

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

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2019

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

Table of Contents
June 30, 2019

	<u>PAGE</u>
Directory of Officials.....	1
Independent Auditors' Report.....	2-4
 BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Position.....	5
Statement of Activities.....	6
 Governmental Funds Financial Statements:	
Balance Sheet.....	7
Reconciliation of the Balance Sheet Governmental Funds To the Statement of Net Position.....	8
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	9
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds To the Statement of Activities	10
Statement of Revenues, Expenditures and Changes in Cash Balance – Budget (Non-GAAP Budgetary Basis) and Actual On Budgetary Basis With Reconciliation to GAAP:	
Operational Fund.....	11
Transportation Fund	12
Instructional Materials Fund	13
Title I Fund	14
IDEA-B Entitlement Fund	15
 Fiduciary Financial Statement:	
Statement of Fiduciary Assets and Liabilities	16
Statement of Changes in Fiduciary Net Position Private Purpose Trust Fund	17
Notes to the Financial Statements.....	18-53

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

Table of Contents
June 30, 2019

	<u>PAGE</u>
Supplementary Information	
Nonmajor Governmental Funds:	
Nonmajor Governmental Funds Description.....	54-55
Combining Balance Sheet.....	56-58
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	59-61
Supporting Schedules:	
Schedule of Changes in Assets and Liabilities-Agency Funds	62
Schedule of Pledged Collateral	63
Schedule of Cash and Temporary Investment Accounts	64
Cash Reconciliation	65-68
Required Supplementary Information	
Schedule of Lordsburg Municipal School District No. 1 Proportionate Share of the Net Pension Liability Educational Retirement Board (ERB) Plan Last Ten Fiscal Years	69
Schedule of Lordsburg Municipal School District No. 1 Contributions – Educational Retirement Board (ERB) Plan Last Ten Fiscal Years	70
Schedule of Lordsburg Municipal School District No. 1 Proportionate Share of the Net OPEB Liability Retiree Health Care Act (RHCA) Plan Last Ten Fiscal Years.....	71
Schedule of Lordsburg Municipal School District No. 1 Contributions – Retiree Health Care Act (RHCA) Plan Last Ten Fiscal Years.....	72
Notes to Required Supplementary Information.....	73
Compliance Section	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	74-75

STATE OF NEW MEXICO
LORDSBURG MUNICIPAL SCHOOL DISTRICT NO. 1
Table of Contents
June 30, 2019

	<u>PAGE</u>
Federal Financial Assistance	
Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by Uniform Guidance	76-77
Schedule of Expenditures of Federal Awards	78
Notes to the Schedule of Expenditures of Federal Awards	79
Schedule of Findings and Questioned Costs	80-86
Exit Conference and Financial Statement Preparation	87

STATE OF NEW MEXICO
LORDSBURG MUNICIPAL SCHOOL DISTRICT NO. 1
Directory of Officials
June 30, 2019

BOARD OF EDUCATION

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

SCHOOL OFFICIALS

Stephen Lucas, Ed.D.	Superintendent
Ryan Chaney	Director of Operations
Bryan Runyan (K12 Accounting)	Contracted Business Management Consultant

Ed Fierro, CPA • Rose Fierro, CPA527 Brown Road • Las Cruces, NM 88005
Bus: (575) 525-0313 • Fax: (575) 525-9708
www.fierrocpa.comIndependent Auditors' Report

Brian S. Colón, 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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents. 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, 2019, 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2019, and the respective changes in financial position thereof and the respective budgetary comparisons for the general 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, 2019, 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 placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require 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-nine through seventy-three 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*, the changes of assets and liabilities – agency funds and the other supporting schedules required by Section 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards 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, the changes of assets and liabilities – agency funds and other supporting 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, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters.

The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Fierro & Fierro, P.A." in a cursive script.

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

November 8, 2019

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

STATE OF NEW MEXICO
LORDBURG MUNICIPAL SCHOOL DISTRICT NO. 1
STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities
Assets	
Current assets:	
Cash	\$ 570,154
Receivables, net	1,251,607
Inventory	5,866
Total current assets	1,827,627
Noncurrent assets:	
Restricted:	
Cash	22
Investments	1,750,383
Capital assets:	
Land and construction in progress	1,232,559
Other capital assets, net of depreciation	30,221,296
Total noncurrent assets	33,204,260
Total assets	35,031,887
Deferred Outflows of Resources	
Pension related	2,941,569
OPEB related	117,689
Total deferred outflows of resources	3,059,258
Liabilities	
Current liabilities:	
Accounts payable	485,980
Accounts payroll taxes	268,555
Accrued interest payable	42,534
Current maturities of:	
Bonds payable	810,000
Compensated absences	66,123
Total current liabilities	1,673,192
Noncurrent liabilities:	
Bonds payable	6,205,000
Compensated absences	24,456
Net pension liability	13,250,510
Net OPEB liability	3,171,255
Total noncurrent liabilities	22,651,221
Total liabilities	24,324,413
Deferred Inflows of Resources	
Pension related	899,885
OPEB related	819,394
Total deferred inflows of resources	1,719,279
Net Position	
Net investment in capital assets	24,438,855
Restricted:	
Transportation	30,722
Special revenue	134,928
Capital projects	1,166,178
Debt service	1,071,264
Unrestricted	(14,794,494)
Total net position	\$ 12,047,453

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, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contribtuions	Capital Grants and Contribtuions	
Governmental activities:					
Instruction	\$ 5,330,139	\$ 27,610	\$ 945,894	\$ -	\$ (4,356,635)
Support services:					
Students	668,712	-	76,020	-	(592,692)
Instruction	67,985	-	299,842	-	231,857
General administration	229,328	-	-	-	(229,328)
School administration	516,888	-	-	-	(516,888)
Central services	396,565	-	-	-	(396,565)
Operation of plant	906,670	-	252,034	43,717	(610,919)
Student transportation	450,323	-	303,878	-	(146,445)
Operation services:					
Food	538,366	3,779	350,521	-	(184,066)
Unallocated depreciation	917,618	-	-	-	(917,618)
Interest on long-term debt	167,102	-	-	-	(167,102)
Total governmental activities	<u>\$ 10,189,696</u>	<u>\$ 31,389</u>	<u>\$ 2,228,189</u>	<u>\$ 43,717</u>	(7,886,401)
General Revenues:					
Property taxes, levied for general purposes					68,297
Property taxes, levied for capital projects					279,050
Property taxes, levied for debt service					952,407
State equalization guarantee					4,556,674
Interest income					33,738
Donations					30,802
Insurance recoveries					5,123
Total general revenues					<u>5,926,091</u>
Change in net position					(1,960,310)
Net position, beginning of year					16,699,501
Restatement					<u>(2,691,738)</u>
Net position, beginning of year, restated					<u>14,007,763</u>
Net position, end of year					<u>\$ 12,047,453</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, 2019

	General Fund								Total Governmental Funds
	Operational Fund	Transportation Fund	Instructional Materials Fund	Title I Fund	IDEA-B Entitlement Fund	Bond Building Fund	Debt Service Fund	Other Governmental Funds	
<u>ASSETS</u>									
Cash	\$ 139,893	\$ 36,001	\$ -	\$ -	\$ -	\$ -	\$ 204,660	\$ 189,600	\$ 570,154
Receivables, net	14,247	-	1,612	292,588	353,963	-	210,827	378,370	1,251,607
Inventory	-	-	-	-	-	-	-	5,866	5,866
Due from other funds	537,488	-	-	-	-	-	856,621	285,540	1,679,649
Restricted:									
Cash	-	-	-	-	-	-	22	-	22
Investments	-	-	-	-	-	1,750,383	-	-	1,750,383
Total assets	<u>\$ 691,628</u>	<u>\$ 36,001</u>	<u>\$ 1,612</u>	<u>\$ 292,588</u>	<u>\$ 353,963</u>	<u>\$ 1,750,383</u>	<u>\$ 1,272,130</u>	<u>\$ 859,376</u>	<u>\$ 5,257,681</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>									
Liabilities:									
Accounts payable	\$ 298,837	\$ 1,094	\$ -	\$ -	\$ -	\$ 133,088	\$ -	\$ 52,961	\$ 485,980
Accrued payroll taxes	194,676	4,185	-	13,125	17,333	-	-	39,236	268,555
Due to other funds	-	-	1,612	279,463	336,590	847,045	-	214,939	1,679,649
Total liabilities	493,513	5,279	1,612	292,588	353,923	980,133	-	307,136	2,434,184
Deferred Inflows of Resources:									
Noncurrent taxes	13,572	-	-	-	-	-	200,866	57,002	271,440
Fund Balances:									
Nonspendable:									
Inventory	-	-	-	-	-	-	-	5,866	5,866
Restricted:									
Transportation	-	30,722	-	-	-	-	-	-	30,722
Special revenue funds	-	-	-	-	40	-	-	129,022	129,062
Capital projects funds	-	-	-	-	-	770,250	-	395,928	1,166,178
Debt service funds	-	-	-	-	-	-	1,071,264	-	1,071,264
Unassigned	184,543	-	-	-	-	-	-	(35,578)	148,965
Total fund balances	184,543	30,722	-	-	40	770,250	1,071,264	495,238	2,552,057
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 691,628</u>	<u>\$ 36,001</u>	<u>\$ 1,612</u>	<u>\$ 292,588</u>	<u>\$ 353,963</u>	<u>\$ 1,750,383</u>	<u>\$ 1,272,130</u>	<u>\$ 859,376</u>	<u>\$ 5,257,681</u>

