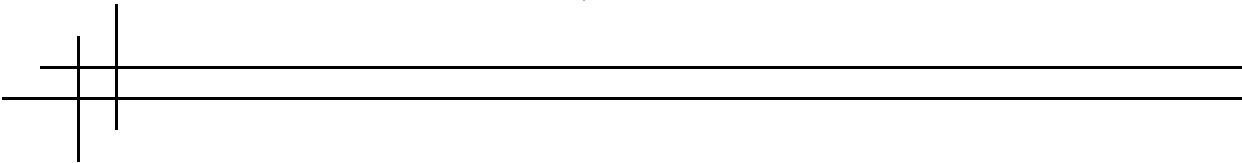


State of New Mexico
Loving Municipal Schools

Annual Financial Report
June 30, 2018

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, 2018

Board of Education

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

School Officials

Ann Lynn McIlroy	Preceding Superintendent
Lee White	Present Superintendent
Oralia Galindo	Business Manager

De'Aun Willoughby CPA, PC

Certified Public Accountant

225 Innsdale Terrace Clovis, NM 88101

(855) 253-4313

Independent Auditor's Report

Mr. Wayne Johnson
State Auditor of the State of New Mexico
Board Members of the Loving Municipal Schools

Mr. Johnson 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 and major special revenue funds of Loving Municipal Schools (District), as of and for the year ended June 30, 2018, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents.

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, 2018 and the respective changes in financial position and the respective budgetary comparisons for the general and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

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

Other Information

Our audit was conducted for the purpose of forming opinions on the District's financial statements that collectively comprise the District's basic financial statements. The supplemental information such as the combining and individual nonmajor fund financial statements and the other schedules required by 2.2.2.NMAC, are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

De'Aun Willoughby, CPA, PC

Clovis, New Mexico
November 2, 2018

Financial Section

State of New Mexico
Loving Municipal Schools
Government-Wide Statement of Net Position
June 30, 2018

	Governmental Activities
Assets	
Current Assets	
Cash and Cash Equivalents	\$ 4,608,171
Taxes Receivable	326,958
Due from Grantor	181,633
Inventory	6,066
Total Current Assets	5,122,828
Noncurrent Assets	
Capital Assets	28,530,417
Less Accumulated Depreciation	(12,763,611)
Total Noncurrent Assets	15,766,806
Total Assets	20,889,634
Deferred Outflows of Resources	
Deferred Outflows Related to Pensions	
Actuarial Experience	24,879
Changes of Assumptions	4,045,891
Changes in Proportion	110,702
Contributions Subsequent to Measurement Date	444,225
Deferred Outflows Related to Other Post Employment Benefits	
Contributions Subsequent to Measurement Date	63,917
Total Deferred Outflows of Resources	4,689,614
Liabilities	
Current Liabilities	
Accounts Payable	60,948
Accrued Interest	69,100
Compensated Absences	54,871
Current Portion Due of Long-Term Debt	966,000
Total Current Liabilities	1,150,919
Noncurrent Liabilities	
Bonds and Notes	3,669,000
Pension Liability	13,859,606
Other Post Employment Benefits Liability	3,749,053
Total Noncurrent Liabilities	21,277,659
Total Liabilities	22,428,578
Deferred Inflows of Resources	
Deferred Inflows Related to Pensions	
Actuarial Experience	213,520
Investment Experience	1,901
Changes in Proportion	225,742
Deferred Inflows Related to Other Post Employment Benefits	
Actuarial Experience	143,869
Investment Experience	53,933
Changes of Assumptions	655,474
Total Deferred Inflows of Resources	\$ 1,294,439

State of New Mexico
Loving Municipal Schools
Government-Wide Statement of Net Position
June 30, 2018

Net Position	
Net Investment in Capital Assets	\$ 11,131,806
Restricted for	
Capital Projects	2,287,164
Debt Service	1,176,443
Unrestricted	<u>(12,739,182)</u>
Total Net Position	<u>\$ 1,856,231</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, 2018

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental Activities				
Instruction	\$ 5,303,575	4,785	\$ 489,552	\$ 0
Support Services				
Students	782,119	51,309	6,075	0
Instruction	251,865	0	0	0
General Administration	424,649	0	64,611	0
School Administration	665,461	0	860	0
Central Services	181,044	0	0	0
Operation of Plant	977,973	1,200	0	0
Student Transportation	163,947	0	112,636	0
Other	4,913	0	0	0
Food Services Operations	371,207	58,833	375,912	0
Interest on Long-Term Obligations	151,450	0	0	0
Total Governmental Activities	\$ 9,278,203	\$ 116,127	\$ 1,049,646	\$ 0
General Revenues				
Taxes				
Property Taxes, Levied for General Purposes				
Property Taxes, Levied for Capital Projects				
Property Taxes, Levied for Debt Service				
Federal and State Aid Not Restricted to Specific Purpose				
General				
Capital				
Interest Income				
Miscellaneous				
Total General Revenues				
Change in Net Position				
Net Position - Beginning				
Restatement (Note O)				
Restated Beginning Net Position				
Net Position - Ending				

