

**STATE OF NEW MEXICO
LORDSBURG MUNICIPAL SCHOOL DISTRICT NO. 1**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2018

STATE OF NEW MEXICO
LORDSBURG MUNICIPAL SCHOOL DISTRICT NO. 1

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LORDSBURG MUNICIPAL SCHOOL DISTRICT NO. 1**

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LORDSBURG MUNICIPAL SCHOOL DISTRICT NO. 1
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STATE OF NEW MEXICO
LORDSBURG MUNICIPAL SCHOOL DISTRICT NO. 1
Directory of Officials
June 30, 2018

BOARD OF EDUCATION

Alfredo Morelos, Jr.....	President
Susie Cole	Vice-President
Maria Sanchez.....	Secretary
Edgar Gomez.....	Member
Ruben Gomez.....	Member

SCHOOL OFFICIALS

Randall Piper	Superintendent
Ryan Chaney	Director of Operations
Carmen Cavnar (School Ability).....	Contracted Business Management Consultant

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www.fierrocpa.comIndependent Auditors' ReportWayne A. Johnson, 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 (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the District's nonmajor governmental funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2018, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Basis for Qualified Opinion on Governmental Activities

The District has not maintained complete subsidiary records that detail, with complete accuracy, all capital assets owned and properly depreciated by the District. There are capital asset additions that have not been recorded, capital assets that are still in service but have been removed from the records, and capital assets that either have been disposed of or are no longer in service and are listed on the capital asset subsidiary records. Accounting principles generally accepted in the United States of America require that all capital assets are properly account for and depreciated accordingly, which would increase the assets, net position, and expenses of the governmental activities. The amount by which this departure would affect the assets, net position, and expenses of the governmental activities has not been determined.

Qualified Opinion

In our opinion, except for the effects of the matters described in the *Basis for Qualified Opinion on Governmental Activities* paragraph, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities as of June 30, 2018, and the respect changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2018, and the respective changes in financial position thereof and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund of the District as of June 30, 2018, and the respective changes in financial position thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the 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 plaise the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the District's basic financial statements and the combining and individual fund financial statements. The schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the other schedules required by Section 2.2.2 of NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards and other schedules required by Section 2.2.2 NMAC are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements, or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and other schedules required by Section 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Fierro & Fierro, P.A.
Las Cruces, New Mexico

November 8, 2018

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

STATE OF NEW MEXICO
LORDBURG MUNICIPAL SCHOOL DISTRICT NO. 1
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities
Assets	
Current assets:	
Cash	\$ 1,516,214
Property taxes receivables	214,037
Intergovernmental receivables	463,956
Prepaid expenses	249,242
Inventory	5,965
Total current assets	2,449,414
Noncurrent assets:	
Restricted:	
Cash	21
Investments	729,564
Capital assets:	
Land	341,566
Other capital assets, net of depreciation	33,426,092
Total noncurrent assets	34,497,243
Total assets	36,946,657
Deferred Outflows of Resources	
Pension related	3,540,014
OPEB related	62,283
Total deferred outflows of resources	3,602,297
Liabilities	
Current liabilities:	
Accounts payable	38,058
Accrued interest payable	38,968
Current maturities of:	
Bonds payable	730,000
Compensated absences	63,530
Total current liabilities	870,556
Noncurrent liabilities:	
Bonds payable	5,515,000
Compensated absences	23,240
Net pension liability	12,052,556
Net OPEB liability	3,255,554
Total noncurrent liabilities	20,846,350
Total liabilities	21,716,906
Deferred Inflows of Resources	
Pension related	1,391,591
OPEB related	740,956
Total deferred inflows of resources	2,132,547
Net Position	
Net investment in capital assets	27,522,658
Restricted for:	
Transportation	64,936
Special revenue	171,798
Capital projects	537,570
Debt service	1,070,979
Unrestricted	(12,668,440)
Total net position	\$ 16,699,501

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

STATE OF NEW MEXICO
LORDSBURG MUNICIPAL SCHOOL DISTRICT NO. 1
STATEMENT OF ACTIVITIES
JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants And Contribtuions	
Primary Government:				
Governmental activities:				
Current:				
Instruction	\$ 3,490,559	\$ 39,072	\$ 672,839	\$ (2,778,648)
Support services:				
Students	702,129	-	129,926	(572,203)
Instruction	127,005	-	11,845	(115,160)
General administration	272,118	-	-	(272,118)
School administration	629,044	-	-	(629,044)
Central services	325,088	-	-	(325,088)
Operation of plant	1,933,791	-	-	(1,933,791)
Student transportation	430,611	-	457,180	26,569
Operation services:				
Food	302,669	4,105	247,154	(51,410)
Interest on long-term debt	187,560	-	-	(187,560)
Total primary government	<u>\$ 8,400,574</u>	<u>\$ 43,177</u>	<u>\$ 1,518,944</u>	(6,838,453)
General Revenues:				
Property taxes:				
Levied for general purposes				63,657
Levied for capital projects				330,987
Levied for debt service				954,121
State equalization guarantee				4,648,644
Interest income				7,795
Donations				28,245
Total general revenues				6,033,449
Change in net position				(805,004)
Net position, beginning of year				21,432,243
Restatement				(3,927,738)
Net position, beginning of year, restated				17,504,505
Net position, end of year				<u>\$ 16,699,501</u>

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

GOVERNMENTAL FUND FINANCIAL STATEMENTS

STATE OF NEW MEXICO
LORDSBURG MUNICIPAL SCHOOL DISTRICT NO. 1
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	General Fund									
	Operational Fund	Pupil Transportation Fund	Instructional Materials Fund	Non Instructional Fund	Title I IASA Fund	IDEA-B Entitlement Fund	Bond Building Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>										
Cash	\$ -	\$ 47,857	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,064,697	\$ 403,660	\$ 1,516,214
Receivables:										
Taxes	10,638	-	-	-	-	-	-	157,381	46,018	214,037
Intergovernmental	-	-	-	-	169,156	167,229	-	-	127,571	463,956
Due from other funds	849,661	20,208	-	-	-	-	-	-	-	869,869
Inventory	-	-	-	-	-	-	-	-	5,965	5,965
Prepaid expenses	249,242	-	-	-	-	-	-	-	-	249,242
Restricted:										
Cash	-	-	-	-	-	-	-	21	-	21
Investments	-	-	-	-	-	-	729,564	-	-	729,564
Total assets	<u>\$ 1,109,541</u>	<u>\$ 68,065</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 169,156</u>	<u>\$ 167,229</u>	<u>\$ 729,564</u>	<u>\$ 1,222,099</u>	<u>\$ 583,214</u>	<u>\$ 4,048,868</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>										
Liabilities:										
Accounts payable	\$ 15,155	\$ 3,129	\$ -	\$ -	\$ -	\$ -	\$ 7,694	\$ -	\$ 12,080	\$ 38,058
Due to other funds	-	-	-	-	158,758	154,421	464,161	-	92,529	869,869
Total liabilities	15,155	3,129	-	-	158,758	154,421	471,855	-	104,609	907,927
Deferred Inflows of Resources:										
Noncurrent taxes	10,215	-	-	-	-	-	-	151,120	44,187	205,522
Fund Balances:										
Nonspendable:										
Inventory	-	-	-	-	-	-	-	-	5,965	5,965
Prepaid expenses	249,242	-	-	-	-	-	-	-	-	249,242
Restricted for:										
Transportation	-	64,936	-	-	-	-	-	-	-	64,936
Special revenue funds	-	-	-	-	10,398	12,808	-	-	148,592	171,798
Capital projects funds	-	-	-	-	-	-	257,709	-	279,861	537,570
Debt service funds	-	-	-	-	-	-	-	1,070,979	-	1,070,979
Unassigned	834,929	-	-	-	-	-	-	-	-	834,929
Total fund balance	<u>1,084,171</u>	<u>64,936</u>	<u>-</u>	<u>-</u>	<u>10,398</u>	<u>12,808</u>	<u>257,709</u>	<u>1,070,979</u>	<u>434,418</u>	<u>2,935,419</u>
Total liabilities and fund balance	<u>\$ 1,109,541</u>	<u>\$ 68,065</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 169,156</u>	<u>\$ 167,229</u>	<u>\$ 729,564</u>	<u>\$ 1,222,099</u>	<u>\$ 583,214</u>	<u>\$ 4,048,868</u>

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

STATE OF NEW MEXICO
LORDBURG MUNICIPAL SCHOOL DISTRICT NO. 1
RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

Total fund balance governmental funds (page seven)	\$	2,935,419
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		33,767,658
Delinquent property taxes not collected within sixty days after year end are not considered "available" revenues and are considered to be unearned revenue in the fund financial statements, but are considered revenue in the statement of activities.		205,522
Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:		
Deferred outflows of resources related to pension		3,540,014
Deferred inflows of resources related to pension		(1,391,591)
		2,148,423
Deferred outflows and inflows or resources related to OPEB are applicable to future periods and, therefore, are not reported in the funds:		
Deferred outflows of resources related to OPEB		62,283
Deferred inflows of resources related to OPEB		(740,956)
		(678,673)
Certain liabilities, including accrued compensated absences, bonds payable, lease purchase notes and net pension liability, net other post-employment benefits are not due and payable in the current period and, therefore, are not reported in the funds:		
Accrued compensated absences		(86,770)
Accrued interest payable		(38,968)
General obligation bonds		(6,245,000)
Net pension liability		(12,052,556)
Net OPEB liability		(3,255,554)
		(16,699,501)
Net position of governmental activities (page five)	\$	16,699,501

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

STATE OF NEW MEXICO
LORDSBURG MUNICIPAL SCHOOL DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund									
	Operational Fund	Pupil Transportation Fund	Instructional Materials Fund	Non Instructional Fund	Title I IASA Fund	IDEA-B Entitlement Fund	Bond Building Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues:										
Property taxes	\$ 64,004	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 847,461	\$ 300,920	\$ 1,212,385
Intergovernmental:										
Federal	28,048	-	-	-	218,789	201,344	-	-	404,017	852,198
State	4,621,305	457,180	14,812	-	-	-	-	-	230,524	5,323,821
Local	-	-	-	-	-	-	-	-	11,569	11,569
Charges for services	12,359	-	-	-	-	-	-	-	30,818	43,177
Interest	654	-	-	-	-	-	7,082	59	-	7,795
Miscellaneous	8,245	-	-	-	-	-	-	-	-	8,245
Total revenues	4,734,615	457,180	14,812	-	218,789	201,344	7,082	847,520	977,848	7,459,190
Expenditures:										
Current:										
Instruction	1,816,294	-	37,901	-	186,702	135,013	-	-	268,585	2,444,495
Support services:										
Students	573,722	-	-	-	-	36,957	-	-	91,450	702,129
Instruction	49,294	-	-	-	-	-	-	-	16,324	65,618
General administration	238,107	-	-	-	-	-	9,762	-	24,249	272,118
School administration	583,336	-	-	-	21,689	16,566	-	-	7,453	629,044
Central services	324,181	-	-	-	-	-	-	-	-	324,181
Operation of plant	617,079	-	-	-	-	-	300,527	-	88,290	1,005,896
Student transportation	34,046	392,244	-	-	-	-	-	-	4,321	430,611
Operation services:										
Food	-	-	-	-	-	-	-	-	301,411	301,411
Capital outlay	-	-	-	-	-	-	162,537	-	327,018	489,555
Debt service:										
Principal	-	-	-	-	-	-	-	625,000	-	625,000
Interest	-	-	-	-	-	-	30,157	159,904	-	190,061
Total expenditures	4,236,059	392,244	37,901	-	208,391	188,536	493,221	794,666	1,129,101	7,480,119
Excess (deficiency) revenues over expenditures before other financing sources (uses)	498,556	64,936	(23,089)	-	10,398	12,808	(486,139)	52,854	(151,253)	(20,929)
Other Financing Sources (Uses):										
Bond proceeds	-	-	-	-	-	-	750,000	-	-	750,000
Net change in fund balance	498,556	64,936	(23,089)	-	10,398	12,808	263,861	52,854	(151,253)	729,071
Fund balance, beginning of year	271,166	-	23,089	13,636	-	-	(6,152)	1,018,125	514,611	1,834,475
Restatements	314,449	-	-	(13,636)	-	-	-	-	71,060	371,873
Fund balance, beginning of year, restated	585,615	-	23,089	-	-	-	(6,152)	1,018,125	585,671	2,206,348
Fund balance, end of year	<u>\$ 1,084,171</u>	<u>\$ 64,936</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,398</u>	<u>\$ 12,808</u>	<u>\$ 257,709</u>	<u>\$ 1,070,979</u>	<u>\$ 434,418</u>	<u>\$ 2,935,419</u>

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

STATE OF NEW MEXICO
LORDBURG MUNICIPAL SCHOOL DISTRICT NO. 1
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Amounts reported governmental funds are different from the statement of activities because:

Net change in fund balances total governmental fund (page nine)	\$ 729,071
<p>Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which depreciation exceeds capital outlays for the period.</p>	
Capital outlay	489,555
Depreciation expense	(956,257)
<p>Bond proceeds are reported as other financing sources in the governmental funds. On the Statement of Activities; however, issuing debt increases the long-term liabilities.</p>	
	(750,000)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds;</p>	
Change in unearned revenues related to property taxes receivable	(136,380)
<p>The issuance of long-term debt (e.g., bonds, notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position:</p>	
Decrease in bond premiums	(720)
Decrease in accrued interest payable	1,781
Increase in accrued compensated absences	(12,259)
Principal payments on bonds	625,000
Change in net pension liability and the related deferred outflows and deferred inflows of resources related to pensions	(1,434,379)
Change in net OPEB liability and the related deferred outflows and deferred inflows of resources related to OPEB	639,584
	639,584
Net change in net position - governmental activities (page six)	\$ (805,004)

