statements, the “current financial resources” measurement focus is used.

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets, deferred outflows of resources, liabilities and deferred inflows of resources are generally included on their balance sheets. Their operating statements present sources and uses of available

spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

- b. The government-wide financial statements and Agency Funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), and financial position. All assets, deferred outflows of resources, liabilities and deferred inflows of resources (whether current or noncurrent) associated with their activities are reported. Revenues, expenses, gains, losses, assets, deferred outflow of resources, liabilities and deferred inflows of resources resulting from non-exchange transactions are recognized when the earnings process is complete.

BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual

The government-wide financial statements and the fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

2. Modified Accrual:

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. “Available” means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

Substantially all governmental fund revenues are accrued. In applying GASBS No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met and reported as deferred outflows of resources by the provider and deferred inflows of resources by the recipient. Grant revenues not collected within 60 days of year end are recorded as receivables and deferred inflows of

resources. Such amounts are recorded net of estimated uncollectible amounts.

Property tax receivables are recognized net of estimated refunds and uncollectible amounts in the period for which the taxes are levied, even if they are not available. Property taxes not collected within 60 days of year end are reported as deferred inflows of resources. Property taxes are considered fully collectible.

In the government-wide Statement of Net Position, the governmental activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position are reported in three parts – net investment in capital assets, net of related debt; restricted net position; and unrestricted net position. The District first utilizes restricted resources when an expense is incurred and for purposes for which both restricted and unrestricted net position are available.

The government-wide Statement of Activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Charges for services include revenue based on exchange or exchange-like transactions. These revenues arise from charges to customers or applicants who purchase use or directly benefit from the goods, services or privileges provided. Revenues in this category include fees charged for specific service, such as attendance at athletic events, food service, copies and auxiliary services. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function) are normally covered by general revenue (property taxes, intergovernmental revenues, interest income, etc.).

The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities.

D. BUDGETS

Budgets for the General, Special Revenue, Debt Service and Capital Projects Funds are prepared by management and approved by the local school board and the Public Finance School Division of the Department of Education. The general fund GAAP presentation includes certain non-budgeted activity funds. Such funds are excluded from the general fund budgetary comparisons. The bond building fund's GAAP presentation includes funding from the public schools facility authority, which makes payments directly to vendors, and bond proceeds which are held and disbursed directly from the New Mexico Finance Authority. Such amounts are excluded from the bond building budgetary comparison.

These budgets are prepared on the **NON-GAAP** cash basis, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year.

Actual expenditures may not exceed the budget on a functional category basis, i.e., each budgeted expenditure must be within budgeted amounts. Budgets may be amended in two ways. If a budget transfer is necessary within a major category called a "series", this may be accomplished with only local Board of Education approval. If a transfer between "series" or a budget increase is required approval must also be obtained from Public Education Department.

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

E. CASH AND INVESTMENTS

Cash includes amounts in demand deposits as well as short-term investments with a maturity of six months from the date acquired by the government. State statutes authorize the government to invest in obligations of the U.S. Treasury, interest-bearing accounts with local financial institutions and the State Treasurer Pool.

New Mexico Statutes require that financial institutions with public monies on deposit pledge collateral, to the owners of such monies, in an amount not less than 50% of the public monies held on deposit. Collateral pledged is held in safekeeping by other financial institutions, with safekeeping receipts held by the District. The pledged securities remain in the name of the financial institution. Repurchase agreements are required to be collateralized 102%.

F. INVENTORIES

Except for U.S.D.A. commodities, which are shown at estimated value, inventories are valued at cost (first-in, first-out). Inventory in the Cafeteria Fund consists mainly of food items. Inventories, in other governmental fund types, consist primarily of supply-type assets.

G. CAPITAL ASSETS

Capital assets purchased or acquired with an original cost of \$5,000.00 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value s of the date received. Additions, improvements and

other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repair and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	20-50 years
Software and library resources	3-5 years
Machinery and equipment	5-10 years
Improvements	10-20 years

The accounting treatment over property, plant and equipment depends on whether they are reported in the government-wide financial statements or fund financial statements. In the government-wide financial statements, capital assets are accounted for as capital assets. In the fund financial statements, capital assets are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

H. LONG-TERM DEBT

The accounting treatment of long-term debt depends on whether the assets are reported in the government-wide or fund financial statements.

All long-term debt is to be repaid from governmental resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of bonds payable, accrued compensated absences, and lease purchases.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures.

I. COMPENSATED ABSENCES

The District's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources. These liabilities have typically been liquidated from general fund resources.

J. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents consumption of net position that applies to a future period, and so will not be recognized as an outflow or resource (expenses/expenditures) until then. The

District has deferred outflows of resources related to pensions, as discussed in Note 5.

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenues) until that time. The District has one type of item, which arises only under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item unavailable revenue, has reported in the governmental funds balance sheet. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District reports unavailable revenue from the following sources:

	Governmental Funds Balance Sheet			
	General Fund	SB-9 Fund	Debt Service Funds	Total
Property taxes	<u>\$ 10,562</u>	<u>\$ 14,120</u>	<u>\$ 44,460</u>	<u>\$ 69,142</u>

In addition, the District reports deferred inflows of resources related to pensions, as discussed in Note 5.

K. EQUITY CLASSIFICATIONS

Government-wide Statements

Equity is classified as net position and displayed in three components.

- a. Net investment in capital assets, net of related debt – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, ore improvement of those assets.
- b. Restricted net position – consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – all other net positions that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Statements

During the year ended June 30, 2012, the District implemented GASB Statement 54 “Fund Balance Reporting and Governmental Fund Type Definitions”. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Non-spendable fund balance – amounts that are not in a spendable form (such as inventory) or are required to remain intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by the government itself, using its highest level of decision-making authority, to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change its constraints.
- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the government body delegates the authority.
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are reported only in the general fund.

The Board of Education establishes (and modifies or rescinds) fund balance commitments by adoption of a resolution or a vote of the Board. This is typically done through the adoption and amendment of the budget. Assigned fund balance is established by the Board of Education through adoption or amendment of the budget as intended for a specific purpose (such as purchase of fixed assets, construction, debt service or for other purposes). Expenditures incurred are normally paid from the most highly constrained fund balance.

L. PROPERTY TAX

Property taxes attach as an enforceable lien on property as of January 1. Property tax rates for the year are set no later than September 1 each year by the Secretary of Finance and Administration. The rates of tax are then used by County Assessors to develop the property tax schedule by October 1. Taxes are payable in equal semiannual installments by November 10 and April 10 of the subsequent year and become delinquent 30 days later. Taxes are collected on behalf of the District by the County Treasurer, and are remitted to the District in the month following collection. Because the Treasurer of the County in which the District is located is statutorily required to collect taxes as an intermediary agency for all forms of government, distribution of taxes are made through the applicable county to the District.

The District is permitted to levy taxes for general operating purposes up to \$.50 per \$1,000 of taxable value for both residential and nonresidential property, taxable value being defined as one third of the fully assessed value. In addition, the District is allowed to levy taxes for payments of bond principal and interest in amounts approved by voters of the District, as well as a Two Mill levy for District improvements. The District's total tax rate to finance general government services for the year ended June 30, 2017 was \$.391 per \$1,000 for non-residential property and \$.005 for residential property. The District's tax rate for debt service was \$6.738 per \$1,000 for residential and \$6.738 for nonresidential property. The District's tax rate for District improvements was \$1.919 per \$1,000 for residential and \$2.00 for nonresidential property.