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, 2018

	General Fund		
	Operational 11000	Transportation 13000	Instructional Materials 14000
Assets			
Cash and Cash Equivalents	\$ 782,094	\$ 1,290	\$ 24,284
Receivables			
Taxes	10,873	0	0
Due from Grantor	0	0	0
Interfund Balance	145,316	0	0
Inventory	0	0	0
Total Assets	\$ 938,283	\$ 1,290	\$ 24,284
Liabilities			
Accounts Payable	\$ 15,960	\$ 41	\$ 0
Compensated Absences	955	0	0
Interfund Balance	0	0	0
Current Portion Due			
Principal	0	0	0
Interest	0	0	0
Total Liabilities	16,915	41	0
Deferred Inflows of Resources			
Unavailable Revenue	1,037	0	0
Total Inflow of Resources	1,037	0	0
Fund Balances			
Nonspendable-Inventory	0	0	0
Restricted for			
Special Revenue	0	0	0
Capital Improvements	0	0	0
Debt Service	0	0	0
Unassigned	920,331	1,249	24,284
Total Fund Balances	920,331	1,249	24,284
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 938,283	\$ 1,290	\$ 24,284

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, 2018

	Special Revenue Fund Food Service 21000	Capital Projects Fund Senate Bill Nine-Local 31701	Debt Service 41000
Assets			
Cash and Cash Equivalents	\$ 15,889	\$ 911,248	\$ 1,412,627
Receivables			
Taxes	0	44,210	220,407
Due from Grantor	0	0	0
Interfund Balance	0	0	0
Inventory	6,066	0	0
Total Assets	<u>\$ 21,955</u>	<u>\$ 955,458</u>	<u>\$ 1,633,034</u>
Liabilities			
Accounts Payable	\$ 0	\$ 1,421	\$ 0
Compensated Absences	0	0	0
Interfund Balance	0	0	0
Current Portion Due			
Principal	0	0	365,000
Interest	0	0	69,100
Total Liabilities	<u>0</u>	<u>1,421</u>	<u>434,100</u>
Deferred Inflows of Resources			
Unavailable Revenue	0	4,864	22,860
Total Inflow of Resources	<u>0</u>	<u>4,864</u>	<u>22,860</u>
Fund Balances			
Nonspendable-Inventory	6,066	0	0
Restricted for			
Special Revenue	15,889	0	0
Capital Improvements	0	0	1,176,074
Debt Service	0	949,173	0
Unassigned	0	0	0
Total Fund Balances	<u>21,955</u>	<u>949,173</u>	<u>1,176,074</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 21,955</u>	<u>\$ 955,458</u>	<u>\$ 1,633,034</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, 2018

	Other Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>
Assets		
Cash and Cash Equivalents	\$ 1,460,739	\$ 4,608,171
Receivables		
Taxes	51,468	326,958
Due from Grantor	181,633	181,633
Interfund Balance	0	145,316
Inventory	0	6,066
Total Assets	<u>\$ 1,693,840</u>	<u>\$ 5,268,144</u>
Liabilities		
Accounts Payable	\$ 43,526	\$ 60,948
Compensated Absences	0	955
Interfund Balance	145,316	145,316
Current Portion Due		
Principal	0	365,000
Interest	0	69,100
Total Liabilities	<u>188,842</u>	<u>641,319</u>
Deferred Inflows of Resources		
Unavailable Revenue	<u>5,035</u>	<u>33,796</u>
Total Inflow of Resources	<u>5,035</u>	<u>33,796</u>
Fund Balances		
Nonspendable-Inventory	0	6,066
Restricted for		
Special Revenue	161,603	177,492
Capital Improvements	1,111,090	2,287,164
Debt Service	227,270	1,176,443
Unassigned	0	945,864
Total Fund Balances	<u>1,499,963</u>	<u>4,593,029</u>
 Total Liabilities, Deferred Inflows of Resources and Fund Balances	 <u>\$ 1,693,840</u>	 <u>\$ 5,268,144</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, 2018

Total Fund Balance - Governmental Funds \$ 4,593,029

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. 33,796

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

Capital Assets	\$ 28,530,417	
Accumulated Depreciation	<u>(12,763,611)</u>	15,766,806