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

STATE OF NEW MEXICO
LORDSBURG MUNICIPAL SCHOOL DISTRICT NO. 1
RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2019

Total fund balance governmental funds (page seven)	\$	2,552,057
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		31,453,855
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.		271,440
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		2,941,569
Deferred inflows of resources related to pension		<u>(899,885)</u>
Deferred outflows of resources related to pensions, net		2,041,684
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		117,689
Deferred inflows of resources related to OPEB		<u>(819,394)</u>
Deferred inflows of resources related to OPEB, net		(701,705)
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		(90,579)
Accrued interest payable		(42,534)
General obligation bonds		(7,015,000)
Net pension liability		(13,250,510)
Net OPEB liability		<u>(3,171,255)</u>
Net position of governmental activities (page five)	\$	<u><u>12,047,453</u></u>

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

STATE OF NEW MEXICO
LORDBURG MUNICIPAL SCHOOL DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund								Total Governmental Funds
	Operational Fund	Transportation Fund	Instructional Materials Fund	Title I Fund	IDEA-B Entitlement Fund	Bond Building Fund	Debt Service Fund	Other Governmental Funds	
Revenues:									
Property taxes	\$ 64,940	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 902,661	\$ 266,235	\$ 1,233,836
Intergovernmental:									
Federal	25,177	-	-	292,588	353,963	-	-	613,542	1,285,270
State	4,833,860	303,878	17,481	-	-	216,628	-	181,465	5,553,312
Local	-	-	-	-	-	-	-	10,000	10,000
Charges for services	2,708	-	-	-	-	-	-	28,681	31,389
Interest	1,349	-	-	-	-	32,221	168	-	33,738
Miscellaneous	15,923	-	-	-	-	-	-	-	15,923
Total revenues	4,943,957	303,878	17,481	292,588	353,963	248,849	902,829	1,099,923	8,163,468
Expenditures:									
Current:									
Instruction	3,184,136	-	17,481	280,572	259,530	-	-	356,804	4,098,523
Support services:									
Students	538,178	-	-	-	88,256	-	-	42,278	668,712
Instruction	50,504	-	-	-	-	-	-	-	50,504
General administration	207,907	-	-	-	-	-	9,008	5,949	222,864
School administration	474,318	-	-	22,414	18,945	-	-	1,211	516,888
Central services	396,565	-	-	-	-	-	-	-	396,565
Operation of plant	807,293	-	-	-	-	60,981	-	41,492	909,766
Student transportation	79,770	338,092	-	-	-	-	-	10,655	428,517
Operation services:									
Food	104,914	-	-	-	-	-	-	426,628	531,542
Capital outlay	-	-	-	-	-	1,175,327	-	154,086	1,329,413
Debt service:									
Principal	-	-	-	-	-	-	730,000	-	730,000
Interest and fiscal charges	-	-	-	-	-	-	163,536	-	163,536
Total expenditures	5,843,585	338,092	17,481	302,986	366,731	1,236,308	902,544	1,039,103	10,046,830
Excess (deficiency) revenues over expenditures before other financing sources (uses)	(899,628)	(34,214)	-	(10,398)	(12,768)	(987,459)	285	60,820	(1,883,362)
Other Financing Sources (Uses):									
Bond proceeds	-	-	-	-	-	1,500,000	-	-	1,500,000
Net change in fund balance	(899,628)	(34,214)	-	(10,398)	(12,768)	512,541	285	60,820	(383,362)
Fund balance, beginning of year	1,084,171	64,936	-	10,398	12,808	257,709	1,070,979	434,418	2,935,419
Fund balance, end of year	\$ 184,543	\$ 30,722	\$ -	\$ -	\$ 40	\$ 770,250	\$ 1,071,264	\$ 495,238	\$ 2,552,057

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, 2019

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

Net change in fund balances total governmental fund (page nine)	\$ (383,362)
<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	1,329,413
Depreciation expense	(951,478)
<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>	
	(1,500,000)
<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	65,918
<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>	
Increase in accrued interest payable	(3,566)
Increase in accrued compensated absences	(3,809)
Principal payments on bonds	730,000
Change in net pension liability and the related deferred outflows and deferred inflows of resources related to pensions	(1,304,693)
Change in net OPEB liability and the related deferred outflows and deferred inflows of resources related to OPEB	61,267
	61,267
Net change in net position - governmental activities (page six)	\$ (1,960,310)

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, 2019

	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	\$ 64,305	\$ 64,305	\$ 64,688	\$ 252	\$ 64,940	\$ 383
Intergovernmental:						
Federal	-	26,841	25,177	-	25,177	(1,664)
State	4,539,281	4,821,103	4,833,860	-	4,833,860	12,757
Charges for services	10,000	10,000	2,708	-	2,708	(7,292)
Interest	-	-	1,349	-	1,349	1,349
Miscellaneous	2,500	2,500	15,923	-	15,923	13,423
Total revenues	4,616,086	4,924,749	4,943,705	252	4,943,957	18,956
Expenditures:						
Current:						
Instruction	2,227,442	2,726,774	2,468,056	716,080	3,184,136	258,718
Support services:						
Students	597,098	612,826	531,149	7,029	538,178	81,677
Instruction	50,835	51,019	50,504	-	50,504	515
General administration	227,070	229,123	207,259	648	207,907	21,864
School administration	490,511	490,511	474,695	(377)	474,318	15,816
Central services	345,432	397,563	393,025	3,540	396,565	4,538
Operations of plant	857,307	857,307	806,613	680	807,293	50,694
Student transportation	109,448	109,448	79,770	-	79,770	29,678
Other	18,594	18,594	-	-	-	18,594
Operation services:						
Food	-	59,074	104,914	-	104,914	(45,840)
Capital outlay	-	23,528	-	-	-	23,528
Total expenditures	4,923,737	5,575,767	5,115,985	727,600	5,843,585	459,782
Net change	(307,651)	(651,018)	(172,280)	<u>\$ (727,348)</u>	<u>\$ (899,628)</u>	478,738
Cash balance, beginning of year	-	-	-			-
Cash repaid from other funds	-	-	849,661			849,661
Cash advanced to other funds	-	-	(537,488)			(537,488)
Cash balance, end of year	<u>\$ (307,651)</u>	<u>\$ (651,018)</u>	<u>\$ 139,893</u>			<u>\$ 790,911</u>
Explanation of Differences:						
Change in receivables				\$ 3,609		
Change in prepaid expenses				(249,242)		
Change in accounts payable				(283,682)		
Change in accrued payroll taxes				(194,676)		
Change in unearned revenues				(3,357)		
				<u>\$ (727,348)</u>		

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

STATE OF NEW MEXICO
LORDBURG MUNICIPAL SCHOOL DISTRICT NO. 1
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, 2019

	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	\$ 303,878	\$ 303,878	\$ 303,878	\$ -	\$ 303,878	\$ -
Expenditures:						
Current:						
Support services:						
Student transportation	<u>303,878</u>	<u>336,346</u>	<u>315,734</u>	<u>22,358</u>	<u>338,092</u>	<u>20,612</u>
Net change	-	(32,468)	(11,856)	<u>\$ (22,358)</u>	<u>\$ (34,214)</u>	20,612
Cash balance, beginning of year	<u>47,857</u>	<u>47,857</u>	<u>47,857</u>			-
Cash balance, end of year	<u>\$ 47,857</u>	<u>\$ 15,389</u>	<u>\$ 36,001</u>			<u>\$ 20,612</u>
Explanation of Differences:						
Change in accounts payable				\$ (2,150)		
Change in due to/due from				<u>(20,208)</u>		
				<u>\$ (22,358)</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, 2019

	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	\$ 15,869	\$ 17,481	\$ 15,869	\$ 1,612	\$ 17,481	\$ (1,612)
Expenditures:						
Current:						
Instruction	15,869	17,481	17,481	-	17,481	-
Net change	-	-	(1,612)	\$ 1,612	\$ -	(1,612)
Cash balance, beginning of year	-	-	-			-
Cash advanced from other funds	-	-	1,612			1,612
Cash balance, end of year	\$ -	\$ -	\$ -			\$ -
Explanation of Differences:						
Change in receivables				\$ 1,612		

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

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

TITLE I 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, 2019**

	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	\$ 292,588	\$ 292,588	\$ 169,156	\$ 123,432	\$ 292,588	\$ (123,432)
Expenditures:						
Current:						
Instruction	270,173	270,173	270,174	10,398	280,572	(1)
Support services:						
School administration	22,415	22,415	22,414	-	22,414	1
Total expenditures	<u>292,588</u>	<u>292,588</u>	<u>292,588</u>	<u>10,398</u>	<u>302,986</u>	<u>-</u>
Net change	-	-	(123,432)	<u>\$ 113,034</u>	<u>\$ (10,398)</u>	(123,432)
Cash balance, beginning of year	-	-	-			-
Cash repaid to other funds	-	-	(156,031)			(156,031)
Cash advanced from other funds	-	-	279,463			279,463
Cash balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>			<u>\$ -</u>
Explanation of Differences:						
Change in receivables				\$ 123,432		
Change in accrued payroll taxes				<u>(10,398)</u>		
				<u>\$ 113,034</u>		