M. INTER-FUND ACTIVITY

Inter-fund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as inter-fund receivables and payable as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other inter-fund transactions are treated as transfers. Inter-fund activity between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

N. USE OF 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.

Note 2 Custodial Credit Risk

Custodial credit risk is the risk 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 credit risk beyond that disclosed in Note 1. As of June 30, 2017 \$404,036 of the government bank balance of \$1,930,432 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized \$ 404,036

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Deposits by custodial risk category:		
Insured	\$ 250,000	\$ 250,000
Collateral held by the pledging bank's agent in the District's name	1,276,396	1,264,674

Uninsured and uncollateralized	<u>404,036</u>	<u>-0-</u>
	<u>\$ 1,930,432</u>	<u>\$ 1,514,674</u>

The District does not have a risk policy beyond that required by State Statute.

The cash on deposit with NMFA is, in effect, bond proceeds or payments made by the District but not yet disbursed. Such deposits are subject to the collateral requirements of NMFA. Such deposits total \$6,902.

Note 3 Capital Assets

Capital asset activity for the year ended June 30, 2017, was as follows:

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2017</u>
Capital assets not being depreciated:				
Land	\$ 341,566	\$ -0-	\$ -0-	\$ 341,566
Construction in progress	<u>7,068,171</u>	<u>11,958,918</u>	<u>-0-</u>	<u>19,027,089</u>
Total assets not being depreciated	<u>\$ 7,409,737</u>	<u>\$11,958,918</u>	<u>\$ -0-</u>	<u>\$ 19,368,655</u>
Other capital assets:				
Building and improvements	\$ 29,753,599	\$ 16,221	\$ 1,847,093	\$ 27,922,727
Furniture and equipment	<u>4,176,865</u>	<u>17,254</u>	<u>176,463</u>	<u>4,017,656</u>
Total other capital assets at historical cost	<u>\$ 33,930,464</u>	<u>\$ 33,475</u>	<u>\$ 2,023,556</u>	<u>\$ 31,940,383</u>
Less accumulated depreciation:				
Buildings and improvements	\$(14,405,269)	\$ (427,161)	\$ 1,718,504	\$(13,113,926)
Furniture and equipment	<u>(4,087,835)</u>	<u>(48,376)</u>	<u>175,459</u>	<u>(3,960,752)</u>
Total accumulated depreciation	<u>\$(18,493,104)</u>	<u>\$ (475,537)</u>	<u>\$ 1,893,963</u>	<u>\$(17,074,678)</u>
Other capital assets, net	<u>\$ 15,437,360</u>	<u>\$ (442,062)</u>	<u>\$ (129,593)</u>	<u>\$ 14,865,705</u>
Total capital assets, net	<u>\$ 22,847,097</u>	<u>\$ 11,516,856</u>	<u>\$ (129,593)</u>	<u>\$ 34,234,360</u>

Depreciation expense was charged to the governmental activities as follows:

Instruction	\$ 228,258
Support Services - Students	23,777
Support Services – Instruction	4,755
General Administration	2,378
School Administration	42,798
Central services	7,133
Operation of plant	57,064
Food Services	33,288
Transportation	<u>76,086</u>
	<u>\$ 475,537</u>

The District has made future construction commitments, funded principally by the Public Schools Facility Authority, of approximately \$400,000.

Note 4 Long-Term Debt

Changes in long-term debt were as follows during the year end June 30, 2017:

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>	<u>Due In</u> <u>One Year</u>
Compensated absences payable	\$ 61,382	\$ 134,736	\$ 121,607	\$ 74,511	\$ -0-
G.O. Bonds, series 2005	150,000		150,000	-0-	-0-
G.O. Bonds, series 2007	100,000		50,000	50,000	50,000
G.O. Bonds, series 2008	340,000		100,000	240,000	120,000
G.O. Bonds, series 2010	750,000		25,000	725,000	25,000
G.O. Bonds, series 2011	685,000		50,000	635,000	75,000
G.O. Bonds, series 2012	840,000		100,000	740,000	100,000
G.O. Bonds, series 2013	1,910,000		75,000	1,835,000	150,000
G.O. Bonds, series 2015	<u>2,000,000</u>		<u>105,000</u>	<u>1,895,000</u>	<u>105,000</u>
	<u>\$ 6,836,382</u>	<u>\$ 134,736</u>	<u>\$ 776,607</u>	<u>\$6,194,511</u>	<u>\$ 625,000</u>

Annual debt service for bonds payable requirements are as follows:

Due in fiscal year ending June 30:

	<u>Principal</u>	<u>Interest</u>
2018	\$ 625,000	\$ 156,175
2019	535,000	142,670
2020	505,000	130,231
2021	535,000	117,605
2022	625,000	102,132
2023-2027	2,265,000	303,993
2028-2032	<u>1,030,000</u>	<u>26,602</u>
	<u>\$6,120,000</u>	<u>\$ 979,408</u>

No compensated absences are considered due and payable in the next fiscal year.

The bonds and bond interest are paid from property tax levies enacted specifically for the debt retirement. The revenues pledged totaled \$7,099,408 at June 30, 2017, and equal 100% of the tax levies enacted to repay the bonded indebtedness. The bonds were sold to erect and furnish facilities for the District. Interest rates range from .9943% to 4.1% for individually scheduled retirements, and maturity dates range from 2017 through 2031. The property tax levies expire when the related bond indebtedness is repaid.

During the year ended June 30, 2017, the District recognized \$969,092 in property tax revenue pledged to retire the bonded indebtedness, and retired \$825,715 in bond principal and interest.

Note 5 Retirement Plan

Pension Plan

Summary of Significant Accounting Policies

Pensions. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Educational Retirement Board (ERB) and additions to/deductions from ERB's fiduciary net position have been determined on the same basis as they are reported by ERB, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit a payment (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 – ERB was created by the State's Educational Retirement Act, Section 22-11-1 through 22-11-52, NMSA 1978, as amended, to administer the New Mexico Educational Employees' Retirement Plan (Plan). The Plan is a cost-sharing, multiple employer 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 agencies providing educational programs. The Plan is a pension trust fund

of the State of New Mexico. The New Mexico Legislature has the authority to set or amend contribution rates.

ERB issues a publicly available financial report and a comprehensive annual financial report that can be obtained at www.nmerb.org.

Benefits Provided – A member’s retirement benefit is determined by a formula which includes three component parts: the member’s final average salary (FAS), the number of years of service credit, and 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. A brief summary of Plan coverage provisions follows:

For members employed before July 1, 2010, a member is eligible to retire when one of the following events occurs: the member’s age and earned service credit add up to the sum or 75 or more; the member is at least sixty-five years of age and has five or more years of earned service credit; or the member has service credit totaling 25 years or more.

Chapter 288, Laws of 2009 changed the eligibility requirements for new members first employed on or after July 1, 2010. The eligibility for a member who either becomes a new member on or after July 1, 2010, or at any time prior to that date refunded all member contributions and then became, or becomes, reemployed after that date is as follows: the member’s age and earned service credit add up to the sum of 80 or more; the member is at least sixty-seven years of age and has five or more years of earned service credit; or the member has service credit totaling 30 years or more.

The benefit is paid as a monthly life annuity with a guarantee that, if the payments made do not exceed the member’s accumulated contributions plus accumulated interest, determined as of the date of retirement, the balance will be paid in lump sum to the member’s surviving beneficiary. There are three benefit options available: single life annuity; single life annuity monthly benefit reduced to provide for a 100% survivor’s benefit; or single life annuity monthly benefit is reduced to provide for a 50% survivor’s benefit.

