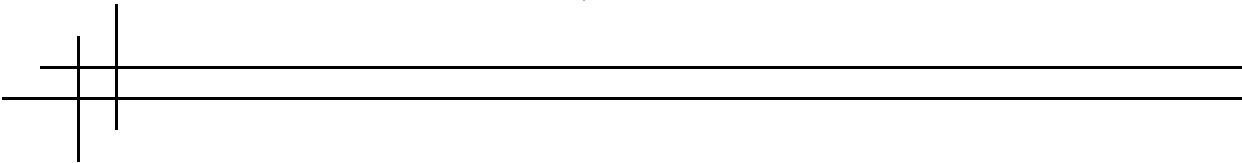


State of New Mexico  
**Loving Municipal Schools**

**Annual Financial Report**  
June 30, 2017

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



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State of New Mexico  
**Loving Municipal Schools**  
Official Roster  
June 30, 2017

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**Board of Education**

Olga Onsurez	President
Francisco Chacon	Vice-President
Eleanora Hernandez	Secretary
Cruz Onsurez	Member
Chance Parson	Member

**School Officials**

Ann Lynn McIlroy	Superintendent
Oralia Galindo	Business Manager

Independent Auditor's Report

Mr. Tim Keller  
State Auditor of the State of New Mexico  
Board Members of the Mora Independent Schools

Mr. Keller and Members of the Board

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, and the budgetary comparison for the general fund of Loving Municipal School District (District), as of and for the year ended June 30, 2017, 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, and the budgetary comparisons for the major capital projects and debt service 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, 2017, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2017 and the respective changes in financial position and the respective budgetary comparisons for the general fund 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, 2017, and the respective changes in financial position and the respective budgetary comparisons for the major capital projects and debt service funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Management has omitted the Management's Discussion and Analysis which is required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the District's financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The Schedule of Expenditures of Federal Awards as required by Office of Management and Budget *Title 2 U.S. CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and the other schedules required by 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 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and other schedules required by 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 2, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*De'Ann Willoughby, CPA PC*

Clovis, New Mexico  
November 2, 2017

## **Financial Section**



State of New Mexico  
**Loving Municipal Schools**  
Government-Wide Statement of Net Position  
June 30, 2017

	<u>Governmental Activities</u>
Assets	
Current Assets	
Cash and Cash Equivalents	\$ 2,087,288
Taxes Receivable	29,973
Due from Grantor	377,283
Inventory	6,740
Total Current Assets	<u>2,501,284</u>
Noncurrent Assets	
Capital Assets	28,348,908
Less: Accumulated Depreciation	<u>(12,148,023)</u>
Total Noncurrent Assets	<u>16,200,885</u>
Total Assets	<u>18,702,169</u>
Deferred Outflows of Resources	
Deferred Outflows Related to Pensions	
Actuarial Experience	40,393
Investment Experience	555,774
Changes of Assumptions	189,529
Changes in Proportion	181,443
Contributions Subsequent to Measurement Date	493,641
Total Deferred Outflows of Resources	<u>1,460,780</u>
Liabilities	
Current Liabilities	
Accounts Payable	30,749
Accrued Interest	82,750
Compensated Absences	53,933
Current Portion Due of Long-Term Debt	1,065,000
Total Current Liabilities	<u>1,232,432</u>
Noncurrent Liabilities	
Bonds and Notes	4,135,000
Pension Liability	9,310,746
Total Noncurrent Liabilities	<u>13,445,746</u>
Total Liabilities	<u>14,678,178</u>
Deferred Inflows of Resources	
Deferred Inflows Related to Grants	291
Deferred Inflows Related to Pensions	
Actuarial Experience	88,557
Changes in Proportion	3,419
Total Deferred Inflows of Resources	<u>92,267</u>
Net Position	
Net Investment in Capital Assets	11,000,885
Restricted for:	
Capital Projects	1,164,900
Debt Service	0
Unrestricted	<u>(6,773,281)</u>
Total Net Position	<u>\$ 5,392,504</u>

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

State of New Mexico  
**Loving Municipal Schools**  
Government-Wide Statement of Activities  
For the Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
<b>Governmental Activities</b>					
Instruction	\$ 4,616,810	60,643	\$ 580,208	\$ 0	\$ (3,975,959)
<b>Support Services</b>					
Students	620,986	20,118	72,638	0	(528,230)
Instruction	385,506	0	90,881	0	(294,625)
General Administration	322,008	2,334	2,334	0	(317,340)
School Administration	481,673	0	1,749	0	(479,924)
Central Services	145,435	0	0	0	(145,435)
Operation of Plant	1,218,220	1,200	20,245		(1,196,775)
Student Transportation	133,276	0	99,835		(33,441)
Other	5,974	0	0	0	(5,974)
Food Services Operations	417,492	4,322	357,982	0	(55,188)
Interest on Long-Term Obligations	194,000	0	0	0	(194,000)
<b>Total Governmental Activities</b>	<b>\$ 8,541,380</b>	<b>\$ 88,617</b>	<b>\$ 1,225,872</b>	<b>\$ 0</b>	<b>(7,226,891)</b>
<b>General Revenues</b>					
<b>Taxes</b>					
Property Taxes, Levied for General Purposes					55,689
Property Taxes, Levied for Capital Projects					226,938
Property Taxes, Levied for Debt Service					1,276,535
Federal and State aid not restricted to specific purpose					
General					5,060,438
Capital					344,976
Interest and investment earnings					3,138
Miscellaneous					16,088
Subtotal, General Revenues					<u>6,983,802</u>
Change in Net Position					<u>(243,089)</u>
Net Position - Beginning					5,648,936
Restatement					<u>(13,343)</u>
Restated Beginning Net Position					<u>5,635,593</u>
Net Position - Ending					<u>\$ 5,392,504</u>

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

State of New Mexico  
**Loving Municipal Schools**  
Governmental Funds  
Balance Sheet  
June 30, 2017

	General Fund		
	Operational 11000	Transportation 13000	Instructional Materials 14000
<b>Assets</b>			
Cash and Cash Equivalents	\$ 215,022	\$ 0	\$ 64,496
Receivables			
Taxes	1,033	0	0
Due from Grantor	0	0	0
Interfund Balance	441,694	0	0
Inventory	0	0	0
<b>Total Assets</b>	<b>\$ 657,749</b>	<b>\$ 0</b>	<b>\$ 64,496</b>
<b>Liabilities</b>			
Accounts Payable	\$ 14,278	\$ 22	\$ 0
Interfund Balance	0	1	0
Current Portion Due			
Principal	0	0	0
Interest	0	0	0
<b>Total Liabilities</b>	<b>14,278</b>	<b>23</b>	<b>0</b>
<b>Deferred Inflows of Resources</b>			
Unavailable Revenue	722	0	0
<b>Total Inflow of Resources</b>	<b>722</b>	<b>0</b>	<b>0</b>
<b>Fund Balances</b>			
Nonspendable-Inventory	0	0	0
Restricted for:			
Special Revenue Funds	0	0	0
Capital Improvements	0	0	0
Debt Service	0	0	0
Unassigned	642,749	(23)	64,496
<b>Total Fund Balances</b>	<b>642,749</b>	<b>(23)</b>	<b>64,496</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 657,749</b>	<b>\$ 0</b>	<b>\$ 64,496</b>

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

State of New Mexico  
**Loving Municipal Schools**  
Governmental Funds  
Balance Sheet  
June 30, 2017

	Capital Projects Funds		
	Bond Building 31100	Special Capital Outlay-State 31400	Senate Bill Nine-Local 31701
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Assets</b>			
Cash and Cash Equivalents	\$ 507,755	\$ 0	\$ 654,383
Receivables			
Taxes	0	0	4,831
Due from Grantor	0	199,132	0
Interfund Balance	0	0	0
Inventory	0	0	0
Total Assets	<u>\$ 507,755</u>	<u>\$ 199,132</u>	<u>\$ 659,214</u>
<b>Liabilities</b>			
Accounts Payable	\$ 0	\$ 0	\$ 16,449
Interfund Balance	0	199,132	0
Current Portion Due			
Principal	0	0	0
Interest	0	0	0
Total Liabilities	<u>0</u>	<u>199,132</u>	<u>16,449</u>
<b>Deferred Inflows of Resources</b>			
Unavailable Revenue	<u>0</u>	<u>0</u>	<u>3,455</u>
Total Inflow of Resources	<u>0</u>	<u>0</u>	<u>3,455</u>
<b>Fund Balances</b>			
Nonspendable-Inventory	0	0	0
Restricted for:			
Special Revenue Funds	0	0	0
Capital Improvements	507,755	0	639,310
Debt Service	0	0	0
Unassigned	0	0	0
Total Fund Balances	<u>507,755</u>	<u>0</u>	<u>639,310</u>
 Total Liabilities, Deferred Inflows of Resources and Fund Balances	 <u>\$ 507,755</u>	 <u>\$ 199,132</u>	 <u>\$ 659,214</u>

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

State of New Mexico  
**Loving Municipal Schools**  
Governmental Funds  
Balance Sheet  
June 30, 2017

	Debt Service Funds		Other Governmental Funds		Total Governmental Funds
	<u>Debt Service 41000</u>		<u>Other Governmental Funds</u>		<u>Total Governmental Funds</u>
<b>Assets</b>					
Cash and Cash Equivalents	\$ 275,748	\$	369,884	\$	2,087,288
Receivables					
Taxes	20,323		3,786		29,973
Due from Grantor	0		178,151		377,283
Interfund Balance	0		0		441,694
Inventory	0		6,740		6,740
Total Assets	<u>\$ 296,071</u>	\$	<u>558,561</u>	\$	<u>2,942,978</u>
<b>Liabilities</b>					
Accounts Payable	\$ 0	\$	0	\$	30,749
Interfund Balance	0		242,561		441,694
Current Portion Due					
Principal	365,000		0		365,000
Interest	82,750		0		82,750
Total Liabilities	<u>447,750</u>		<u>242,561</u>		<u>920,193</u>
<b>Deferred Inflows of Resources</b>					
Unavailable Revenue	14,276		2,957		21,410
Total Inflow of Resources	<u>14,276</u>		<u>2,957</u>		<u>21,410</u>
<b>Fund Balances</b>					
Nonspendable-Inventory	0		6,740		6,740
Restricted for:					
Special Revenue Funds	0		351,758		351,758
Capital Improvements	0		17,835		1,164,900
Debt Service	0		0		0
Unassigned	(165,955)		(63,290)		477,977
Total Fund Balances	<u>(165,955)</u>		<u>313,043</u>		<u>2,001,375</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>					
	<u>\$ 296,071</u>	\$	<u>558,561</u>	\$	<u>2,942,978</u>

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

State of New Mexico  
**Loving Municipal Schools**  
 Reconciliation of the Governmental Funds  
 Balance Sheet to the Statement of Net Position  
 June 30, 2017

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Total Fund Balance - Governmental Funds \$ 2,001,375

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

Property taxes receivable will be collected after the period of availability, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds. 21,119

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

Capital Assets	\$ 28,348,908	
Accumulated Depreciation	<u>(12,148,023)</u>	16,200,885

Deferred Outflows and Inflows Related to Pensions are the results of differences in expected and actual actuary experience and the difference in actuary projected and actual earnings. Also changes in proportion and differences between contributions and proportionate share of contributions.