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

STATE OF NEW MEXICO
LORDBURG 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, 2019

	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	\$ -	\$ 363,811	\$ 167,229	\$ 186,734	\$ 353,963	\$ (196,582)
Expenditures:						
Current:						
Instruction	-	247,343	229,429	30,101	259,530	17,914
Support services:						
Students	-	88,331	88,256	-	88,256	75
School administration	-	28,137	18,945	-	18,945	9,192
Total expenditures	-	363,811	336,630	30,101	366,731	27,181
Net change	-	-	(169,401)	<u>\$ 156,633</u>	<u>\$ (12,768)</u>	(169,401)
Cash balance, beginning of year	-	-	-			-
Cash repaid to other funds	-	-	(167,189)			(167,189)
Cash advanced from other funds	-	-	336,590			336,590
Cash balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>			<u>\$ -</u>
Explanation of Differences:						
Change in receivables				\$ 186,734		
Change in accrued payroll taxes				(17,333)		
Change in due to/due from				(12,768)		
				<u>\$ 156,633</u>		

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

FIDUCIARY FINANCIAL STATEMENT

STATE OF NEW MEXICO
LORDSBURG MUNICIPAL SCHOOL DISTRICT NO. 1
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2019

	Private Purpose Trust Fund	Agency Fund
	<u> </u>	<u> </u>
Assets:		
Cash	\$ 52,097	\$ 107,508
	<u> </u>	<u> </u>
Liabilities:		
Accounts payable	\$ -	\$ 744
Deposits held for others	-	106,764
	<u> </u>	<u> </u>
Total liabilities	-	107,508
Net Position:		
Reserved for scholarships	(903)	-
Reserved for endowment	53,000	-
	<u> </u>	<u> </u>
Total net position	<u>\$ 52,097</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO
LORDBURG MUNICIPAL SCHOOL DISTRICT NO. 1
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUND
JUNE 30, 2019

Additions:	
Interest earned	\$ 1
 Deductions:	
Bank fees	45
Scholarships awarded	<u>1,500</u>
Total deductions	1,545
 Change in net position	 (1,544)
Net position, beginning of year	<u>53,641</u>
Net position, end of year	<u><u>\$ 52,097</u></u>

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, 2019

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, 2019

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the fiduciary fund financial 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, 2019

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, 2019

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, 2019

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, 2019

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, 2019

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 Hidalgo County treasurer in July and August 2019, is considered *measurable and available* and, accordingly, is recorded as revenue during the year ended June 30, 2019.

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
LORDBURG MUNICIPAL SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

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, 2019.

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, 2019

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, 2019

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

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
LORDSBURG MUNICIPAL SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

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 \$4,556,674 in state equalization guarantee distributions during the year ended June 30, 2019.

STATE OF NEW MEXICO
LORDSBURG MUNICIPAL SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

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 \$1,228,813 in tax revenues during the year ended June 30, 2019. 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 \$303,878 in transportation distributions during the year ended June 30, 2019.

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, 2019 totaled \$15,869.

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, 2019

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, 2019

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, 2019

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, 2019

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, 2019, 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, 2019.

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, 2019

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, 2019, \$789,231 of the District’s deposits of \$1,039,231 was exposed to custodial credit risk. As of June 30, 2019, the carrying amount of these deposits was \$729,759.

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	\$ 1,039,231
Less FDIC coverage	(250,000)
Uninsured public funds	789,231
Pledged collateral held by pledging bank’s agent, but not in the District’s name	669,881
Uninsured and uncollateralized funds	\$ 119,350
Total pledged collateral	\$ 669,881
50% pledged collateral requirement per State Statute	394,615
Pledged collateral over (under) the requirement	\$ 275,266

STATE OF NEW MEXICO
LORDBURG MUNICIPAL SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

3. CASH AND TEMPORARY INVESTMENTS (continued)

Reconciliation of Cash and Temporary Investments

Statement of Net Position:	
Cash	\$ 570,154
Statement of Fiduciary Assets and Liabilities	159,605
Total cash reported on financial statements	\$ 729,759

Restricted Assets

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

Statement of Net Position:	
Restricted cash	\$ 22
Restricted investments	1,750,383
	\$ 1,750,405

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, 2019, 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 \$22 invested within the NMFA debt service pool. At June 30, 2019, the pool was composed of short-term, high-credit-quality money market instruments.

NMFA – Program Funds

The District has \$1,750,405 invested within the NMFA program fund. At June 30, 2019, the fund was composed of 28.90% cash and short-term high quality money market instruments and 71.10% 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, 2019

3. CASH AND TEMPORARY INVESTMENTS (continued)

The NMFA debt service pool fund weighted average maturity is 2.139 years or 781 days. The NMFA program funds pool fund weighted average maturity is .492 years or 180 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, 2019, consisted of the following:

Food Service Fund	<u>\$ 5,866</u>
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5. RECEIVABLES

Receivables as of June 30, 2019, are as follows:

	General Fund	Title I IASA Fund	IDEA-B Entitlement Fund	Debt Service Fund	Non-Major Funds	Total
Property taxes	\$ 14,247	\$ -	\$ -	\$ 210,827	\$ 59,904	\$ 284,978
Intergovernmental	1,612	292,588	353,963	-	318,466	966,629
Total receivables	<u>\$ 15,859</u>	<u>\$ 292,588</u>	<u>\$ 353,963</u>	<u>\$ 210,827</u>	<u>\$ 378,370</u>	<u>\$ 1,251,607</u>

The above receivables are deemed 100% collectible.

STATE OF NEW MEXICO
LORDSBURG MUNICIPAL SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

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, 2019, is as follows:

<u>Governmental Activities</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Funds:		
General Fund	\$ 537,488	\$ 1,612
Title I - IASA Fund	-	279,463
IDEA-B Entitlement Fund	-	336,590
Bond Building Fund	-	847,045
Debt Service Fund	856,621	-
Non-Major Funds	<u>285,540</u>	<u>214,939</u>
Total	<u><u>\$ 1,679,649</u></u>	<u><u>\$ 1,679,649</u></u>

All interfund balances are to be paid within one year.

7. CAPITAL ASSETS

During the fiscal year, the District contracted with a vendor to perform a detailed inventory of the District's capital assets. The contractor noted various instances of variances within the District's capital asset subsidiary records in respect to the beginning of year amounts. The effect of the changes are as follows:

	<u>Balance 06/30/18</u>	<u>Corrections</u>	<u>Restated Balance 06/30/18</u>
Governmental Capital Assets:			
Land	\$ 341,566	\$ -	\$ 341,566
Building and building improvements	47,055,673	(5,022,106)	42,033,567
Land improvements	-	1,854,488	1,854,488
Equipment and vehicles	4,401,354	(2,701,865)	1,699,489
Accumulated depreciation:			
Building and building improvements	(14,009,421)	870,533	(13,138,888)
Land improvements	-	(476,709)	(476,709)
Equipment and vehicles	<u>(4,021,514)</u>	<u>2,783,921</u>	<u>(1,237,593)</u>
Net governmental capital assets	<u><u>\$ 33,767,658</u></u>	<u><u>\$ (2,691,738)</u></u>	<u><u>\$ 31,075,920</u></u>

STATE OF NEW MEXICO
LORDBURG MUNICIPAL SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

7. CAPITAL ASSETS (continued)

Capital assets for the fiscal year ended June 30, 2019:

	Restated Balance 06/30/18	Increases	Decreases	Balance 06/30/19
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 341,566	\$ -	\$ -	\$ 341,566
Construction in progress	-	890,993	-	890,993
Total capital assets, not being depreciated	341,566	890,993	-	1,232,559
Capital assets, being depreciated:				
Buildings and building improvements	42,033,567	82,062	-	42,115,629
Land improvements	1,854,488	187,564	-	2,042,052
Equipment and vehicles	1,699,489	168,794	-	1,868,283
Total capital assets, being depreciated	45,587,544	438,420	-	46,025,964
Less accumulated depreciation for:				
Buildings and building improvements	(13,138,888)	(771,955)	-	(13,910,843)
Land improvements	(476,709)	(97,006)	-	(573,715)
Equipment and vehicles	(1,237,593)	(82,517)	-	(1,320,110)
Total accumulated depreciation	(14,853,190)	(951,478)	-	(15,804,668)
Total capital assets, being depreciated, net	30,734,354	(513,058)	-	30,221,296
Total capital assets, net	<u>\$ 31,075,920</u>	<u>\$ 377,935</u>	<u>\$ -</u>	<u>\$ 31,453,855</u>

Depreciation expense for the year ended June 30, 2019, in the amount of \$951,478, was charged to the following functions:

Instruction	\$ 1,862
Support services - operation of plant	3,368
Support services - student transportation	21,806
Operation services - food	6,824
Unallocated depreciation	917,618
	<u>\$ 951,478</u>

8. LONG-TERM DEBT

During the year ended June 30, 2019, the following changes occurred in the liabilities reported in the government-wide statement of net position:

STATE OF NEW MEXICO
LORDSBURG MUNICIPAL SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

8. LONG-TERM DEBT (continued)

	Balance 06/30/18	Additions	Deletions	Balance 06/30/19	Amounts Due Within One Year
Bonds payable	\$ 6,245,000	\$ 1,500,000	\$ (730,000)	\$ 7,015,000	\$ 810,000
Compensated absences	86,770	20,518	(16,709)	90,579	66,123
Total	<u>\$ 6,331,770</u>	<u>\$ 1,520,518</u>	<u>\$ (746,709)</u>	<u>\$ 7,105,579</u>	<u>\$ 876,123</u>

General Obligation Bond

The District had general obligation bond series outstanding during the fiscal year ending June 30, 2019.