Retired members and surviving beneficiaries receiving benefits receive an automatic cost of living adjustment (COLA) to their benefit each July 1, beginning in the year the member attains or would have attained age 65 or on July 1 of the year following the member’s retirement date, whichever is later. Prior to June 30, 2013 the COLA adjustment was equal to one half the change in the Consumer Price Index (CPI), except that the COLA shall not exceed 4% nor be less than 2%, unless the change in CPI is less than 2%, in which case, the COLA would equal the change in the CPI, but never less than zero. As of July 1, 2013, for current and future retirees the COLA was immediately reduced until the plan is 100% funded. The COLA reduction was based on the median retirement benefit of all retirees excluding disability retirements. Retirees with benefits at or below the median and with 25 or more years of service credit will have a 10% COLA reduction; their average COLA will be 1.8%. All other retirees will have a 20% COLA reduction; their average COLA will be 1.6%. Once the funding is greater than 90%, the COLA reductions will decrease. The retirees with benefits at or below the median and with 25 or more years of service credit will have a 5% COLA reduction; their average COLA will be 1.9%. All other retirees will have a 10% COLA reduction; their average will be 1.8%. Members on disability retirement are entitled to a COLA commencing on July 1 of the third full year following disability retirement. A member on regular retirement who can prove retirement because of a disability may qualify for a COLA beginning July 1 in the third full year of retirement.

A member is eligible for a disability benefit provided (a) he or she has credit for at least 10 years of service, and (b) the disability is approved by ERB. The monthly benefit is equal to 2% of FAS times years of service, but not less than the smaller of (a) one-third of FAS or (b) 2% of FAS times year of service projected to age 60. The disability benefit commences immediately upon the member's retirement. Disability benefits are payable as a monthly life annuity, with a guarantee that, if the payments made do not exceed the member's accumulated contributions, determined as of the date of retirement, the balance will be paid in a lump sum to the member's surviving beneficiary. If the disabled member survives to age 60, the regular optional forms of payment are then applied. A member with five or more years of earned service credit on deferred status may retire on disability retirement when eligible under the Rule of 75 or when the member attains age 65.

Contributions – The contribution requirements of defined benefit plan members and the Lordsburg Municipal School District No. 1 are established in state statute under Chapter 10, Article 11, NMSA, 1978. The requirements may be amended by acts of the legislature. For fiscal year ended June 30, 2017 employers contributed 13.90%, and employees earning \$20,000 or less continued to contribute 7.90% and employees earning more than \$20,000 contributed 10.70% of their gross annual salary. Contributions to the pension plan from the Lordsburg Municipal School District No. 1 were \$429,087 for the year ended June 30, 2017.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension - The total ERB pension liability, net pension liability, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2015. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2016, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2016. At June 30, 2017, the Lordsburg Municipal School District No. 1 reported a liability of \$9,301,390 for its proportionate share of the net pension liability. The District's proportion of the net pension liability is based on the employer contributing entity's percentage of total employer contributions for the fiscal year ended June 30, 2016. The contribution amounts were defined by Section 22-11-21, NMSA 1978. At June 30, 2016, the District's proportion was .12925 percent, which was a decrease of .00996% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, Lordsburg Municipal School District No. 1 recognized pension expense of \$753,781. At the June 30, 2017, the Lordsburg Municipal School District No. 1 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	\$ 40,353	\$ (88,468)
Changes of assumptions	189,339	-
Net difference between projected and actual earnings on pension plan investments	555,216	-

Changes in proportion and differences between Lordsburg Municipal School District No. 1 contributions and proportionate share of contributions	95,095	(388,986)
Lordsburg Municipal School District No. 1 contributions subsequent to the measurement date	<u>429,087</u>	<u>-</u>
Total	<u>\$ 1,309,090</u>	<u>\$ (477,454)</u>

\$429,087 reported as deferred outflows of resources related to pensions resulting from Lordsburg Municipal School District No. 1 contributions subsequent to the measurement date June 30, 2016 will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2018	\$ 40,076
2019	(14,100)
2020	241,178
2021	135,395

Actuarial assumptions – as described above, the total ERB pension liability and net pension liability are based on an actuarial valuation performed as of June 30, 2015. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2016 using generally accepted actuarial principles. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2016, other than the lowering of the wage inflation from 3.75% to 3.00%. Specifically the liabilities measured as of June 30, 2016 incorporate the following assumptions:

1. All members with an annual salary of more than \$20,000 will contribute 10.7% during the fiscal year ending June 30, 2015 and thereafter.
2. Members hired after June 30, 2013 will have an actuarially reduced retirement benefit if they retire before age 55 and their COLA will be deferred until age 67.
3. COLA's for most retirees are reduced until ERB attains a 100% funded status.
4. These assumptions were adopted by ERB on June 12, 2015 in conjunction with the six-year experience study period ending June 30, 2014.

For the purposes of projecting future benefits, it is assumed that the full COLA is paid in all future years. The actuarial methods and assumptions used to determine contribution rates included in the measurement are as follows:

Actuarial Cost Method	Entry Age Normal
Average of expected remaining service lives	3.77 years
Remaining Period	Amortized – closed 30 years from June 30, 2012 to June 30, 2042
Asset Valuation Method	5 year smoothed market for funding valuation (fair value for financial valuation)
Inflation	3.00%
Salary Increases	Composition: 3% inflation, plus .75% productivity rate, plus step rate promotional increases for members with less than 10 years of service
Investment Rate of Return	7.75%
Retirement Age	Experience based table of age and service rates
Mortality	<p>Healthy males: RP-2000 Combined Mortality Table with White Collar Adjustment, generational mortality improvements in accordance with Scale BB from the tables base year of 2012.</p> <p>Healthy females: GRS Southwest Region teacher mortality table, set back one year, generational mortality improvements in accordance with scale BB from the tables base year of 2012.</p>

The long-term expected rate of return on pension plan investments is determined annually using a building-block approach that includes the following: 1) Rate of return projections are the sum of current yield plus projected changes in price (valuation, defaults, etc.), 2) Application of key economic projections (inflation, real growth, dividends, etc.), and 3) Structural themes (supply and demand imbalances, capital flows, etc). These items are developed for each major asset class.

Discount Rate – A single discount rate of 7.75% was used to measure the total ERB pension liability as of June 30, 2016 and June 30, 2015. This single discount rate was based on the expected rate of return on pension plan investments of 7.75%. Based on the stated assumptions and the projection of cash flows, the Plan’s fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current pension plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The projection of cash flows used to determine this single discount rate assumed that Plan contributions will be made at the current

statutory levels. Additionally, contributions received through the Alternative Retirement Plan (ARP), ERB’s defined contribution plan, are included in the projection of cash flows. ARP contributions are assumed to remain at a level percentage of ERB payroll, where the percentage of payroll is based on the most recent five year contribution history.

Sensitivity of the Lordsburg Municipal School District No. 1 Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following table shows the sensitivity of the net pension liability to changes in the discount rate as of the fiscal year end 2016. In particular, the table presents the District’s net pension liability under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Lordsburg Municipal School District No. 1 proportionate share of the net pension liability	\$12,319,476	\$9,301,390	\$6,797,232

Pension Plan Fiduciary Net Position – Detailed information about the ERB’s fiduciary net position is available in the separately issued audited financial statements as of and for the year ended June 30, 2016 and 2015 which are publicly available at www.nmerb.org.

Note 6 Retiree Health Care Act Contributions

Plan Description

Lordsburg Municipal Schools contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person’s behalf unless that person retires before the employer’s RHCA effective date, in which event the time period

required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

Funding Policy

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

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

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

The Lordsburg Municipal School's contributions to the RHCA for the years ended June 30, 2017, 2016, and 2015 were \$61,756, \$73,487, and \$74,428, respectively, which equal the required contributions for each year.