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

Deferred Outflows Related to Pensions	4,625,697	
Deferred Outflows Related to OPEB	63,917	
Deferred Inflows Related to Pensions	(441,163)	
Deferred Inflows Related to OPEB	<u>(853,276)</u>	3,395,175

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

Compensated Absences	(53,916)	
Current Portion Due-Principal	365,000	
Current Portion Due of Long-Term Debt	(966,000)	
Bonds Payable	(3,669,000)	
Pension Liability	(13,859,606)	
Other Post Employment Benefits Liability	<u>(3,749,053)</u>	<u>(21,932,575)</u>

Total Net Position - Governmental Activities \$ 1,856,231

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, 2018

	General Fund		
	Operational 11000	Transportation 13000	Instructional Materials 14000
Revenues			
Property Taxes	\$ 118,254	\$ 0	\$ 0
Interest Income	3,621	0	0
Fees	5,985	0	0
State and Local Grants	5,207,800	112,636	16,980
Federal Grants	1,699	0	0
Miscellaneous	6,399	0	0
Total Revenues	<u>5,343,758</u>	<u>112,636</u>	<u>16,980</u>
Expenditures			
Current			
Instruction	2,877,532	0	57,192
Support Services			
Students	544,448	0	0
Instruction	173,379	0	0
General Administration	252,734	0	0
School Administration	489,423	0	0
Central Services	131,033	0	0
Operation of Plant	640,568	0	0
Student Transportation	0	111,364	0
Other	4,913	0	0
Food Service Operations	0	0	0
Capital Outlay	0	0	0
Debt Service			
Principal	0	0	0
Interest	0	0	0
Total Expenditures	<u>5,114,030</u>	<u>111,364</u>	<u>57,192</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>229,728</u>	<u>1,272</u>	<u>(40,212)</u>
Other Financing Sources (Uses)			
Bond Issue	0	0	0
Transfer In/(Out)	47,854	0	0
Total Other Sources (Uses)	<u>47,854</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	277,582	1,272	(40,212)
Fund Balances at Beginning of Year	<u>642,749</u>	<u>(23)</u>	<u>64,496</u>
Fund Balance End of Year	<u>\$ 920,331</u>	<u>\$ 1,249</u>	<u>\$ 24,284</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, 2018

	Special Revenue Fund	Capital Projects Fund	Debt Service
	Food Service 21000	Senate Bill Nine-Local 31701	41000
Revenues			
Property Taxes	\$ 0	\$ 477,255	\$ 2,360,785
Interest Income	0	0	0
Fees	5,051	0	0
State and Local Grants	0	215,014	0
Federal Grants	358,551	0	0
Miscellaneous	0	7,844	0
Total Revenues	<u>363,602</u>	<u>700,113</u>	<u>2,360,785</u>
Expenditures			
Current			
Instruction	0	125,957	0
Support Services			
Students	0	0	0
Instruction	0	0	0
General Administration	0	3,331	6,306
School Administration	0	0	0
Central Services	0	0	0
Operation of Plant	0	202,264	0
Student Transportation	0	0	0
Other	0	0	0
Food Service Operations	331,831	0	0
Capital Outlay	0	58,698	0
Debt Service			
Principal	0	0	865,000
Interest	0	0	147,450
Total Expenditures	<u>331,831</u>	<u>390,250</u>	<u>1,018,756</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>31,771</u>	<u>309,863</u>	<u>1,342,029</u>
Other Financing Sources (Uses)			
Bond Issue	0	0	0
Transfer In/(Out)	0	0	0
Total Other Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	31,771	309,863	1,342,029
Fund Balances at Beginning of Year	<u>(9,816)</u>	<u>639,310</u>	<u>(165,955)</u>
Fund Balance End of Year	<u>\$ 21,955</u>	<u>\$ 949,173</u>	<u>\$ 1,176,074</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, 2018