Deferred Outflows Related to Pensions	1,460,780	
Deferred Inflows Related to Pensions	<u>(91,976)</u>	1,368,804

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

Bond Payable	(4,135,000)	
Pension Liability	(9,310,746)	
Current Portion Due-Principal	365,000	
Current Portion Due of Long-Term Debt	(1,065,000)	
Compensated Absences	<u>(53,933)</u>	<u>(14,199,679)</u>

Total Net Position - Governmental Activities \$ 5,392,504

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

State of New Mexico  
**Loving Municipal Schools**  
Governmental Funds  
Statement of Revenues, Expenditures and Changes  
in Fund Balance  
For the Year Ended June 30, 2017

	General Fund		
	Operational 11000	Transportation 13000	Instructional Materials 14000
<b>Revenues</b>			
Property Taxes	\$ 68,644	\$ 0	\$ 0
Interest Income	3,138	0	0
Fees	10,488	0	0
State & Local Grants	5,060,191	99,835	40,549
Federal Grants	247	0	0
Miscellaneous	16,088	0	0
<b>Total Revenues</b>	<b>5,158,796</b>	<b>99,835</b>	<b>40,549</b>
<b>Expenditures</b>			
Current			
Instruction	3,146,372	0	59,159
Support Services			
Students	487,815	0	0
Instruction	261,729	0	0
General Administration	251,680	0	0
School Administration	467,144	0	0
Central Services	135,799	0	0
Operation of Plant	726,494	0	0
Student Transportation	0	107,320	0
Other	5,974	0	0
Food Service Operations	0	0	0
Capital Outlay		0	0
Debt Service			
Principal	0	0	0
Interest	0	0	0
<b>Total Expenditures</b>	<b>5,483,007</b>	<b>107,320</b>	<b>59,159</b>
Excess (Deficiency) of Revenues Over Expenditures	<u>(324,211)</u>	<u>(7,485)</u>	<u>(18,610)</u>
Fund Balances at Beginning of Year	966,960	14,923	88,988
Restatement	0	(7,461)	(5,882)
Restated Beginning Fund Balance	<u>966,960</u>	<u>7,462</u>	<u>83,106</u>
Fund Balance End of Year	<u>\$ 642,749</u>	<u>\$ (23)</u>	<u>\$ 64,496</u>

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

State of New Mexico  
**Loving Municipal Schools**  
Governmental Funds  
Statement of Revenues, Expenditures and Changes  
in Fund Balance  
For the Year Ended June 30, 2017

	Capital Projects Funds		
	Bond	Special Capital	Senate Bill
	Building 31100	Outlay-State 31400	Nine-Local 31701
Revenues			
Property Taxes	\$ 0	\$ 0	\$ 278,633
Interest Income	0	0	0
Fees	0	0	0
State & Local Grants	0	298,000	46,976
Federal Grants	0	0	0
Miscellaneous	0	0	0
Total Revenues	<u>0</u>	<u>298,000</u>	<u>325,609</u>
Expenditures			
Current			
Instruction	0	0	2,500
Support Services			
Students	0	0	0
Instruction	0	0	0
General Administration	0	0	1,056
School Administration	0	0	0
Central Services	0	0	0
Operation of Plant	0	0	415,648
Student Transportation	0	0	0
Other	0	0	0
Food Service Operations	0	0	0
Capital Outlay	699,347	298,000	138,887
Debt Service			
Principal	0	0	0
Interest	0	0	0
Total Expenditures	<u>699,347</u>	<u>298,000</u>	<u>558,091</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(699,347)</u>	<u>0</u>	<u>(232,482)</u>
Fund Balances at Beginning of Year	1,207,102	0	871,792
Restatement	0	0	0
Restated Beginning Fund Balance	<u>1,207,102</u>	<u>0</u>	<u>871,792</u>
Fund Balance End of Year	<u>\$ 507,755</u>	<u>\$ 0</u>	<u>\$ 639,310</u>

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



State of New Mexico  
**Loving Municipal Schools**  
Governmental Funds  
Statement of Revenues, Expenditures and Changes  
in Fund Balance  
For the Year Ended June 30, 2017

	Debt Service Funds		
	Debt Service 41000	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Property Taxes	\$ 1,164,726	\$ 215,981	\$ 1,727,984
Interest Income	0	0	3,138
Fees	0	78,129	88,617
State & Local Grants	0	264,322	5,809,873
Federal Grants	0	821,166	821,413
Miscellaneous	0	0	16,088
Total Revenues	<u>1,164,726</u>	<u>1,379,598</u>	<u>8,467,113</u>
<b>Expenditures</b>			
<b>Current</b>			
Instruction	0	605,168	3,813,199
<b>Support Services</b>			
Students	0	92,319	580,134
Instruction	0	90,881	352,610
General Administration	5,114	3,257	261,107
School Administration	0	1,749	468,893
Central Services	0	0	135,799
Operation of Plant	0	20,245	1,162,387
Student Transportation	0	0	107,320
Other	0	0	5,974
Food Service Operations	0	392,857	392,857
Capital Outlay	0	0	1,136,234
<b>Debt Service</b>			
Principal	965,000	200,000	1,165,000
Interest	186,000	8,000	194,000
Total Expenditures	<u>1,156,114</u>	<u>1,414,476</u>	<u>9,775,514</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>8,612</u>	<u>(34,878)</u>	<u>(1,308,401)</u>
Fund Balances at Beginning of Year	(174,567)	347,921	3,323,119
Restatement	0	0	(13,343)
Restated Beginning Fund Balance	<u>(174,567)</u>	<u>347,921</u>	<u>3,309,776</u>
Fund Balance End of Year	<u>\$ (165,955)</u>	<u>\$ 313,043</u>	<u>\$ 2,001,375</u>

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

State of New Mexico  
**Loving Municipal Schools**  
 Reconciliation of the Governmental Funds  
 Statement of Revenues, Expenditures and Changes in Fund Balance  
 To the Statement of Activities  
 June 30, 2017

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Excess (Deficiency) of Revenues Over Expenditures \$ (1,308,401)

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

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

Property Taxes Receivable, June 30, 2016	\$ (189,942)	
Property Taxes Receivable, June 30, 2017	<u>21,119</u>	(168,823)

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

Depreciation expense	(655,118)	
Capital Outlays	<u>1,136,234</u>	481,116

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

Principal Paid for Bonds		1,165,000
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Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences, June 30, 2016	54,570	
Compensated Absences, June 30, 2017	<u>(53,933)</u>	<u>637</u>

Pension contributions are reported as expenses in the government funds but are deferred outflows in the Statement of Net Position. Pension expense is reported in the Statement of Activities but not in the governmental funds.

Pension Contributions	493,641	
Pension Expense	<u>(906,259)</u>	<u>(412,618)</u>

Changes in Net Position of Governmental Activities		<u>\$ (243,089)</u>
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The notes to the financial statements are an integral part of this statement.

State of New Mexico  
**Loving Municipal Schools**  
 General Fund-Operational-11000  
 Statement of Revenues, Expenditures, and Changes in Cash Balance -  
 Budget and Actual (Budgetary Basis)  
 For the Year Ended June 30, 2017

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$ 98,101	\$ 98,101	\$ 71,114	\$ (26,987)
Interest Income	4,500	4,500	3,138	(1,362)
Fees	4,000	4,000	10,488	6,488
State Grant	5,220,116	5,060,191	5,060,191	0
Federal Grant	0	0	247	247
Miscellaneous	200	200	16,088	15,888
Total Revenues	<u>5,326,917</u>	<u>5,166,992</u>	<u>5,161,266</u>	<u>(5,726)</u>
<b>Expenditures</b>				
<b>Instruction</b>				
Personnel Services	2,200,163	2,135,059	2,135,059	0
Employee Benefits	1,035,300	941,805	941,805	0
Professional & Tech Services	44,000	7,671	7,671	0
Purchased Services	30,000	20,000	13,954	6,046
Supplies	166,500	60,000	56,514	3,486
Total Instruction	<u>3,475,963</u>	<u>3,164,535</u>	<u>3,155,003</u>	<u>9,532</u>
<b>Support Services</b>				
<b>Students</b>				
Personnel Services	206,021	206,021	198,362	7,659
Employee Benefits	90,985	100,985	89,485	11,500
Professional & Tech Services	243,500	243,500	199,723	43,777
Purchased Services	2,000	2,000	0	2,000
Supplies	8,000	8,000	231	7,769
Total Students	<u>550,506</u>	<u>560,506</u>	<u>487,801</u>	<u>72,705</u>
<b>Instruction</b>				
Personnel Services	131,340	186,340	186,281	59
Employee Benefits	60,615	70,115	66,998	3,117
Professional & Tech Services	1,500	1,500	15	1,485
Supplies	26,500	21,500	8,435	13,065
Total Instruction	<u>219,955</u>	<u>279,455</u>	<u>261,729</u>	<u>17,726</u>
<b>General Administration</b>				
Personnel Services	135,300	279,455	136,449	143,006
Employee Benefits	84,845	135,300	46,829	88,471
Professional & Tech Services	100,731	54,845	50,927	3,918
Purchased Services	32,500	90,731	8,269	82,462
Supplies	9,500	18,500	8,581	9,919
Supply Assets	0	9,500	0	9,500
Total General Administration	<u>\$ 362,876</u>	<u>\$ 588,331</u>	<u>\$ 251,055</u>	<u>\$ 337,276</u>

State of New Mexico  
**Loving Municipal Schools**  
 General Fund-Operational-11000  
 Statement of Revenues, Expenditures, and Changes in Cash Balance -  
 Budget and Actual (Budgetary Basis)  
 For the Year Ended June 30, 2017

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
School Administration				
Personnel Services	\$ 316,321	\$ 316,321	\$ 316,020	\$ 301
Employee Benefits	148,660	148,660	143,467	5,193
Professional & Tech Services	11,000	11,000	2,674	8,326
Supplies	12,000	12,000	5,057	6,943
Total School Administration	<u>487,981</u>	<u>487,981</u>	<u>467,218</u>	<u>20,763</u>
Central Services				
Personnel Services	88,850	88,850	88,841	9
Employee Benefits	40,465	40,465	43,359	(2,894)
Professional & Tech Services	4,100	5,100	3,862	1,238
Purchased Services	1,500	1,500	0	1,500
Supplies	3,500	3,500	0	3,500
Total Central Services	<u>138,415</u>	<u>139,415</u>	<u>136,062</u>	<u>3,353</u>
Operation of Plant				
Personnel Services	246,803	246,803	246,583	220
Employee Benefits	122,064	137,064	131,959	5,105
Professional & Tech Services	500	2,500	1,502	998
Purchased Property Services	197,000	245,000	150,309	94,691
Purchased Services	167,763	169,563	169,469	94
Supplies	26,104	31,104	19,282	11,822
Supply Assets	0	51,129	0	51,129
Total Operation of Plant	<u>760,234</u>	<u>883,163</u>	<u>719,104</u>	<u>164,059</u>
Other Support Service				
Professional & Tech Services	11,954	11,954	5,974	5,980
Total Other Support Service	<u>11,954</u>	<u>11,954</u>	<u>5,974</u>	<u>5,980</u>
Total Support Services	<u>2,531,921</u>	<u>2,950,805</u>	<u>2,328,943</u>	<u>621,862</u>
Total Expenditures	<u>6,007,884</u>	<u>6,115,340</u>	<u>5,483,946</u>	<u>631,394</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ (680,967)	\$ (948,348)	\$ (322,680)	\$ (625,668)
Cash Balance Beginning of Year	<u>979,396</u>	<u>979,396</u>	<u>979,396</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 298,429</u>	<u>\$ 31,048</u>	<u>\$ 656,716</u>	<u>\$ (625,668)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (322,680)	
Net Change in Taxes Receivable			(15,424)	
Net Change in Accounts Payable			938	
Net Change in Unavailable Revenue			12,955	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (324,211)</u>	

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

State of New Mexico  
**Loving Municipal Schools**  
 General Fund-Transportation-13000  
 Statement of Revenues, Expenditures, and Changes in Cash Balance -  
 Budget and Actual (Budgetary Basis)  
 For the Year Ended June 30, 2017

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
State Grant	\$ 115,272	\$ 99,835	\$ 99,835	\$ 0
Total Revenues	<u>115,272</u>	<u>99,835</u>	<u>99,835</u>	<u>0</u>
<b>Expenditures</b>				
<b>Support Services</b>				
<b>Student Transportation</b>				
Personnel Services	66,581	51,144	68,056	(16,912)
Employee Benefits	29,095	29,095	22,075	7,020
Professional & Tech Services	500	500	208	292
Purchased Property Services	5,000	10,000	6,603	3,397
Purchased Services	1,700	1,700	1,284	416
Supplies	12,396	14,858	9,071	5,787
Returned to PED	0	0	7,461	(7,461)
Total Student Transportation	<u>115,272</u>	<u>107,297</u>	<u>114,758</u>	<u>(7,461)</u>
Total Support Services	<u>115,272</u>	<u>107,297</u>	<u>114,758</u>	<u>(7,461)</u>
Total Expenditures	<u>115,272</u>	<u>107,297</u>	<u>114,758</u>	<u>(7,461)</u>
Excess (Deficiency) of Revenues Over Expenditures	0	(7,462)	(14,923)	(7,461)
Cash Balance Beginning of Year	<u>14,923</u>	<u>14,923</u>	<u>14,923</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 14,923</u>	<u>\$ 7,461</u>	<u>\$ 0</u>	<u>\$ (7,461)</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (14,923)	
Net Change in Accounts Payable			(22)	
Returned to PED			7,460	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (7,485)</u>	