Note 7 Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Because the District was unable to obtain general liability insurance at a cost it considered to be economically justifiable, it joined together with other school districts in the State and obtained insurance coverage with New Mexico Public Schools Insurance Authority, a public entity risk pool currently operating as a common risk management and insurance program for member school districts. The District pays an annual premium to New Mexico Public Schools Insurance Authority for its general insurance coverage, and all risk of loss is transferred. No losses exceeded insurance in the past three years.

The New Mexico Public Schools Insurance Authority is self-insured for property and liability losses below \$250,000 and purchases excess insurance above the self-insured retention. The self-insured retention aggregate for property is set at \$2,000,000 with a \$1,000,000 stop loss. The self-insured retention aggregate for liability is \$3,000,000 with a \$1,000,000 stop loss.

Note 8 Contingent Liabilities

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

Note 9 Inter-fund Activity

Inter-fund balances at June 30, 2017, consisted of the following:

	<u>Inter-Fund Payable</u>				
	<u>Title I</u>	<u>Entitlement</u>	<u>SB-9</u>	<u>Other Funds</u>	<u>Total</u>
 <u>Inter-fund Receivable</u>					
General	\$ 172,434	\$ 153,946	\$ 1,248	\$ 24,794	\$352,422
Debt Service			31,703		31,703
Other Funds				<u>71,060</u>	<u>71,060</u>
	<u>\$ 172,434</u>	<u>\$ 153,946</u>	<u>\$ 32,951</u>	<u>\$ 95,854</u>	<u>\$455,185</u>

All amounts are expected to be repaid within one year. The purpose of the loan was to provide cash for operation purposes.

There were no inter-fund transfers during the fiscal year 2016–2017.

Note 10 Restricted Net Position

At June 30, 2017, net position restricted for other purposes included the following balances:

Cafeteria	\$ 100,321
Athletics	2,417
SB-9	422,593
Other	<u>46,000</u>
	<u>\$ 571,331</u>

The government-wide statement of net position reports \$1,593,167 of restricted net position, of which \$1,593,167 is restricted by enabling legislation.

Note 11 Endowment

The District received an endowment from the Rolfe Estate. This endowment is to be used for investment purposes only with the proceeds from such investments restricted to use for scholarships. The corpus of \$53,000 is to remain intact indefinitely. This is in accordance with State law.

Net appreciation of \$641 is available for expenditure by the governing board, and are reported in net position as “reserved for scholarships.”

Note 12 Jointly Governed Organization

The District participates in the Southwest Regional Education Cooperative No. 10. This regional cooperative was formed to consolidate the application for and the processing of supplementary federal and state funds. Representatives of the independent school districts, which are members, govern the Cooperative.

The Cooperative obtains grants and allocates them to the member districts. The District has no ongoing financial interest or responsibility in the Cooperative.

Separately issued financial statements of the Cooperative are available from the Cooperative at P.O. Box 952, Truth or Consequences, New Mexico 87901.

Note 13 Fund Balance Deficits

The District had one fund balance/deficits in the fiscal year 2016-2017.

Bond building	\$ (6,152)
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Note 14 Evaluation of Subsequent Events

The District has evaluated subsequent events through November 1, 2017, the date which the financial statements were available to be issued.

Note 15 Expenditures in Excess of Budgetary Authority

The District incurred expenses in excess of budgetary authority in the following funds and functions:

SB-9

Administration	<u>\$ 485</u>
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This expenditure in excess of budgetary authority was closed by the collection of property taxes exceeding the expected amount. Therefore, the 1% reappraisal fee collected by Hidalgo County exceeded the budgeted amount, and no budgetary adjustment was made.

The District intends to continue to monitor expenditures, and make budgetary adjustments as necessary.

SPECIAL REVENUE FUNDS

Cafeteria – to account for revenues generated by the District as well as the federal assistance received and the related expenditures necessary to provide food services for the District. (Authority, NMSA 22-13-13).

Athletics – to account for the revenues received, and the related expenditures incurred, by the District related to athletic functions (PSAB, Supplement 3).

Rural Schools – created to provide financial assistance to rural districts to carry out activities to help improve the quality of teaching and learning in their schools. (Elementary and Secondary Education Act of 1965 (ESEA), Title VI, Part B, as amended).

Title XIX Medicaid – to account for federal resources administered by the New Mexico Department of Health and Human Services for the improvement of primary health care and to increase health education. (P.L. 105-33).

Elementary Breakfast –New Mexico Grown Fruits and Vegetables– to account for funds received to provide breakfast and fresh fruits and vegetables for elementary students (Authority, PED).

Dual Credit Instructional Materials – to account for State grant received to provide college credits to high school students. Authority, State Grant PED.

City/County Grants – to account for the financial assistance to school districts to be used to enhance the education opportunities to students. Authority State PED.

Teacher Training – to improve teacher quality to ensure that all teachers are highly qualified. Created by P.L. 07-110 and is a Special Revenue Fund.

Pre-K Initiative Kinder 3+ - funds used to account for federal resources administered by the New Mexico State Department of Education to provide for the special education needs of handicapped children three to five years old. Required by the New Mexico Department of Education "Manual of Procedures for New Mexico School Districts" to be accounted for as a separate fund within the special funds (P.L. 94-142 and P.L. 99-457).

CAPITAL PROJECTS FUNDS

Bond Building – to account for bond proceeds any interest earned thereon. Proceeds are restricted for the purpose of making additions to and furnishing of school building, or purchasing or improving school grounds or any combination thereof, as approved by the voters of the District.

Lordsburg Municipal School District No. 1
**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY OF
 THE EDUCATIONAL RETIREMENT BOARD (ERB) PLAN
 LAST 10 FISCAL YEARS***

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Lordsburg Municipal School District No. 1's proportion of the net pension liability	.12925%	.13091%	.14097%
Lordsburg Municipal School District No. 1's proportionate share of the net pension liability	\$ 9,301,390	\$ 8,479,389	\$ 8,043,362
Lordsburg Municipal School District No. 1's covered payroll	\$ 3,086,960	\$ 3,686,599	\$ 3,722,143
Lordsburg Municipal School District No. 1's proportionate share of the net pension liability as a percentage of its covered payroll	301%	230%	216%
Plan fiduciary net position as a percentage of the total pension liability	61.58%	63.97%	66.54%

*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10 year trend is compiled, Lordsburg Municipal School District No. 1 will present information for those years for which information is available.

Lordsburg Municipal School District No. 1
SCHEDULE OF CONTRIBUTIONS
EDUCATIONAL RETIREMENT BOARD (ERB) PENSION PLAN
***LAST 10 FISCAL YEARS**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 429,087	\$ 510,630	\$ 517,257
Contributions in relation to contractually required contribution	<u>(429,087)</u>	<u>(510,630)</u>	\$ (517,257)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Lordsburg Municipal School District No. 1's covered payroll	\$ 3,086,960	\$ 3,686,599	\$ 3,722,143
Contributions as a percentage of covered payroll	13.90%	13.90%	13.90%

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, Lordsburg Municipal School District No. 1 will present information for those years for which information is available.

Lordsburg Municipal School District No. 1
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2017

Changes in benefit terms – The Cola and retirement eligibility benefits changes in recent years are described in the **Benefits Provided** subsection of the financial statement note disclosure **General Information on the Pension Plan**.

Changes of Assumptions

ERB conducts an actuarial experience study for the Plan on a biennial basis. Based on the six-year actuarial experience study as of June 30, 2014, presented to the Board of Trustees on June 12, 2015, ERB implemented the following changes in assumptions for the fiscal years 2016:

1. Fiscal year 2016 valuation assumptions that changed based on this study:
 - a. Lower wage inflation from 3.75% to 3.00%
 - b. Minor changes in demographic assumptions

2. Assumptions that were not changed:
 - a. Investment return will remain at 7.75%
 - b. Inflation will remain at 3.00%
 - c. Net 4.75% real return assumption
 - d. COLA assumption of 2% per year
 - e. Payroll growth of 3.50%

See also the **Actuarial Assumptions** subsection of the financial statement note disclosure **General Information on the Pension Plan**.