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

STATE OF NEW MEXICO
LORDSBURG MUNICIPAL SCHOOL DISTRICT NO. 1
OPERATIONAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance With Final Budget Over (Under)
	Original	Final				
Revenues:						
Property taxes	\$ 64,609	\$ 64,609	\$ 67,462	\$ (3,458)	\$ 64,004	\$ 2,853
Intergovernmental:						
Federal	-	-	28,048	-	28,048	28,048
State	4,587,900	4,587,900	4,937,002	(315,697)	4,621,305	349,102
Charges of services	850	850	12,359	-	12,359	11,509
Interest	200	200	654	-	654	454
Miscellaneous	-	-	8,245	-	8,245	8,245
Total revenues	4,653,559	4,653,559	5,053,770	(319,155)	4,734,615	400,211
Expenditures:						
Current:						
Instruction	2,278,586	2,278,586	2,078,302	(262,008)	1,816,294	200,284
Support services:						
Students	540,889	540,889	573,722	-	573,722	(32,833)
Instruction	52,919	52,919	49,294	-	49,294	3,625
General administration	196,453	196,453	238,231	(124)	238,107	(41,778)
School administration	582,203	582,203	582,886	450	583,336	(683)
Central services	280,257	280,257	323,956	225	324,181	(43,699)
Operations of plant	680,227	680,227	638,121	(21,042)	617,079	42,106
Student transportation	38,525	38,525	34,046	-	34,046	4,479
Other	40,250	40,250	-	-	-	40,250
Capital outlay	186,000	186,000	-	-	-	186,000
Total expenditures	4,876,309	4,876,309	4,518,558	(282,499)	4,236,059	357,751
Net change	(222,750)	(222,750)	535,212	\$ (36,656)	\$ 498,556	757,962
Cash balance, beginning of year	-	-	-			-
Cash repaid from other funds	-	-	314,449			314,449
Cash advanced to other funds	-	-	(849,661)			(849,661)
Cash balance, end of year	\$ (222,750)	\$ (222,750)	\$ -			\$ 222,750
Explanation of Differences:						
Change in receivables				\$ (3,805)		
Change in prepaid expenses				(249,242)		
Change in inventory				5,875		
Change in due to/due from				249,995		
Change in accounts payable				(39,132)		
Change in unearned revenues				(347)		
				\$ (36,656)		

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

STATE OF NEW MEXICO
LORDSBURG MUNICIPAL SCHOOL DISTRICT NO. 1
PUPIL TRANSPORTATION FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance With Final Budget Over (Under)
	Original	Final				
Revenues:						
Intergovernmental:						
State	\$ 356,425	\$ 457,180	\$ 457,180	\$ -	\$ 457,180	\$ -
Expenditures:						
Current:						
Support services:						
Student transportation	<u>356,425</u>	<u>457,180</u>	<u>389,115</u>	<u>3,129</u>	<u>392,244</u>	<u>68,065</u>
Net change	-	-	68,065	<u>\$ (3,129)</u>	<u>\$ 64,936</u>	68,065
Cash balance, beginning of year	-	-	-			-
Cash advanced to other funds	-	-	<u>(20,208)</u>			<u>(20,208)</u>
Cash balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,857</u>			<u>\$ 47,857</u>
Explanation of Differences:						
Change in accounts payable				<u>\$ (3,129)</u>		

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

STATE OF NEW MEXICO
LORDBURG MUNICIPAL SCHOOL DISTRICT NO. 1
INSTRUCTIONAL MATERIALS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance With Final Budget Over (Under)
	Original	Final				
Revenues:						
Intergovernmental:						
State grants	\$ 12,964	\$ 12,964	\$ 14,812	\$ -	\$ 14,812	\$ 1,848
Expenditures:						
Current:						
Instruction	27,964	27,964	37,901	-	37,901	(9,937)
Net change	(15,000)	(15,000)	(23,089)	\$ -	\$ (23,089)	(8,089)
Cash balance, beginning of year	-	-	-			-
Cash advanced to other funds	-	-	23,089			23,089
Cash balance, end of year	\$ (15,000)	\$ (15,000)	\$ -			\$ 15,000
Explanation of Differences:						
None.				\$ -		

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

STATE OF NEW MEXICO
LORDSBURG MUNICIPAL SCHOOL DISTRICT NO. 1
TITLE I IASA FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u>		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance With Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>				
Revenues:						
Intergovernmental:						
Federal	288,509	288,509	222,067	(3,278)	218,789	(66,442)
Expenditures:						
Current:						
Instruction	266,524	266,524	186,702	-	186,702	79,822
Support services:						
School administration	21,985	21,985	21,689	-	21,689	296
Total expenditures	<u>288,509</u>	<u>288,509</u>	<u>208,391</u>	<u>-</u>	<u>208,391</u>	<u>80,118</u>
Net change	-	-	13,676	<u>\$ (3,278)</u>	<u>\$ 10,398</u>	13,676
Cash balance, beginning of year	-	-	-			-
Cash repaid to other funds	-	-	(172,434)			(172,434)
Cash advanced from other funds	-	-	158,758			158,758
Cash balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>			<u>\$ -</u>
Explanation of Differences:						
Change in receivables				<u>\$ (3,278)</u>		

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

STATE OF NEW MEXICO
LORDSBURG MUNICIPAL SCHOOL DISTRICT NO. 1
IDEA-B ENTITLEMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance With Final Budget Over (Under)
	Original	Final				
Revenues:						
Intergovernmental:						
Federal	347,155	347,155	188,061	13,283	201,344	(159,094)
Expenditures:						
Current:						
Instruction	183,477	183,477	135,013	-	135,013	48,464
Support services:						
Students	121,427	121,427	36,957	-	36,957	84,470
School administration	17,251	17,251	16,566	-	16,566	685
Student transportation	5,000	5,000	-	-	-	5,000
Capital outlay	20,000	20,000	-	-	-	20,000
Total expenditures	347,155	347,155	188,536	-	188,536	158,619
Net change	-	-	(475)	\$ 13,283	\$ 12,808	(475)
Cash balance, beginning of year	-	-	-			-
Cash repaid to other funds	-	-	154,896			154,896
Cash advanced from other funds	-	-	(154,421)			(154,421)
Cash balance, end of year	\$ -	\$ -	\$ -			\$ -
Explanation of Differences:						
Change in receivables				\$ 13,283		

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

FIDUCIARY FINANCIAL STATEMENT

STATE OF NEW MEXICO
LORDBURG MUNICIPAL SCHOOL DISTRICT NO. 1
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2018

	<u>Private Purpose Trust Fund</u>	<u>Agency Fund</u>
Assets:		
Cash	<u>\$ 53,641</u>	<u>\$ 111,855</u>
Liabilities:		
Deposits held for others	\$ -	\$ 111,855
Net Position:		
Reserved for scholarships	641	-
Reserved for endowment	<u>53,000</u>	<u>-</u>
Total net position	<u>\$ 53,641</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO
LORDSBURG MUNICIPAL SCHOOL DISTRICT NO. 1
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST FUND
 JUNE 30, 2018

Additions:	
Gifts and contributions	\$ -
Interest earned	-
	-
Deductions:	
Scholarships awarded	-
	-
Change in net position	-
Net position, beginning of year	53,641
Net position, end of year	\$ 53,641

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

NOTES TO THE FINANCIAL STATEMENTS

STATE OF NEW MEXICO
LORDSBURG MUNICIPAL SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Lordsburg Municipal School District No. 1 (District) was created under the provision of Chapter 22, Article 5, Paragraph 4, New Mexico Statutes 1978 to provide public education for the children within the District. The school board is authorized to establish policies and regulations for its own government consistent with the laws of the state of New Mexico and the regulations of the state board of education, and the legislative finance committee. The board selects a superintendent who administers the District.

The summary of significant accounting policies of the District is presented to assist in the understanding of the District's financial statements. The financial statements and notes are the representation of the District's management, who is responsible for their integrity and objectivity. The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units.

The Governmental Accounting Standard Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements have incorporated all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) statements and interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on accounting procedures that do not conflict with or contradict GASB pronouncements. The more significant of the District's accounting policies are described below.

A. Reporting Entity

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statements No. 61. Blended component units, although legally separate entities, are in substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, the District has no component unit and is not a component unit of another government agency.

STATE OF NEW MEXICO
LORDSBURG MUNICIPAL SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period.

STATE OF NEW MEXICO
LORDSBURG MUNICIPAL SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting

C. and Financial Statement Presentation (continued)

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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

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

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

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

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

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

STATE OF NEW MEXICO
LORDBURG MUNICIPAL SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting

C. and Financial Statement Presentation (continued)

Major Funds

The *operational fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are provided by District school tax levy, state equalization and earnings from investments. Expenditures include all costs associated with the daily operations of the schools except for those items included in other funds.

The *pupil transportation fund* is used to account for the state equalization, received from the Public Education Department (PED), which is used to pay for the costs associated with transporting school age children. This is considered by PED to be a sub-fund of the general fund.

The *instructional materials fund* is used to account for the monies received from the Public Education Department (PED) for the purposes of purchasing instructional materials (books, manuals, periodicals, etc.) used in the education of students. This is considered by PED to be a sub-fund of the general fund.

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

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

The *bond building fund* is used to account for bond proceeds and any income earned thereon. The proceeds are restricted for the purpose of making additions to and furnishing of school buildings, or purchasing or improving school grounds or any combination thereof, as approved by the voters of the District.

The *debt service fund* is used to account for the accumulation of resources for the payment of general long-term debt principal and interest.

STATE OF NEW MEXICO
LORDSBURG MUNICIPAL SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Additionally, the government reports the following fund types:

Fiduciary Funds

The *fiduciary funds* are purely custodial (assets and liabilities), and do not involve measurement of results of operations. These funds account for assets held by the District as a trustee.

Agency Funds

Agency funds are used to account for assets that the government holds for others in an agency capacity. These agency funds are as follows:

The *school activity funds* account for assets held by the District as an agent for the individual schools and school organization.

The *private purpose trust fund* accounts for assets held by the District as an agent for trust funds received for annual scholarships awarded to high school students who will be attending a college or university.

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

Program revenues included in the statement of activities derive directly from the program itself or from parties outside the District's taxpayer or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the District's general revenues.

Private-sector standards of accounting and financial reporting under FASB and AICPA guidance are now included in GASB guidance by GASB 62.

Program revenues are categorized as (a) charges for services, which include revenues collected for cafeteria fees and lost books, etc., (b) program-specific grants, which include revenues received from state and federal sources such as Title I and IDEA-B to be used as specified within each program grant agreement, and (c) program-specific capital grants and contributions, which include revenues from the state resources such as SB-9 and HB-33 funding to be used for capital projects. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and other items not properly included among program revenues.

The District reports all direct expenses by function in the statement of activities. Direct expenses are those that are clearly identifiable with a function. The District does not currently employ indirect cost allocation systems. Depreciation expense is specifically identified by function and is included in the direct expense of each function, except for that portion of depreciation that is identified as unallocated on the statement of activities.

STATE OF NEW MEXICO
LORDSBURG MUNICIPAL SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting

C. and Financial Statement Presentation (continued)

Interest on long-term debt is considered an indirect expense and is reported separately on the statement of activities.

D. Assets, Liabilities and Net Position or Equity

1. Cash and Investments

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

State statutes authorize the District to invest in certificates of deposit, obligations of the U.S. Government, and the state treasurer's investment pool.

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

Money market investments and participating interest-earning investment contracts that have a remaining maturity at the time of purchase of one year or less, and are held by governments other than external investment pools should be measured at amortized cost as provided in paragraph 9 of GASB No. 72. The District's demand deposits and short-term investments with original maturities of three months or less from the date of acquisition are reported at amortized cost per GASB statement No. 72. The state treasurer's investment pool operates in accordance with appropriate state laws and regulations.

2. Receivables and Payables

Interfund activity is reported as either loans or services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates are treated as revenues and expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related costs as a reimbursement. All other interfund transactions are treated as transfers.

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

The District receives monthly income from a tax levy in Hidalgo County. The funds are collected by the county treasurer and are remitted to the school district the following month.

STATE OF NEW MEXICO
LORDBURG MUNICIPAL SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

2. Receivables and Payables (continued)

Under the modified accrual method of accounting, the amount remitted by the Rio Arriba county treasurer in July and August 2018, is considered *measurable and available* and, accordingly, is recorded as revenue during the year ended June 30, 2018.

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

3. Prepaid Items

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

4. Instructional Materials

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

5. Inventory

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

6. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year.

STATE OF NEW MEXICO
LORDSBURG MUNICIPAL SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

6. Capital Assets (continued)

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Pursuant to the implementation of GASB Statement No. 34, the historical cost if purchased or constructed. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets, (retroactive to 1979) are to be included as part of the governmental capital assets reported in the government-wide statements. Donated capital assets received prior to June 15, 2015, are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015, are recorded at acquisition value. Information technology equipment, including software, is being capitalized and included in furniture, fixtures, and equipment in accordance with NMAC 2.20.1.9 C (5).

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Library books are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest was included as part of the cost of capital assets under construction during the year ended June 30, 2018.

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements	40
Land improvements	20
Furniture, fixtures, and equipment	3-10
Vehicles	10

Capital expenditures made on the District's building construction projects by the NM Public School Facilities Authority have been recorded as a revenue and expenditure in the fund financial statements, and have been included as capital assets in the District's government-wide financial statements.

7. Unearned Revenues/Noncurrent Taxes

Accounting principles generally accepted in the United States of America require that grant revenue be recognized at the time the related expense is made if the expenditure of funds is the prime factor for determining eligibility for reimbursement; therefore, amounts received and not expended in the special revenue funds are shown as unearned revenues.

Amounts receivable from the property taxes levied for the current year that are not considered to be "available" under the current financial resources measurement focus are reported as deferred inflows of resources in the governmental fund financial statements.