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

State of New Mexico  
**Loving Municipal Schools**  
 General Fund-Instructional Materials-14000  
 Statement of Revenues, Expenditures, and Changes in Cash Balance -  
 Budget and Actual (Budgetary Basis)  
 For the Year Ended June 30, 2017

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
State Grant	\$ 31,672	\$ 25,790	\$ 40,549	\$ 14,759
Total Revenues	<u>31,672</u>	<u>25,790</u>	<u>40,549</u>	<u>14,759</u>
<b>Expenditures</b>				
<b>Instruction</b>				
Supplies	31,672	114,778	59,159	55,619
Returned to PED	0	0	5,882	(5,882)
Total Instruction	<u>31,672</u>	<u>114,778</u>	<u>65,041</u>	<u>49,737</u>
Total Expenditures	<u>31,672</u>	<u>114,778</u>	<u>65,041</u>	<u>49,737</u>
Excess (Deficiency) of Revenues Over Expenditures	0	(88,988)	(24,492)	64,496
Cash Balance Beginning of Year	<u>88,988</u>	<u>88,988</u>	<u>88,988</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 88,988</u>	<u>\$ 0</u>	<u>\$ 64,496</u>	<u>\$ 64,496</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (24,492)	
Returned to PED			<u>5,882</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (18,610)</u>	

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

State of New Mexico  
**Loving Municipal Schools**  
Statement of Fiduciary Assets and Liabilities-Agency Funds  
June 30, 2017

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	<u>Agency Funds</u>
Assets	
Cash and Cash Equivalents	\$ <u>106,000</u>
Total Assets	\$ <u><u>106,000</u></u>
Liabilities	
Deposits Held for Others	\$ <u>106,000</u>
Total Liabilities	\$ <u><u>106,000</u></u>

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

### **Summary of Significant Accounting Policies**

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

### **Financial Reporting Entity**

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

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

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

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

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

### **Governmental Funds**

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

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

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

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

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



***Fiduciary Fund Type***

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

The Student Activity Fund, an agency fund, accounts for assets held by the District as an agent for the District organizations. These organizations exist with the explicit approval of and are subject to revocation by the District's Board of Education. This accounting reflects the District's agency relationship with the student activity organizations.

**Major Funds**

The District reports the following major governmental funds:

**General Fund (11000)(13000)(14000).**The General Fund consist of three sub funds. The first is the Operational Fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. The Transportation Fund includes a state grant to provide transportation for students in the District. The Instructional Materials Fund accounts for a state grant to provide text books for students in the District.

**Bond Building (31100).** The revenues are derived from a School Building Bond Issue. The expenditures are restricted to major capital improvements.

**Special Capital Outlay-State-31400.** The revenue is derived from a state grant. The expenditures are restricted to major capital improvements.

**Senate Bill Nine-Local (31701).** The revenues are derived from a district tax levy. Expenditures are restricted to capital improvements, repairs and maintenance, supplies and supply assets used in the upkeep of the facilities.

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

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

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

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

#### Program Revenues

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

### ***Fund Financial Statements (FFS)***

#### Governmental Funds

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

#### Revenues

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

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

#### Revenue Recognition for Grants

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

1. Required characteristics of recipients. The recipient has the characteristics specified by the provider (are required to be school districts).
2. Time requirements. Time requirements specified by enabling legislation or the provider have been met (period when the resources are required to be used).
3. Reimbursements. The provider offers resources on a reimbursement ("expenditure-driven") basis and the recipient has incurred allowable costs under the applicable program.
4. Contingencies. The providers offer of resources is contingent upon a specified action of the recipient and that action has occurred (the recipient has raised the matching funds).

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

Expenditures

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

Other Financing Sources (Uses)

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

Basis of Budgeting

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

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

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

1. Prior to April 15, (unless a later date is fixed by the Secretary of Education) the local school board submits to the School Budget and Finance Analysis Unit (SBFAU) of the New Mexico Public Education Department an estimated budget for the District for the ensuing fiscal year beginning July 1st. The operating budget includes proposed expenditures and the means of financing them. All budgets submitted to the New Mexico Public Education Department (PED) by the district shall contain headings and details as prescribed by law.
2. Prior to June 20, of each year, the proposed "operating" budget will be reviewed and approved by the SBFAU and certified and approved by the local school board at the public hearing of which notice has been published by the local school board which fixed the estimated budget for the district for the ensuing fiscal year.
3. The "operating" budget will be used by the District until they have been notified that the budget has been approved by the SBFAU and the local school board. The budget shall be integrated formally in to the accounting system. Encumbrances shall be used as an element for control and shall be integrated into the budget system.
4. The District shall make corrections, revisions and amendments to the estimated budgets fixed by the local school board to recognize actual cash balances and carryover funds, if any. These adjustments shall be reviewed and approved by the SBFAU.
5. No school board or officer or employee of the District shall make any expenditures or incur any obligation for the expenditures of public funds unless such expenditure or contractual obligation is made in accordance with an operating budget approved by the division. But this does not prohibit the transfer of funds between line items within a series of a budget.
6. Budget change requests are processed in accordance with Supplement I (Budget Preparation and Maintenance) of the *Manual of Procedures Public School Accounting and Budgeting*. Such changes are initiated by the District and approved by the SBFAU.
7. Legal budget control for expenditures is by function.

8. Appropriations lapse at fiscal year end. Funds unused during the fiscal year may be carried over into the next fiscal year by budgeting those in the subsequent fiscal year's budget. The budget of the District has been amended during the current fiscal year in accordance with these procedures. The budget schedules included in the accompanying financial statements reflect the approved budget and amendments thereto.

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

#### Cash and Cash Equivalents

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

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

#### Investments

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

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

#### Receivables and Payables

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

#### Property Taxes

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

Elimination and Reclassifications of Certain Receivables and Payables

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

Inventories and Prepaid Items

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

Capital Assets

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

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

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

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

Capital Leases

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

Short -Term Debt

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

Long-Term Liabilities

For district-wide reporting, the costs associated with the bonds are recognized over the life of the bond. As permitted by GASB Statement No. 34 the amortization of the costs of bonds will be amortized prospectively from the date of adoption of GASB Statement No. 34.

#### Restricted Net Position

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

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

Imposed by law through constitutional provisions or enabling legislation.

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

#### Fund Balances of Fund Financial Statements

Nonspendable fund balance indicates that portion of fund equity is not spendable such as inventory.

The restricted fund balance category includes amounts that can be spent only for specific purposes stipulated by constitution, external resources providers, or through enabling legislation.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.

Unassigned fund balance is the residual amount that is not restricted or committed.

#### Interfund Transfers

In governmental funds, transfers should be reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers.

#### Deferred Inflow

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

#### Compensated Absences

All 12-month or full time employees earn vacation and sick leave in amounts varying with tenure and classification. Employees who have been employed for less than 10 years accrue 12 days of vacation. Employees who have been employed for more than 10 years accrue 15 days per year. Upon retirement, unused vacation leave up to 20 days is paid to employees. No reimbursement or accrual is made for unused sick leave.

The District's recognition and measurement criteria for compensated absences follow:

GASB Statement No. 16 provides that vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees if both the

- (a) The employees' right to receive compensation is attributable to services already rendered.
- (b) It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts, if any, are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

Estimates

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

**A. Deposits and Investments**

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

**Western Commerce Bank**

<u>Name of Account</u>	Balance Per Bank 6/30/17	Reconciled Balance	<u>Type</u>
General Fund Account	\$ 2,670,220	\$ 2,193,088	Interest
Total Deposited	2,670,220	2,193,088	Checking
Less: FDIC Coverage	(250,000)		
Uninsured Amount	2,420,220		
50% collateral requirement	1,210,110		
Pledged securities	1,871,509		
Over (Under) requirement	\$ 661,399		

There is \$200 cash on hand.

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

The following securities are pledged at **Western Commerce Bank**:

<u>Description</u>	<u>CUSIP #</u>	<u>Market Value</u>	<u>Maturity Date</u>	<u>Location</u>
FNMA Pool # 796277	31405QUA4	\$ 252,988	12/01/2034	FHLB, Dallas
GNMA Pool #8321	36202KG66	9,356	02/20/2018	Texas
GNMA Pool #8308	36202KGR0	3,409	01/20/2018	
FNMA Pool #AH5857	3138A7QK7	585,769	02/01/2041	
SBAP Series 2003-20L	83162CNK5	99,397	12/01/2023	
FNMA Pool #604975	31388HCL1	103,620	09/01/2031	
GNMA Pool #8350	36202KH32	53,994	01/20/2024	
SBAP Series 2004-20J	83162CPB3	85,980	10/01/2024	
FHLMC Pool #G18471	3128MMQZ9	676,996	07/01/2025	
		\$ 1,871,509		

**Custodial Credit Risk-Deposits**

<u>Depository Account</u>	<u>Bank Balance</u>
Insured	\$ 250,000
Collateralized:	
Collateral held by the pledging bank in District's name	1,871,509
Uninsured or under collateralized	548,711
Total Deposits	<u>\$ 2,670,220</u>

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2017 \$548,711 of the District's balance of \$2,670,220 was exposed to custodial risk.

**B. Receivables**

Following is a schedule of property taxes receivable as of June 30, 2017:

	<u>General Fund</u>	<u>Senate Bill Nine 31700</u>	<u>Debt Service 41000</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Property Tax					
Available	\$ 311	\$ 1,376	\$ 6,047	\$ 1,120	\$ 8,854
Unava	722	3,455	14,276	2,666	21,119
Prope	<u>\$ 1,033</u>	<u>\$ 4,831</u>	<u>\$ 20,323</u>	<u>\$ 3,786</u>	<u>\$ 29,973</u>

Amounts due from other agencies and units of government were as follows as of June 30, 2017:

	<u>Special Capital Outlay-State 31400</u>	<u>Other Governmental</u>	<u>Total</u>
Federal Agencies	\$ 0	\$ 128,882	128,882
State Agencies	199,132	49,269	248,401
Total	<u>\$ 199,132</u>	<u>\$ 178,151</u>	<u>377,283</u>

**C. Interfund Receivables, Payables and Transfers**

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Funds</u>		
	<u>Special Capital Outlay-State 31400</u>	<u>Other Governmental</u>	<u>Totals</u>
Operational Fund	\$ 199,132	\$ 178,151	<u>\$ 377,283</u>

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



**D. Capital Assets**

Capital Assets Balances and Activity for the Year Ended June 30, 2017, is as follows:

	Balance 6/30/16	Increases	Decreases	Balance 6/30/17
<b>Governmental Activities</b>				
Capital Assets not being Depreciated				
Land	\$ 10,000	\$ 0	\$ 0	\$ 10,000
Construction in Progress	759,266	699,347	(1,458,613)	0
Total Capital Assets not being Depreciated	<u>10,000</u>	<u>699,347</u>	<u>(1,458,613)</u>	<u>10,000</u>
Capital Assets, being Depreciated				
Buildings & Improvements	24,505,389	1,885,480	0	26,390,869
Equipment, Vehicles, Information Technology Equipment, Software & Library Books	<u>1,938,020</u>	<u>10,019</u>	<u>0</u>	<u>1,948,039</u>
Total Capital Assets, being Depreciated	<u>26,443,409</u>	<u>1,895,499</u>	<u>0</u>	<u>28,338,908</u>
Total Capital Assets	<u>26,453,409</u>	<u>2,594,846</u>	<u>(1,458,613)</u>	<u>28,348,908</u>
<b>Less Accumulated Depreciation</b>				
Buildings & Improvements	9,947,969	588,570	0	10,536,539
Equipment, Vehicles, Information Technology Equipment, Software & Library Books	<u>1,544,936</u>	<u>66,548</u>	<u>0</u>	<u>1,611,484</u>
Total Accumulated Depreciation	<u>10,295,345</u>	<u>655,118</u>	<u>0</u>	<u>12,148,023</u>
Capital Assets, net	<u>\$ 15,925,990</u>	<u>\$ 1,939,728</u>	<u>\$ (1,458,613)</u>	<u>\$ 16,200,885</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 540,836
Students	4,657
General Administration	45,055
Operation of Plant	30,469
Student Transportation	18,157
Food Services Operations	15,944
Total Depreciation Expenses	<u>\$ 655,118</u>