Lordsburg Municipal School District #1
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2017

	Special Revenue Funds			
	Cafeteria	Athletics	Preschool	Teacher Training
Assets				
Cash and investments	\$ 12,791	\$ 3,051	\$ -	\$ -
Inventory	5,443			
Property taxes receivable				
Interfund receivable	71,060			
Due from other governments	12,723		13,385	7,645
	<u>\$ 102,017</u>	<u>\$ 3,051</u>	<u>\$ 13,385</u>	<u>\$ 7,645</u>
Total assets	<u>\$ 102,017</u>	<u>\$ 3,051</u>	<u>\$ 13,385</u>	<u>\$ 7,645</u>
Liabilities				
Accounts payable	\$ 1,696	\$ 634	\$ -	\$ -
Interfund payable			13,385	7,645
	<u>\$ 1,696</u>	<u>\$ 634</u>	<u>\$ 13,385</u>	<u>\$ 7,645</u>
Total liabilities	<u>\$ 1,696</u>	<u>\$ 634</u>	<u>\$ 13,385</u>	<u>\$ 7,645</u>
Deferred Inflows of Resources				
Unavailable revenue	\$ -	\$ -	\$ -	\$ -
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total deferred inflows of resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance:				
Nonspendable:				
Inventories	\$ 5,443	\$ -	\$ -	\$ -
Restricted for:				
Education		2,417		
Food service	94,878			
Social services				
Capital projects				
Unassigned				
	<u>\$ 100,321</u>	<u>\$ 2,417</u>	<u>\$ -</u>	<u>\$ -</u>
Total fund balances	<u>\$ 100,321</u>	<u>\$ 2,417</u>	<u>\$ -</u>	<u>\$ -</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 102,017</u>	<u>\$ 3,051</u>	<u>\$ 13,385</u>	<u>\$ 7,645</u>

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

Special Revenue Funds

Rural Education	Kindergarten 3+	Pre-K Initiative	Medicaid
\$ -	\$ -	\$ -	\$ 3,400
<u>4,618</u>	<u>53,211</u>	<u>15,598</u>	<u> </u>
<u><u>\$ 4,618</u></u>	<u><u>\$ 53,211</u></u>	<u><u>\$ 15,598</u></u>	<u><u>\$ 3,400</u></u>
\$ -	\$ -	\$ -	\$ -
<u>4,618</u>	<u>53,211</u>	<u>15,598</u>	<u> </u>
<u>\$ 4,618</u>	<u>\$ 53,211</u>	<u>\$ 15,598</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -		\$ -	\$ -
			3,400
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,400</u>
<u><u>\$ 4,618</u></u>	<u><u>\$ 53,211</u></u>	<u><u>\$ 15,598</u></u>	<u><u>\$ 3,400</u></u>

Lordsburg Municipal School District #1
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET (concluded)
June 30, 2017

	Special Revenue Funds		
	Dual Credit	NM HWY Department	Elementary Breakfast
Cash and investments	\$ -	\$ -	\$ -
Inventory			
Property taxes receivable			
Interfund receivable			
Due from other governments	835		
	835		
Total assets	\$ 835	\$ -	\$ -
 Liabilities			
Accounts payable	\$ -	\$ -	\$ -
Interfund payable	835		
	835		
Total liabilities	\$ 835	\$ -	\$ -
 Deferred Inflows of Resources			
Unavailable revenue	\$ -	\$ -	\$ -
	-	-	-
Total deferred inflows of resources	\$ -	\$ -	\$ -
 Fund balance:			
Nonspendable:			
Inventories	\$ -	\$ -	\$ -
Restricted for:			
Education			
Food service			
Capital projects			
Social services			
Unassigned			
Total fund balances	\$ -	\$ -	\$ -
Total liabilities, deferred inflows of resources, and fund balances	\$ 835	\$ -	\$ -

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

<u>Special Revenue Funds</u>		
<u>NM Grown Fruits and Veg</u>	<u>City/County Grants</u>	<u>Total</u>
\$ -	\$ -	\$ 19,242
		5,443
		-
		71,060
<u>562</u>		<u>108,577</u>
<u>\$ 562</u>	<u>\$ -</u>	<u>\$ 204,322</u>
\$ -	\$ -	\$ 2,330
<u>562</u>		<u>95,854</u>
<u>\$ 562</u>	<u>\$ -</u>	<u>\$ 98,184</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ 5,443
		2,417
		94,878
		3,400
		-
		-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 106,138</u>
<u>\$ 562</u>	<u>\$ -</u>	<u>\$ 204,322</u>

Lordsburg Municipal School District #1
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For The Fiscal Year Ended June 30, 2017

	Special Revenue Funds		
	Cafeteria	Athletics	Preschool
Revenues:			
Property Taxes	\$ -	\$ -	\$ -
Fees and charges	3,415	33,259	
State aid			
Federal aid	377,594		15,979
Earnings on investments	33	5	
Miscellaneous	37	264	
Total revenues	\$ 381,079	\$ 33,528	\$ 15,979
Expenditures:			
Current:			
Instruction	\$ -	\$ 45,965	\$ 15,979
Support services - Students			
Support services - Instruction			
General administration			
School administration			
Central services			
Operation of plant			
Transportation			
Food services	373,674		
Capital outlay			
Total expenditures	\$ 373,674	\$ 45,965	\$ 15,979
Revenues over (under) expenditures	\$ 7,405	\$ (12,437)	\$ -
Net change in fund balance	\$ 7,405	\$ (12,437)	\$ -
Fund balance, July 1, 2016	92,916	14,854	
Fund balance, June 30, 2017	\$ 100,321	\$ 2,417	\$ -

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

Special Revenue Funds

Teacher Training	Rural Education	Kindergarten 3+	Pre-K Initiative	Medicaid
\$ -	\$ -	\$ -	\$ -	\$ -
14,883	6,373	126,440	58,630	39,600
				111
<u>\$ 14,883</u>	<u>\$ 6,373</u>	<u>\$ 126,440</u>	<u>\$ 58,630</u>	<u>\$ 39,711</u>
\$ 13,538	\$ 6,373	\$ 103,858 11,983	\$ 55,182	\$ - 38,073
1,345		6,240		
		3,716 643	3,448	
<u>\$ 14,883</u>	<u>\$ 6,373</u>	<u>\$ 126,440</u>	<u>\$ 58,630</u>	<u>\$ 38,073</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,638</u>
\$ -	\$ -	\$ -	\$ -	\$ 1,638
				1,762
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,400</u>

Lordsburg Municipal School District #1
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (concluded)
For The Fiscal Year Ended June 30, 2017

	Special Revenue Funds		
	Dual Credit	NM Hwy Department	Elementary Breakfast
Revenues:			
Property Taxes	\$ -	\$ -	\$ -
Fees and charges			
State aid	3,412	16,221	3,269
Federal aid			
Earnings on investments			
Miscellaneous			
Total revenues	<u>\$ 3,412</u>	<u>\$ 16,221</u>	<u>\$ 3,269</u>
Expenditures:			
Current:			
Instruction	\$ 3,412	\$ -	\$ -
Support services - Students			
Support services - Instruction			
General administration			
School administration			
Central services			
Operation of plant		16,221	
Transportation			
Food services			3,269
Capital outlay			
Total expenditures	<u>\$ 3,412</u>	<u>\$ 16,221</u>	<u>\$ 3,269</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance	\$ -	\$ -	\$ -
Fund balance, July 1, 2016			
Fund balance, June 30, 2017	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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