STATE OF NEW MEXICO
LORDSBURG MUNICIPAL SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

8. Deferred Inflows/Outflows of Resources

GASB 63 amended previous guidance on unearned revenues in the government-wide financial statements to include deferred outflow of resources, which is the consumption of net assets by the government that is applicable to a future reporting period and deferred inflow of resources, which is acquisition of net assets by the government that is applicable to a future reporting period.

9. Compensated Absences

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

10. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond issuance costs are reflected as a current period expense per GASB 65.

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

11. Net Position or Fund Equity

Governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The detail of which is presented in Note 14.

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

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

STATE OF NEW MEXICO
LORDSBURG MUNICIPAL SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

11. Net Position or Fund Equity (continued)

Net Investment in Capital Assets (continued) – Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

Restricted – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. The restricted component consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted – All other net positions that do not meet the definition of restricted or net investment in capital assets.

The District's policy is to apply restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

12. 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 payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

13. Postemployment Benefits Other Than Pensions (OPEB)

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

STATE OF NEW MEXICO
LORDBURG MUNICIPAL SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

14. Reclassifications

Certain amounts presented in prior year data have been reclassified in order to be consistent with the current year's presentation.

15. Interfund Transactions

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

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

16. Estimates

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

E. Revenues

1. State Equalization Guarantee

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

A school district's program costs are determined through the use of various formulas using program units, which take into consideration; (1) early childhood education; (2) basic education; (3) special education; (4) bilingual-multicultural education; (5) size, etc. Payment is made from the public school fund under the authority of director of public school finance. The District received \$4,648,844 in state equalization guarantee distributions during the year ended June 30, 2018.

STATE OF NEW MEXICO
LORDSBURG MUNICIPAL SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Revenues (continued)

2. Tax Revenues

The District receives mill levy and ad-valorem tax revenues primarily for debt service and capital outlay purposes. Tax revenues are recognized when they are in the hands of the collecting agency. The District records only the portion of the taxes considered to be measurable and available on a modified accrual basis. The District recognized \$1,348,765 in tax revenues during the year ended June 30, 2018. Descriptions of the individual debt service and capital outlay funds contained in these financial statements include information regarding the authority for the collection and use of these taxes.

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

3. Transportation Distribution

School districts in the state of New Mexico receive student transportation distributions. The transportation distribution is allocated to each school district in accordance with formulas developed by the state transportation director and the director of public school finance. The funds shall be used only for the purpose of making payments to each school district for the to-and-from school transportation costs of students in grades K through 12 attending public school within the school district. The District received \$457,180 in transportation distributions during the year ended June 30, 2018.

4. Instructional Materials

The New Mexico Public Education Department (PED) receives federal material leasing funds from which it makes annual allocations to the various school districts for the purchase of educational materials. Of each allocation, fifty percent is restricted to the requisition of materials listed in the State Board of Education's *State Adopted Instructional Material* list, while the other fifty percent of each allocation is available for purchases directly from vendors. Allocations received from the state for the year ended June 30, 2018 totaled \$14,812.

5. Public School Capital Outlay

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

STATE OF NEW MEXICO
LORDSBURG MUNICIPAL SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Revenues (continued)

5. Public School Capital Outlay (continued)

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

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

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

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

6. SB-9 State Match

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

STATE OF NEW MEXICO
LORDSBURG MUNICIPAL SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Revenues (continued)

7. Federal Grants

The District receives revenues from various federal departments, both direct and indirect, which are legally restricted to expenditures for specific purposes. These programs are reported as special revenue funds. Each program operated under its own budget, which has been approved by the federal department or the flow through agency, usually the New Mexico Department of Education. The various budgets are approved by the local school board and the New Mexico Public Education Department.

The District also receives revenues from the federal department that are unrestricted to expenditures for special purposes. These revenues are reported in the operational fund.

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Budgets for the general, special revenue, capital projects, and debt service funds are prepared by management and are approved by the local board of education and the school budget and planning unit of the public education department. Auxiliary student activity accounts are not budgeted.

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

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

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

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

STATE OF NEW MEXICO
LORDBURG MUNICIPAL SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

Budgetary Information (continued)

- In April or May, the local school board submits to the District Budget Planning Unit (DBPU) of the New Mexico Public Education Department a proposed operating budget for the ensuing fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them. All budgets submitted to the state of New Mexico Public Education Department (PED) by the District shall contain headings and details as described by law and have been approved by the Public Education Department.
- In May or June of each year, the proposed operating budget will be reviewed and approved by the DBPU and certified and approved by the local school board at a public hearing of which notice has been published by the local school board that fixes the estimated budget for the school district for the ensuing fiscal year.
- The school board meeting, while not intended for the general public, is open for the general public unless a closed meeting has been called.
- The District will use the operating budget until they have been notified that the budget has been approved by the DBPU and the local school board. The budget shall be integrated formally into the accounting system. Encumbrances shall be used as an element of control and shall be integrated into the budget system.
- The District shall make corrections, revisions, and amendments to the estimated budgets fixed by the local school board to recognize actual cash balances and carryover funds, if any. These adjustments shall be reviewed and approved by the DBPU.
- The superintendent is authorized to transfer budgeted amounts between departments within any fund; however, the school board and the state of New Mexico Public Education Department must approve any revisions that alter the total expenditures of any fund.
- Budget change requests are processed in accordance with budget preparation and maintenance of the Manual of Procedures Public School Accounting and Budgeting. Such changes are initiated by the school district and approved by the DBPU.
- Legal budget control for expenditures is by function.
- Appropriations lapse at fiscal year end. Funds unused during the fiscal year may be carried over into the next fiscal year by budgeting those in the subsequent fiscal year's budget. The budget of the District has been amended during the current fiscal year in accordance with these procedures. The budget schedules included in the accompanying financial statements reflect the approved budget and amendment thereto.
- Formal budgetary integration is employed as a management control device during the year for the general fund, special revenue funds, capital projects funds, and debt service funds.

STATE OF NEW MEXICO
LORDBURG MUNICIPAL SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

Budgetary Information (continued)

- Budgets for the general, special revenue, capital projects, and debt service funds are adopted on a basis not consistent with generally accepted accounting principles (GAAP). Encumbrances are treated the same way for GAAP purposes and for budget purposes.

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

The accompanying statements of revenues, expenditures and changes in fund balance-budget (non-GAAP budgetary basis) and actual present comparisons of the legally adopted budget with actual data on a budgetary basis.

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

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

3. CASH AND TEMPORARY INVESTMENTS

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

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

The rate of interest in non-demand interest-bearing accounts shall be set by the state board of finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on U.S. treasury bills of the same maturity on the day of deposit.

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

STATE OF NEW MEXICO
LORDSBURG MUNICIPAL SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

3. CASH AND TEMPORARY INVESTMENTS (continued)

The collateral pledged is listed at supporting schedules of this report. The types of collateral allowed are limited to direct obligations of the United States government and all bonds issued by any agency, district, or political subdivision of the state of New Mexico.

According to the Federal Deposit Insurance Corporation (FDIC), public unit deposits are funds owned by the public unit. Demand deposits, time deposits, savings deposits, and interest bearing NOW accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate.

Primary Government

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk, other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). At June 30, 2018, \$1,533,967 of the District’s deposits of \$1,783,967 was exposed to custodial credit risk. As of June 30, 2018, the carrying amount of these deposits was \$1,681,710.

New Mexico state statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the District for at least one half of the amount on deposit with the institution. The schedule listed below will meet the state of New Mexico Office of the State Auditor’s requirements in reporting the insured portion of the deposits.

	Western Bank
Total amounts of deposits	\$ 1,783,967
Less FDIC coverage	(250,000)
Uninsured public funds	1,533,967
Pledged collateral held by pledging bank's agent, but not in the District's name	1,098,471
Uninsured and uncollateralized funds	\$ 435,496
Total pledged collateral	\$ 1,098,471
50% pledged collateral requirement per State Statute	766,984
Pledged collateral over (under) the requirement	\$ 331,487

STATE OF NEW MEXICO
LORDSBURG MUNICIPAL SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

3. CASH AND TEMPORARY INVESTMENTS (continued)

Reconciliation of Cash and Temporary Investments

Statement of Net Position:	
Cash	\$ 1,516,214
Statement of Fiduciary Assets and Liabilities	<u>165,496</u>
Total cash reported on financial statements	<u><u>\$ 1,681,710</u></u>

Restricted Assets

The amounts reported as restricted assets for the government within the financial statements are displayed as:

Statement of Net Position:	
Restricted cash	\$ 21
Restricted investments	<u>729,564</u>
	<u><u>\$ 729,585</u></u>

Investments Held by Fiscal Agent

As required by note agreements with the New Mexico Finance Authority (NMFA), the District has cash held and invested with the NMFA. For the fiscal year ended June 30, 2018, the NMFA has invested the funds held in the debt service pool. None of the cash invested can be specifically identified, as the District's investment as cash from local governments within the state of New Mexico are invested within the pooled accounts.

NMFA - Debt Service Pool

The District has \$21 invested within the NMFA debt service pool. At June 30, 2018, the pool was composed of short-term, high-credit-quality money market instruments.

NMFA – Program Funds

The District has \$729,564 invested within the NMFA program fund. At June 30, 2018, the fund was composed of 15.67% cash and short-term high quality money market instruments and 84.33% fixed income U.S. government securities.

Interest Rate Risk

Interest rate is the risk that interest rate variations may adversely affect an investment's fair value. The prices of securities fluctuate with market interest rates and the securities held in a portfolio will decline if market interest rates rise. The portfolio's weighted average maturity (WAM) is a key determinant of the tolerance of a fund's investments to rising interest rates. In general, the longer the WAM, the more susceptible the fund is to rising interest rates.

STATE OF NEW MEXICO
LORDBURG MUNICIPAL SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

3. CASH AND TEMPORARY INVESTMENTS (continued)

The NMFA debt service pool fund weighted average maturity is 1.513 years or 552 days. The NMFA program funds pool fund weighted average maturity is .644 years or 235 days.

The District does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates.

Custodial Credit Risk

State statutes authorize the investment of school district funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool and money market accounts. The District is also allowed to invest in United States government obligations. The District's investment policy does not further its investment choices.

4. INVENTORY

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

Inventories at June 30, 2018, consisted of the following:

Food Service Fund	\$ 5,965
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5. RECEIVABLES

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

	General Fund	Title I IASA Fund	IDEA-B Entitlement Fund	Debt Service Fund	Non-Major Funds	Total
Property taxes	\$ 10,638	\$ -	\$ -	\$ 157,381	\$ 46,018	\$ 214,037
Intergovernmental	-	169,156	167,229	-	127,571	463,956
Total receivables	\$ 10,638	\$ 169,156	\$ 167,229	\$ 157,381	\$ 173,589	\$ 677,993

The above receivables are deemed 100% collectible.

STATE OF NEW MEXICO
LORDSBURG MUNICIPAL SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

6. INTERFUND RECEIVABLES, PAYABLE, AND TRANSFERS

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

<u>Governmental Activities</u>	Interfund Receivables	Interfund Payables
Major Funds:		
General Fund	\$ 869,869	\$ -
Title I - IASA Fund	-	158,758
IDEA-B Entitlement Fund	-	154,421
Bond Building Fund	-	464,161
Non-Major Funds	-	92,529
Total	\$ 869,869	\$ 869,869

All interfund balances are to be paid within one year.

7. CAPITAL ASSETS

Capital assets for the fiscal year ended June 30, 2018:

	Balance 06/30/17	Increases	Decreases	Balance 06/30/18
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 341,566	\$ -	\$ -	\$ 341,566
Construction in progress	19,027,089	58,878	(19,085,967)	-
Total capital assets, not being depreciated	19,368,655	58,878	(19,085,967)	341,566
Capital assets, being depreciated:				
Buildings and building improvements	27,922,727	19,132,946	-	47,055,673
Equipment and vehicles	4,017,656	383,698	-	4,401,354
Total capital assets, being depreciated	31,940,383	19,516,644	-	51,457,027
Less accumulated depreciation for:				
Buildings and building improvements	(13,113,926)	(895,495)	-	(14,009,421)
Equipment and vehicles	(3,960,752)	(60,762)	-	(4,021,514)
Total accumulated depreciation	(17,074,678)	(956,257)	-	(18,030,935)
Total capital assets, being depreciated, net	14,865,705	18,560,387	-	33,426,092
Total capital assets, net	\$ 34,234,360	\$ 18,619,265	\$ (19,085,967)	\$ 33,767,658

STATE OF NEW MEXICO
LORDSBURG MUNICIPAL SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

7. CAPITAL ASSETS (continued)

Depreciation expense for the year ended June 30, 2018, in the amount of \$956,257, was charged to the following functions:

Instruction	\$	2,711
Support services - instruction		23,486
Support services - central services		907
Operation of plant		38,411
Operation services - food		1,258
Operation services - community		889,484
		889,484
	\$	956,257

8. LONG-TERM DEBT

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

	Balance 06/30/17	Additions	Deletions	Balance 06/30/18	Amounts Due Within One Year
Bonds payable	\$ 6,120,000	\$ 750,000	\$ (625,000)	\$ 6,245,000	\$ 730,000
Compensated absences	74,511	17,915	(5,656)	86,770	63,530
Total	\$ 6,194,511	\$ 767,915	\$ (630,656)	\$ 6,331,770	\$ 793,530

General Obligation Bond

The District had general obligation bond series outstanding during the fiscal year ending June 30, 2018.