**E. Long-Term Liabilities and Other Liabilities**

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

	Balance 6/30/16	Additions	Reductions	Balance 6/30/17	Amounts Due Within One Year
Governmental Activities					
Bonds and Notes Payable					
General Obligation					
Bonds	\$ 6,235,000	\$ 0	\$ 1,035,000	\$ 5,200,000	\$ 1,065,000
Total Bonds	<u>\$ 6,235,000</u>	<u>\$ 0</u>	<u>\$ 1,035,000</u>	<u>\$ 5,200,000</u>	<u>\$ 1,065,000</u>
Other Liabilities					
Compensated					
Absences	\$ 54,570	\$ 54,327	\$ 54,964	\$ 53,933	\$ 53,933
Total Other	<u>\$ 54,570</u>	<u>\$ 54,327</u>	<u>\$ 54,964</u>	<u>\$ 53,933</u>	<u>\$ 53,933</u>

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

**General Obligation Bonds.**

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

Issue	Original Amount	Interest Rate	Balance
01/15/08	3,000,000	4%	\$ 800,000
08/01/08	2,500,000	4%	2,300,000
07/15/13	1,000,000	2%	1,000,000
08/25/15	1,000,000	2%	900,000
06/15/13	500,000	2%	200,000
			<u>\$ 5,200,000</u>

The annual requirements to amortize the bonds as of June 30, 2017, including interest payments are as follows:

	Principal	Interest	Total
2018	\$ 1,065,000	\$ 165,100	\$ 1,230,100
2019	755,000	132,650	887,650
2020	700,000	105,850	805,850
2021	780,000	83,050	863,050
2022	580,000	58,625	638,625
2023-2026	1,320,000	59,875	1,379,875
Total	<u>\$ 5,200,000</u>	<u>\$ 605,150</u>	<u>\$ 5,805,150</u>

Reconciliation of Long-Term Debt disclosed in Notes to the Long-Term Debt reported in the Statement of Net Position.

Balance in the Notes	\$ 5,200,000
Statement of Net Position	<u>\$ 5,200,000</u>
Government Wide Statements	
Amount Reported as Current Amount Due	\$ 1,065,000
Amount Reported as Long-Term Due	<u>4,135,000</u>
Statement of Net Position	<u>\$ 5,200,000</u>

**F. Commitments**

The District is involved in renovations and repairs campus wide.

**G. Retirement Plan**

**Summary of Significant Accounting Policies**

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

**General Information about the Pension Plan**

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

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

The Plan is considered a component unit of the State's financial reporting entity. 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 which is a pension benefit trust fund of the State of New Mexico. 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.

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

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

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

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

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

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

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

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

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

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

**Benefit Options.** The Plan has three benefit options available.

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

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

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

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

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

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

As of July 1, 2013, for current and future retirees the COLA is immediately reduced until the Plan is 100% funded. The COLA reduction is based on the median retirement benefit of all retirees excluding disability retirements. Retirees with benefits at or below the median and with 25 or more years of service credit will have a 10% COLA reduction; their average COLA will be 1.8%. Once the funding is greater than 90%, the COLA reductions will decrease. The retirees with benefits at or below the median and with 25 or more years of service credit will have a 5% COLA reduction; their average COLA will be 1.9%.

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

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

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

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

There was no change in the rates from the previous year.

The contribution requirements are established in statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the New Mexico Legislature. for the fiscal years ended June 30, 2017 the employee and employer contributions were \$868,305.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.** At June 30, 2017, the District reported a liability of \$9,310,746 for their proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2016 using generally accepted actuarial principles. Therefore, the employer's portion as established as of the measurement date of June 30, 2016. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating educational institutions, actuarially determined. At June 30, 2016, the District's proportion was 0.12938%, which was an increase of 0.00316% from their proportion measured as of June 30, 2015.

For the year ended June 30, 2016, the District recognized pension expense of \$906,259. At the June 30, 2017, the District reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience \$	40,393	88,557
Net difference between projected and actual earnings on pension plan investments	555,774	0
Changes of assumptions	189,529	0
Changes in proportion and differences between the District's contributions and proportionate share of contributions	181,443	3,419
District's contributions subsequent to the measurement	493,641	0
Total	<u>\$ 1,460,780</u>	<u>91,976</u>

\$493,641 reported as deferred outflows of resources related to pensions resulting from District's contributions subsequent to the measurement date June 30, 2015 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June</u>	
2018	\$ 202,551
2019	232,599
2020	304,484
2021	135,529
Total	<u>\$ 875,163</u>

**Actuarial assumptions.** The total pension liability in the June 30, 2016 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary Increases	Composed of 3% inflation, plus 0.75% productivity increase rate, plus step rate promotional increases for members with less than 10 years of service.
Investment Rate of Return	7.75% compounded annually, net of expenses. This is made up of a 3.00% inflation rate and a 4.75 real rate of return. The long-term expected rate of return on pension plan investments is determined annually using a building-block approach that includes the following: 1) rate of return projections are the sum of current yield plus projected changes in price (valuation, defaults, etc.), 2) application of key economic projections (inflation, real growth, dividends, etc.), and 3) structural themes (supply and demand imbalances, capital flows, etc.) developed for each major asset class.
Average of Expected Remaining Service Lives	3.77 years.
Mortality	<p>Healthy males: Based on the RP-2000 Combined Mortality Table with White Collar adjustments, generational mortality improvements with Scale BB.</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. Disabled females: RP-2000 Disabled Mortality Table for females, no set back, projected to 2016 with Scale BB.</p> <p>Active members: RP-2000 Employee Mortality Tables, with males set back two years and scaled at 80%, and females set back five years and scaled at 70%. Static mortality improvement from the table's base year of 2000 to the year 2016 in accordance with Scale BB. No future improvement was assumed for preretirement mortality.</p>
Retirement Age	Experience-based table rates based on age and service, adopted by the Board on June 12, 2015 in conjunction with the six-year experience study for the period ending June 30, 2014.
Cost-of-Living Increases	2% per year, compounded annually.
Payroll Growth	3.5% per year (with no allowance for membership growth).
Contribution Accumulation	5.5% increase per year for all years prior to the valuation date. (Contributions are credited with 4.0% interest, compounded annually, applicable to the account balance in the past as well as the future).
Disability Incidence	Approved rates applied to eligible members with at least 10 years of service.

The 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 June 12, 2015 in conjunction with the six-year actuarial experience study period ending June 30, 2014. At that time, the Board adopted several assumption changes, which included a decrease in the annual wage inflation rate from 4.25% to 3.75%, and changes to the mortality rates, disability rates, and retirement rates for members who joined the plan after June 30, 2010. In addition, the board lowered the population growth rate assumption to zero.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges 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 and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Equities	35%	
Fixed Income	28%	
Alternatives	36%	
Cash	1%	
	100%	7.75%

**Discount rate.** A single discount rate of 7.75% was used to measure the total pension liability as of June 30, 2016. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.75%, compounded annually, net of expense. Based on the stated assumptions and the projection of cash flows, the plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

**Sensitivity of the Net Pension Liability.** The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.75 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% lower (6.75 percent) or 1% higher (8.75percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
The Districts' proportionate share of the net pension liability	\$ 12,331,867	\$ 9,310,746	\$ 6,804,069

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



#### **H. Retiree Health Care**

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

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which the event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

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

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

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2015, the statutes required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2015, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The District's contributions to the RHCA for the years ended June 30, 2017, 2016 and 2015 were \$71,028, \$73,917, and \$71,764 respectively, which equal the required contributions for each year.

**I. Reconciliation of Budgetary Basis to GAAP Basis Statements**

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

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

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

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

**J. Contingent Liabilities**

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

**K. Risk Management**

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

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

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

**L. Joint Powers Agreements**

The Loving Municipal School District is part of a joint powers agreement with the Regional Education Cooperative #8 (REC). A regional cooperative center that operates as an agency for four school districts and provides cooperative services as its primary service. The school districts include, Loving, Dexter Hagerman and Lake Arthur.

The purpose of the agreement is to provide supplementary special education services to local education agencies utilizing federal PL 94-142 funds.

The agreement is to remain in effect until the end of any fiscal year during which the school gives notice of intent to terminate.

The financial statements for the REC were prepared by an IPA. The audit report is available at the Regional Education Cooperative #8 Pecos Valley, 2218 West Grande Ave., Artesia, NM 88211-0155.

**L. Concentrations**

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

**M. Subsequent Events**

Subsequent events were evaluated through November 2, 2017 which is the date the financial statements were available to be issued.

**N. Negative Fund Balances**

The Transportation-13000, Debt Service Fund-41000, Food Service-21000 and the Ed Tech Debt Service-43000 ended the year with negative fund balances of \$(23), \$(165,955), \$(9,816) and \$(46,734). respectively.

**N. Restatement**

Fund Balance for Transportation-13000 and Instructional Materials-14000 were restated \$(7,461) and \$(5,882) for the amounts returned to PED due to a state-wide budget reduction.

Net Position was restated \$(13,343) for the fund balance restatements discussed above.

**O. Subsequent Pronouncements**

GASB Statement No. 85, Omnibus 2017. Issued 06/17. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged. Of the ten topics, only the following will apply to this District:

- \*Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus.
- \*Recognizing on-behalf payments for pensions or OPEB in employer financial statements.
- \*Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB.
- \*Classifying employer-paid member contributions for OPEB.
- \*Simplifying certain aspects of the alternative measurement method for OPEB.
- \*Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

The District is still evaluating how this pronouncement will affect the financial statements.

GASB Statement No. 86, Certain Debt Extinguishment Issues. Issued 05/17. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged. The District is still evaluating how this pronouncement will affect the financial statements.

GASB Statement No. 87, Leases. Issued 06/17. Effective Date: For reporting periods beginning after December 15, 2019. The District is still evaluating how this pronouncement will affect the financial statements.