Special Revenue Funds			
NM Grown Fruit and Veg	Teacher and School Leader	City/County Grants	Total
\$ -	\$ -	\$ -	\$ -
1,000	27,989	10,000	36,674
			246,961
			454,429
			38
			412
\$ 1,000	\$ 27,989	\$ 10,000	\$ 738,514
\$ -	\$ 27,989	\$ -	\$ 272,296
		10,000	60,056
			-
			-
			7,585
			-
			19,937
			4,091
1,000			377,943
			-
\$ 1,000	\$ 27,989	\$ 10,000	\$ 741,908
\$ -	\$ -	\$ -	\$ (3,394)
\$ -	\$ -	\$ -	\$ (3,394)
			109,532
\$ -	\$ -	\$ -	\$ 106,138

Lordsburg Municipal School District #1
GENERAL FUND
COMBINING BALANCE SHEET
June 30, 2017

	Operational	Transportation	Instructional Materials
Assets			
Cash and investments	\$ -	\$ -	\$ -
Taxes receivable	14,443		
Inventory	5,875		
Interfund receivable	315,697		23,089
 Total assets	\$ 336,015	\$ -	\$ 23,089
 Liabilities			
Accounts payable	\$ 54,287	\$ -	\$ -
Interfund payable			
 Total liabilities	\$ 54,287	\$ -	\$ -
 Deferred Inflows of Resources			
Unavailable revenue	\$ 10,562	\$ -	\$ -
 Total deferred inflows of resources	\$ 10,562	\$ -	\$ -
 Fund balance:			
Nonspendable:			
Inventories	\$ 5,875	\$ -	\$ -
Restricted for:			
Education			23,089
Transportation			
Unassigned	265,291		
 Total fund balances	\$ 271,166	\$ -	\$ 23,089
 Total liabilities, deferred inflows of resources, and fund balances	\$ 336,015	\$ -	\$ 23,089

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

<u>Non - Instructional Support</u>	<u>Total</u>
\$ -	\$ -
	14,443
	5,875
<u>13,636</u>	<u>352,422</u>
<u>\$ 13,636</u>	<u>\$ 372,740</u>
\$ -	\$ 54,287
	-
<u>\$ -</u>	<u>\$ 54,287</u>
\$ -	\$ 10,562
<u>\$ -</u>	<u>\$ 10,562</u>
\$ -	\$ 5,875
13,636	36,725
	-
	<u>265,291</u>
<u>\$ -</u>	<u>\$ 307,891</u>
<u>\$ -</u>	<u>\$ 372,740</u>

Lordsburg Municipal School District #1
GENERAL FUND
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For The Fiscal Year Ended June 30, 2017

	<u>Operational</u>	<u>Transportation</u>	<u>Instructional Materials</u>
Revenues:			
Property taxes	\$ 69,909	\$ -	\$ -
Fees and charges	40,781		
State aid	4,817,532	268,361	28,574
Federal aid	3,843		
Earnings on investments	371		
Miscellaneous	16,665		
	<hr/>	<hr/>	<hr/>
Total revenues	<u>\$ 4,949,101</u>	<u>\$ 268,361</u>	<u>\$ 28,574</u>
Expenditures:			
Current:			
Instruction	\$ 2,486,158	\$ -	\$ 41,310
Support services - Students	599,332		
Support services - Instruction	51,518		
General administration	198,238		
School administration	576,550		
Central services	317,949		
Operation of plant	680,223		
Transportation	133,974	268,959	
Food services			
Other support services	6,349		
Capital outlay			
	<hr/>	<hr/>	<hr/>
Total expenditures	<u>\$ 5,050,291</u>	<u>\$ 268,959</u>	<u>\$ 41,310</u>
Revenues over (under) expenditures	<u>\$ (101,190)</u>	<u>\$ (598)</u>	<u>\$ (12,736)</u>
Net change in fund balance	\$ (101,190)	\$ (598)	\$ (12,736)
Fund balance, July 1, 2016	<u>372,356</u>	<u>598</u>	<u>35,825</u>
Fund balance, June 30, 2017	<u><u>\$ 271,166</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 23,089</u></u>

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

<u>Activity Funds</u>	<u>Total</u>
\$ -	\$ 69,909
31,117	71,898
	5,114,467
	3,843
	371
	<u>16,665</u>
<u>\$ 31,117</u>	<u>\$ 5,277,153</u>
\$ 30,641	\$ 2,558,109
	599,332
	51,518
	198,238
	576,550
	317,949
	680,223
	402,933
	-
	6,349
	<u>-</u>
<u>\$ 30,641</u>	<u>\$ 5,391,201</u>
<u>\$ 476</u>	<u>\$ (114,048)</u>
\$ 476	\$ (114,048)
13,160	421,939
<u>\$ 13,636</u>	<u>\$ 307,891</u>

Lordsburg Municipal School District #1
GENERAL FUND/OPERATIONAL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Federal sources	\$ -		\$ 3,843	\$ 3,843
State sources	4,686,787	4,797,636	4,817,532	19,896
Local sources	109,474	109,474	123,098	13,624
Interest income	150	150	371	221
	<u>\$ 4,796,411</u>	<u>\$ 4,907,260</u>	<u>\$ 4,944,844</u>	<u>\$ 37,584</u>
Total revenues				
Expenditures:				
Current:				
Instruction	\$ 2,435,954	\$ 2,456,803	\$ 2,387,733	\$ 69,070
Support services - Students	547,111	626,561	599,332	27,229
Support services - Instruction	50,101	52,101	51,518	583
General administration	196,973	205,973	198,139	7,834
School administration	801,550	670,050	576,550	93,500
Central services	165,587	341,087	321,519	19,568
Operation of plant	699,079	793,103	677,221	115,882
Transportation	6,100	104,898	93,586	11,312
Other support services	16,806	16,806	6,349	10,457
Food services	8,470	8,470		8,470
Capital outlay				-
Non-operating				-
	<u>\$ 4,927,731</u>	<u>\$ 5,275,852</u>	<u>\$ 4,911,947</u>	<u>\$ 363,905</u>
Total expenditures				
Revenues over (under) expenditure	\$ (131,320)	\$ (368,592)	\$ 32,897	\$ 401,489
Other financing sources (uses)				
Transfers out	-	-	(87,040)	(87,040)
Net change in fund balance	\$ (131,320)	\$ (368,592)	\$ (54,143)	\$ 314,449
Fund balance, July 1, 2016	131,320	368,592	368,592	-
Fund balance, June 30, 2017	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 314,449</u>	<u>\$ 314,449</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ (101,190)	
Revenue accruals (net)			(4,257)	
Expenditure accruals (net)			51,304	
Other financing uses (net)				
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ (54,143)</u>	

The accompanying notes are an integral part of these financial statements

Lordsburg Municipal School District #1
GENERAL FUND/TRANSPORTATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
State sources	\$ 307,138	\$ 268,660	\$ 268,361	\$ (299)
Expenditures:				
Current:				
Pupil transportation	\$ 307,138	\$ 268,959	\$ 268,959	\$ -
Capital outlay				-
Total expenditures	\$ 307,138	\$ 268,959	\$ 268,959	\$ -
Net change in fund balance	\$ -	\$ (299)	\$ (598)	\$ (299)
Fund balance, July 1, 2016	-	598	598	-
Fund balance, June 30, 2017	\$ -	\$ 299	\$ -	\$ (299)
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ (598)	
Revenue accruals (net)			-	
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			\$ (598)	