	Other Governmental Funds	Total Governmental Funds
Revenues		
Property Taxes	\$ 527,334	\$ 3,483,628
Interest Income	0	3,621
Fees	105,091	116,127
State and Local Grants	236,876	5,789,306
Federal Grants	340,690	700,940
Miscellaneous	74,668	88,911
Total Revenues	<u>1,284,659</u>	<u>10,182,533</u>
Expenditures		
Current		
Instruction	579,017	3,639,698
Support Services		
Students	90,180	634,628
Instruction	0	173,379
General Administration	43,226	305,597
School Administration	860	490,283
Central Services	0	131,033
Operation of Plant	0	842,832
Student Transportation	0	111,364
Other	0	4,913
Food Service Operations	17,361	349,192
Capital Outlay	132,811	191,509
Debt Service		
Principal	200,000	1,065,000
Interest	4,000	151,450
Total Expenditures	<u>1,067,455</u>	<u>8,090,878</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>217,204</u>	<u>2,091,655</u>
Other Financing Sources (Uses)		
Bond Issue	500,000	500,000
Transfer In/(Out)	(47,854)	0
Total Other Sources (Uses)	<u>452,146</u>	<u>500,000</u>
Net Change in Fund Balance	669,350	2,591,655
Fund Balances at Beginning of Year	<u>830,613</u>	<u>2,001,374</u>
Fund Balance End of Year	<u>\$ 1,499,963</u>	<u>\$ 4,593,029</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, 2018

Net Change in Fund Balance \$ 2,591,655

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, 2017	\$ (21,119)	
Property Taxes Receivable, June 30, 2018	<u>33,796</u>	12,677

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	(625,588)	
Capital Outlays	<u>191,509</u>	(434,079)

The issuance of long-term debt provides current financial resources to governmental funds but has no effect on net position. (500,000)

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		1,065,000
--------------------------	--	-----------

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, 2017	53,934	
Compensated Absences, June 30, 2018	<u>(53,916)</u>	18

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

Pension Contributions	444,225	
Other Post Employment Benefits Contributions	63,917	
Pension Expense	(2,177,356)	
Other Post Employment Benefits Expenses	<u>(149,050)</u>	<u>(1,818,264)</u>

Changes in Net Position of Governmental Activities \$ 917,007

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, 2018

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Property Taxes	\$ 81,140	\$ 81,140	\$ 108,728	\$ 27,588
Interest Income	0	0	3,621	3,621
Fees	5,000	5,000	5,985	985
State Grant	5,144,783	5,184,221	5,207,800	23,579
Federal Grant	0	259	1,699	1,440
Miscellaneous	0	0	6,399	6,399
Transfer In	0	0	47,854	47,854
Total Revenues	<u>5,230,923</u>	<u>5,270,620</u>	<u>5,382,086</u>	<u>111,466</u>
Expenditures				
Instruction				
Personnel Services	2,116,167	2,176,167	1,986,483	189,684
Employee Benefits	893,500	893,500	824,950	68,550
Professional & Tech Services	16,000	16,000	2,817	13,183
Purchased Services	10,000	32,500	16,576	15,924
Supplies	49,500	139,697	46,833	92,864
Supply Assets	0	125,000	0	125,000
Total Instruction	<u>3,085,167</u>	<u>3,382,864</u>	<u>2,877,659</u>	<u>505,205</u>
Support Services				
Students				
Personnel Services	228,565	238,665	228,047	10,618
Employee Benefits	108,640	120,140	115,381	4,759
Professional & Tech Services	215,000	245,000	201,034	43,966
Supplies	2,500	5,000	0	5,000
Total Students	<u>554,705</u>	<u>608,805</u>	<u>544,462</u>	<u>64,343</u>
Instruction				
Personnel Services	117,008	117,208	117,117	91
Employee Benefits	51,320	53,085	51,403	1,682
Professional & Tech Services	0	2,500	0	2,500
Supplies	2,500	10,000	4,859	5,141
Total Instruction	<u>170,828</u>	<u>182,793</u>	<u>173,379</u>	<u>9,414</u>
General Administration				
Personnel Services	135,228	135,228	135,397	(169)
Employee Benefits	49,625	49,625	49,035	590
Professional & Tech Services	63,878	63,878	51,451	12,427
Purchased Services	20,000	30,000	10,823	19,177
Supplies	8,438	8,438	3,090	5,348
Total General Administration	<u>\$ 277,169</u>	<u>\$ 287,169</u>	<u>\$ 249,796</u>	<u>\$ 37,373</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, 2018