Series	Maturity Date	Original Amount	Interest Rate	Balance
2010	10/01/21	1,500,000	0.63-3.71%	\$ 600,000
2011	10/01/22	1,000,000	2.232%	485,000
2012	10/01/23	1,500,000	2.126%	540,000
2013	10/01/28	2,000,000	0.579-3.1%	1,605,000
2015	10/01/29	2,000,000	0.35-3.04%	1,730,000
2017	10/01/29	750,000	0.10-2.727%	555,000
2018	10/01/31	1,500,000	1.48-3.07%	1,500,000
				<u>\$ 7,015,000</u>

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

	Principal	Interest	Total
2020	\$ 810,000	\$ 162,688	\$ 972,688
2021	715,000	146,316	861,316
2022	705,000	129,263	834,263
2023	685,000	112,273	797,273
2024	625,000	96,767	721,767
2024-2029	2,905,000	249,532	3,154,532
2030-2032	570,000	14,271	584,271
	<u>\$ 7,015,000</u>	<u>\$ 911,110</u>	<u>\$ 7,926,110</u>

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, 2019, compensated absences increased \$3,809 over the prior year accrual.

STATE OF NEW MEXICO
LORDSBURG MUNICIPAL SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

8. LONG-TERM DEBT (continued)

Operating Leases

The District leases office equipment under short-term cancelable operating leases. Rental cost for the year ended June 30, 2019, was \$820.

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. 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, 2019, there have been no claims that have exceeded insurance coverage.

10. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

Deficit Fund Balance of Individual Funds

The following funds have a deficit fund balance as of June 30, 2019:

<u>Fund Name</u>	<u>Total</u>
Athletics Fund	\$ 5,658
Teacher/Principal Training & Recruiting Fund	5,763
Pre-K Initiative Fund	24,157

Excess of Expenditures Beyond Appropriations

During the fiscal year, the District incurred expenditures beyond appropriations within the food service fund totaling \$381.

STATE OF NEW MEXICO
LORDSBURG MUNICIPAL SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

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.

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:

STATE OF NEW MEXICO
LORDSBURG MUNICIPAL SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

11. PENSION PLAN - EDUCATION RETIREMENT BOARD (ERB) (continued)

General Information about the Pension Plan (continued)

Summary of Plan Provisions for Retirement Eligibility (continued)

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

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

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

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

Benefit Options – The Plan has three benefit options available:

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

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

Option C – Joint 50% Survivor Benefit – The single life annuity monthly benefit is reduced to provide for a 50% survivor's benefit.

STATE OF NEW MEXICO
LORDSBURG MUNICIPAL SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

11. PENSION PLAN - EDUCATION RETIREMENT BOARD (ERB) (continued)

General Information about the Pension Plan (continued)

Benefit Options (continued)

Option C – Joint 50% Survivor Benefit (continued) - 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. 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.

STATE OF NEW MEXICO
LORDSBURG MUNICIPAL SCHOOL DISTRICT NO. 1
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2019

11. PENSION PLAN - EDUCATION RETIREMENT BOARD (ERB) (continued)

General Information about the Pension Plan (continued)

Refund of Contributions (continued) – Interest is paid to members when they withdraw their contributions following termination of employment at a rate set by the Board. Interest is not earned on contributions credited to accounts prior to July 1, 1971, or for contributions held for less than one year.

Contributions - For the fiscal year ended June 30, 2019 and 2018, 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
2019	7-1-18 to 6-30-19	Over \$20K	10.70%	13.90%	24.60%	0.00%
2019	7-1-18 to 6-30-19	\$20K or less	7.90%	13.90%	21.80%	0.00%
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%

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, 2019 and 2018, the District paid employee and employer contributions of \$470,276 and \$432,743, which equal the amount of the required contributions for each fiscal year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2019, the District reported a liability of \$13,250,510 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2018, using generally accepted actuarial principles. The roll-forward incorporates the impact of the new assumptions adopted by the Board on April 21, 2017. There were no other significant events of changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2018. Therefore, the employer's portion was established as of the measurement date of June 30, 2018.

The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan, relative to the projected contributions of all participating educational institutions at June 30, 2018, actuarially determined. At June 30, 2018, the District's proportion was 0.11143%, which was an increase of 0.00298% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the District recognized pension expense of \$1,304,693. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

STATE OF NEW MEXICO
LORDSBURG MUNICIPAL SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

11. PENSION PLAN - EDUCATION RETIREMENT BOARD (ERB) (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 (continued) -

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 9,671	\$ 252,179
Change of assumptions	2,730,867	-
Net difference between projected and actual earnings on pension plan investments	29,333	-
Changes in proportion and differences between contributions and proportionate share of contributions	<u>171,698</u>	<u>647,706</u>
Total	<u>\$ 2,941,569</u>	<u>\$ 899,885</u>

\$37,315 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2019	\$ 1,211,143
2020	810,800
2021	19,355
2022	386
2023	-
Thereafter	-

Actuarial Assumptions – The total pension liability in the June 30, 2018 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

STATE OF NEW MEXICO
LORDBURG MUNICIPAL SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

11. PENSION PLAN - EDUCATION RETIREMENT BOARD (ERB) (continued)

General Information about the Pension Plan (continued)

Actuarial Assumptions (continued) –

Inflation	2.5%										
Salary increases	3.25% composed of 2.50% inflation, plus a 0.75% productivity increase rate, plus a step-rate promotional increase for members with less than 10 years of service.										
Investment rate of return	7.25% compounded annually, net of expenses. This is made up of a 2.50% inflation rate and a 4.75 real rate of return.										
Average of Expected Remaining Service Lives	<table border="0" style="margin-left: 20px;"> <tr> <td style="text-align: left;">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 style="text-align: left;">Service life in years</td> <td style="text-align: center;">3.35</td> <td style="text-align: center;">3.77</td> <td style="text-align: center;">3.92</td> <td style="text-align: center;">3.88</td> </tr> </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, no 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 April 21, 2017, in conjunction with the six-year experience study for the period ended June 30, 2016.										
Cost-of-living increases	1.90% per year, compounded annually; increases deferred until July 1 following the year a member retires, or the year in which a member attains the age of 65 (67 for Tier 3), whichever is later or, for disabled retirees, until July 1 of the third year following retirement.										
Payroll growth	3.00% per year (with no allowance for membership growth).										
Contribution accumulation	The accumulated member account balance with interest is estimated at the valuation date by assuming that member contributions increased 5.50% per year for all years prior to the valuation date. Contributions are credited with 4.00% interest, compounded annually, applicable to the account balances in the past as well as the future.										
Disability incidence	Approved rates 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
LORDSBURG MUNICIPAL SCHOOL DISTRICT NO. 1
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2019

11. PENSION PLAN - EDUCATION RETIREMENT BOARD (ERB) (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 5.69% was used to measure the total pension liability as of June 30, 2018. This rate is .21% less than the 5.90% discount rate used for June 30, 2017. The June 30, 2018 single discount rate was based on a long-term expected rate of return on pension plan investments of 7.25%, and a municipal bond rate of 3.62%. Based on the stated assumptions and the projection of cash flows, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2050. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the 2050 fiscal year, and the municipal bond rate was applied to all benefit payments after that date.

The projection of cash flows used to determine the June 30, 2018 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 5.69 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.69 percent) or 1-percentage-point higher (6.69 percent) than the current rate:

	1% Decrease 4.69%	Current Discount Rate 5.69%	1% Increase 6.69%
District's proportionate share of the net pension liability	\$ 17,220,588	\$ 13,250,510	\$ 10,011,174

STATE OF NEW MEXICO
LORDSBURG MUNICIPAL SCHOOL DISTRICT NO. 1
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2019

11. PENSION PLAN - EDUCATION RETIREMENT BOARD (ERB) (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, 2018, the Fund's measurement date, following employees were covered by the benefit terms:

Plan Membership:	
Current retirees and surviving spouses	\$ 51,205
Inactive and eligible for deferred benefit	11,471
Current active members	93,349
	\$ 156,025
Active Membership:	
State general	19,593
State police and corrections	1,886
Municipal general	17,004
Municipal police	3,820
Municipal FTRE	2,290
Educational Retirement Board	48,756
	\$ 93,349

STATE OF NEW MEXICO
LORDSBURG MUNICIPAL SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

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

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 \$67,653 for the year ended June 30, 2019.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – At June 30, 2019, the Authority reported a liability of \$3,171,255 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. The District’s proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2018. At June 30, 2018, the District’s proportion was 0.07293 percent.