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

Lordsburg Municipal School District #1
GENERAL FUND/INSTRUCTIONAL MATERIALS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
State sources	26,628	28,573	28,574	1
Local sources				-
	<u>26,628</u>	<u>28,573</u>	<u>28,574</u>	<u>1</u>
Total revenues	\$ 26,628	\$ 28,573	\$ 28,574	\$ 1
Expenditures:				
Current:				
Instruction	\$ 62,260	\$ 64,398	\$ 41,310	\$ 23,088
Support service - Instruction				-
	<u>62,260</u>	<u>64,398</u>	<u>41,310</u>	<u>23,088</u>
Total expenditures	\$ 62,260	\$ 64,398	\$ 41,310	\$ 23,088
Net change in fund balance	\$ (35,632)	\$ (35,825)	\$ (12,736)	\$ 23,089
Fund balance, July 1, 2016	<u>35,632</u>	<u>35,825</u>	<u>35,825</u>	<u>-</u>
Fund balance, June 30, 2017	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,089</u>	<u>\$ 23,089</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ (12,736)	
Revenue accruals (net)			-	
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ (12,736)</u>	

The accompanying notes are an integral part of these financial statements

Lordsburg Municipal School District #1
AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
June 30, 2017

	Balance July 1, 2016	Receipts	Disbursements	Balance June 30, 2017
Assets				
Cash and investments:				
Lordsburg High School	\$ 80,573	\$ 79,547	\$ 77,747	\$ 82,373
DTMS Middle School	3,716	7,716	5,965	5,467
Central Elementary School	112			112
Total Assets	\$ 84,401	\$ 87,263	\$ 83,712	\$ 87,952
Liabilities				
Deposits held for others:				
Lordsburg High School	\$ 80,573	\$ 79,547	\$ 77,747	\$ 82,373
DTMS Middle School	3,716	7,716	5,965	5,467
Central Elementary School	112			112
Total Liabilities	\$ 84,401	\$ 87,263	\$ 83,712	\$ 87,952

The accompanying notes are an integral part of these financial statements

Lordsburg Municipal School District #1
SCHEDULE OF DEPOSITORY COLLATERAL
June 30, 2017

	Western Bank	Total
Checking and CD's	\$ 1,930,432	\$ 1,930,432
Total on deposit	\$ 1,930,432	\$ 1,930,432
Less: FDIC insurance	(250,000)	(250,000)
Total uninsured public funds	\$ 1,680,432	\$ 1,680,432
50% collateralization requirement (Section 6-10-17 NMSA)	\$ 840,216	\$ 840,216
Pledged Securities:		
FNMA 2001-64E QH Cusip#31392AHX9 11/25/2031	\$ 189,566	\$ 189,566
Silver City School District, Cusip#827513EX6 8/1/2017	421,000	421,000
Silver City NM Gross Recpts Cusip#82750PAP9 6/1/2025	292,306	292,306
Chama VY Indpt Sch Dist 19 Cusip#157670DD9 8/1/2017	200,474	200,474
Corrales NM Hold Harmless GRT Cusip#22026TAK6 5/1/2023	173,050	173,050
Total pledged securities	\$ 1,276,396	\$ 1,276,396
Pledged securities over (under) requirement	\$ 436,180	\$ 436,180

Pledged securities are held by the Federal Home Loan Bank of Dallas, TX.
Safekeeping receipts are held by the District.

Lordsburg Municipal School District #1
SCHEDULE OF INDIVIDUAL DEPOSIT ACCOUNTS AND INVESTMENTS
 June 30, 2017

	Type of Account	Bank Balance	Reconciled Balance
<u>Western Bank</u>			
Trella Rolfe Scholarship	Checking	\$ 624	\$ 624
Operational	Checking	1,929,808	1,514,050
Total Western Bank		\$ 1,930,432	\$ 1,514,674
Cash on deposit with NMFA		\$ 6,902	\$ 6,902
Total cash and investments		\$ 1,937,334	\$ 1,521,576

Lordsburg Municipal School District #1
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
ALL FUNDS BY SCHOOL DISTRICT CLASSIFICATION
For The Fiscal Year Ended June 30, 2017

	<u>Operational</u>	<u>Transportation</u>	<u>Instructional Materials</u>	<u>Food Services</u>	<u>Athletics</u>
Total cash and investments as of July 1, 2016	\$ 368,592	\$ 598	\$ 35,825	\$ 78,178	\$ 14,855
Add: Current year receipts	4,944,844	268,361	28,574	360,411	33,528
Prior year warrants voided	-	-	-	-	-
Less: Current year expenditures	(4,911,946)	(268,959)	(41,310)	(354,738)	(45,332)
Outstanding loans	(422,234)	-	-	-	-
Transfers	(87,040)	-	-	-	-
Total cash and investments as of June 30, 2017 per cash report	\$ (107,784)	\$ -	\$ 23,089	\$ 83,851	\$ 3,052
Audit adjustment	-	-	-	-	-
Cash and investments per audit report	<u>\$ (107,784)</u>	<u>\$ -</u>	<u>\$ 23,089</u>	<u>\$ 83,851</u>	<u>\$ 3,052</u>

Lordsburg Municipal School District #1
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS (continued)
ALL FUNDS BY SCHOOL DISTRICT CLASSIFICATION
For The Fiscal Year Ended June 30, 2017

	Non- Instructional Support	Federal Flowthrough	Federal Direct	State Flowthrough	State Direct Fund
Total cash and investments as of July 1, 2016	\$ 151,201	\$ (200,832)	\$ 1,762	\$ (243,087)	\$ -
Add: Current year receipts	118,383	249,375	39,711	336,293	16,221
Prior year warrants voided	-	-	-	-	-
Less: Current year expenditures	(114,354)	(430,284)	(38,073)	(220,739)	(16,221)
Outstanding loans	-	352,028	-	70,206	-
Transfers	-	29,713	-	57,327	-
Total cash and investments as of June 30, 2017	\$ 155,229	\$ -	\$ 3,400	\$ -	\$ -
Audit adjustment	-	-	-	-	-
Cash and investments per audit report	<u>\$ 155,229</u>	<u>\$ -</u>	<u>\$ 3,400</u>	<u>\$ -</u>	<u>\$ -</u>

Lordsburg Municipal School District #1
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS (concluded)
ALL FUNDS BY SCHOOL DISTRICT CLASSIFICATION
For The Fiscal Year Ended June 30, 2017

	<u>Local or State Fund</u>	<u>Bond Building</u>	<u>SB-9 State</u>	<u>SB-9 Local</u>	<u>Debt Service</u>	<u>Total</u>
Total cash and investments as of July 1, 2016	\$ -	\$ 269,047	\$ 702,854	\$ -	\$ 871,629	\$ 2,050,622
Add: Current year receipts	10,000	78	-	306,099	896,634	7,608,512
Prior year warrants voided	-	-	-	-	-	-
Less: Current year expenditures	(10,000)	(269,125)	-	(583,318)	(840,061)	(8,144,459)
Outstanding loans	-	-	-	-	-	0
Transfers	-	-	(702,854)	702,854	-	-
Total cash and investments as of June 30, 2017	\$ -	\$ 0	\$ -	\$ 425,635	\$ 928,202	\$ 1,514,674
Audit adjustment	-	-	-	-	-	-
Cash and investments per audit report	<u>\$ -</u>	<u>\$ 0</u>	<u>\$ -</u>	<u>\$ 425,635</u>	<u>\$ 928,202</u>	<u>\$ 1,514,674</u>

Lordsburg Municipal School District #1
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Fiscal Year Ended June 30, 2017