Series	Maturity Date	Original Amount	Interest Rate	Balance
2008	10/01/18	\$ 1,250,000	0.50-3.75%	\$ 120,000
2010	10/01/21	1,500,000	0.63-3.71%	700,000
2011	10/01/22	1,000,000	2.232%	560,000
2012	10/01/23	1,500,000	2.126%	640,000
2013	10/01/28	2,000,000	0.579-3.1%	1,685,000
2015	10/01/29	2,000,000	0.35-3.04%	1,790,000
2017	10/01/29	750,000	0.10-2.727%	750,000
				\$ 6,245,000

STATE OF NEW MEXICO
LORDBURG MUNICIPAL SCHOOL DISTRICT NO. 1
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2018

8. LONG-TERM DEBT (continued)

The annual requirements to amortize all bonds as of June 30, 2018, including interest payments, are as follows:

	Principal	Interest	Total
2019	\$ 730,000	\$ 147,389	\$ 877,389
2020	560,000	131,512	691,512
2021	580,000	118,083	698,083
2022	655,000	102,572	757,572
2023	565,000	87,181	652,181
2024-2028	2,445,000	238,499	2,683,499
2029-2030	710,000	6,560	716,560
	\$ 6,245,000	\$ 831,796	\$ 7,076,796

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

Compensated Absences

Administrative employees of the District are able to accrue a limited amount of vacation and other compensatory time during the year. During fiscal year June 30, 2018, compensated absences increased \$12,259 over the prior year accrual.

Operating Leases

The District leases office equipment under short-term cancelable operating leases. Rental cost for the year ended June 30, 2018, was \$8,353.

9. RISK MANAGEMENT

The District is a member of the New Mexico Public Schools Insurance Authority (NMPSIA). The Authority was created to provide comprehensive core insurance programs by expanding the pool of subscribers to maximize cost containment opportunities for required insurance coverage. The District pays an annual premium to the NMPSIA based on claim experience and the status of the pool. The Risk Management Program includes workers compensation, general and automobile liability, automobile physical damage, and property and crime coverage. Also included under the risk management program are boiler, machinery and student accident insurance.

The NMPSIA provides coverage for up to a maximum of \$750,000,000 for each property damage claim with a \$750 deductible to each building. General liability coverage is afforded to all employees, volunteers and school board members and the limit is subject to the NMSA Tort Claims Act on a per occurrence basis. The automobile and property liability limit is subject to the provisions of the Tort Claims Act. The crime limit is \$250,000 per occurrence for faithful performance. A limit of \$250,000 applies to depositor's forgery, credit card forgery, and money orders. A limit of \$100,000 applies to money and security, which includes a \$750 deductible.

STATE OF NEW MEXICO
LORDBURG MUNICIPAL SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

9. RISK MANAGEMENT (continued)

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

10. OTHER REQUESTED INDIVIDUAL FUND DISCLOSURES

Excess of expenditures over appropriations by fund. The following funds exceeded approved budgetary authority for the year ended June 30, 2018:

<u>Fund Name</u>	<u>Total</u>
Instructional Materials Fund	\$ 9,937
Bond Building Fund	395,625
Rural & Low Income Schools Fund	13,680
Dual Credit Instructional Materials Fund	445

11. PENSION PLAN – EDUCATION RETIREMENT BOARD (ERB)

General Information about the Pension Plan

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

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

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

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

STATE OF NEW MEXICO
LORDSBURG MUNICIPAL SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

11. RETIREMENT PLAN - EDUCATIONAL RETIREMENT BOARD (continued)

General Information about the Pension Plan (continued)

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

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

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

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

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

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

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

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

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11. RETIREMENT PLAN - EDUCATIONAL RETIREMENT BOARD (continued)

General Information about the Pension Plan (continued)

Benefit Options – The Plan has three benefit options available:

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

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

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

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

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

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

As of July 1, 2013, for current and future retirees the COLA 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.

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11. RETIREMENT PLAN - EDUCATIONAL RETIREMENT BOARD (continued)

General Information about the Pension Plan (continued)

Cost of Living Adjustment (COLA) (continued) – Retirees with benefits at or below the median and with 25 or more years of service credit will have a 10% COLA reduction; their average COLA will be 1.5%. Once the funding is greater than 90%, the COLA reductions will decrease. The retirees with benefits at or below the median and with 25 or more years of service credit will have a 5% COLA reduction; their average COLA will be 1.7%.

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

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

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

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

The contribution requirements are established in state statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the New Mexico Legislature. For the fiscal years ended June 30, 2018 and 2017, the District paid employee and employer contributions of \$432,743 and \$429,296, which equal the amount of the required contributions for each fiscal year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2018, the District reported a liability of \$12,052,556 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2017, using generally accepted actuarial principles. The roll-forward incorporates the impact of the new assumptions adopted by the Board on April 21, 2017. There were no other significant events of changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2017. Therefore, the employer’s portion was established as of the measurement date of June 30, 2017.

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11. RETIREMENT PLAN - EDUCATIONAL RETIREMENT BOARD (continued)

General Information about the Pension Plan (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating educational institutions, actuarially determined. At June 30, 2017, the District's proportion was 0.10845%, which was a decrease of 0.0208% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$1,434,588. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of 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	\$ 21,636	\$ 185,681
Change of assumptions	3,518,378	-
Net difference between projected and actual earnings on pension plan investments	-	1,653
Changes in proportion and differences between contributions and proportionate share of contributions	-	1,204,257
Total	<u>\$ 3,540,014</u>	<u>\$ 1,391,591</u>

\$3,540,014 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2018	\$ 718,250
2019	957,461
2020	571,955
2021	(99,243)
2022	-
Thereafter	-

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11. RETIREMENT PLAN - EDUCATIONAL RETIREMENT BOARD (continued)

General Information about the Pension Plan (continued)

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

Inflation	2.5%										
Salary increases	3.25% composed of 2.50% inflation, plus a 0.755 productivity increase rate, plus a step-rate promotional increase for members with less than 10 years of service.										
Investment rate of return	7.25% compounded annually, net of expenses. This is made up of a 2.50% inflation rate and a 4.75 real rate of return.										
Average of Expected Remaining Service Lives	<table border="0" style="margin-left: 20px;"> <tr> <td style="padding-right: 20px;">Fiscal Year</td> <td style="text-align: center;"><u>2017</u></td> <td style="text-align: center;"><u>2016</u></td> <td style="text-align: center;"><u>2015</u></td> <td style="text-align: center;"><u>2014</u></td> </tr> <tr> <td>Service life in years</td> <td style="text-align: center;">3.35</td> <td style="text-align: center;">3.77</td> <td style="text-align: center;">3.92</td> <td style="text-align: center;">3.88</td> </tr> </table>	Fiscal Year	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	Service life in years	3.35	3.77	3.92	3.88
Fiscal Year	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>							
Service life in years	3.35	3.77	3.92	3.88							
Mortality	<p>Healthy males : Based on RP-2000 Combined Mortality Table with White Collar adjustments, not set back. Generational mortality improvements with Scale BB from the table's base year of 2000.</p> <p>Healthy females : Based on GRS Southwest Region Teacher Mortality Table, set back one year. Generational mortality improvements in accordance with Scale BB from the table's base year of 2012.</p> <p>Disabled males : RP-2000 Disabled Mortality Table for males, set back three years, projected to 2016 with Scale BB.</p> <p>Disabled females : RP-2000 Disabled Mortality Table for females, no set back, projected to 2016 with Scale BB.</p> <p>Active members : RP-2000 Employee Mortality Tables, with males set back two years and scaled at 80%, and females set back five years and scaled at 70%. Static mortality improvement from the table's base year of 2000 to the year 2016 in accordance with Scale BB. No future improvement was assumed for pre-retirement mortality.</p>										
Retirement Age	Experience-based table rates based on age and service, adopted by the Board on June 12, 2015, in conjunction with the six-year experience study for the period ended June 30, 2014.										
Cost-of-living increases	1.90% per year, compounded annually.										
Payroll growth	3.00% per year (with no allowance for membership growth).										
Contribution accumulation	The accumulated member account balance with interest is estimated at the valuation date by assuming that member contributions increased 5.50% per year for all years prior to the valuation date. Contributions are credited with 4.00% interest, compounded annually, applicable to the account balances in the past as well as the future.										
Disability incidence	Approved rates applied to eligible members with at least 10 years of service.										

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

STATE OF NEW MEXICO
LORDBURG MUNICIPAL SCHOOL DISTRICT NO. 1
 NOTES TO THE FINANCIAL STATEMENTS
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11. RETIREMENT PLAN - EDUCATIONAL RETIREMENT BOARD (continued)

General Information about the Pension Plan (continued)

Actuarial Assumptions (continued) - The long-term expected rate of return on pension plan investments is determined using a building-block method that includes the following:

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

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

Discount Rate - A single discount rate of 5.90% was used to measure the total pension liability as of June 30, 2017. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.25%, and a municipal bond rate of 3.56%, net of expense. Based on the stated assumptions and the projection of cash flows, the plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2053. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the 2053 fiscal year, and the municipal bond rate was applied to all benefit payments after that date.

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

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

	1% Decrease 4.90%	Current Discount Rate 5.90%	1% Increase 6.90%
District's proportionate share of the net pension liability	\$ 15,689,431	\$ 12,052,556	\$ 9,079,707

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11. RETIREMENT PLAN - EDUCATIONAL RETIREMENT BOARD (continued)

General Information about the Pension Plan (continued)

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued NMERB's financial reports. The reports can be found on NMERB's website at https://www.nmerb.org/Annual_reports.html.

12. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Plan Description – Employees of the District are provided with OPEB through the Retiree Health Care Fund (Fund) – a cost-sharing multiple-employer defined benefit OPEB plan administered by the New Mexico Retiree Health Care Authority (NMRHCA). NMRHCA was formed February 13, 1990, under the New Mexico Retiree Health Care Act (Act) of New Mexico Statutes Annotated, as amended (NMSA 1978), to administer the Fund under Section 10-7C-1-19 NMSA 1978. The Fund was created to provide comprehensive group health insurance coverage for individuals (and their spouses, dependents and surviving spouses) who have retired or will retire from public service in New Mexico. NMRHCA is an independent agency of the state of New Mexico. The funds administered by NMRHCA are considered part to the state of New Mexico financial reporting entity and are OPEB trust funds of the state of New Mexico. NMRHCA's financial information is included with the financial presentation of the state of New Mexico.

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

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

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

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12. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Contributions – Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee’s salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer’s participation in the Fund. Contributions to the Fund from the District were \$62,283 for the year ended June 30, 2018.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – At June 30, 2018, the Authority reported a liability of \$3,255,554 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District’s proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2017. At June 30, 2017, the District’s proportion was 0.07184 percent.

For the year ended June 30, 2018, the District recognized OPEB expense of \$129,430. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 124,931
Changes of assumptions	-	569,192
Differences between actual and projected earnings on OPEB plan investments	-	46,833
Contributions made after the measurement date	62,283	-
	\$ 62,283	\$ 740,956

Deferred outflows of resources totaling \$62,283 represent District contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ended June 30:	
2019	\$ (157,533)
2020	(157,533)
2021	(157,533)
2022	(157,533)
2023	(110,824)
	\$ (740,956)

STATE OF NEW MEXICO
LORDSBURG MUNICIPAL SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

12. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

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

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

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

<u>Asset Class</u>	<u>Long-Term Rate of Return</u>
U.S. core fixed income	4.1%
U.S. equity - large cap	9.10%
Non U.S. - emerging markets	12.2%
Non U.S. - developed equities	9.8%
Private equity	13.8%
Credit and structured finance	7.3%
Real estate	6.9%
Absolute return	6.1%
U.S. equity - small/mid cap	9.1%

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LORDBURG MUNICIPAL SCHOOL DISTRICT NO. 1
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2018

12. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

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

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates – The following presents the net OPEB liability of the District, as well as what the District’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.81 percent) or 1-percentage-point higher (4.81 percent) than the current discount rate:

1% Decrease (2.81%)	Current Discount (3.81%)	1% Increase (4.81%)
\$ 3,948,936	\$ 3,255,554	\$ 2,711,533

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

1% Decrease	Current Trend Rates	1% Increase
\$ 2,769,073	\$ 3,255,554	\$ 3,634,889

OPEB Plan Fiduciary Net Position - *Detailed* information about the OPEB plan’s fiduciary net position is available in NMRHCA’s audited financial statements for the year ended June 30, 2017.

Payable Changes in the Net OPEB Liability – At June 30, 2018, the Authority reported a payable of \$726 for outstanding contributions due to NMRHCA for the year ended June 30, 2018.

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13. CONTINGENT LIABILITIES

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

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

14. GOVERNMENTAL FUND BALANCE

Fund Balance

In the fund financial statements, governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Some governments may not have policies or procedures that are comparable to those policies that underlie the classifications and, therefore, would not report amounts in all possible fund balance classifications.

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

Non-spendable – Consists of amounts that cannot be spent because they are either: (a) not in spendable form; or (b) legally or contractually required to be maintained intact.

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

Committed – Consist of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action (for example, legislation, resolution, ordinance) it employed to previously commit those amounts.

Assigned – Consist of amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed by (a) the governing body itself; or (b) a body (a budget or finance committee, for example) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.

Unassigned – Represents fund balance that has not been assigned to other funds, and that has not been restricted, committed, or assigned to specific purposes within the general fund.