For the year ended June 30, 2019, the District recognized OPEB expense of \$6,386. 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	\$ -	\$ 187,759
Net difference between projected and actual investment earnings on OPEB plan investments	-	39,576
Changes of assumptions	-	592,059
Change in proportion	50,036	-
Contributions made after the measurement date	67,653	-
	\$ 117,689	\$ 819,394

Deferred outflows of resources totaling \$67,653 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, 2020. 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:	
2020	\$ (197,589)
2021	(197,589)
2022	(197,589)
2023	(150,175)
2024	(26,416)
	\$ (769,358)

STATE OF NEW MEXICO
LORDBURG MUNICIPAL SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

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

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

Valuation date	June 30, 2017
Actuarial cost method	Entry age normal, level percent of pay, calculated on individual employee basis
Asset valuation method	Market value of assets
Actuarial assumptions:	
Inflation	2.50% for ERB members; 2.25% for PERA members
Projected payroll increases	3.25% to 12.50%, based on years of service, including inflation
Investment rate of return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation
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 years for Medicare medical plan costs
Mortality	ERB members: RP-2000 Combined Healthy Mortality Table with White Collar Adjustment (males) and GRS Southwest Region Teacher Mortality Table (females) PERA members: RP-2000 Combined Healthy Mortality

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

Asset Class	Long-Term Rate of Return
U.S. core fixed income	2.1%
U.S. equity - large cap	7.10%
Non U.S. - emerging markets	10.2%
Non U.S. - developed equities	7.8%
Private equity	11.8%
Credit and structured finance	5.3%
Real estate	4.9%
Absolute return	4.1%
U.S. equity - small/mid cap	7.1%

STATE OF NEW MEXICO
LORDSBURG MUNICIPAL SCHOOL DISTRICT NO. 1
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2019

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

Discount Rate – The discount rate used to measure the Fund’s total OPEB liability is 4.08% as of June 30, 2018. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the Fund’s fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2029. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2029. Beyond 2029, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Thus, 4.08% is the blended discount rate.

Sensitivity of the Net OPEB Liability 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 (3.01 percent) or 1-percentage-point higher (5.08 percent) than the current discount rate:

1% Decrease (3.08%)	Current Discount (4.08%)	1% Increase (5.08%)
\$ 3,837,966	\$ 3,171,255	\$ 2,645,739

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
\$ 2,680,822	\$ 3,171,255	\$ 3,555,765

OPEB Plan Fiduciary Net Position - Detailed information about the OPEB plan’s fiduciary net position is available in NMRHCA’s audited financial statements for the year ended June 30, 2018.

Payable Changes in the Net OPEB Liability – At June 30, 2019, the Authority reported a payable of \$15,691 for outstanding contributions due to NMRHCA for the year ended June 30, 2019.

STATE OF NEW MEXICO
LORDSBURG MUNICIPAL SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

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.

STATE OF NEW MEXICO
LORDSBURG MUNICIPAL SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

14. GOVERNMENTAL FUND BALANCE (continued)

Fund Balance (continued)

	Operational Fund	Pupil Transportation Fund	IDEA-B Entitlement Fund	Bond Building Fund	Debt Service Fund	Other Governmental Funds	Total
Fund Balances							
Nonspendable:							
Inventory	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,866	\$ 5,866
Restricted:							
Transportation	-	30,722	-	-	-	-	30,722
Special revenue funds	-	-	40	-	-	129,022	129,062
Capital projects funds	-	-	-	770,250	-	395,928	1,166,178
Debt service funds	-	-	-	-	1,071,264	-	1,071,264
Unassigned	184,543	-	-	-	-	(35,578)	148,965
Total fund balances	<u>\$ 184,543</u>	<u>\$ 30,722</u>	<u>\$ 40</u>	<u>\$ 770,250</u>	<u>\$ 1,071,264</u>	<u>\$ 495,238</u>	<u>\$ 2,552,057</u>

15. RESTATEMENT OF NET POSITION

During the fiscal year ended June 30, 2019, the District determined that changes to the beginning of year net position was necessary. A description and the effect of the change is as follows:

	<u>Government- Wide</u>
	<u>Governmental Activities</u>
Government-Wide Financial Statements	
Changes to beginning of year capital assets amounts due to detailed review of capital asset subsidiary ledgers.	<u>\$ (2,691,738)</u>

16. TAX ABATEMENTS

Tax abatement agreements are reductions in tax revenues that result from an agreement between one or more governments, and an individual or entity, in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled, and (b) the individual or entity promises to take a specific action after the agreement has been entered into, that contributes to economic development or otherwise benefits the government or citizens of those governments. Presently, the District has no tax abatement agreements.

17. SUBSEQUENT EVENTS

Subsequent events were evaluated through November 8, 2019, which is the date of the independent auditors' report.

SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

STATE OF NEW MEXICO
LORDBURG MUNICIPAL SCHOOL DISTRICT NO. 1
NONMAJOR GOVERNMENTAL FUNDS DESCRIPTION
JUNE 30, 2019

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.

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.

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.

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.

New Mexico Grown Fruits and Vegetables – To account for monies received from the state of New Mexico to be used to purchase fresh fruits and vegetables, grown in New Mexico, to all students. Authority for the creation of this fund is the New Mexico Public Education Department.

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.

STATE OF NEW MEXICO
LORDBURG MUNICIPAL SCHOOL DISTRICT NO. 1
NONMAJOR GOVERNMENTAL FUNDS DESCRIPTION
JUNE 30, 2019

SPECIAL REVENUE FUNDS (continued)

Excellence in Training – To account for funds to award teachers that met award criteria including those that achieved two years of student growth in one academic year. Funding and authority provided by the New Mexico Public Education Department.

USDA 2010 Equipment Assistance Program – To account for funds provided to purchase equipment for food service in eligible schools participating in the National School Lunch Program. Funding and authority provided under the Agriculture Appropriations Act.

Title IV Student Support & Academic Enrichment – To account for funds provided to support well-rounded education opportunities, safe and healthy students and effective use of technology (ESEA Sections 4107, 4108 and 4109). Funding is by the U.S. Department of Education, Title IV – Student Support and Academic Enrichment Grants.

New Mexico Department of Transportation – To account for Local Government Road Funds to public entities for parking lot improvements of school district parking lots. Funding and authority provided under Section 67-3-28 and 67-3-28.2 NMSA 1978 and the New Mexico Transportation Commission Policy No. 44-12.

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, 2019

Special Revenue Funds

	Food Service	Athletics	IDEA-B Preschool	Education of Homeless	Teacher/ Principal Training & Recruiting	Title XIX Medicaid (3 to 21)	Dual Credit Instructional Materials	Pre-K Initiative	Kindergarten Three Plus
<u>ASSETS</u>									
Cash	\$ 19,653	\$ -	\$ -	\$ -	\$ -	\$ 43,022	\$ -	\$ -	\$ -
Receivables, net	40,624	-	16,860	8,031	-	-	3,018	175,195	22,954
Inventory	5,866	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-	-
Total assets	<u>\$ 66,143</u>	<u>\$ -</u>	<u>\$ 16,860</u>	<u>\$ 8,031</u>	<u>\$ -</u>	<u>\$ 43,022</u>	<u>\$ 3,018</u>	<u>\$ 175,195</u>	<u>\$ 22,954</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>									
Liabilities:									
Accounts payable	\$ 16,110	\$ 224	\$ -	\$ -	\$ 4,107	\$ -	\$ -	\$ 24,279	\$ -
Accrued payroll taxes	11,157	-	1,338	-	-	1,925	-	11,939	12,877
Due to other funds	-	5,434	15,522	8,031	1,656	-	3,018	163,134	10,077
Total liabilities	27,267	5,658	16,860	8,031	5,763	1,925	3,018	199,352	22,954
Deferred Inflows of Resources:									
Noncurrent taxes	-	-	-	-	-	-	-	-	-
Fund Balances:									
Nonspendable:									
Inventory	5,866	-	-	-	-	-	-	-	-
Restricted:									
Special revenue funds	33,010	-	-	-	-	41,097	-	-	-
Capital projects funds	-	-	-	-	-	-	-	-	-
Unassigned	-	(5,658)	-	-	(5,763)	-	-	(24,157)	-
Total fund balances	<u>38,876</u>	<u>(5,658)</u>	<u>-</u>	<u>-</u>	<u>(5,763)</u>	<u>41,097</u>	<u>-</u>	<u>(24,157)</u>	<u>-</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 66,143</u>	<u>\$ -</u>	<u>\$ 16,860</u>	<u>\$ 8,031</u>	<u>\$ -</u>	<u>\$ 43,022</u>	<u>\$ 3,018</u>	<u>\$ 175,195</u>	<u>\$ 22,954</u>

STATE OF NEW MEXICO
LORDSBURG MUNICIPAL SCHOOL DISTRICT NO. 1
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019

	Special Revenue Funds						Capital Projects Fund	
	NM Grown Fruits and Vegetables	City/County Grants	Excellence in Training	USDA 2010 Equipment Assistance Program	Title IV Student Support & Academic Enrichment	New Mexico Department of Transportation	Total Special Revenue Funds	SB9
<u>ASSETS</u>								
Cash	\$ -	\$ 21,569	\$ -	\$ -	\$ -	\$ 33,346	\$ 117,590	\$ 72,010
Receivables, net	3,085	-	-	4,580	402	-	274,749	103,621
Inventory	-	-	-	-	-	-	5,866	-
Due from other funds	-	-	-	-	-	-	-	285,540
Total assets	<u>\$ 3,085</u>	<u>\$ 21,569</u>	<u>\$ -</u>	<u>\$ 4,580</u>	<u>\$ 402</u>	<u>\$ 33,346</u>	<u>\$ 398,205</u>	<u>\$ 461,171</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>								
Liabilities:								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 44,720	\$ 8,241
Accrued payroll taxes	-	-	-	-	-	-	39,236	-
Due to other funds	3,085	-	-	4,580	402	-	214,939	-
Total liabilities	3,085	-	-	4,580	402	-	298,895	8,241
Deferred Inflows of Resources:								
Noncurrent taxes	-	-	-	-	-	-	-	57,002
Fund Balances:								
Nonspendable:								
Inventory	-	-	-	-	-	-	5,866	-
Restricted:								
Special revenue funds	-	21,569	-	-	-	33,346	129,022	-
Capital projects funds	-	-	-	-	-	-	-	395,928
Unassigned	-	-	-	-	-	-	(35,578)	-
Total fund balance	-	21,569	-	-	-	33,346	99,310	395,928
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,085</u>	<u>\$ 21,569</u>	<u>\$ -</u>	<u>\$ 4,580</u>	<u>\$ 402</u>	<u>\$ 33,346</u>	<u>\$ 398,205</u>	<u>\$ 461,171</u>