<u>Federal Grantor/Pass-through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Passed Through to Subrecipients</u>	<u>Federal Expenditures</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Passed through N.M. Department of Education:				
Title I Grants to Lea's Special Education Cluster (IDEA):	84.010	24.101	\$ -	\$ 207,274
Special Education - Grants to States	84.027	24.106	\$ -	\$ 185,775
Special Education - Preschool Grants	84.173	24.109		15,979
Total Special Education (IDEA) Cluster			\$ -	\$ 201,754
Rural Education	84.358	24.160	\$ -	\$ 6,373
Teacher Quality State Grants	84.367	24.154		14,883
Total U.S. Department of Education			\$ -	\$ 430,284
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Direct Programs:				
Schools and Roads-Grants to States	10.665	N/A	\$ -	\$ 30,843
Passed through N.M. Department of Education:				
Child Nutrition Cluster:				
National School Lunch Program	10.555	N/A	\$ -	\$ 200,599
Summer Food Service Program for Children	10.559	N/A		23,298
School Breakfast Program	10.553	N/A		153,697
Total Child Nutrition Cluster			\$ -	\$ 377,594
Total U.S. Department of Agriculture			\$ -	\$ 408,437
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
Passed through the N.M. Dept. of Human Services:				
Medical Assistance Program	93.778	25.253		38,073
Total U.S. Department of Health and Human Services			\$ -	\$ 38,073
Total expenditures of federal awards			\$ -	\$ 876,794

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

Lordsburg Municipal School District No. 1
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2017

Note 1 Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Lordsburg Municipal School District No. 1, under programs of the federal government for the year ended Jun 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Lordsburg Municipal School District No. 1, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Lordsburg Municipal School District No. 1.

Note 2 Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following cost principles contained in the Uniform Guidance.

Note 3 Non-Monetary Assistance

Non-monetary assistance is reported in the schedule at the fair market value of the USDA commodities received. The District received \$18,387 in food commodities during the 2016-2017 fiscal year.

Note 4 Indirect Costs

The District has elected not to use the de Minimis indirect cost rate as allowed under the Uniform Guidance.

Lordsburg Municipal School District #1
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2017

Current Status

Findings – Financial Statement Audit

2016-001 Payroll reporting and tax deposit reporting not accurate	Resolved
2014-001 Cash not reconciled or reported to PED correctly	Resolved

Findings and Questioned Costs – Major Federal Award Programs

None

MIKE STONE, C.P.A.
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**REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

INDEPENDENT AUDITOR'S REPORT

Timothy Keller, State Auditor
And
Board of Education
Lordsburg Municipal School District No. 1
Lordsburg, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of Lordsburg Municipal School District No. 1 as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Lordsburg Municipal School District No. 1's basic financial statements, and have issued our report thereon dated November 1, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lordsburg Municipal School District No. 1'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 Lordsburg Municipal School District No. 1'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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lordsburg Municipal School District No. 1's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings and questioned costs as items 2017-001 and 2017-002.

Lordsburg Municipal School District No. 1's Responses to Findings

Lordsburg Municipal School District No. 1's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's responses were not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the 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.

Stone, McGee & Co CPAs

Silver City, New Mexico
November 1, 2017

Stone, McGee & Co.
Certified Public Accountants

MIKE STONE, C.P.A.
LINDA STONE MCGEE, C.P.A.
KAY STONE, C.P.A.
KELLEY WYATT, C.P.A.

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

INDEPENDENT AUDITOR'S REPORT

Timothy Keller, State Auditor
And
Board of Education
Lordsburg Municipal School District No. 1
Lordsburg, New Mexico

Report on Compliance for Each Major Federal Program

We have audited Lordsburg Municipal School District No. 1's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Lordsburg Municipal School District No. 1's major federal programs for the year ended June 30, 2017. Lordsburg Municipal School District No. 1's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Lordsburg Municipal School District No. 1's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lordsburg Municipal School District No. 1's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Lordsburg Municipal School District No. 1's compliance.

Opinion on Each Major Federal Program

In our opinion, Lordsburg Municipal School District No. 1 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

Management of Lordsburg Municipal School District No. 1 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Lordsburg Municipal School District No. 1's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Lordsburg Municipal School District No. 1's internal control over compliance.

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

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

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

Stone, McGee & Co CPAs

Silver City, New Mexico
November 1, 2017

Stone, McGee & Co.
Certified Public Accountants

Lordsburg Municipal School District No. 1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2017

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Lordsburg Municipal School District No. 1 were prepared in accordance with Generally Accepted Accounting Principles.
2. No significant deficiencies relating to the audit of the financial statements are reported in the *Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Lordsburg Municipal School District No. 1, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs are reported in the *Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance*.
5. The auditor's report on compliance for the major federal award programs for Lordsburg Municipal School District No. 1 expresses an unmodified opinion on all major programs.
6. No audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a) were noted during the audit.
7. The programs tested as major programs included: The Child Nutrition Cluster, consisting of the National School Lunch Program, CFDA No. 10.555, the Summer Food Service Program for Children, CFDA No. 10.559, and the School Breakfast Program, CFDA No. 10.553.
8. The threshold for distinguishing types A and B programs was \$750,000.
9. Lordsburg Municipal School District No. 1 was not a low-risk auditee.

FINDINGS – FINANCIAL STATEMENT AUDIT

2017-001 Provision of Cell Phones to District Personnel (Other noncompliance)

Condition – The District provides cell phones to District personnel, for District business, which is appropriate. However, each District employee is allowed to manage his or her own account, including obtaining new phones without supervisory approval. In the four cell phone service bills reviewed, the District incurred \$1,682 in equipment charges.

Criteria – Sound internal control requires that supervisory personnel be involved in the decision making when District funds are expended.

Effect – The District risks expenditures without proper authorization, and there is an increased likelihood of non-priority or unnecessary expenditures.

Cause – The District does not have a policy requiring supervisory approval of phone purchases by District employees.

Recommendation – We recommend that the District establish a policy requiring supervisory approval before District personnel are allowed to purchase new phones.

Agency Response – The District will establish the recommended policy, and the Superintendent will be responsible for developing and ensuring compliance with that policy. It is expected that the policy will be in place by December 1, 2017.

2017-002 Expenditures in Excess of Budgetary Authority (Other Noncompliance)

Condition – The District incurred expenditures in excess of budgetary authority in the following funds and functions:

SB-9 – General Administration	\$ 485
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Criteria – Sections 6-3-1 through 6-3-25 NMSA 1978 require, in part, that expenditures not exceed budgetary authority. The function is the legal level of control for public schools.

Effect – The internal controls established by adherence to budgets has been compromised, and excess spending could result. In addition, New Mexico statutes have been violated.

Cause – The District did not make the necessary year-end budget adjustments to alleviate these over-expenditures.

Recommendation – We recommend that the District continue to emphasize its policy of making year-end adjustments to budgets to alleviate excess expenditures. Supervisory personnel should be involved in the year-end budgetary adjustment process.

Agency Response – The District will emphasize year-end budget adjustments. The Superintendent will be involved in the year-end adjustment process, and it is expected that the required adjustments will be made for the year ending June 30, 2018.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS

None

OTHER – FINANCIAL STATEMENT PREPARATION

The financial statements were prepared by Stone, McGee & Co., C.P.A.'s, with substantial assistance from District personnel, who have acknowledged and accepted responsibility for the financial statements.

EXIT CONFERENCE

The contents of this report were discussed October 2, 2017. Present at this exit conference were:

<u>Name</u>	<u>Title</u>	<u>Affiliation</u>
Susie Cole	Board Secretary	Lordsburg Municipal Schools
Randall Piper	Superintendent	Lordsburg Municipal Schools
Carmen Cavnar	Business Consultant	Lordsburg Municipal Schools
Mike Stone	Shareholder	Stone, McGee & Co., CPAs