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JUNE 30, 2018

14. GOVERNMENTAL FUND BALANCE (continued)

Fund Balance (continued)

	Operational Fund	Pupil Transportation Fund	Title I IASA Fund	IDEA-B Entitlement Fund	Bond Building Fund	Debt Service Fund	Other Governmental Funds	Total
Fund Balances								
Nonspendable:								
Inventory	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,965	\$ 5,965
Prepaid expenses	249,242	-	-	-	-	-	-	249,242
Restricted for:								
Transportation	-	64,936	-	-	-	-	-	64,936
Special revenue funds	-	-	10,398	12,808	-	-	148,592	171,798
Capital projects funds	-	-	-	-	257,709	-	279,861	537,570
Debt service funds	-	-	-	-	-	1,070,979	-	1,070,979
Unassigned	834,929	-	-	-	-	-	-	834,929
Total fund balances	<u>\$1,084,171</u>	<u>\$ 64,936</u>	<u>\$ 10,398</u>	<u>\$ 12,808</u>	<u>\$ 257,709</u>	<u>\$ 1,070,979</u>	<u>\$ 434,418</u>	<u>\$ 2,935,419</u>

15. RESTATEMENT OF NET POSITION

During the fiscal year ended June 30, 2018, the District determined that changes to the beginning of year net position and fund balances were necessary. A description and the effect of the changes are as follows:

	Government- Wide	Individual Funds
Government-Wide Financial Statements		
Implementation of GASB 75.	\$ 3,867,077	
The deferred outflows of resources, pension related was understated.	432,534	
<u>Major Funds</u>		
Operational Fund		
The fund balance was understated as pervious reported.	(314,449)	<u>\$ (314,449)</u>
Operational Fund		
The fund balance was overstated as pervious reported.	13,636	<u>\$ (13,636)</u>
<u>Non-Major Funds</u>		
Food Service Fund		
The fund balance was understated as pervious reported.	(71,060)	<u>\$ 71,060</u>
Total Government-Wide Financial Statements	<u>\$ 3,927,738</u>	

SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

STATE OF NEW MEXICO
LORDBURG MUNICIPAL SCHOOL DISTRICT NO. 1
NONMAJOR GOVERNMENTAL FUNDS DESCRIPTION
JUNE 30, 2018

SPECIAL REVENUE FUNDS

The special revenue funds are used to account for federal, state and local funded grants. These grants are awarded to the District with the purpose of accomplishing specific educational tasks. Grants accounted for in the special revenue funds include:

Food Services – To account for the cost of operating a student food program and is financed with federal grants and fees paid by program users.

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

IDEA-B Preschool – The objective of the Assistance to States for the Education of Handicapped Children Program to assist in providing free, appropriate public education to all handicapped children from ages three to five. Federal revenues accounted for in this fund are allocated to the District through the New Mexico Children, Youth and Families. Authority for creation of this fund is Public Law 105-17.

Education of Homeless – This fund is used to provide tutoring and remedial academic services to homeless children and youth within the District. Funding is by the New Mexico Public Education Department.

Teacher/Principal Training and Recruiting – To improve the skills of teachers and the quality of instruction in mathematics and science, and to increase the accessibility of such instruction to all students.

Rural and Low Income Schools – To account for a grant with the purpose of providing financial assistance to rural districts to carry out activities to help improve the quality of teaching and learning in their schools. Authorized by Elementary and Secondary Education Act of 1965 (ESEA), Title VI, Part B, as amended.

USHHS/CDC School Health – Promotes adolescent health through school-based Human Immunodeficiency Virus (HIV) sexually transmitted infections (STI) prevention and school-based surveillance program in the state of New Mexico.

Title XIX Medicaid 3/21 Years – To account for a program providing school-based screening, diagnostic services and other related health services, and administrative activities in conformance with the approved Medicaid State Plan in order to improve health and developmental outcomes for children.

Dual Credit Instructional Materials – To purchase college textbooks for students who dual enroll in college credited courses while still attending high school.

2012 GO Bond Student Library SB-66 – Statute specifies that the funds are available to acquire library books, equipment and library resources for public school libraries.

Pre-K Initiative – To account for monies received from the state of New Mexico to be used to provide direct services to 20 four-year-old children in pre-Kindergarten programs at Mariposa Elementary and Tome Elementary.

STATE OF NEW MEXICO
LORDBURG MUNICIPAL SCHOOL DISTRICT NO. 1
NONMAJOR GOVERNMENTAL FUNDS DESCRIPTION
JUNE 30, 2018

SPECIAL REVENUE FUNDS (continued)

Breakfast for Elementary Students – The 2005 Legislative General Appropriations Act allocated \$475,000 to implement Breakfast in the Classroom for elementary schools in need of improvement based on 2004-2005 AYP designation.

Kindergarten Three Plus – The funding is part of a pilot project for kindergarten through third grade students at both Ann Parish Elementary and Desert View Elementary. Funds used for teachers, educational assistants, nurses, an academic coach, and PE coach at both schools.

Pay for Performance – Individual – The New Mexico Pay for Performance Pilot (PPP) establishes group and individual based incentive programs designed to recognize and reward New Mexico’s high performing teachers and principals. By using local expertise and negotiating with local partners, PPP grantees will create innovative systems primarily to reward teachers and principals for their excellence.

Pay for Performance – Group – The New Mexico Pay for Performance Pilot (PPP) establishes group and individual based incentive programs designed to recognize and reward New Mexico’s high performing teachers and principals. By using local expertise and negotiating with local partners, PPP grantees will create innovative systems primarily to reward teachers and principals for their excellence. Authority for creating this fund are the Laws of 2014.

Private Direct Grants – To call for local grants awarded to provide additional funding for specific projects. Authority for the creation of this fund is the New Mexico Public Education Department.

CAPITAL PROJECTS FUNDS

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. The District has the following separate funds classified as capital projects funds:

Capital Improvement SB-9 – To account for erecting, remodeling, making additional to and furnishing of school buildings, or purchasing or improving school grounds or any combination thereof as identified by the local school board. Financing is provided by the state of New Mexico’s State Equalization Matching, and a special tax levy as authorized by the Public School District Capital Improvements Act (22-25-1 to 22-25-10 NMSA 1979).

STATE OF NEW MEXICO
LORDSBURG MUNICIPAL SCHOOL DISTRICT NO. 1
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018

Special Revenue Funds

	Food Services	Athletics	IDEA-B Preschool	Education of Homeless	Teacher/ Principal Training & Recruiting	Rural & Low Income Schools	USHHS/ CDC School Health	Title XIX Medicaid (3 to 21)	Dual Credit Instructional Materials
<u>ASSETS</u>									
Assets:									
Cash and temporary investments	\$ 99,979	\$ 4,160	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,626	\$ -
Receivables:									
Taxes	-	-	-	-	-	-	-	-	-
Intergovernmental	12,485	-	14,164	8,751	7,981	13,680	274	-	445
Inventory	5,965	-	-	-	-	-	-	-	-
Total assets	<u>\$ 118,429</u>	<u>\$ 4,160</u>	<u>\$ 14,164</u>	<u>\$ 8,751</u>	<u>\$ 7,981</u>	<u>\$ 13,680</u>	<u>\$ 274</u>	<u>\$ 9,626</u>	<u>\$ 445</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>									
Liabilities:									
Current liabilities:									
Accounts payable	\$ 7,225	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	13,418	8,751	7,715	13,680	274	-	445
Total liabilities	7,225	-	13,418	8,751	7,715	13,680	274	-	445
Deferred Inflows of Resources:									
Noncurrent taxes	-	-	-	-	-	-	-	-	-
Fund Balances:									
Nonspendable:									
Inventory	5,965	-	-	-	-	-	-	-	-
Restricted for:									
Special revenue funds	105,239	4,160	746	-	266	-	-	9,626	-
Capital projects funds	-	-	-	-	-	-	-	-	-
Total fund balance	<u>111,204</u>	<u>4,160</u>	<u>746</u>	<u>-</u>	<u>266</u>	<u>-</u>	<u>-</u>	<u>9,626</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 118,429</u>	<u>\$ 4,160</u>	<u>\$ 14,164</u>	<u>\$ 8,751</u>	<u>\$ 7,981</u>	<u>\$ 13,680</u>	<u>\$ 274</u>	<u>\$ 9,626</u>	<u>\$ 445</u>

STATE OF NEW MEXICO
LORDSBURG MUNICIPAL SCHOOL DISTRICT NO. 1
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018

	Special Revenue Funds							
	2012 GO Bond Student Library	Pre-K Initiative	Breakfast Elementary Students	Kindergarten Three Plus	Pay for Performance Individual	Pay for Performance Group	Private Direct Grants	Total Special Revenue Funds
<u>ASSETS</u>								
Assets:								
Cash and temporary investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,569	\$ 125,334
Receivables:								
Taxes	-	-	-	-	-	-	-	-
Intergovernmental	16,324	19,571	295	33,601	-	-	-	127,571
Inventory	-	-	-	-	-	-	-	5,965
Total assets	<u>\$ 16,324</u>	<u>\$ 19,571</u>	<u>\$ 295</u>	<u>\$ 33,601</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,569</u>	<u>\$ 258,870</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>								
Liabilities:								
Current liabilities:								
Accounts payable	\$ -	\$ 4,559	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,784
Due to other funds	16,324	4,862	295	26,765	-	-	-	92,529
Total liabilities	16,324	9,421	295	26,765	-	-	-	104,313
Deferred Inflows of Resources:								
Noncurrent taxes	-	-	-	-	-	-	-	-
Fund Balances:								
Nonspendable:								
Inventory	-	-	-	-	-	-	-	5,965
Restricted for:								
Special revenue funds	-	10,150	-	6,836	-	-	11,569	148,592
Capital projects funds	-	-	-	-	-	-	-	-
Total fund balance	-	10,150	-	6,836	-	-	11,569	154,557
Total liabilities and fund balance	<u>\$ 16,324</u>	<u>\$ 19,571</u>	<u>\$ 295</u>	<u>\$ 33,601</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,569</u>	<u>\$ 258,870</u>

STATE OF NEW MEXICO
LORDSBURG MUNICIPAL SCHOOL DISTRICT NO. 1
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018

	Capital Projects Fund	Total Other Governmental Funds
	SB 9	
<u>ASSETS</u>		
Assets:		
Cash and temporary investments	\$ 278,326	\$ 403,660
Receivables:		
Taxes	46,018	46,018
Intergovernmental	-	127,571
Inventory	-	5,965
Total assets	\$ 324,344	\$ 583,214
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>		
Liabilities:		
Current liabilities:		
Accounts payable	\$ 296	\$ 12,080
Due to other funds	-	92,529
Total liabilities	296	104,609
Deferred Inflows of Resources:		
Noncurrent taxes	44,187	44,187
Fund Balances:		
Nonspendable:		
Inventory	-	5,965
Restricted for:		
Special revenue funds	-	148,592
Capital projects funds	279,861	279,861
Total fund balance	279,861	434,418
Total liabilities and fund balance	\$ 324,344	\$ 583,214

STATE OF NEW MEXICO
LORDSBURG MUNICIPAL SCHOOL DISTRICT NO. 1
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018

	Special Revenue Funds								
	Food Services	Athletics	IDEA-B Preschool	Education of Homeless	Teacher/ Principal Training & Recruiting	Rural & Low Income Schools	USHHS/ CDC School Health	Title XIX Medicaid (3 to 21)	Dual Credit Instructional Materials
Revenues:									
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental:									
Federal	243,995	-	16,702	8,751	7,981	13,680	274	41,478	-
State	-	-	-	-	-	-	-	-	2,964
Local	-	-	-	-	-	-	-	-	-
Charges for services	4,105	26,713	-	-	-	-	-	-	-
Total revenues	<u>248,100</u>	<u>26,713</u>	<u>16,702</u>	<u>8,751</u>	<u>7,981</u>	<u>13,680</u>	<u>274</u>	<u>41,478</u>	<u>2,964</u>
Expenditures:									
Current:									
Instruction	-	24,970	15,956	8,751	7,715	13,680	274	-	2,964
Support services:									
Students	-	-	-	-	-	-	-	35,252	-
Instruction	-	-	-	-	-	-	-	-	-
General administration	-	-	-	-	-	-	-	-	-
School administration	-	-	-	-	-	-	-	-	-
Operation of plant	-	-	-	-	-	-	-	-	-
Student transportation	-	-	-	-	-	-	-	-	-
Operation services:									
Food	298,252	-	-	-	-	-	-	-	-
Capital outlay	10,025	-	-	-	-	-	-	-	-
Total expenditures	<u>308,277</u>	<u>24,970</u>	<u>15,956</u>	<u>8,751</u>	<u>7,715</u>	<u>13,680</u>	<u>274</u>	<u>35,252</u>	<u>2,964</u>
Net change in fund balance	(60,177)	1,743	746	-	266	-	-	6,226	-
Fund balance, beginning of year	100,321	2,417	-	-	-	-	-	3,400	-
Restatements	71,060	-	-	-	-	-	-	-	-
Fund balance, beginning of year, restated	<u>171,381</u>	<u>2,417</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,400</u>	<u>-</u>
Fund balance, end of year	<u>\$ 111,204</u>	<u>\$ 4,160</u>	<u>\$ 746</u>	<u>\$ -</u>	<u>\$ 266</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,626</u>	<u>\$ -</u>

STATE OF NEW MEXICO
LORDSBURG MUNICIPAL SCHOOL DISTRICT NO. 1
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Special Revenue Funds							
	2012 GO Bond Student Library	Pre-K Initiative	Breakfast Elementary Students	Kindergarten Three Plus	Pay for Performance Individual	Pay for Performance Group	Private Direct Grants	Total Special Revenue Funds
Revenues:								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental:								
Federal	-	71,156	-	-	-	-	-	404,017
State	16,324	-	3,159	65,588	65,610	76,879	-	230,524
Local	-	-	-	-	-	-	11,569	11,569
Charges for services	-	-	-	-	-	-	-	30,818
Total revenues	16,324	71,156	3,159	65,588	65,610	76,879	11,569	676,928
Expenditures:								
Current:								
Instruction	-	56,824	-	57,261	58,928	21,262	-	268,585
Support services:								
Students	-	-	-	581	-	55,617	-	91,450
Instruction	16,324	-	-	-	-	-	-	16,324
General administration	-	-	-	-	-	-	-	-
School administration	-	-	-	771	6,682	-	-	7,453
Operation of plant	-	-	-	-	-	-	-	-
Student transportation	-	4,182	-	139	-	-	-	4,321
Operation services:								
Food	-	-	3,159	-	-	-	-	301,411
Capital outlay	-	-	-	-	-	-	-	10,025
Total expenditures	16,324	61,006	3,159	58,752	65,610	76,879	-	699,569
Net change in fund balance	-	10,150	-	6,836	-	-	11,569	(22,641)
Fund balance, beginning of year	-	-	-	-	-	-	-	106,138
Restatements	-	-	-	-	-	-	-	71,060
Fund balance, beginning of year, restated	-	-	-	-	-	-	-	177,198
Fund balance, end of year	\$ -	\$ 10,150	\$ -	\$ 6,836	\$ -	\$ -	\$ 11,569	\$ 154,557