STATE OF NEW MEXICO
LORDSBURG MUNICIPAL SCHOOL DISTRICT NO. 1
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019

	Total Other Governmental Funds
<u>ASSETS</u>	
Cash	\$ 189,600
Receivables, net	378,370
Inventory	5,866
Due from other funds	<u>285,540</u>
Total assets	<u><u>\$ 859,376</u></u>
 <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>	
Liabilities:	
Accounts payable	\$ 52,961
Accrued payroll taxes	39,236
Due to other funds	<u>214,939</u>
Total liabilities	307,136
Deferred Inflows of Resources:	
Noncurrent taxes	57,002
Fund Balances:	
Nonspendable:	
Inventory	5,866
Restricted:	
Special revenue funds	129,022
Capital projects funds	395,928
Unassigned	<u>(35,578)</u>
Total fund balance	<u>495,238</u>
Total liabilities, deferred inflows of resources and fund balances	<u><u>\$ 859,376</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, 2019

	Special Revenue Funds								
	Food Services	Athletics	IDEA-B Preschool	Education of Homeless	Teacher/ Principal Training & Recruiting	Title XIX Medicaid (3 to 21)	Dual Credit Instructional Materials	Pre-K Initiative	Kindergarten Three Plus
Revenues:									
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental:									
Federal	342,856	-	16,860	8,031	-	66,020	-	175,195	-
State	-	-	-	-	-	-	3,018	-	68,924
Local	-	-	-	-	-	-	-	-	-
Charges for services	3,779	24,902	-	-	-	-	-	-	-
Total revenues	346,635	24,902	16,860	8,031	-	66,020	3,018	175,195	68,924
Expenditures:									
Current:									
Instruction	-	34,720	17,606	8,031	6,029	-	3,018	198,847	61,238
Support services:									
Students	-	-	-	-	-	34,549	-	-	7,729
General administration	-	-	-	-	-	-	-	-	-
School administration	-	-	-	-	-	-	-	-	1,211
Operation of plant	-	-	-	-	-	-	-	-	5,582
Student transportation	-	-	-	-	-	-	-	10,655	-
Operation services:									
Food	418,963	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-
Total expenditures	418,963	34,720	17,606	8,031	6,029	34,549	3,018	209,502	75,760
Net change in fund balance	(72,328)	(9,818)	(746)	-	(6,029)	31,471	-	(34,307)	(6,836)
Fund balance, beginning of year	111,204	4,160	746	-	266	9,626	-	10,150	6,836
Fund balance, end of year	\$ 38,876	\$ (5,658)	\$ -	\$ -	\$ (5,763)	\$ 41,097	\$ -	\$ (24,157)	\$ -

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, 2019

	Special Revenue Funds						Capital Projects Fund	
	NM Grown Fruits & Vegetables	City/County Grants	Excellence in Training	USDA 2010 Equipment Assistance Program	Title IV Student Support & Academic Enrichment	New Mexico Department of Transportation	Total Special Revenue Funds	SB 9
Revenues:								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 266,235
Intergovernmental:								
Federal	-	-	-	4,580	-	-	613,542	-
State	3,085	-	26,913	-	402	35,406	137,748	43,717
Local	-	10,000	-	-	-	-	10,000	-
Charges for services	-	-	-	-	-	-	28,681	-
Total revenues	3,085	10,000	26,913	4,580	402	35,406	789,971	309,952
Expenditures:								
Current:								
Instruction	-	-	26,913	-	402	-	356,804	-
Support services:								
Students	-	-	-	-	-	-	42,278	-
General administration	-	-	-	-	-	-	-	5,949
School administration	-	-	-	-	-	-	1,211	-
Operation of plant	-	-	-	-	-	2,060	7,642	33,850
Student transportation	-	-	-	-	-	-	10,655	-
Operation services:								
Food	3,085	-	-	4,580	-	-	426,628	-
Capital outlay	-	-	-	-	-	-	-	154,086
Total expenditures	3,085	-	26,913	4,580	402	2,060	845,218	193,885
Net change in fund balance	-	10,000	-	-	-	33,346	(55,247)	116,067
Fund balance, beginning of year	-	11,569	-	-	-	-	154,557	279,861
Fund balance, end of year	\$ -	\$ 21,569	\$ -	\$ -	\$ -	\$ 33,346	\$ 99,310	\$ 395,928

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, 2019

	Total Other Governmental Funds
Revenues:	
Property taxes	\$ 266,235
Intergovernmental:	
Federal	613,542
State	181,465
Local	10,000
Charges for services	28,681
Total revenues	1,099,923
Expenditures:	
Current:	
Instruction	356,804
Support services:	
Students	42,278
General administration	5,949
School administration	1,211
Operation of plant	41,492
Student transportation	10,655
Operation services:	
Food	426,628
Capital outlay	154,086
Total expenditures	1,039,103
Net change in fund balance	60,820
Fund balance, beginning of year	434,418
Fund balance, end of year	\$ 495,238

SUPPORTING SCHEDULES

STATE OF NEW MEXICO
LORDBURG MUNICIPAL SCHOOL DISTRICT NO. 1
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES – AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Balance 06/30/18	Restatements	Additions	Deletions	Balance 06/30/19
ASSETS					
Lordsburg High School	\$ 109,102	\$ (15,135)	\$ 54,726	\$ (59,431)	\$ 89,262
Dugan-Tarango Middle School	2,610	9,316	8,052	(7,730)	12,248
Central Elementary School	143	6,503	19,956	(20,604)	5,998
Total	<u>\$ 111,855</u>	<u>\$ 684</u>	<u>\$ 82,734</u>	<u>\$ (87,765)</u>	<u>\$ 107,508</u>
LIABILITIES					
Lordsburg High School	\$ 109,102	\$ (15,135)	\$ 54,726	\$ (59,431)	\$ 89,262
Dugan-Tarango Middle School	2,610	9,316	8,052	(7,730)	12,248
Central Elementary School	143	6,503	19,956	(20,604)	5,998
Total	<u>\$ 111,855</u>	<u>\$ 684</u>	<u>\$ 82,734</u>	<u>\$ (87,765)</u>	<u>\$ 107,508</u>

STATE OF NEW MEXICO
LORDSBURG MUNICIPAL SCHOOL DISTRICT NO. 1
SCHEDULE OF PLEDGED COLLATERAL
JUNE 30, 2019

Western Bank
 711 Main Street
 Lordsburg, New Mexico 88045

Security	CUSIP	Maturity	Market Value
FN ALS6449	3138EPEX8	01/01/27	\$ 340,387
FNMA 2001-64E QH	31392AHX9	11/25/31	122,681
FNR 2005-91 OL	31394FB87	05/25/33	206,813
			<u>\$ 669,881</u>

The holder of the security pledged by Federal Home Loan Bank of Dallas, 8500 Freeport Parkway South, Suite 600, Irving, TX 75063-2547.

STATE OF NEW MEXICO
LORDBURG MUNICIPAL SCHOOL DISTRICT NO. 1
SCHEDULE OF CASH AND TEMPORARY INVESTMENT ACCOUNTS
JUNE 30, 2019

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	\$ 985,670	\$ (309,472)	\$ 676,198
Trella Rolfe Scholarship	Checking	561	-	561
Trella Rolfe Scholarship	CD	53,000	-	53,000
		<u>\$ 1,039,231</u>	<u>\$ (309,472)</u>	<u>\$ 729,759</u>

STATE OF NEW MEXICO
LORDSBURG MUNICIPAL SCHOOL DISTRICT NO. 1
CASH RECONCILIATION
JUNE 30, 2019

	Operational	Pupil Transportation	Instructional Materials	Food Service	Athletics	Title I IASA	IDEA-B Entitlement
Cash, June 30, 2018	\$ 849,661	\$ 47,857	\$ -	\$ 99,979	\$ 4,160	\$ -	\$ -
Add:							
2018-2019 revenues	4,943,705	303,878	15,869	318,496	24,902	169,156	167,229
Prior year warrants voided	-	-	-	-	-	-	-
Total resources	5,793,366	351,735	15,869	418,475	29,062	169,156	167,229
Less:							
2018-2019 expenditures	(5,115,985)	(315,734)	(17,481)	(398,822)	(30,099)	(292,588)	(336,630)
Permanent cash transfers/reversions	-	-	-	-	-	-	-
Total cash	677,381	36,001	(1,612)	19,653	(1,037)	(123,432)	(169,401)
Other reconciling items:							
Payroll liabilities	-	-	-	-	-	-	-
Other adjustments	-	-	-	-	-	-	-
Total reconciled cash balance, June 30, 2019	677,381	36,001	(1,612)	19,653	(1,037)	(123,432)	(169,401)
Total outstanding loans	-	-	-	-	-	-	-
Cash, June 30, 2019	677,381	36,001	(1,612)	19,653	(1,037)	(123,432)	(169,401)
Add/Less:							
Due to/due from to pooled cash	(537,488)	-	1,612	-	1,037	123,432	169,401
Cash, per financial statements	<u>\$ 139,893</u>	<u>\$ 36,001</u>	<u>\$ -</u>	<u>\$ 19,653</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