**Supplemental Information Related to  
Major Funds**

State of New Mexico

**Loving Municipal Schools**

Capital Projects Fund-Bond Building-31100

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

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Bond Issue	\$ 0	\$ 0	\$ 0	\$ 0
Total Revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Expenditures				
Capital Outlay				
Building Improvements	<u>552,131</u>	<u>1,207,102</u>	<u>699,347</u>	<u>507,755</u>
Total Expenditures	<u>552,131</u>	<u>1,207,102</u>	<u>699,347</u>	<u>507,755</u>
Excess (Deficiency) of Revenues Over Expenditures	(552,131)	(1,207,102)	(699,347)	507,755
Cash Balance Beginning of Year	<u>1,207,102</u>	<u>1,207,102</u>	<u>1,207,102</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 654,971</u>	<u>\$ 0</u>	<u>\$ 507,755</u>	<u>\$ 507,755</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			<u>\$ (699,347)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (699,347)</u>	

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

State of New Mexico

**Loving Municipal Schools**

Capital Projects Fund-Special Capital Outlay-State-31400

Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Bond Issue	\$ 100,000	\$ 298,000	\$ 98,868	\$ (199,132)
Total Revenues	<u>100,000</u>	<u>298,000</u>	<u>98,868</u>	<u>(199,132)</u>
Expenditures				
Capital Outlay				
Building Improvements	<u>100,000</u>	<u>298,000</u>	<u>298,000</u>	<u>0</u>
Total Expenditures	<u>100,000</u>	<u>298,000</u>	<u>298,000</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	(199,132)	(199,132)
Cash Balance Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (199,132)</u>	<u>\$ (199,132)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (199,132)	
Net Change in Due from Grantor			<u>199,132</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 0</u>	

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

State of New Mexico

**Loving Municipal Schools**

Capital Projects Fund-Senate Bill Nine-Local-31701

Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$ 90,576	\$ 396,557	\$ 288,540	\$ (108,017)
State Grant	0	0	46,976	46,976
Total Revenues	<u>90,576</u>	<u>396,557</u>	<u>335,516</u>	<u>(61,041)</u>
<b>Expenditures</b>				
<b>Support Services</b>				
General Administration				
Professional & Tech Services	0	1,200	1,056	144
Total General Administration	<u>0</u>	<u>1,200</u>	<u>1,056</u>	<u>144</u>
Total Support Services	<u>0</u>	<u>1,200</u>	<u>1,056</u>	<u>144</u>
<b>Capital Outlay</b>				
Repairs and Maintenance	90,576	90,576	302,831	(212,255)
Supplies	0	225,000	254,251	(29,251)
Fixed Assets	0	250,000	10,019	239,981
Supply Assets	0	0	2,500	(2,500)
Total Capital Outlay	<u>90,576</u>	<u>565,576</u>	<u>569,601</u>	<u>(4,025)</u>
Total Expenditures	<u>90,576</u>	<u>566,776</u>	<u>570,657</u>	<u>(3,881)</u>
Excess (Deficiency) of Revenues Over Expenditures	0	(170,219)	(235,141)	(64,922)
Cash Balance Beginning of Year	<u>889,524</u>	<u>889,524</u>	<u>889,524</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 889,524</u>	<u>\$ 719,305</u>	<u>\$ 654,383</u>	<u>\$ (64,922)</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (235,141)	
Net Change in Taxes Receivable			(61,602)	
Net Change in Accounts Payable			12,566	
Net Change in Unavailable Revenue			51,695	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (232,482)</u>	

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



State of New Mexico  
**Loving Municipal Schools**  
Debt Service-41000  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Taxes	\$ 915,000	\$ 915,000	\$ 1,185,537	\$ 270,537
Total Revenues	<u>915,000</u>	<u>915,000</u>	<u>1,185,537</u>	<u>270,537</u>
Expenditures				
Support Services				
General Administration				
Professional & Tech Services	8,865	8,865	5,114	3,751
Total General Administration	<u>8,865</u>	<u>8,865</u>	<u>5,114</u>	<u>3,751</u>
Total Support Service	<u>8,865</u>	<u>8,865</u>	<u>5,114</u>	<u>3,751</u>
Debt Service				
Principal	700,000	700,000	700,000	0
Interest	186,500	186,500	186,500	0
Total Debt Service	<u>886,500</u>	<u>886,500</u>	<u>886,500</u>	<u>0</u>
Total Expenditures	<u>895,365</u>	<u>895,365</u>	<u>891,614</u>	<u>3,751</u>
Excess (Deficiency) of Revenues Over Expenditures	19,635	19,635	293,923	274,288
Cash Balance Beginning of Year	<u>(18,175)</u>	<u>(18,175)</u>	<u>(18,175)</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 1,460</u>	<u>\$ 1,460</u>	<u>\$ 275,748</u>	<u>\$ 274,288</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 293,923	
Net Change in Taxes Receivable			(107,996)	
Net Change in Principal			(265,000)	
Net Change in Interest			500	
Net Change in Unavailable Revenue			87,185	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 8,612</u>	

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

**Supplemental Information Related to  
Nonmajor Funds**

**Nonmajor Special Revenue Funds**

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

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

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

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

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

**IDEA-B Results (24132).** The New Mexico Real Results Plan (NMRRP) is part of New Mexico's State Systemic Improvement Plan, required by the U.S. Department of Education, Office of Special Education Programs. New Mexico's plan supports PED's waiver under the Elementary and Secondary Education Act and the A - F School Grading System. This plan and all its resources specifically target students with disabilities enrolled in Title I schools. PL 108-446 PT B Individuals with Disabilities Education Act.

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

**USDA Equipment (24183).** 2015 Agriculture Appropriations Act to State agencies that will competitively award equipment assistance grants to eligible school food authorities (SFAs) participating in the National School Lunch Program (NSLP). These funds will allow SFAs to purchase equipment to serve healthier meals that meet the updated meal patterns, with emphasis on more fruits and vegetables in school meals, improve food safety, and expand access. The fund was created by the authority of federal grant provisions.

**Head Start (25127).** To promote school readiness by enhancing the social and cognitive development of low-income children, including children on federally recognized reservations and children of migratory farm-workers, through the provision of comprehensive health, educational, nutritional, social and other services; and to involve parents in their children's learning and to help parents make progress toward their educational, literacy and employment goals. Head Start also emphasizes the significant involvement of parents in the administration of their local Head Start programs. The project is funded through the federal government, under the Community Opportunities, Accountability, and Training and Educational Services Act of 1998, Title I, Section 101-119. The fund was created by the authority of federal grant provisions.

**Medicaid (25153).** 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. The fund was created by the authority of federal grant provisions. (Title XIX Social Security Act).

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

**Dual Credit Instructional Materials (27103).** To provide financial assistance to purchased instructional materials for the college classes offered to students who are taking them for dual credits. The fund was created by the authority of state grant provisions.

**GO Student Library (27107).** To account for revenues and expenditures from a state grant to provide for public school and juvenile detention libraries. The funding made available to update and expand library collections in order to circulate and provide access of materials to students and teachers. Funding provided by the State of New Mexico.

**Truancy Initiative (27141).** To account for monies received to help students who are truant from school to be required to perform community service rather than being suspended from school. The fund was created by the authority of state grant provisions.

**Breakfast After The Bell (27155).** To account for funds received to provide breakfast for all elementary students. The fund was created by grant provisions.

**Kindergarten 3 Plus (K3 Plus)(27166).** To account for funds received to provide the opportunity for the district to address early literacy. The full-day kindergarten program is the first step in the implementation of a sequential early literacy approach to teaching reading.

**College Counselor Initiative (27189).** This funding is to be used to hire college advisors solely dedicated to college advisement. The fund was created by grant agreement.

**Local Projects (29102).** To account for a private grant provided for a specific purpose. The fund was created by grant provisions.

**United Way Grant (29107).** To account for a grant from United Way for the after school program. The fund was created by grant provisions.

**Microsoft Pilot (29132).** To account for a grant from Microsoft to be used for technology. The fund was created by grant provisions.

#### **Nonmajor Capital Projects Funds**

**Special Capital Outlay-Local (31300).** To account for funds received from local sources to provide for a construction project.

**Senate Bill Nine-State (31700).** The revenues are derived from a state grant. Expenditures are restricted to capital improvements, repairs and maintenance, supplies and supply assets used in the upkeep of the facilities.

**Ed Tech Equipment (31900).** To account for proceeds received from the issuance of Educational Technology Notes to be used for the acquisition of education technology equipment for use in classrooms and library and media centers. Authority for the creation of this fund is NMSA 1978, 6-15A-1 through 6-15A-16.

#### **Nonmajor Debt Service Fund**

**Ed Tech Debt Service (43000).** To account for the accumulation of resources for, and the payment of, general long-term debt principal and interest for the retirement of technology bonds. The resources of this fund are generated by a tax levy based upon property values.

State of New Mexico  
**Loving Municipal Schools**  
 Nonmajor Funds  
 Combining Balance Sheet  
 June 30, 2017

	Special Revenue Fund		
	Food Service 21000	Athletics 22000	Title I 24101
<b>Assets</b>			
Cash and Cash Equivalents	\$ 0	\$ 45,074	\$ 0
Receivables			
Taxes	0	0	0
Due From Grantor	0	0	12,573
Inventory	6,740	0	0
Total Assets	<u>\$ 6,740</u>	<u>\$ 45,074</u>	<u>\$ 12,573</u>
<b>Liabilities</b>			
Interfund Balance	<u>16,556</u>	<u>0</u>	<u>12,573</u>
Total Liabilities	<u>16,556</u>	<u>0</u>	<u>12,573</u>
<b>Deferred Inflows of Resources</b>			
Unavailable Revenue	<u>0</u>	<u>0</u>	<u>0</u>
Total Inflow of Resources	<u>0</u>	<u>0</u>	<u>0</u>
<b>Fund Balances</b>			
Nonspendable-Inventory	6,740	0	0
Restricted for:			
Special Revenue	0	45,074	0
Capital Improvements	0	0	0
Unassigned	<u>(16,556)</u>	<u>0</u>	<u>0</u>
Total Fund Balances	<u>(9,816)</u>	<u>45,074</u>	<u>0</u>
 Total Liabilities, Deferred Inflows and Fund Balances	 <u>\$ 6,740</u>	 <u>\$ 45,074</u>	 <u>\$ 12,573</u>

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

State of New Mexico  
**Loving Municipal Schools**  
 Nonmajor Funds  
 Combining Balance Sheet  
 June 30, 2017

	Special Revenue Fund		
	IDEA B Entitlement 24106	IDEA Preschool 24109	IDEA B Results 24132
<b>Assets</b>			
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 0
Receivables			
Taxes	0	0	0
Due From Grantor	39,288	1,901	6,611
Inventory	0	0	0
Total Assets	<u>\$ 39,288</u>	<u>\$ 1,901</u>	<u>\$ 6,611</u>
<b>Liabilities</b>			
Interfund Balance	<u>39,288</u>	<u>1,901</u>	<u>6,611</u>
Total Liabilities	<u>39,288</u>	<u>1,901</u>	<u>6,611</u>
<b>Deferred Inflows of Resources</b>			
Unavailable Revenue	<u>0</u>	<u>0</u>	<u>0</u>
Total Inflow of Resources	<u>0</u>	<u>0</u>	<u>0</u>
<b>Fund Balances</b>			
Nonspendable-Inventory	0	0	0
Restricted for:			
Special Revenue	0	0	0
Capital Improvements	0	0	0
Unassigned	<u>0</u>	<u>0</u>	<u>0</u>
Total Fund Balances	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total Liabilities, Deferred Inflows and Fund Balances</b>	<u>\$ 39,288</u>	<u>\$ 1,901</u>	<u>\$ 6,611</u>

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

State of New Mexico  
**Loving Municipal Schools**  
 Nonmajor Funds  
 Combining Balance Sheet  
 June 30, 2017

	Special Revenue Fund		
	Teacher/ Principal Training 24154	USDA Equipment 24183	Head Start 25127
<b>Assets</b>			
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 0
Receivables			
Taxes	0	0	0
Due From Grantor	1,868	6,351	60,290
Inventory	0	0	0
<b>Total Assets</b>	<b>\$ 1,868</b>	<b>\$ 6,351</b>	<b>\$ 60,290</b>
<b>Liabilities</b>			
Interfund Balance	1,868	6,351	60,290
<b>Total Liabilities</b>	<b>1,868</b>	<b>6,351</b>	<b>60,290</b>
<b>Deferred Inflows of Resources</b>			
Unavailable Revenue	0	0	0
<b>Total Inflow of Resources</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Fund Balances</b>			
Nonspendable-Inventory	0	0	0
Restricted for:			
Special Revenue	0	0	0
Capital Improvements	0	0	0
Unassigned	0	0	0
<b>Total Fund Balances</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Liabilities, Deferred Inflows and Fund Balances</b>	<b>\$ 1,868</b>	<b>\$ 6,351</b>	<b>\$ 60,290</b>

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

State of New Mexico  
**Loving Municipal Schools**  
 Nonmajor Funds  
 Combining Balance Sheet  
 June 30, 2017