STATE OF NEW MEXICO
LORDSBURG MUNICIPAL SCHOOL DISTRICT NO. 1
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Capital Projects Fund	Total Other Governmental Funds
	<u>SB 9</u>	<u>Funds</u>
Revenues:		
Property taxes	\$ 300,920	\$ 300,920
Intergovernmental:		
Federal	-	404,017
State	-	230,524
Local	-	11,569
Charges for services	-	30,818
	<u>300,920</u>	<u>977,848</u>
Total revenues		
Expenditures:		
Current:		
Instruction	-	268,585
Support services:		
Students	-	91,450
Instruction	-	16,324
General administration	24,249	24,249
School administration	-	7,453
Operation of plant	88,290	88,290
Student transportation	-	4,321
Operation services:		
Food	-	301,411
Capital outlay	316,993	327,018
	<u>429,532</u>	<u>1,129,101</u>
Total expenditures		
Net change in fund balance	(128,612)	(151,253)
Fund balance, beginning of year	408,473	514,611
Restatements	-	71,060
	<u>408,473</u>	<u>585,671</u>
Fund balance, beginning of year, restated		
Fund balance, end of year	<u>\$ 279,861</u>	<u>\$ 434,418</u>

SUPPORTING SCHEDULES

STATE OF NEW MEXICO
LORDSBURG MUNICIPAL SCHOOL DISTRICT NO. 1
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES – AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Balance 06/30/17	Restatements	Additions	Deletions	Balance 06/30/18
ASSETS					
Lordsburg High School	\$ 82,373	\$ 13,636	\$ 93,390	\$ (80,297)	\$ 109,102
Dugan-Tarango Middle School	5,467	-	2,097	(4,954)	2,610
Central Elementary School	112	-	31	-	143
Total	<u>\$ 87,952</u>	<u>\$ 13,636</u>	<u>\$ 95,518</u>	<u>\$ (85,251)</u>	<u>\$ 111,855</u>
LIABILITIES					
Lordsburg High School	\$ 82,373	\$ 13,636	\$ 93,390	\$ (80,297)	\$ 109,102
Dugan-Tarango Middle School	5,467	-	2,097	(4,954)	2,610
Central Elementary School	112	-	31	-	143
Total	<u>\$ 87,952</u>	<u>\$ 13,636</u>	<u>\$ 95,518</u>	<u>\$ (85,251)</u>	<u>\$ 111,855</u>

STATE OF NEW MEXICO
LORDSBURG MUNICIPAL SCHOOL DISTRICT NO. 1
SCHEDULE OF PLEDGED COLLATERAL
JUNE 30, 2018

<u>Security</u>	<u>CUSIP</u>	<u>Maturity</u>	<u>Market Value</u>
Corrales NM Hold Harmless GRT	22026TAK6	05/01/23	\$ 164,654
Silver City NM Hold Harmless GRT	82750PAP9	06/01/25	278,853
FN ALS6449	3138EPEX8	01/01/27	508,009
FNMA 2001-64E QH	31392AHX9	11/25/31	146,955
			<u>\$ 1,098,471</u>

STATE OF NEW MEXICO
LORDSBURG MUNICIPAL SCHOOL DISTRICT NO. 1
SCHEDULE OF CASH AND TEMPORARY INVESTMENT ACCOUNTS
JUNE 30, 2018

Financial Institution/ Account Description	Type of Account	Financial Institution Balance	Reconciling Items	Reconciled Balance
Western Bank 711 Main St. Lordsburg, NM				
Checking accounts:				
Operational	Checking	\$ 1,783,362	\$ (102,257)	\$ 1,681,105
Trella Rolfe Scholarship	Checking	605	-	605
		<u>\$ 1,783,967</u>	<u>\$ (102,257)</u>	<u>\$ 1,681,710</u>

STATE OF NEW MEXICO
LORDSBURG MUNICIPAL SCHOOL DISTRICT NO. 1
CASH RECONCILIATION
JUNE 30, 2018

	<u>Operational</u>	<u>Pupil Transportation</u>	<u>Instructional Material</u>	<u>Food Service</u>	<u>Athletics</u>	<u>Title I IASA</u>	<u>IDEA-B Entitlement</u>
Cash, June 30, 2017	\$ 314,449	\$ -	\$ 23,089	\$ 83,851	\$ 3,052	\$ (172,434)	\$ (153,946)
Add:							
2017-2018 revenues	<u>5,053,770</u>	<u>457,180</u>	<u>14,812</u>	<u>319,398</u>	<u>26,713</u>	<u>222,067</u>	<u>188,061</u>
Total cash available	5,368,219	457,180	37,901	403,249	29,765	49,633	34,115
Less:							
2017-2018 expenditures	4,518,558	389,115	37,901	303,270	25,604	208,391	188,536
Permanent cash transfer	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses	4,518,558	389,115	37,901	303,270	25,604	208,391	188,536
Other adjustments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1)</u>	<u>-</u>	<u>-</u>
Reconciled cash balance	849,661	68,065	-	99,979	4,160	(158,758)	(154,421)
Total outstanding loans	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash, June 30, 2018	849,661	68,065	-	99,979	4,160	(158,758)	(154,421)
Add/Less:							
Due to/from due to pooled cash	<u>(849,661)</u>	<u>(20,208)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>158,758</u>	<u>154,421</u>
Cash, per financial statement	<u>\$ -</u>	<u>\$ 47,857</u>	<u>\$ -</u>	<u>\$ 99,979</u>	<u>\$ 4,160</u>	<u>\$ -</u>	<u>\$ -</u>

STATE OF NEW MEXICO
LORDSBURG MUNICIPAL SCHOOL DISTRICT NO. 1
CASH RECONCILIATION
JUNE 30, 2018

	IDEA-B Preschool	Education of Homeless	Teacher/ Principal Training	Rural & Low Income Schools	USHHS/CDC School Health	Title XIX Medicaid (3 to 21)	Dual Credit Instructional Materials
Cash, June 30, 2017	\$ (13,385)	\$ -	\$ (7,645)	\$ (4,618)	\$ -	\$ 3,400	\$ (835)
Add:							
2017-2018 revenues	15,923	-	7,645	4,618	-	41,478	3,354
Total cash available	2,538	-	-	-	-	44,878	2,519
Less:							
2017-2018 expenditures	15,956	8,751	7,715	13,680	274	35,252	2,964
Permanent cash transfer	-	-	-	-	-	-	-
Total expenses	15,956	8,751	7,715	13,680	274	35,252	2,964
Other adjustments	-	-	-	-	-	-	-
Reconciled cash balance	(13,418)	(8,751)	(7,715)	(13,680)	(274)	9,626	(445)
Total outstanding loans	-	-	-	-	-	-	-
Cash, June 30, 2018	(13,418)	(8,751)	(7,715)	(13,680)	(274)	9,626	(445)
Add/Less:							
Due to/from due to pooled cash	13,418	8,751	7,715	13,680	274	-	445
Cash, per financial statement	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,626</u>	<u>\$ -</u>

STATE OF NEW MEXICO
LORDSBURG MUNICIPAL SCHOOL DISTRICT NO. 1
CASH RECONCILIATION
JUNE 30, 2018

	2012 GO Bond Library	Pre-K Initiative	Breakfast Elementary Schools	Kindergarten Three Plus	NM Grown FVV	Pay for Performance Individual	Pay for Performance Group
Cash, June 30, 2017	\$ -	\$ (15,598)	\$ -	\$ (53,211)	\$ (562)	\$ -	\$ -
Add:							
2017-2018 revenues	-	67,183	2,864	85,198	562	65,610	76,879
Total cash available	-	51,585	2,864	31,987	-	65,610	76,879
Less:							
2017-2018 expenditures	16,324	56,447	3,159	58,752	-	65,610	76,879
Permanent cash transfer	-	-	-	-	-	-	-
Total expenses	16,324	56,447	3,159	58,752	-	65,610	76,879
Other adjustments	-	-	-	-	-	-	-
Reconciled cash balance	(16,324)	(4,862)	(295)	(26,765)	-	-	-
Total outstanding loans	-	-	-	-	-	-	-
Cash, June 30, 2018	(16,324)	(4,862)	(295)	(26,765)	-	-	-
Add/Less:							
Due to/from due to pooled cash	16,324	4,862	295	26,765	-	-	-
Cash, per financial statement	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

STATE OF NEW MEXICO
LORDSBURG MUNICIPAL SCHOOL DISTRICT NO. 1
CASH RECONCILIATION
JUNE 30, 2018

	<u>Private Direct Grants</u>	<u>Bond Building</u>	<u>SB-9</u>	<u>Debt Service</u>
Cash, June 30, 2017	\$ -	\$ -	\$ 425,635	\$ 928,202
Add:				
2017-2018 revenues	<u>11,569</u>	<u>-</u>	<u>281,927</u>	<u>926,217</u>
Total cash available	11,569	-	707,562	1,854,419
Less:				
2017-2018 expenditures	-	464,161	429,236	789,722
Permanent cash transfer	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses	-	464,161	429,236	789,722
Other adjustments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Reconciled cash balance	11,569	(464,161)	278,326	1,064,697
Total outstanding loans	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash, June 30, 2018	11,569	(464,161)	278,326	1,064,697
Add/Less:				
Due to/from due to pooled cash	<u>-</u>	<u>464,161</u>	<u>-</u>	<u>-</u>
Cash, per financial statement	<u>\$ 11,569</u>	<u>\$ -</u>	<u>\$ 278,326</u>	<u>\$ 1,064,697</u>

STATE OF NEW MEXICO
LORDSBURG MUNICIPAL SCHOOL DISTRICT NO. 1
SCHEDULE OF THE LORDSBURG MUNICIPAL SCHOOL DISTRICT NO. 1
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
EDUCATIONAL RETIREMENT BOARD (ERB) PLAN
LAST TEN FISCAL YEARS *

	Fiscal Year	2018	2017	2016	2015
	Measurement Date	2017	2016	2015	2014
District's proportionate of the net pension liability (asset)		0.10845%	0.12925%	0.00131%	0.14097%
District's proportionate share of the net pension liability (asset)		\$ 12,052,556	\$ 9,301,390	\$ 8,479,389	\$ 8,043,362
District's covered-employee payroll		\$ 3,114,138	\$ 3,086,960	\$ 3,686,599	\$ 3,722,143
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll		387.03%	301.31%	230.01%	216.09%
Plan fiduciary net position as a percentage of the total pension liability		52.95%	61.58%	63.97%	66.54%

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

STATE OF NEW MEXICO
LORDSBURG MUNICIPAL SCHOOL DISTRICT NO. 1
 SCHEDULE OF LORDSBURG MUNICIPAL SCHOOL DISTRICT NO. 1 CONTRIBUTIONS
 EDUCATIONAL RETIREMENT BOARD (ERB) PLAN
 LAST TEN FISCAL YEARS *

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 432,743	\$ 429,296	\$ 510,630	\$ 517,257
Contributions in relation to the contractually required contribution	<u>432,743</u>	<u>429,296</u>	<u>510,630</u>	<u>517,257</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO
LORDBURG MUNICIPAL SCHOOL DISTRICT NO. 1
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018

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

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

STATE OF NEW MEXICO
LORDSBURG MUNICIPAL SCHOOL DISTRICT NO. 1
 SCHEDULE OF LORDSBURG MUNICIPAL SCHOOL DISTRICT NO. 1'S
 PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
 RETIREE HEALTH CARE ACT (RHCA) PLAN
 LAST TEN FISCAL YEARS *

	2018
District's proportionate of the net OPEB liability	0.07184%
District's proportionate share of the net OPEB liability	\$ 3,255,554
District's covered-employee payroll	\$ 2,992,601
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	108.79%
Plan fiduciary net position as a percentage of the total OPEB liability	11.34%

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District will present information for available years.

STATE OF NEW MEXICO
LORDBURG MUNICIPAL SCHOOL DISTRICT NO. 1
 SCHEDULE OF LORDSBURG MUNICIPAL SCHOOL DISTRICT NO. 1'S CONTRIBUTIONS
 RETIREE HEALTH CARE ACT (RHCA) PLAN
 LAST TEN FISCAL YEARS *

	2018
Contractually required contribution	\$ 228,126
Contributions in relation to the contractually required contribution	114,494
Contribution deficiency (excess)	\$ 113,632
Employer's covered-employee payroll	\$ 2,992,601
Contributions as a percentage of covered-employee payroll	3.83%

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District will present information for available years.

COMPLIANCE SECTION

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

Independent Auditors' Report

Wayne A. Johnson, 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, the budgetary comparisons of the general fund and major special revenue funds, of the Lordsburg Municipal School District No. 1 (District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and the combining and individual funds of the District, presented as supplemental information, and have issued our report thereon dated November 8, 2018. Our report on the governmental activities was modified due to discrepancies noted in proper capitalization of assets and maintenance of the capital assets subsidiary ledgers.

Internal Control Over Financial Reporting

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

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2018-001 to be a material weakness.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2018-002 and 2018-003.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 2017-002, 2018-004, 2018-005, and 2018-006.

The District's Responses to Findings

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

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.