STATE OF NEW MEXICO
LORDSBURG MUNICIPAL SCHOOL DISTRICT NO. 1
CASH RECONCILIATION
JUNE 30, 2019

	IDEA-B Preschool	Education of Homeless	Teacher/ Principal Training	Rural & Low Income Schools	USDA 2010 Equipment Assistance	USHHS/CDC School Health	Student Support & Academic Enrichment
Cash, June 30, 2018	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Add:							
2018-2019 revenues	14,164	8,751	7,981	13,680	-	274	-
Prior year warrants voided	-	-	-	-	-	-	-
Total resources	14,164	8,751	7,981	13,680	-	274	-
Less:							
2018-2019 expenditures	(15,522)	(8,031)	(1,922)	-	(4,580)	-	(402)
Permanent cash transfers/reversions	-	-	-	-	-	-	-
Total cash	(1,358)	720	6,059	13,680	(4,580)	274	(402)
Other Reconciling Items:							
Payroll liabilities	-	-	-	-	-	-	-
Other adjustments	-	-	-	-	-	-	-
Total reconciled cash balance, June 30, 2019	(1,358)	720	6,059	13,680	(4,580)	274	(402)
Total outstanding loans	-	-	-	-	-	-	-
Cash, June 30, 2019	(1,358)	720	6,059	13,680	(4,580)	274	(402)
Add/Less:							
Due to/due from to pooled cash	1,358	(720)	(6,059)	(13,680)	4,580	(274)	402
Cash, per financial statements	<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, 2019

	Title XIX Medicaid (3 to 21)	Dual Credit Instructional Materials	2012 GO Bond Library	Excellence in Teaching	Pre-K Initiative	Breakfast Elementary Schools	Kindergarten Three Plus
Cash, June 30, 2018	\$ 9,626	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Add:							
2018-2019 revenues	66,020	445	16,324	26,913	19,571	295	79,571
Prior year warrants voided	-	-	-	-	-	-	-
Total resources	75,646	445	16,324	26,913	19,571	295	79,571
Less:							
2018-2019 expenditures	(32,624)	(3,018)	-	(26,913)	(163,134)	-	(56,047)
Permanent cash transfers/reversions	-	-	-	-	-	-	-
Total cash	43,022	(2,573)	16,324	-	(143,563)	295	23,524
Other Reconciling Items:							
Payroll liabilities	-	-	-	-	-	-	-
Other adjustments	-	-	-	-	-	-	-
Total reconciled cash balance, June 30, 2019	43,022	(2,573)	16,324	-	(143,563)	295	23,524
Total outstanding loans	-	-	-	-	-	-	-
Cash, June 30, 2019	43,022	(2,573)	16,324	-	(143,563)	295	23,524
Add/Less:							
Due to/due from to pooled cash	-	2,573	(16,324)	-	143,563	(295)	(23,524)
Cash, per financial statements	<u>\$ 43,022</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, 2019

	New Mexico Grown FVV	New Mexico Department of Transportation	Private Direct Grants	Bond Building	SB-9	Debt Service
Cash, June 30, 2018	\$ -	\$ -	\$ 11,569	\$ -	\$ 278,326	\$ 1,064,697
Add:						
2018-2019 revenues	-	35,406	10,000	216,628	265,164	898,961
Prior year warrants voided	-	-	-	-	-	-
Total resources	-	35,406	21,569	216,628	543,490	1,963,658
Less:						
2018-2019 expenditures	(3,085)	(2,060)	-	(1,063,673)	(185,940)	(902,377)
Permanent cash transfers/reversions	-	-	-	-	-	-
Total cash	(3,085)	33,346	21,569	(847,045)	357,550	1,061,281
Other Reconciling Items:						
Payroll liabilities	-	-	-	-	-	-
Other adjustments	-	-	-	-	-	-
Total reconciled cash balance, June 30, 2019	(3,085)	33,346	21,569	(847,045)	357,550	1,061,281
Total outstanding loans	-	-	-	-	-	-
Cash, June 30, 2019	(3,085)	33,346	21,569	(847,045)	357,550	1,061,281
Add/Less:						
Due to/due from to pooled cash	3,085	-	-	847,045	(285,540)	(856,621)
Cash, per financial statements	\$ -	\$ 33,346	\$ 21,569	\$ -	\$ 72,010	\$ 204,660

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 Measurement Date	2019 2018	2018 2017	2017 2016	2016 2015	2015 2014
District's proportionate of the net pension liability (asset)	0.11430%	0.10845%	0.12925%	0.00131%	0.14097%
District's proportionate share of the net pension liability (asset)	\$ 13,250,510	\$ 12,052,556	\$ 9,301,390	\$ 8,479,389	\$ 8,043,362
District's covered-employee payroll	\$ 3,383,278	\$ 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	391.65%	387.03%	301.31%	230.01%	216.09%
Plan fiduciary net position as a percentage of the total pension liability	52.17%	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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutory required contribution	\$ 470,276	\$ 432,743	\$ 429,296	\$ 510,630	\$ 517,257
Contributions in relation to the statutorily required contribution	<u>470,276</u>	<u>432,743</u>	<u>429,296</u>	<u>510,630</u>	<u>517,257</u>
Annual contribution deficiency (excess)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<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
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 *

	<u>2019</u>	<u>2018</u>
District's proportionate of the net OPEB liability	0.07293%	0.07184%
District's proportionate share of the net OPEB liability	\$ 3,171,255	\$ 3,255,554
District's covered-employee payroll	\$ 3,129,147	\$ 2,992,601
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	101.35%	108.79%
Plan fiduciary net position as a percentage of the total OPEB liability	13.14%	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
LORDSBURG 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 *

	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 113,965	\$ 228,126
Contributions in relation to the contractually required contribution	<u>112,574</u>	<u>114,494</u>
Contribution deficiency (excess)	<u>\$ 1,391</u>	<u>\$ 113,632</u>
Employer's covered-employee payroll	\$ 3,129,417	\$ 2,992,601
Contributions as a percentage of covered-employee payroll	3.60%	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.

STATE OF NEW MEXICO
LORDSBURG MUNICIPAL SCHOOL DISTRICT NO. 1
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2019

ERB Plan

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

Changes 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 ended 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%.

RHCA Plan

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

Change in assumptions and methods. There were no modifications to the assumptions and methods since the June 30, 2017 GASB 74 modifications.

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

Brian S. Colón, 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, 2019, 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, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of 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. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2018-002.

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, and 2019-001.

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, 2019

FEDERAL FINANCIAL ASSISTANCE

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Report on Compliance for Each Major Program and on
Internal Control Over Compliance Required by Uniform Guidance

Independent Auditors' Report

Brian S. Colón, 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, 2019. 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 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, 2019.

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, 2019

STATE OF NEW MEXICO
LORDBURG MUNICIPAL SCHOOL DISTRICT NO. 1
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

Federal Grantor or Pass-Through Grantor/Program Title	Federal CFDA Number	Passed Through Grantor's Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Agriculture/ Pass-through New Mexico Department of Education:				
<i>Child Nutrition Cluster:</i>				
School Breakfast Program	10.553	N/A	\$ -	\$ 26,982
National School Lunch Program	10.555	N/A	-	205,655
Summer Lunch Food Service Program for Children	10.559	N/A	-	158,579
Total Child Nutrition Cluster				391,216
National School Lunch Program	10.579	24.183	-	4,580
Total U.S. Department of Agriculture				395,796
U.S. Department of Education/ Pass-through New Mexico Department of Education:				
Title I - Grants to Local Educational Agencies	84.010	24.101	-	302,986
Education for Homeless Children and Youth	84.196A	24.113	-	8,031
Title IV - Student Support and Academic Enrichment Program	84.424	24.189	-	402
<i>Special Education Cluster (IDEA):</i>				
Special Education - Grants to States	84.027	24.106	-	366,731
Special Education - Preschool Grants	84.173	24.109	-	17,606
Total Special Education Cluster				384,337
Supporting Effective Instruction State Grants	84.367	24.154	-	6,029
Total U.S. Department of Education				701,785
U.S. Department of Health and Human Services/ Pass-through New Mexico Department of Health and Human Services:				
Medical Assistance Program	93.778	25.153	-	34,549
Total Expenditures of Federal Awards			\$ -	\$ 1,132,130

STATE OF NEW MEXICO
LORDSBURG MUNICIPAL SCHOOL DISTRICT NO. 1
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2019

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, 2019.