	Special Revenue Fund		
	Medicaid 25153	Rural Education Achievement 25233	Duel Credit Instructional Materials 27103
<b>Assets</b>			
Cash and Cash Equivalents	\$ 7,785	\$ 291	\$ 0
Receivables			
Taxes	0	0	0
Due From Grantor	0	0	0
Inventory	0	0	0
<b>Total Assets</b>	<b>\$ 7,785</b>	<b>\$ 291</b>	<b>\$ 0</b>
<b>Liabilities</b>			
Interfund Balance	0	0	0
<b>Total Liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Deferred Inflows of Resources</b>			
Unavailable Revenue	0	291	0
<b>Total Inflow of Resources</b>	<b>0</b>	<b>291</b>	<b>0</b>
<b>Fund Balances</b>			
Nonspendable-Inventory	0	0	0
Restricted for:			
Special Revenue	7,785	0	0
Capital Improvements	0	0	0
Unassigned	0	0	0
<b>Total Fund Balances</b>	<b>7,785</b>	<b>0</b>	<b>0</b>
<b>Total Liabilities, Deferred Inflows and Fund Balances</b>	<b>\$ 7,785</b>	<b>\$ 291</b>	<b>\$ 0</b>

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



State of New Mexico  
**Loving Municipal Schools**  
 Nonmajor Funds  
 Combining Balance Sheet  
 June 30, 2017

	Special Revenue Fund		
	GO Student Library 27107	Truancy Initiative 27141	Breakfast after the Bell 27155
<b>Assets</b>			
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 0
Receivables			
Taxes	0	0	0
Due From Grantor	0	0	0
Inventory	0	0	0
<b>Total Assets</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>Liabilities</b>			
Interfund Balance	0	0	0
<b>Total Liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Deferred Inflows of Resources</b>			
Unavailable Revenue	0	0	0
<b>Total Inflow of Resources</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Fund Balances</b>			
Nonspendable-Inventory	0	0	0
Restricted for:			
Special Revenue	0	0	0
Capital Improvements	0	0	0
Unassigned	0	0	0
<b>Total Fund Balances</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Liabilities, Deferred Inflows and Fund Balances</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>

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

State of New Mexico  
**Loving Municipal Schools**  
 Nonmajor Funds  
 Combining Balance Sheet  
 June 30, 2017

	Special Revenue Fund		
	K3 Plus 27166	College Counselor 27189	Local Projects 29102
<b>Assets</b>			
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 112,957
Receivables			
Taxes	0	0	0
Due From Grantor	24,623	8,001	0
Inventory	0	0	0
Total Assets	<u>\$ 24,623</u>	<u>\$ 8,001</u>	<u>\$ 112,957</u>
<b>Liabilities</b>			
Interfund Balance	<u>24,623</u>	<u>8,001</u>	<u>0</u>
Total Liabilities	<u>24,623</u>	<u>8,001</u>	<u>0</u>
<b>Deferred Inflows of Resources</b>			
Unavailable Revenue	<u>0</u>	<u>0</u>	<u>0</u>
Total Inflow of Resources	<u>0</u>	<u>0</u>	<u>0</u>
<b>Fund Balances</b>			
Nonspendable-Inventory	0	0	0
Restricted for:			
Special Revenue	0	0	112,957
Capital Improvements	0	0	0
Unassigned	<u>0</u>	<u>0</u>	<u>0</u>
Total Fund Balances	<u>0</u>	<u>0</u>	<u>112,957</u>
 Total Liabilities, Deferred Inflows and Fund Balances	 <u>\$ 24,623</u>	 <u>\$ 8,001</u>	 <u>\$ 112,957</u>

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

State of New Mexico  
**Loving Municipal Schools**  
 Nonmajor Funds  
 Combining Balance Sheet  
 June 30, 2017

	<u>Special Revenue Fund</u>		<u>Capital Projects Fund</u>
	<u>United Way Grant 29107</u>	<u>Microsoft Pilot 29132</u>	<u>Capital Outlay Local 31300</u>
<b>Assets</b>			
Cash and Cash Equivalents	\$ 5,017	\$ 4,025	\$ 176,900
Receivables			
Taxes	0	0	0
Due From Grantor	0	0	0
Inventory	0	0	0
Total Assets	<u>\$ 5,017</u>	<u>\$ 4,025</u>	<u>\$ 176,900</u>
<b>Liabilities</b>			
Interfund Balance	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities	<u>0</u>	<u>0</u>	<u>0</u>
<b>Deferred Inflows of Resources</b>			
Unavailable Revenue	<u>0</u>	<u>0</u>	<u>0</u>
Total Inflow of Resources	<u>0</u>	<u>0</u>	<u>0</u>
<b>Fund Balances</b>			
Nonspendable-Inventory	0	0	0
Restricted for:			
Special Revenue	5,017	4,025	176,900
Capital Improvements	0	0	0
Unassigned	0	0	0
Total Fund Balances	<u>5,017</u>	<u>4,025</u>	<u>176,900</u>
 Total Liabilities, Deferred Inflows and Fund Balances	 <u>\$ 5,017</u>	 <u>\$ 4,025</u>	 <u>\$ 176,900</u>

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

State of New Mexico  
**Loving Municipal Schools**  
 Nonmajor Funds  
 Combining Balance Sheet  
 June 30, 2017

	<u>Capital Projects Fund</u>		<u>Debt Service</u>
	<u>Senate Bill Nine-State 31700</u>	<u>Ed Tech Equipment 31900</u>	<u>Ed Tech Debt Service 43000</u>
<b>Assets</b>			
Cash and Cash Equivalents	\$ 0	\$ 17,835	\$ 0
Receivables			
Taxes	0	0	3,786
Due From Grantor	16,645	0	0
Inventory	0	0	0
Total Assets	<u>\$ 16,645</u>	<u>\$ 17,835</u>	<u>\$ 3,786</u>
<b>Liabilities</b>			
Interfund Balance	<u>16,645</u>	<u>0</u>	<u>47,854</u>
Total Liabilities	<u>16,645</u>	<u>0</u>	<u>47,854</u>
<b>Deferred Inflows of Resources</b>			
Unavailable Revenue	<u>0</u>	<u>0</u>	<u>2,666</u>
Total Inflow of Resources	<u>0</u>	<u>0</u>	<u>2,666</u>
<b>Fund Balances</b>			
Nonspendable-Inventory	0	0	0
Restricted for:			
Special Revenue	0	0	0
Capital Improvements	0	17,835	0
Unassigned	<u>0</u>	<u>0</u>	<u>(46,734)</u>
Total Fund Balances	<u>0</u>	<u>17,835</u>	<u>(46,734)</u>
 Total Liabilities, Deferred Inflows and Fund Balances	 <u>\$ 16,645</u>	 <u>\$ 17,835</u>	 <u>\$ 3,786</u>

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

State of New Mexico  
**Loving Municipal Schools**  
 Nonmajor Funds  
 Combining Balance Sheet  
 June 30, 2017

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	<u>Total</u>
<b>Assets</b>	
Cash and Cash Equivalents	\$ 369,884
Receivables	
Taxes	3,786
Due From Grantor	178,151
Inventory	6,740
Total Assets	<u>\$ 558,561</u>
<b>Liabilities</b>	
Interfund Balance	<u>242,561</u>
Total Liabilities	<u>242,561</u>
<b>Deferred Inflows of Resources</b>	
Unavailable Revenue	<u>2,957</u>
Total Inflow of Resources	<u>2,957</u>
<b>Fund Balances</b>	
Nonspendable-Inventory	6,740
Restricted for:	
Special Revenue	351,758
Capital Improvements	17,835
Unassigned	<u>(63,290)</u>
Total Fund Balances	<u>313,043</u>
 Total Liabilities, Deferred Inflows and Fund Balances	 <u>\$ 558,561</u>

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

State of New Mexico  
**Loving Municipal Schools**  
 Nonmajor Funds  
 Combining Statement of Revenues, Expenditures and  
 Changes in Fund Balance  
 For the Year Ended June 30, 2017

	Special Revenue Fund		
	Food Service 21000	Athletics 22000	Title I 24101
<b>Revenues</b>			
Property Taxes	\$ 0	\$ 0	\$ 0
Fees	4,322	53,689	0
State & Local Grants	0	0	0
Federal Grants	335,393	0	70,423
Total Revenues	<u>339,715</u>	<u>53,689</u>	<u>70,423</u>
<b>Expenditures</b>			
Current			
Instruction	0	53,182	68,585
Support Services			
Students	0	0	0
Instruction	0	0	
General Administration	0	0	1,838
School Administration	0	0	0
Operation of Plant	0	0	0
Food Service Operations	370,268	0	0
Debt Service			
Principal	0	0	0
Interest	0	0	0
Total Expenditures	<u>370,268</u>	<u>53,182</u>	<u>70,423</u>
Excess (Deficiency) of Revenues Over Expenditures	(30,553)	507	0
Fund Balances at Beginning of Year	<u>20,737</u>	<u>44,567</u>	<u>0</u>
Fund Balance End of Year	<u>\$ (9,816)</u>	<u>\$ 45,074</u>	<u>\$ 0</u>

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

State of New Mexico  
**Loving Municipal Schools**  
 Nonmajor Funds  
 Combining Statement of Revenues, Expenditures and  
 Changes in Fund Balance  
 For the Year Ended June 30, 2017

	Special Revenue Fund		
	IDEA B Entitlement 24106	IDEA Preschool 24109	IDEA B Results 24132
<b>Revenues</b>			
Property Taxes	\$ 0	\$ 0	\$ 0
Fees	0	0	0
State & Local Grants	0	0	0
Federal Grants	135,621	6,992	26,268
Total Revenues	<u>135,621</u>	<u>6,992</u>	<u>26,268</u>
<b>Expenditures</b>			
Current			
Instruction	63,962	6,013	26,268
Support Services			
Students	71,659	979	0
Instruction	0	0	0
General Administration	0	0	0
School Administration	0	0	0
Operation of Plant	0	0	0
Food Service Operations	0	0	0
Debt Service			
Principal	0	0	0
Interest	0	0	0
Total Expenditures	<u>135,621</u>	<u>6,992</u>	<u>26,268</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	0
Fund Balances at Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

State of New Mexico  
**Loving Municipal Schools**  
 Nonmajor Funds  
 Combining Statement of Revenues, Expenditures and  
 Changes in Fund Balance  
 For the Year Ended June 30, 2017

	Special Revenue Fund		
	Teacher/ Principal Training 24154	USDA Equipment 24183	Head Start 25127
<b>Revenues</b>			
Property Taxes	\$ 0	\$ 0	\$ 0
Fees	0	0	0
State & Local Grants	0	0	0
Federal Grants	16,236	6,351	192,689
Total Revenues	<u>16,236</u>	<u>6,351</u>	<u>192,689</u>
<b>Expenditures</b>			
Current			
Instruction	13,991	0	139,689
Support Services			
Students	0	0	0
Instruction	0	0	49,400
General Administration	496	0	0
School Administration	1,749	0	0
Operation of Plant	0	0	3,600
Food Service Operations	0	6,351	0
Debt Service			
Principal	0	0	0
Interest	0	0	0
Total Expenditures	<u>16,236</u>	<u>6,351</u>	<u>192,689</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	0
Fund Balances at Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance End of Year	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>

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



State of New Mexico  
**Loving Municipal Schools**  
 Nonmajor Funds  
 Combining Statement of Revenues, Expenditures and  
 Changes in Fund Balance  
 For the Year Ended June 30, 2017

	Special Revenue Fund		
	Medicaid	Rural Education Achievement	Duel Credit Instructional Materials
	25153	25233	27103
<b>Revenues</b>			
Property Taxes	\$ 0	\$ 0	\$ 0
Fees	20,118	0	0
State & Local Grants	0	0	4,024
Federal Grants	0	31,193	0
Total Revenues	<u>20,118</u>	<u>31,193</u>	<u>4,024</u>
<b>Expenditures</b>			
Current			
Instruction	0	31,193	4,024
Support Services			
Students	19,681	0	0
Instruction	0	0	0
General Administration	0	0	0
School Administration	0	0	0
Operation of Plant	0	0	0
Food Service Operations	0	0	0
Debt Service			
Principal	0	0	0
Interest	0	0	0
Total Expenditures	<u>19,681</u>	<u>31,193</u>	<u>4,024</u>
Excess (Deficiency) of Revenues Over Expenditures	437	0	0
Fund Balances at Beginning of Year	<u>7,348</u>	<u>0</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 7,785</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

State of New Mexico  
**Loving Municipal Schools**  
 Nonmajor Funds  
 Combining Statement of Revenues, Expenditures and  
 Changes in Fund Balance  
 For the Year Ended June 30, 2017