Fierro & Fierro, P.A.
Las Cruces, New Mexico

November 8, 2018

FEDERAL FINANCIAL ASSISTANCE

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www.fierrocpa.comReport on Compliance for Each Major Program and on
Internal Control Over Compliance Required by Uniform GuidanceIndependent Auditors' ReportWayne A. Johnson, 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 the Lordsburg Municipal School District No. 1's (District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2018. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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



Fierro & Fierro, P.A.
Certified Public Accountants

November 8, 2018

STATE OF NEW MEXICO
LORDSBURG MUNICIPAL SCHOOL DISTRICT NO. 1
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor or Pass-Through Grantor/Program Title	Pass-through Number	Federal CFDA	Federal Expenditures
U.S. Department of Education			
Pass-through State of New Mexico Department of Education:			
Title I - IASA	24101	84.010	\$ 218,787
Special Education - Grants to States	24106	84.027A	201,304
Special Education - Preschool Grants	24109	84.173	16,702
Education for Homeless Children and Youth	24132	84.196A	8,751
			<u>445,544</u>
Rural Education	24.160	84.358	13,680
Teacher Quality State Grants	24.154	84.367	7,715
			<u>21,395</u>
Total U.S. Department of Education			<u>466,939</u>
U.S. Department of Agriculture			
Pass-through State of New Mexico Department of Education:			
Child Nutrition Cluster:			
National School Lunch Program	N/A	10.555	157,141
Summer Food Service Program for Children	N/A	10.559	23,456
School Breakfast Program	N/A	10.553	132,139
			<u>312,736</u>
Total U.S. Department of Agriculture			<u>312,736</u>
U.S. Department of Health and Human Services			
Pass-through State of New Mexico Department of Health and Human Services			
Promoting Adolescent Health	24.186	93.079	274
Medical Assistance Program	25.153	93.778	36,733
			<u>37,007</u>
Total U.S. Department of Health and Human Services			<u>37,007</u>
			 <u>\$ 816,682</u>

STATE OF NEW MEXICO
LORDSBURG MUNICIPAL SCHOOL DISTRICT NO. 1
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2018

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Lordsburg Municipal School District No. 1, and is presented on the modified accrual basis of accounting, which is the same basis as was used to prepare the fund financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal regulations (CFR) Part 200, Uniform Administrative Requirements, Costs Principals, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

Sub-Recipients

The District did not provide any federal awards to sub-recipients during the year.

Indirect Cost Rate

The District used the federal indirect cost rate that was mandated by the New Mexico Public Education Department for the year ended June 30, 2018.

Reconciliation of Schedule of Expenditures of Federal Awards to Financial Statements

Total federal awards expended per schedule of expenditures of federal awards	\$ 816,682
Total expenditures funded by other sources	<u>7,583,892</u>
Total expenditures	<u><u>\$ 8,400,574</u></u>

STATE OF NEW MEXICO
LORDBURG MUNICIPAL SCHOOL DISTRICT NO. 1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

SECTION II – FINDINGS – FINANCIAL STATEMENTS

Item 2017-002 – Other Noncompliance – Legal Compliance with Adopted Budget

Statement of Condition – During our testing of the School District’s statutory budgetary requirements, we noted the following:

- The original and final budgets within the operational fund, anticipated a year-end deficit cash balance of \$222,750, as budgeted revenues of \$4,653,559, and no beginning cash were not sufficient to pay for the budgeted expenditures of \$4,876,309.
- The original budget and final budgets within the instructional materials fund anticipated a year-end deficit cash balance of \$15,000, as budgeted revenues of \$12,964, and no beginning cash were not sufficient to pay for the budgeted expenditures of \$27,964.
- The final budget within the instructional materials fund had budgeted expenditures of \$27,964; however, the actual expenditures were \$37,901, thus leaving expenditures greater than the authorized budget by \$9,937.
- The original budget and final budgets within the bond building fund anticipated a year-end deficit cash balance of \$68,536, as there was no budgeted revenues, and no beginning cash were not sufficient to pay for the budgeted expenditures of \$68,536.
- The final budget within the bond building fund had budgeted expenditures of \$68,536; however, the actual expenditures were \$464,161, thus leaving expenditures greater than the authorized budget by \$395,625.
- The original budget and final budgets within the food service fund anticipated a year-end deficit cash balance of \$37,209, as budgeted revenues of \$310,000, and beginning cash of \$12,791 were not sufficient to pay for the budgeted expenditures of \$360,000.
- The final budget within the rural and low income schools fund had no budgeted expenditures; however, the actual expenditures were \$13,680, thus leaving expenditures greater than the authorized budget by \$13,680.
- The final budget within the dual credit instructional materials fund had budgeted expenditures of \$2,519; however, the actual expenditures were \$2,964, thus leaving expenditures greater than the authorized budget by \$445.

This is a repeated finding that has been modified. The new procedures, if fully implemented, were not always followed.

Criteria – Sections 6-3-1 through 6-3-25 NMSA 1978 prohibit school districts from making expenditures without budgetary authority. Additionally, the school districts are not allowed to budget a deficit cash balance, in the original or final budgets, within any fund. Anticipated ending cash cannot be less than zero.

STATE OF NEW MEXICO
LORDBURG MUNICIPAL SCHOOL DISTRICT NO. 1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2017-002 – Other Noncompliance – Legal Compliance with Adopted Budget (continued)

Effect – Noncompliance with New Mexico state statutes subjects officials and employees to penalties and fines required by state statutes. State Statutes also make public officials liable for expenditures beyond budgetary authority.

Cause – The School District’s accounting staff failed to ensure that all funds had sufficient beginning cash to pay for all necessary expenditures. Further, the School District’s accounting staff failed to monitor the budget during the fiscal year.

Recommendation – We recommend the accounting staff verifies proper budget authority has been established prior to expending funds. Additionally, we recommend the accounting staff ensures anticipated end of year cash balances both on the original and final budgets are equal to or greater than zero.

Views of Responsible Officials and Planned Corrective Actions – *Corrective Action:* Management will monitor the budget more closely and ensure that additional procedures are put in place to avoid going over budget at the function level. We will submit reimbursement requests more timely to ensure that cash balances are maintained. *Due Date of Completion:* Immediately. *Responsible Party:* Business Manager.

Item 2018-001 – Material Weakness – Capital Assets

Statement of Condition – During our testing of the capital assets subsidiary record, we discovered the following deviations:

- The School District did not conduct an annual physical inventory of its capital assets for the fiscal year ended June 30, 2018.
- The School District failed to perform a comprehensive review of the capital asset subsidiary ledgers at year-end to ensure accuracy and completeness. During our review of the capital assets subsidiary ledgers, we noted six capital assets that were purchased in 2012 and 2013, totaling \$1,711,777, that were not depreciated until the current fiscal year. The total amount of depreciation recorded, on these capital assets, in the current fiscal year totaled \$82,559.
- During our observation of the School District’s capital assets, we noted school buses and other vehicles, which were not listed in the capital asset subsidiary ledgers.
- The assets that were physically observed did not contain a School District identification tag.

Criteria – New Mexico State Statutes Section 12-6-10 directs the general services department to promulgate regulations to state agencies for the accounting and control of fixed assets owned by government agencies.

STATE OF NEW MEXICO
LORDBURG MUNICIPAL SCHOOL DISTRICT NO. 1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2018-001 – Material Weakness – Capital Assets (continued)

Criteria (continued) – The New Mexico State Administrative Code, Title 2, Chapter 20, Part 1, *Accounting and Control of Fixed Assets of State Government, Accounting for Acquisitions and Establishing Controls* issued by the general services department, requires that the School District implement a systematic and well documented system for accounting of fixed assets. The information to be recorded and maintained must include, at a minimum, the following:

- 1) Agency name.
- 2) Fixed asset number.
- 3) A description using words meaningful for identification.
- 4) Location.
- 5) Manufacturer's name.
- 6) Model number or model name.
- 7) Serial number or vehicle identification number.
- 8) Estimated useful life.
- 9) Date acquired.
- 10) Cost.
- 11) Fund and organization that purchased the asset.

The accounting system must be capable of generating lists of capital assets in sequences useful for managing them. The system must track all transactions, including acquisitions, depreciation, improvements and dispositions. The system must generate all necessary accounting entries to the School District's general ledger.

Further, according to Administrative Code, Title 2, Public Finance, Chapter 20, *Accounting by Governmental Entities, Part 1, Accounting and Control of Fixed Assets of State Government, Accounting for Acquisitions and Establishing Controls, 2.20-1.16, Annual Inventory*, the School District shall conduct a physical inventory of its capital assets consisting of those costs of \$5,000 or more, under the control of the School District.

Effect – The School District is not in compliance with New Mexico State Administrative Code 2.20.1. Non-compliance with New Mexico State Statutes and the Administrative Code subjects the governing board and management to penalties and punishment defined by state statute. Inadequate subsidiary capital asset records, including the completion of an annual physical inventory, could allow assets to be lost or stolen, and the missing asset would not be detected in a timely manner. Finally, material variances between the financial statements/general ledger and subsidiary ledgers can occur and the ability to reconcile the variances is quickly lost. The inability to maintain adequate subsidiary capital asset records has contributed to the modified opinion on the governmental activities of the School District.

Cause – It was not the priority of the School District's business office to address maintenance of the subsidiary accounting system for capital assets, owned by the School District, on a timely basis.

STATE OF NEW MEXICO
LORDBURG MUNICIPAL SCHOOL DISTRICT NO. 1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2018-001 – Material Weakness – Capital Assets (continued)

Recommendation – We recommend the School District’s business office perform an intensive review and reconciliation of the capital assets subsidiary records, in comparison to the assets that are still in service within the School District. Further, we recommend the School District establish a capital asset accounting system that meets the criteria established by the New Mexico Administrative Code 2.20.1. Procedures must be established to ensure that School District personnel are given clear and concise direction as to what constitutes a capital asset when conducting the annual physical count. Finally, we recommend a procedure be established immediately that would require the capital assets subsidiary records to be reconciled on a quarterly basis.

Views of Responsible Officials and Planned Corrective Actions – *Corrective Action:* We do not agree that this finding warrants a material weakness as the assets missing from the fixed asset listing have been fully depreciated and were purchased over 10 years ago. Due to personnel changes in the District, a physical inventory count was not performed. The Business Manager and the Director of Operations will work together to perform a thorough review of the fixed asset listing and will work with the various school sites and departments to ensure that the fixed asset listing is accurate and complete. The Business Manager will be responsible for ensuring that a physical inventory count is completed prior to June 30th of each year. *Due Date of Completion:* Immediately. *Responsible Party:* Business Manager.

Auditing Firm’s Response – The correct accounting treatment for capital assets is they should be retained in the School District’s subsidiary records as long as they still exist, and are still in use. Without proper control of capital asset records, the School District is at risk for abuse and possible theft of the organization’s assets. Periodic reviews and reconciliation of existing assets to recorded amounts (subsidiary records) can assist in taking action to resolve differences between physical assets, capital asset system entries, and the general ledger accounts.

Item 2018-002 – Significant Deficiency – Cash Receipts

Statement of Condition – During the course of the audit, we performed tests of cash receipts. Our sample size was forty deposits which contained fifty-nine cash receipts received and recorded by the School District, and contained the following discrepancies:

- From the forty deposits tested, we noted eighteen instances where money was collected by the School District and not deposited within a twenty-four hour period.
- We noted twenty instances where a timely accounting entry was not entered into the accounting system reflecting the receipt of funds. The delay in entering the data into the accounting varied from a few days to several weeks.
- We noted one hundred four instances where the cafeteria employees failed to issue a receipt for a meal purchased by an individual (non-student).
- We noted two instances where a deposit was made by the School District; however, no cash receipt form, from the accounting system, was prepared or kept by the School District.

STATE OF NEW MEXICO
LORDBURG MUNICIPAL SCHOOL DISTRICT NO. 1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2018-002 – Significant Deficiency – Cash Receipts (continued)

Statement of Condition (continued) – Further, we performed an additional audit procedure testing the numerical issuance of receipts for an entire month. For the month selected for testing, the School District issued forty-eight receipts and we noted eleven instances where the numerical receipts were issued out of sequence.

Finally, we were unable to determine when any cash receipt information from the School District was submitted to their accounting firm (business manager). There was no documentation (stamp, dates, initials, etc.) on cash receipts paperwork to determine when the information was submitted to the accounting firm and receipted by the accounting firm and vice versa.

Criteria – Section 6.20.2.14A of the New Mexico Administrative Code states, “*School districts shall establish and maintain a cash management program to safeguard cash and provide prompt and accurate reporting that adheres to cash management requirements of the Office of Management and Budget (OMB) Circular A-102, and applicable state and federal laws and regulations.*”

Section 6.20.2.14B of the New Mexico Administrative Code states, “*The school district shall issue a factory pre-numbered receipt for all money received. Pre-numbered receipts are to be controlled and security. If a receipt is voided, all copies shall be marked “void” and retained in the receipt book.*”

Furthermore, Section 6.20.2.14C of the New Mexico Administrative Code states, “*Money received and receipted shall be deposited in the bank within twenty-four (24) hours or one banking day. If the distance to the bank is considerable, or the cash collection is limited to small amounts and or low volume and it is impractical to meet the twenty-four hour/one banking day requirement, the local board may request approval from the department for an alternative plan. The bank deposit slip shall have the numbers from applicable receipts entered on it or attached as a reference.*”

Finally, Section 6.20.2.14D of the New Mexico Administrative Code states, “*A cash receipts journal is to be used for each fiscal year beginning July 1 and ending June 30, and is to be presented to the school district’s auditor during the annual audit.*”

Effect – By not depositing money within twenty-four hours of receipt, the money could be lost, stolen or misappropriated. Further, by not issuing a receipt for each cash transaction, at the time of the deposit, could allow unintentional in intentional errors to occur, and not be detected and fully reconciled, in a proper manner, or on a timely basis. Finally, without the additional documentation, between the School District and their accounting firm, it is difficult to determine the timeliness of the recording and posting of cash receipts.

Cause – The School District’s finance department failed to implement the necessary policies and procedures to ensure all aspects of the New Mexico Administrative Code was being followed, in respect to cash receipts.