Reconciliation of Schedule of Expenditures of Federal Awards to Financial Statements

Total federal awards expended per schedule of expenditures of federal awards	\$ 1,132,130
Total expenditures funded by other sources	<u>8,914,700</u>
Total expenditures	<u><u>\$ 10,046,830</u></u>

STATE OF NEW MEXICO
LORDBURG MUNICIPAL SCHOOL DISTRICT NO. 1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

SECTION I – SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness (es) identified? Yes No
- Significant deficiency (ies) identified? Yes None reported
- Noncompliance material to financial statements noted Yes No

Federal Awards

Internal control over major programs:

- Material weakness (es) identified? Yes No
- Significant deficiency (ies) identified? Yes None reported

Type of auditors' report issued on
 Compliance with major programs: Unmodified

- Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a)? Yes No

Program tested as major programs include:

Program	CFDA No.
Child Nutrition Cluster - School Breakfast Cluster	10.553
Child Nutrition Cluster - National School Lunch Program	10.555
Child Nutrition Cluster - Summer Lunch Food Service Program for Children	10.559
Title I Grants to Local Educational Agencies	84.010

- The threshold for distinguishing Types A and B programs was \$750,000.
- Auditee qualified as low-risk auditee? Yes No

STATE OF NEW MEXICO
LORDBURG MUNICIPAL SCHOOL DISTRICT NO. 1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

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 budget within the operational fund, anticipated a year-end deficit cash balance of \$307,651, respectively, as budgeted revenues of \$4,616,086, and no beginning cash were not sufficient to pay for the budgeted expenditures of \$4,923,737.
- The final budget within the operational fund, anticipated a year-end deficit cash balance of \$651,018, respectively, as budgeted revenues of \$4,924,749, and no beginning cash were not sufficient to pay for the budgeted expenditures of \$5,575,767.
- The original budget and final budgets within the bond building fund anticipated a year-end deficit cash balance of \$316,743, as there was no budgeted revenues, no beginning cash and budgeted bond proceeds of \$1,500,000 were not sufficient to pay for the budgeted expenditures of \$1,816,743.
- The final budget within the SB 9 fund anticipated a year-end deficit cash balance of \$2,199, as budgeted revenues of \$307,209, and beginning cash of \$278,326 were not sufficient to pay for the budgeted expenditures of \$587,734.
- The final budget within the operational fund for operational services – food had budgeted expenditures of \$59,074; however, the actual expenditures were \$104,914, thus leaving expenditures greater than the authorized budget by \$45,840.
- The final budget for operation services – food within the food service fund had budgeted expenditures of \$398,441; however, the actual expenditures were \$398,822, thus leaving expenditures greater than the authorized budget by \$381.

This is a repeat finding that has been modified to reflect FY19 results. The prior year corrective action plan was not fully implemented.

Criteria – Sections 6-6-6 through 6-6-11 NMSA 1978 prohibit local governments from making expenditures without budgetary authority. Additionally, the local governments 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.

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 – Improper monitoring of line item expenditures by comparing budgeted and actual amounts spent, allowed unfavorable (negative) variances and overspending of line item budgets to occur.

STATE OF NEW MEXICO
LORDBURG MUNICIPAL SCHOOL DISTRICT NO. 1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

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

Recommendation – We recommend the contracted business manager and the School District’s finance 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 timelier to ensure that cash balances are maintained. Due Date of Completion: June 30, 2020. Responsible Party: Business Manager.

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 sixty-two deposits which contained one hundred forty-three cash receipts received and recorded by the School District, and contained the following discrepancies:

- We noted twenty-five instances where money was collected by the School District and not deposited within a twenty-four hour period.
- We noted forty-six 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.

Finally, 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 seventy-one receipts and we noted eight instances where the numerical receipts were issued out of sequence.

This is a repeat finding that has been modified. The new procedures were not fully implemented.

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.*”

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.*”

STATE OF NEW MEXICO
LORDBURG MUNICIPAL SCHOOL DISTRICT NO. 1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

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

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. 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. Due Date of Completion: June 30, 2020. Responsible Party: School site receptionists and district administrative assistant.

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 School 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 \$9.28 for actual meals of a same day trip of less than nine hours in total duration.
- There was a board member who was paid \$40.09 in April 2019 for a travel instance that occurred in June 2018. There was no supporting documents for the travel on file.
- There were twelve instances where the employee was paid for their actual meal costs on the return day whereas they should have been paid per diem. The employees were overpaid \$153.75 in total.

STATE OF NEW MEXICO
LORDBURG MUNICIPAL SCHOOL DISTRICT NO. 1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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 in which the employee was over paid \$6.12 for meals. The reimbursement payment included an unknown extra \$10.00. In total, the employee was overpaid \$16.12.
- There were two instances where the employee was paid for actual meals on a same day trip in lieu of per diem. The employees were overpaid \$0.44.
- There was one instance where a board member was paid \$8.00 for a meal that incurred prior to the start of the travel and was also underpaid on the return day per diem of \$10.00. Total underpayment of \$2.00.

This is a repeat finding of which ten of the above instances occurred between July 2018 and December 2018. The remaining instances occurred after the District had been made aware of the non-compliance issues. The District continues to educate staff concerning travel and per diem statutes.

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 2.42.2.8B(1) of the Travel and Per Diem Act states, “*Public officers or employees who occasionally and irregularly travel shall be reimbursed for travel which does not required overnight lodging, but extends beyond a normal work day as follows:*

- 1 *For less than 2 hours of travel beyond normal work day, none;*
- 2 *For 2 hours, but less than 6 hours beyond the normal work day, \$12.00;*
- 3 *For 6 hours or more, but less than 12 hours beyond the normal work day, \$20.00;*
- 4 *For 12 hours or more beyond the normal work day, \$30.00.”*

Section 2.42.2.8B(1)(f) of the Travel and Per Diem Act states, “*Normal work days means 8 hours within a nine-hour period for all public officers and employees both salaried and nonsalaried, regardless of the officers’ or employees’ regular work schedule.*” Section 2.42.2.9C(5) of the Travel and Per Diem Act 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:*

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

STATE OF NEW MEXICO
LORDBURG MUNICIPAL SCHOOL DISTRICT NO. 1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

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

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 on the last day of travel.

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 2019-001 – Non-Compliance – Stale Checks

Statement of Condition – During our review of the School District's year-end bank reconciliations, it was discovered the School District has fourteen old (stale) checks, totaling \$8,691.35, on its outstanding check register. These old (stale) checks have not been managed under the New Mexico escheat laws. The oldest check outstanding is dated October 9, 2017. Furthermore, the School District failed to void these outstanding (stale) checks, which have been outstanding greater than one year, as per the School District's cash policy.

Criteria – Section 7-8A of the New Mexico State Statutes, *The Uniform Unclaimed Property Act (1995)*, sets forth the processes and requirements of a holder of property (School District) to report to the administrator annually by November 1st for the prior period ending July 1st of that year. It also specifies the notification requirements to the property owner.

The School District's cash policy states all checks outstanding for greater than one year, from the date of issuance, shall be null and void. This information is also stated on each check issued by the School District.

Effect – The School District is not in compliance with New Mexico State Statutes and their internally developed policies and procedures. While these amounts are immaterial to the financial statements, monies owed to employees, former employees and or vendors of the School District should be paid timely. Cash balances may be understated due to these outstanding checks. 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.

Cause – The School District has not developed procedures to follow Section 7-8A of the New Mexico State Statutes.

STATE OF NEW MEXICO
LORDBURG MUNICIPAL SCHOOL DISTRICT NO. 1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2019-001 – Non-Compliance – Stale Checks (continued)

Recommendation – We recommend the School District develop procedures to ensure compliance with Section 7-8A of the New Mexico State Statutes. At a minimum, monthly, the School District must review their outstanding check register for items that have not cleared the bank within a reasonable time. Disposition of stale dated checks should be determined before the completion of the bank reconciliation process.

Views of Responsible Officials and Planned Corrective Actions – Corrective Action: The business manager will start reviewing, researching and taking action on all checks older than six months when reviewing the bank reconciliation to ensure that there are no stale dated checks over a year old. Due Date of Completion: Immediately. Responsible Party: Business Manager.

SECTION III – FEDERAL AWARDS AND QUESTIONED COSTS –
CHILD NUTRITION CLUSTER – SCHOOL BREAKFAST CLUSTER – CFDA NO. 10.553
NATIONAL SCHOOL LUNCH PROGRAM – CFDA NO. 10.555, SUMMER LUNCH FOOD
SERVICE PROGRAM FOR CHILDREN – CFDA NO. 10.559 AND TITLE I GRANTS TO
LOCAL EDUCATIONAL AGENCIES – CFDA NO. 84.010

None.

SECTION IV – PRIOR YEAR’S AUDIT FINDINGS

Item 2017-002 – Expenditures in Excess of Budgetary Authority – Repeated/Modified.

Item 2018-001 – Capital Assets – Resolved.

Item 2018-002 – Cash Receipts – Repeated/Modified.

Item 2018-003 – Cash Disbursements - Resolved.

Item 2018-004 – Compliance with Per Diem and Mileage Act – Repeated/Modified.

Item 2018-005 – Personnel Files – Resolved.

Item 2018-006 – Trust Accounting – Resolved.

STATE OF NEW MEXICO
LORDSBURG MUNICIPAL SCHOOL DISTRICT NO. 1
EXIT CONFERENCE AND
PREPARATION OF FINANCIAL STATEMENTS
JUNE 30, 2019

EXIT CONFERENCE

The audit report for the fiscal year ended June 30, 2019, was discussed during the exit conference held on November 14, 2019. 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, 2019. 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.