	Special Revenue Fund		
	GO Student Library 27107	Truancy Initiative 27141	Breakfast after the Bell 27155
<b>Revenues</b>			
Property Taxes	\$ 0	\$ 0	\$ 0
Fees	0	0	0
State & Local Grants	8,981	17,062	16,238
Federal Grants	0	0	0
Total Revenues	<u>8,981</u>	<u>17,062</u>	<u>16,238</u>
<b>Expenditures</b>			
Current			
Instruction	0	17,062	0
Support Services			
Students	0	0	0
Instruction	8,981	0	0
General Administration	0	0	0
School Administration	0	0	0
Operation of Plant	0	0	0
Food Service Operations	0	0	16,238
Debt Service			
Principal	0	0	0
Interest	0	0	0
Total Expenditures	<u>8,981</u>	<u>17,062</u>	<u>16,238</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	0
Fund Balances at Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

State of New Mexico  
**Loving Municipal Schools**  
 Nonmajor Funds  
 Combining Statement of Revenues, Expenditures and  
 Changes in Fund Balance  
 For the Year Ended June 30, 2017

	Special Revenue Fund		
	K3 Plus 27166	College Counselor 27189	Local Projects 29102
<b>Revenues</b>			
Property Taxes	\$ 0	\$ 0	\$ 0
Fees	0	0	0
State & Local Grants	43,872	32,500	125,000
Federal Grants	0	0	0
Total Revenues	<u>43,872</u>	<u>32,500</u>	<u>125,000</u>
<b>Expenditures</b>			
Current			
Instruction	43,872	0	109,814
Support Services			
Students	0	0	0
Instruction	0	32,500	0
General Administration	0	0	0
School Administration	0	0	0
Operation of Plant	0	0	0
Food Service Operations	0	0	0
Debt Service			
Principal	0	0	0
Interest	0	0	0
Total Expenditures	<u>43,872</u>	<u>32,500</u>	<u>109,814</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	15,186
Fund Balances at Beginning of Year	<u>0</u>	<u>0</u>	<u>97,771</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 112,957</u>

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

State of New Mexico  
**Loving Municipal Schools**  
 Nonmajor Funds  
 Combining Statement of Revenues, Expenditures and  
 Changes in Fund Balance  
 For the Year Ended June 30, 2017

	Special Revenue Fund		Capital Projects Fund
	United Way Grant 29107	Microsoft Pilot 29132	Capital Outlay Local 31300
<b>Revenues</b>			
Property Taxes	\$ 0	\$ 0	\$ 0
Fees	0	0	0
State & Local Grants	0	0	0
Federal Grants	0	0	0
Total Revenues	<u>0</u>	<u>0</u>	<u>0</u>
<b>Expenditures</b>			
Current			
Instruction	0	3,930	0
Support Services			
Students	0	0	0
Instruction	0	0	0
General Administration	0	0	0
School Administration	0	0	0
Operation of Plant	0	0	0
Food Service Operations	0	0	0
Debt Service			
Principal	0	0	0
Interest	0	0	0
Total Expenditures	<u>0</u>	<u>3,930</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	0	(3,930)	0
Fund Balances at Beginning of Year	<u>5,017</u>	<u>7,955</u>	<u>176,900</u>
Fund Balance End of Year	<u>\$ 5,017</u>	<u>\$ 4,025</u>	<u>\$ 176,900</u>

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

State of New Mexico  
**Loving Municipal Schools**  
 Nonmajor Funds  
 Combining Statement of Revenues, Expenditures and  
 Changes in Fund Balance  
 For the Year Ended June 30, 2017

	<u>Capital Projects Fund</u>		<u>Debt Service</u>
	<u>Senate Bill Nine-State 31700</u>	<u>Ed Tech Equipment 31900</u>	<u>Ed Tech Debt Service 43000</u>
<b>Revenues</b>			
Property Taxes	\$ 0	\$ 0	\$ 215,981
Fees	0	0	0
State & Local Grants	16,645	0	0
Federal Grants	0	0	0
Total Revenues	<u>16,645</u>	<u>0</u>	<u>215,981</u>
<b>Expenditures</b>			
Current			
Instruction	0	23,583	0
Support Services			
Students	0	0	0
Instruction	0	0	0
General Administration	0	0	923
School Administration	0	0	0
Operation of Plant	16,645	0	0
Food Service Operations	0	0	0
Debt Service			
Principal	0	0	200,000
Interest	0	0	8,000
Total Expenditures	<u>16,645</u>	<u>23,583</u>	<u>208,923</u>
Excess (Deficiency) of Revenues Over Expenditures	0	(23,583)	7,058
Fund Balances at Beginning of Year	<u>0</u>	<u>41,418</u>	<u>(53,792)</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 17,835</u>	<u>\$ (46,734)</u>

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

State of New Mexico  
**Loving Municipal Schools**  
 Nonmajor Funds  
 Combining Statement of Revenues, Expenditures and  
 Changes in Fund Balance  
 For the Year Ended June 30, 2017

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	<u>Total</u>
Revenues	
Property Taxes	\$ 215,981
Fees	78,129
State & Local Grants	264,322
Federal Grants	821,166
Total Revenues	<u>1,379,598</u>
Expenditures	
Current	
Instruction	605,168
Support Services	
Students	92,319
Instruction	90,881
General Administration	3,257
School Administration	1,749
Operation of Plant	20,245
Food Service Operations	392,857
Debt Service	
Principal	200,000
Interest	8,000
Total Expenditures	<u>1,414,476</u>
Excess (Deficiency) of Revenues Over Expenditures	(34,878)
Fund Balances at Beginning of Year	<u>347,921</u>
Fund Balance End of Year	<u>\$ 313,043</u>

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

## **Required Supplemental Information**

**Loving Municipal Schools****Schedules of Required Supplementary Information and Notes for Pension Plan**

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

Last 10 Fiscal Years\*

	Fiscal Year Measurement Date	2015 2014	2016 2015	2017 2016
District's proportion of the net pension liability		0.12516%	0.12622%	0.12938%
District's proportionate share of the net pension liability		\$ 7,141,284	\$ 8,175,606	\$ 9,310,746
District's covered-employee payroll		\$ 3,588,133	\$ 3,696,092	\$ 3,551,377
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll		199.03%	221.20%	262.17%
Plan fiduciary net position as a percentage of the total pension liability		66.54%	63.97%	61.58%

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

**Schedule of District's Contributions**

Last 10 Fiscal Years\*

	2015	June 30, 2016	2017
Contractually required contribution	498,751 \$	513,757 \$	493,641
Contributions in relation to the contractually required contribution	498,751	513,757	493,641
Contribution deficiency (excess)	0 \$	0 \$	0
Districts covered-employee payroll	3,588,133 \$	3,696,092 \$	3,551,377
Contributions as a percentage of covered-employee payroll	13.90%	13.90%	13.90%

\**Governmental Accounting Standards Board Statement No. 68* requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only

**Notes to Required Supplementary Information**

**Changes of benefit terms and assumptions.** There were no benefit or assumption changes adopted since the last actuarial valuation. However, the actual cost of living adjustment (COLA) was less than the expected 2.0%, which resulted in a net \$138 million decrease in the unfunded actuarial accrued liability.

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



## Other Supplemental Information

**Fiduciary Fund**

**Activity Trust Fund**

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

State of New Mexico  
**Loving Municipal Schools**  
Agency Funds-Activity  
Schedule of Fiduciary Assets and Liabilities-Agency Funds  
For the Year Ended June 30, 2017

Assets	Balance 6/30/16	Receipts	Disbursements	Balance 6/30/17
80001 HS Football	\$ 1,880	\$ 5,374	\$ 5,192	\$ 2,063
80002 HS Boys Basketball	784	2,976	3,365	395
80003 HS Girls Basketball	485	1,656	1,911	231
80004 HS Volleyball	920	8,473	8,905	487
80005 HS Track	8,138	3,369	4,535	6,973
80007 HS Softball	313	2,637	2,361	590
80009 HS Baseball	1,016	335	980	371
80010 Falcon Booster	438	239	90	587
80011 Dig Pink Volleyball	3,736	6,737	8,082	2,391
80013 HS Science	813	0	509	304
80014 HS Cheerleaders	2,346	2,838	3,555	1,629
80015 HS Student Council	1,931	0	0	1,931
80016 HS Systems GO	0	950	161	788
80017 HS Culinary Arts	0	375	203	172
80018 MS Science	201	0	0	201
80019 Loving Cares	266	0	0	266
80021 HS Yearbook	7,841	5,028	7,894	4,975
80022 HS National Honor Society	380	340	348	372
80023 Custodial	38	0	0	38
80024 HS General Activity	2,913	600	1,411	2,102
80025 HS Shop	369	0	0	369
80026 HS Band	7,218	3,439	7,572	3,085
80028 Skills USA	1,461	8,999	8,666	1,795
80029 HS AD Athletics	6,352	6,724	2,345	10,731
80030 HS Scholarship	579	1,000	500	1,079
80031 HS Library	1,411	0	265	1,146
80032 Central Office	195	7,159	5,764	1,590
80034 ID Account	452	245	105	593
80035 KUNOS	915	0	0	915
80036 Posters-Tech Dept.	630	350	560	420
80037 MS General Activity	6,066	7,108	8,701	4,473
80038 MS Cheerleaders	101	695	337	458
80039 MS Student Council	2,871	0	0	2,871
80040 MS Library	451	0	0	451
80041 MS PE	31	0	0	31
80042 MS Parent Club	1,967	2,703	2,457	2,213
80043 MS Media	13	1,275	383	905
80044 MS Home Ec	1,035	1,401	336	2,100
80045 ES General Activity	5,084	55	977	4,162
80046 ES Student Council	622	1,505	1,156	971
80047 ES Library	468	2,761	2,624	604
80053 ES Parent Council	15,997	20,845	31,108	5,735
80055 ES Head Start	65	0	0	65
80061 ES Staff	575	932	813	694
80063 HS Falcon Creations	603	0	0	603
80064 HS Track Coaches	3,489	3,031	3,119	3,402
80065 HS Football Coaches	\$ 2,337	\$ 3,034	\$ 3,508	\$ 1,863

State of New Mexico  
**Loving Municipal Schools**  
 Agency Funds-Activity  
 Schedule of Fiduciary Assets and Liabilities-Agency Funds  
 For the Year Ended June 30, 2017

Assets	Balance 6/30/16	Receipts	Disbursements	Balance 6/30/17
80066 ES Music	\$ 1,179	\$ 6,714	\$ 4,206	\$ 3,687
80067 HS Boys Basketball Coaches	2	0	0	2
80069 ES Clothing Bank	2,644	0	0	2,644
80072 HS Robotics	1,038	0	0	1,038
80073 HS Girls Basketball Coaches	45	0	0	45
80075 HS Athletics	1,079	390	504	964
80076 HS Softball Coaches	320	0	52	268
80077 MS Shop	1,312	680	524	1,468
80078 HS Health	41	45	45	41
80079 Class of 2017	1,429	186	1,084	531
80081 HS Staff	2,595	7,222	7,623	2,194
80082 MS National Junior Honor Society	1,126	497	385	1,238
80083 Positive Behavior Support	44	0	0	44
80085 Class of 2018	1,630	4,382	4,375	1,637
80087 Volleyball Coaches	417	157	574	(0)
80088 Class of 2015	2,923	2,148	859	4,212
80090 Class of 2016	4,865	3,915	3,531	5,249
80091 Tech Lab Fees	536	15	0	551
Total Assets	<u>\$ 119,021</u>	<u>\$ 141,538</u>	<u>\$ 154,559</u>	<u>\$ 106,000</u>
 Liabilities				
Deposits Held for Others	\$ 119,021	\$ 141,538	\$ 154,559	\$ 106,000
Total Liabilities	<u>\$ 119,021</u>	<u>\$ 141,538</u>	<u>\$ 154,559</u>	<u>\$ 106,000</u>

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

State of New Mexico  
**Loving Municipal Schools**  
Cash Reconciliation-All Funds  
For the Year Ended June 30, 2017