Recommendation – We recommend the School District’s finance department review the necessary sections of the New Mexico Administrative Code in respect to cash control standards.

STATE OF NEW MEXICO
LORDBURG MUNICIPAL SCHOOL DISTRICT NO. 1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2018-002 – Significant Deficiency – Cash Receipts (continued)

Recommendation (continued) – Further, we recommend that the School District’s finance department modify and improve their policies and procedures concerning all money received and deposited. Finally, we recommend the School District implement the necessary changes to their accounting procedures, including adequate training for all key employees, to ensure all money received is recorded in a timely manner.

Views of Responsible Officials and Planned Corrective Actions – Corrective Action: management will send out quarterly reminders to all those handling deposits regarding the 24 hour deposit rule. Internal reviews will be done more frequently to monitor and review that money is being deposited within 24 hours of receipt. Management will review its policies and procedures related to adult lunches and require that receipts be provided for cash receipts received for lunches. Due Date of Completion: Fiscal Year 2018-2019. Responsible Party: Business Manager.

Item 2018-003 – Significant Deficiency – Cash Disbursements

Statement of Condition – During our testing of forty cash disbursements of the School District, we noted the following deviations:

- There were eleven instances, totaling \$34,254.66, where the purchase order was created after the goods or services had been received or rendered.
- There were two instances, totaling \$18.99, where the shipping and handling were not included on the purchase order, and as a result, the amount paid to the vendor was greater than the amount of the purchase order.
- There were two instances, totaling \$250,540.08, where the School District received invoices in April 2018, the checks were dated on Saturday, June 30, 2018, and issued purchase orders on July 5, 2018. Of this amount, \$1,297.67 was for vehicle parts purchased in April 2018. The remaining \$249,242.41 was for payment of out-of-state tuition for the school year 2018-2019.
- There were three instances, totaling \$7,838.98, where the vendor’s invoice did not have evidence of management approval to pay, prior to the submission to the business manager for processing.
- There were three instances in November 2017 and two instances in May 2018, where the checks were not issued in numerical sequence.

Criteria – The School District has established policies and procedures regarding the retention of documentation and the process concerning cash disbursements. One of the accounting procedures established is that purchase orders must be completed prior to a purchase is made. This procedure insures that sufficient budgetary authority (adequate funds) is available for the proposed purchase.

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SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2018-003 – Significant Deficiency – Cash Disbursements (continued)

Effect – Not complying with the School District’s policies and procedures could allow unauthorized transactions performed on the behalf of the School District. By completing the purchase order after the item has been purchased defeats the internal control procedures established by the School District. This could cause misappropriation of the School District’s assets. Finally, by not issuing checks in numerical sequence, incomplete or inaccurate financial statements/reports could be presented to the School Board or any oversight agencies. This could cause an inability for oversight agencies to identify misappropriation of funds.

Cause – The School District requires that purchase orders are created prior to the purchase of any items. The School District failed to insure that all items purchased by the School District, during the fiscal year, had all of the required approvals and back up documentation.

Recommendation – We recommend the School District’s business office review established rules and procedures regarding cash disbursements, and update their accounting policies and procedures as necessary.

Views of Responsible Officials and Planned Corrective Actions – Corrective Action: Management will work with school administration and all staff to emphasize the procedures established and ensure that all purchases are signed with an ok to pay and have an approved purchase order before goods or services are not only received but ordered. Management will also discuss with Governance a policy that would result in official reprimand and may result in the employee(s) either returning ordered items or paying for them solely if proper procurement is not followed. Management will review the environment as well as requirements surrounding procurement with all staff and governance. Management will review policies and procedures regarding shipping/handling charges and determine if a change is needed to account for unforeseen charges being added that are greater than the purchase order amounts.

Due Date of Completion: Fiscal Year 2018-2019. Responsible Party: Superintendent/Business Manager/School Board.

Item 2018-004 – Other Matters – Compliance with Per Diem and Mileage Act

Statement of Condition – During the course of the audit, we performed tests of travel and per diem expenditures for the purpose of determining compliance with State statutes and administrative rules along with the Scholl District’s established administrative procedures. Our sample size was twenty-five transactions, which were selected throughout the fiscal year, and contained the following discrepancies:

- There was one instance where an employee was incorrectly reimbursed \$17.48 for actual meals in lieu of \$20.00 partial day per diem for the last day of travel when overnight lodging was no longer required.
- There was four board members who were not paid for partial day per diem for the last day of travel when overnight lodging was no longer required. Each board member was entitled to \$20.00.

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SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2018-004 – Other Matters – Compliance with Per Diem and Mileage Act (continued)

Statement of Condition (continued) –

- There was one instance where the employee has 12 hours of partial day and was reimbursed \$20.00. He was entitled to be reimbursed at \$30.00.

Criteria – The New Mexico Department of Finance and Administration (DFA) has issued regulations in the form of Title 2, Chapter 42, Part 2, *Travel and Per Diem Regulations Governing the Per Diem and Mileage Act* of the New Mexico Administrative Code (NMAC). The rule was issued in accordance with Section 10-8-1 to 10-8-8 NMSA 1978. Section 2.42.2.9C(5) of the Travel and Per Diem regulations states, “*On the last day of travel when overnight lodging is no longer required, partial day reimbursement shall be made. To calculate the number of hours in the partial day, begin with the time the traveler initially departed. Divide the number of hours traveled by 24. The hours remaining constitute the partial day which shall be reimbursed as follows:*

- 1 *For less than 2 hours, none;*
- 2 *For 2 hours, but less than 6 hours, \$12.00;*
- 3 *For 6 hours or more, but less than 12 hours, \$20.00;*
- 4 *For 12 hours or more, \$30.00.*
- 5 *No reimbursement for actual expenses will be granted in lieu of partial day per diem rates.*

Effect – Non-compliance with the state of New Mexico Travel and Per Diem Act subjects officials and employees to penalties as required by state statutes.

Cause – The School District and the business management staff were not familiar with the specific requirements of NMAC Section 2.42.2.9C(5). In addition, an error was made in the interpretation of 12 hours or more for a \$30.00 reimbursement.

Recommendation – We recommend the School District and business management staff revisit the Per Diem and Mileage Act and the New Mexico Administrative Code, in particular the discussion on the partial day reimbursement when overnight lodging is no longer required to ensure compliance with the Act.

Views of Responsible Officials and Planned Corrective Actions – Corrective Action: Management will ensure that all employees who travel and receive actual reimbursements receive the partial day per diem in lieu of actuals on travel days. Due Date of Completion: Immediately. Responsible Party: Business Manager.

Item 2018-005 – Other Matters – Personnel Files

Statement of Condition – During the testing of twenty-five employee personnel files, we noted the following deviations:

- There was one instance where the School District failed to obtain a W-4, when an employee was hired.

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SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2018-005 – Other Matters – Personnel Files (continued)

Statement of Condition (continued) –

- There were three instances where there were no signed credit card guide authorization agreement in the personnel file.

Criteria – The New Mexico Administrative Code, Section 1.7.1.12A, *Employment Records*, states, “The director and agencies shall maintain a record of each employee’s employment history in accordance with operational necessity and applicable state and federal law requirements.” The Internal Revenue Service Form W-4 instructions states, “Consider completing a new Form W-4 each year and when your personal or financial situation changes.” Further, as per the U.S. Department of Homeland Security, U.S. Citizenship and Immigration Services, Form I-9 states, “Employers must complete Form I-9 to document verification of the identity and employment of each new employee (citizen and noncitizen) hired after November 6, 1986, to work in the United States.”

Finally, the School District requires all employees who have a credit card assigned to them, to read the Credit Card Guide and signed the Credit Card Guide authorization agreement. The signed agreement shall be kept in the employee’s personnel file.

Effect – Noncompliance with the New Mexico Administrative Code, federal and state laws could subject officials and employees to penalties, fines and imprisonment.

Cause – The School District’s business office failed to ensure that all employee files were maintained in compliance with federal and state laws, along with School District policies and procedures. Further, one employee retired on July 1, 2017 and then was re-hired on January 15, 2018, without completion of a new W-4 and I-9.

Recommendation – We recommend the School District’s business office review the New Mexico Administrative Code, federal and state laws, along with the School District’s policies and procedures in respect to employee personnel files, and implement all necessary changes.

Views of Responsible Officials and Planned Corrective Actions – Corrective Action: Management was able to locate the missing items and all items have been addressed. All personnel that have an LMS credit card have signed the Corporate Credit Card User Guide and the rehire employee has been given a new W-4. Due Date of Completion: Immediately. Responsible Party: Business Manager/HR.

Item 2018-006 – Non-Compliance – Trust Accounting

Statement of Condition – In November 1986, the District Court of Hidalgo County issued an order to modify and clarify the Charitable Trust established by Trella Mae Rolfe; of which, the Trustee of such Trust was the Board of Lordsburg New Mexico School District No.1. The Court order specified the following:

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SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2018-006 – Non-Compliance – Trust Accounting (continued)

Statement of Condition (continued) –

- Commencing May 1987, the Board was to award six scholarships of \$1,500 each.
- Commencing with the class of 1988, the Board was to take the amount of accrued interest available for distribution and divide such amount by \$1,500, to determine the number of scholarships to award for 1988 and each year thereafter.
- The principal amount of the trust was established at \$53,000, and such amount was not to be invaded or disposed of without the prior approval of the Court. This was consistent with Mrs. Rolfe's intent that the principal be maintained to earn the highest available interest to fund scholarships.
- Any interest not disbursed as scholarships in a current year, was to be rolled over and disbursed the next year.

Prior to the court order, there existed three accounts related to the Rolfe Estate Endowment as follows:

- a savings account earning interest at 5.5%, the balance of which was \$4,072.22.
- a money market account earning interest at 5.7%, the balance of which was \$5,752.11.
- an 18-month certificate of deposit earning interest at 8.8%, the balance of which was \$53,000.

At June 30, 2018, the balance of the money market account was \$605.12 and is earning interest at a rate of 0.10%. The School District believes, the trust principal of \$53,000, is held in the District's general operating account; however, cannot verify the fact with solid evidence. The general operating account earns interest at a rate of 0.07%. The last scholarship as per the records of the School District were distributed in 2011.

Criteria – Individuals and organizations, which hold property given to them for a charitable or community purpose, have well-defined duties, called fiduciary duties, with respect to the property they acquire; and the responsibility for seeing that these duties are carried out, rests with the organization's directors and officers. Such duties include but are not limited to, accurate record keeping and a duty to protect, invest and manage the trust's property and to do so consistent with donor restrictions and legal requirements. Instituting proper internal controls aid in the protection of the assets. In addition, the trustee has the duty to comply with all federal and state laws and regulations so that the trust's resources are managed responsibly.

Effect – Trustees who act in breach of their duties can be held responsible for consequences that flow from such a breach and for any loss, the trust incurs as a result.

Cause – Throughout the years, both the School District's Board and administrative staff changed hands several times over and the record keeping was not sufficient to adequately track the principal balance of the corpus and or any interest it may or may not have accrued.

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SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2018-006 – Non-Compliance – Trust Accounting (continued)

Recommendation – We recommend the Board devote ample resources to determine the current whereabouts of the Trust’s principal corpus. Once determined, the necessary steps must be taken to ensure the directives in the Court Order are carried out. This may include placing the principal corpus in a separate bank account or other financial instrument to ensure that it receives the highest rate of interest available on U.S. government protected accounts. Scholarships then can be awarded as originally intended.

Views of Responsible Officials and Planned Corrective Actions – Corrective Action: Management confirmed with the previous auditor that the trust money is being held in the operating account. Management has spoken with the bank and will determine how to invest the funds to ensure compliance with the trust requirements. This will be an ongoing process as the trust fund has not been used in many years, and the individuals familiar with the trust fund are no longer with the District. Management will work with Governance to determine the correct actions to take, and will establish a new bank account, if needed, after the Board has determined how to proceed. Due Date of Completion: Fiscal Year 2018-2019. Responsible Party: Superintendent, School Board, Business Manager.

**SECTION III – FEDERAL AWARDS AND QUESTIONED COSTS -
SPECIAL EDUCATION – GRANTS TO STATES – CFDA NO. 84.027 AND
SPECIAL EDUCATION – PRESCHOOL GRANTS – CFDA NO. 84.173**

None.

SECTION IV – PRIOR YEAR’S AUDIT FINDINGS

Item 2017-001 – Provision of Cell Phones to District Personnel – In the prior year’s audit, it was noted that the District allowed employees to manage their own account, including obtaining new phones with supervisory approval. During the current year, the District established a policy for the purchasing of new phones with supervisory approval. The finding has been resolved.

Item 2017-002 – Expenditures in Excess of Budgetary Authority – In the prior year’s audit, it was noted the District exceeded their respective approved budgets within one fund. During the current year, the District exceeded their respective approved budgets in various funds. The audit finding has not been resolved and is updated and repeated.

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EXIT CONFERENCE AND
PREPARATION OF FINANCIAL STATEMENTS
JUNE 30, 2018

EXIT CONFERENCE

The audit report for the fiscal year ended June 30, 2018, was discussed during the exit conference held on November 12, 2018. Present for the District was Alfredo Morelos, Jr., chairman; Dr. Stephen Lucas, Ed.D., superintendent; Ryan Chaney, director of operations; Barbara Gonzales, chief purchasing officer; Rosa Dominguez, superintendent's secretary; and via telephone, Bryan Runyan, business consultant. Present for the auditing firm was Rose Fierro, CPA and Dominic Fierro, manager.

FINANCIAL STATEMENT PREPARATION

The business manager and the accounting staff prepared the financial statements of the Lordsburg Municipal School District No. 1 for the fiscal year ended June 30, 2018. The auditing firm assisted in the preparation of the footnotes to the statements, along with preparing the document that contains all the financial statements, notes to the financial statements and other supplemental financial information.