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		Beginning Cash 6/30/16	Revenue	Expenditures	Ending Cash 6/30/17
Operational	11000 \$	979,396 \$	5,161,266 \$	5,483,945 \$	656,716
Transportation	13000	14,923	99,835	114,758	(0)
Instructional Materials	14000	88,988	40,549	65,041	64,496
Food Service	21000	22,755	309,608	348,919	(16,556)
Athletics	22000	44,568	53,689	53,182	45,075
Federal Flowthrough	24000	(103,619)	296,960	261,932	(68,591)
Federal Direct	25000	(13,321)	204,670	243,563	(52,215)
State Flowthrough	27000	(156,846)	249,124	124,903	(32,625)
Local/State	29000	110,743	125,000	113,744	121,999
Bond Building	31100	1,207,101	0	699,347	507,754
Capital Outlay-Local	31300	176,900	0	0	176,900
Capital Outlay-State	31400	0	98,868	298,000	(199,132)
Senate Bill Nine-State	31700	(17,183)	17,183	16,645	(16,645)
Senate Bill Nine-Local	31701	889,524	288,540	523,681	654,383
Ed Tech Equipment	31900	41,417	0	23,583	17,834
Debt Service	41000	(18,175)	1,185,537	891,614	275,748
Debt Service Ed Tech	43000	77,187	220,907	345,948	(47,853)
Activities	23000	119,021	141,538	154,559	106,000
Total		<u>\$ 3,463,379</u>	<u>\$ 8,493,274</u>	<u>\$ 9,763,365</u>	<u>\$ 2,193,288</u>

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

## **Federal Compliance**

State of New Mexico  
**Loving Municipal Schools**  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2017

Federal Agency/Pass Through Grantor/Program Title	Federal CFDA Number	State ID Number	Total Federal Awards Expended
<u>U. S. Department of Agriculture</u>			
Child Nutrition Cluster			
Pass-through State Public Education Department:			
School Breakfast Program	10.553	21000	\$ 78,905
National School Lunch Program	10.555	21000	216,411
USDA Equipment Assistance	10.555	24183	6,351
Pass-through Child Youth and Family Department			
National School Lunch Program	10.555	21000	9,969
Pass-through State Department of Health and Human Services:			
Commodity Supplemental Food Program	10.565	21000	(1) 30,108
Total Child Nutrition Cluster			<u>341,744</u>
Direct Program			
Rural Development, Forestry, and Communities	10.672	11000	<u>247</u>
Total U. S. Department of Agriculture			<u>341,991</u>
<u>U. S. Department of Education</u>			
Pass-through State Public Education Department:			
Special Education Cluster			
IDEA B Entitlement	84.027	24106	135,621
IDEA B Results Plan	84.027	24120	26,268
IDEA Preschool	84.173	24109	6,992
			<u>168,881</u>
Pass-through State Public Education Department:			
Title I	84.010	24101	70,423
Teacher/Principal Training and Recruiting	84.367	24154	16,236
Direct Program			
Rural Education Achievement Program	84.358	25233	<u>31,193</u>
Total U. S. Department of Education			<u>286,733</u>
<u>U. S. Department of Health and Human Services</u>			
Direct Program			
Head Start	93.600	25127	<u>192,689</u>
Total Federal Assistance			<u>\$ 821,413</u>

(1) Non-cash assistance

See accompanying notes to the Schedule of Expenditures of Federal Awards

State of New Mexico

**Loving Municipal Schools**

Notes to the Schedule of Expenditures of Federal Awards

June 30, 2017

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Note 1: Significant Accounting Policies used in preparing the Schedule of Expenditure of Federal Awards

The modified accrual basis was used to prepare the Schedule of Expenditures of Federal Awards

Note 2: Insurance Requirements

There are no insurance requirements on the federal awards disclosed on the Schedule of Expenditures of Federal Awards

Note 3: Loans or Loan Guarantees

There were no loans or loan guarantees outstanding at year end.

Note 4: De Minimis Indirect Rate

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



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

Independent Auditor's Report

Mr. Tim Keller  
State Auditor of the State of New Mexico  
Board Members of the Mora Independent Schools

Mr. Keller and Members of the Board

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue funds, of the Loving Municipal Schools District (District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and the combining and individual funds and related budgetary comparisons of the District, presented as supplemental information, and have issued our report thereon dated November 2, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs, that we consider to be significant deficiencies. 2016-001, 2016-002, 2016-003

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2016-001, 2016-002, 2016-003

District's Responses to Findings

The District's responses to the findings identified in our audit as described in the accompanying Schedule of Findings and Questioned Cost. responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

*De'Ann Willoughby CPA PC*

Clovis, New Mexico  
November 2, 2017

Report on Compliance With Requirements  
Applicable To Each Major Program and Internal Control  
Over Compliance in Accordance With OMB Uniform Guidance

Independent Auditor's Report

Mr. Tim Keller  
State Auditor of the State of New Mexico  
Board Members of the Mora Independent Schools

Mr. Keller and Members of the Board

Compliance

We have audited Loving Municipal Schools (District) compliance with the types of compliance requirements described in the Title 2 U.S. CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2017. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's 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. 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 in the *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 that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on 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, 2017.

## 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. In planning and performing the compliance audit, 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.

*De'Ann Willoughby CPA PC*

Clovis, New Mexico  
November 2, 2017

**A. Summary of Audit Results**

Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting

\* Material weaknesses identified? No

\* Significant deficiencies identified? Yes

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

\* Material weaknesses identified? No

\* Significant deficiencies identified? Yes

Type of auditor's report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance No

Identification of major programs:

<u>CFDA Numbers)</u>	<u>Name of Federal Program of Cluster</u>
10.553	Child Nutrition Cluster
10.555	School Breakfast Program
10.565	National School Lunch Program
	Commodity Supplemental Food Program

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Audited qualified as low risk Auditee No

**Federal Compliance Findings**

**Prior Year Audit Findings**

None

**Current Year Audit Findings**

None

**Financial Statements Findings**

**Prior Year Audit Findings**

	<u>Status</u>
2016-001 Payroll	Repeated & Modified
2016-002 Expenditure Issues	Repeated & Modified
2016-003 Activity Receipts	Repeated & Modified

**Current Year Audit Findings**

**2016-001 Payroll-Compliance & Internal Control-Significant Deficiency Condition**

Out of fifteen personnel files sampled we noted:

- (A) 5 I-9's were incorrectly completed or incomplete.
- (B) Of the 21 new hires, 5 were sampled and all 5 were not submitted timely.
- (C) 1 did not have a background check.

**Management has not made progress resolving this issue.**

**Criteria**

(A) NMAC 6.20.2.18 states the local board shall establish written policies and procedures which comply with state and federal regulations on payroll as well as maintaining strict internal controls, close supervision and financial accounting in accordance with GAAP. School district shall maintain and have available for inspection the following employee record documentation: employment contracts (including increments), personnel/payroll action forms, certification records, employment eligibility verification (federal form I-9 for citizenship certification), federal and state withholding allowance certificates, pay deduction authorizations, direct deposit authorizations, pay or position change notices and ERA plan application.

(B) Under New Mexico law (§50-13-1 to 50-13-4) and Federal law (42 USC §653.a.(b)(1)(A)), all public, private, non-profit, and government employers are required to report all newly hired employees within 20 days of hire or rehire to the New Mexico New Hires Directory.

(C) According to 22-10A-5 NMSA 1978 Background checks; known convictions; alleged ethical misconduct; reporting required; limited immunity; penalty for failure to report.

**Cause**

Faulty procedures, misunderstanding of regulations and lack of supervision.

**Effect**

(A) The District is subject to penalties. The penalties can include \$250 to \$3,000 for improper completion of the I-9 form. Improper completion, retention or making it available for inspection fines range from \$100 to \$1,100 for each I-9. Knowingly hiring or continuing to employ unauthorized workers fines range from \$250 up to \$11,000 per violation.

(B) Pursuant to federal law, states have the option of imposing civil monetary penalties on employers who fail to report new hires. The fine can be up to \$20 per newly hired employee, and if there is a conspiracy between the employer and employee not to report, the penalty can be up to \$500 per newly hired employee.

(C) As a safety measure, people with serious criminal records may not be fit to have responsibility for the safety and well being of children.

**Recommendation**

(A) The Human Resource employee needs to read and understand both the I-9 Instructions and the M-274 Handbook for employers as well as additional training and supervision is necessary to assure the I-9s are completed correctly.

(B) Training and supervision should occur to assure the new hire reporting requirements are met.

(C) All background checks should be reviewed and updated if necessary.

**Response**

Internal control processes have been discussed with the HR employee and new methods established to ensure that all responsibilities are accomplished effectively. The HR employee will receive continual training and supervision to make certain regulations are followed. The HR employee will be held accountable to complete tasks and perform duties required.

The Human Resource Clerk is responsible for this finding and is to be resolved by the end of this next fiscal year.

**2016-002 Expenditure Issues - Compliance and Internal Control-Significant Deficiency**

**Condition**

Of a sample size of 107 totaling \$1,406,187.51 revealed the following:

Fund 11000 - Of the 46 expenditures tested totaling \$153,616.73, 2 had after fact PO's totaling \$5,463.53 or 3.56%.

Fund 31701 -Of the 30 expenditures totaling \$485,294.83, 1 had an after fact PO totaling \$5,151.13 or 1.06%.

**Management has made progress resolving this issue.**

**Criteria**

In accordance with 6.20.2.17 Purchasing, each school district shall establish and implement written policies and procedures for purchasing which shall be in compliance with the Procurement Code, Section 13-1-21 et seq, NMSA 1978. New Mexico Manual of Procedures for Public School Accounting and Budgeting, Supplement 13 – Purchasing, “the preparation and execution of a duly authorized purchase order must precede the placement of any order for goods, services or construction.” Additionally, “all verified items or services should be recorded on the receiving document or other recording instrument (i.e., electronic file)”, and “upon verifying and recording the receipt of all the items or services ordered, the receiving document or recording instrument shall be manually or electronically signed by authorized receiving personnel and processed for payment according to procedures established by school District or charter school boards’ of education local procedures.” Relevant statutes include 13-1-157 and 13-1-158 NMSA 1978.

**Cause**

There is a lack of enforcing existing policies by those with approval authority.

**Effect**

The results of this expenditure issue is over spending of public funds.

**Recommendation**

Personnel should be trained in the procurement process and there should be consequences for failing to follow the process.

**Response**

Business Manager has addressed purchase violations to the District. Personnel will receive continual training regarding the procurement process. Written reprimands will be issued for failure to comply with state statute.

The Superintendent is responsible for enforcing the procurement process. The superintendent is working on having this resolved by the end of fiscal year 2018.

**2016-003 Activity Receipts-Compliance and Internal Control-Significant Deficiency Condition**

Receipts do not have the District's name preprinted on them. There are multiple receipt books for each secretary (one for each kind of activity). One receipt was voided without the original attached. Receipts were skipped. Copy of receipts removed from the receipt book. Changes were made to a gate reconciliation sheet without initialing or following up with the gate keeper.

**Management has not made progress resolving this issue.**

**Criteria**

NMAC 6.20.2.11 and NMAC 6.20.2.14 describe internal controls for receipting money.

**Cause**

There is a lack of training for employees handling activity funds.

**Effect**

Activity funds pose a high risk of fraud making the implementation of a strong internal control system very important. Without a strong working control system, activity funds could easily be misappropriated.

**Recommendation**

The District should provide the personnel responsible for handling activity receipts with sufficient training and supervision to ensure compliance with internal control systems.

**Response**

Business Manager has held training to improve internal control procedures and to ensure processes are understood and followed. Customized pre-printed receipt books will be used and tracked through the Business Office. Failure to comply will result in a written reprimand.

The Superintendent is responsible for this finding. The superintendent is working on having this resolved by the end of fiscal year 2018.

**Financial Statement Preparation**

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

**Exit Conference**

An exit conference was held on November 2, 2017. Those present were Ann Lynn McIlroy - Superintendent, Francisco Chacon-Board Member, Angelica Fernandez-Audit Committee Member, Veronica Carrasco-Central Office, Victoria Martinez-Central Office, Oralia Galindo-Business Manager and De'Aun Willoughby, CPA.