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
School Administration				
Personnel Services	\$ 318,411	\$ 323,411	\$ 330,783	\$ (7,372)
Employee Benefits	157,660	157,660	152,008	5,652
Professional & Tech Services	5,000	7,500	2,326	5,174
Supplies	5,000	10,000	4,189	5,811
Total School Administration	<u>486,071</u>	<u>498,571</u>	<u>489,306</u>	<u>9,265</u>
Central Services				
Personnel Services	88,850	88,850	88,931	(81)
Employee Benefits	40,885	41,635	39,883	1,752
Professional & Tech Services	2,000	5,000	1,980	3,020
Supplies	2,000	5,000	238	4,762
Total Central Services	<u>133,735</u>	<u>140,485</u>	<u>131,032</u>	<u>9,453</u>
Operation of Plant				
Personnel Services	153,628	173,628	172,385	1,243
Employee Benefits	90,880	100,180	95,456	4,724
Professional & Tech Services	0	2,500	716	1,784
Purchased Property Services	195,000	230,000	156,334	73,666
Purchased Services	199,605	202,205	202,188	17
Supplies	5,933	27,690	13,766	13,924
Supply Assets	0	75,000	0	75,000
Total Operation of Plant	<u>645,046</u>	<u>811,203</u>	<u>640,845</u>	<u>170,358</u>
Other Support Service				
Professional & Tech Services	10,446	10,446	4,913	5,533
Total Other Support Service	<u>10,446</u>	<u>10,446</u>	<u>4,913</u>	<u>5,533</u>
Total Support Services	<u>2,278,000</u>	<u>2,539,472</u>	<u>2,233,733</u>	<u>305,739</u>
Total Expenditures	<u>5,363,167</u>	<u>5,922,336</u>	<u>5,111,392</u>	<u>810,944</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ (132,244)	\$ (651,716)	\$ 270,694	\$ (922,410)
Cash Balance Beginning of Year	<u>656,716</u>	<u>656,716</u>	<u>656,716</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 524,472</u>	<u>\$ 5,000</u>	<u>\$ 927,410</u>	<u>\$ (922,410)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 270,694	
Net Change in Taxes Receivable			9,841	
Net Change in Accounts Payable			(1,683)	
Net Change in Compensated Absences			(955)	
Net Change in Unavailable Revenue			(315)	
Net Change in Fund Balance-GAAP Basis			<u>\$ 277,582</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, 2018

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
State Grant	\$ 112,636	\$ 112,636	\$ 112,636	\$ 0
Total Revenues	<u>112,636</u>	<u>112,636</u>	<u>112,636</u>	<u>0</u>
Expenditures				
Support Services				
Student Transportation				
Personnel Services	65,079	65,079	66,841	(1,762)
Employee Benefits	14,330	14,330	28,812	(14,482)
Professional & Tech Services	0	0	0	0
Purchased Property Services	10,000	10,000	6,761	3,239
Purchased Services	750	750	788	(38)
Supplies	22,477	22,477	8,144	14,333
Total Student Transportation	<u>112,636</u>	<u>112,636</u>	<u>111,346</u>	<u>1,290</u>
Total Support Services	<u>112,636</u>	<u>112,636</u>	<u>111,346</u>	<u>1,290</u>
Total Expenditures	<u>112,636</u>	<u>112,636</u>	<u>111,346</u>	<u>1,290</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	1,290	1,290
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>\$ 1,290</u>	<u>\$ 1,290</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 1,290	
Net Change in Accounts Payable			<u>(18)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 1,272</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, 2018

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
State Grant	\$ 15,545	\$ 15,545	\$ 16,980	\$ 1,435
Total Revenues	<u>15,545</u>	<u>15,545</u>	<u>16,980</u>	<u>1,435</u>
Expenditures				
Instruction				
Supplies	15,545	80,041	57,192	22,849
Total Instruction	<u>15,545</u>	<u>80,041</u>	<u>57,192</u>	<u>22,849</u>
Total Expenditures	<u>15,545</u>	<u>80,041</u>	<u>57,192</u>	<u>22,849</u>
Excess (Deficiency) of Revenues Over Expenditures	0	(64,496)	(40,212)	24,284
Cash Balance Beginning of Year	<u>64,496</u>	<u>64,496</u>	<u>64,496</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 64,496</u>	<u>\$ 0</u>	<u>\$ 24,284</u>	<u>\$ 24,284</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			<u>\$ (40,212)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (40,212)</u>	

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

State of New Mexico
Loving Municipal Schools
Special Revenue Fund-Food Service-21000
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Fees	\$ 1,500	\$ 1,500	\$ 35,075	\$ 33,575
Federal Grants	300,000	300,000	305,520	5,520
Total Revenues	<u>301,500</u>	<u>301,500</u>	<u>340,595</u>	<u>39,095</u>
Expenditures				
Food Service Operations				
Personnel Services	18,735	10,666	5,000	5,666
Employee Benefits	6,110	6,110	1,170	4,940
Professional & Tech Services	0	0	899	(899)
Other Purchased Services	284,724	284,724	300,574	(15,850)
Supplies	0	0	507	(507)
Total Food Service Operations	<u>309,569</u>	<u>301,500</u>	<u>308,150</u>	<u>(6,650)</u>
Total Expenditures	<u>309,569</u>	<u>301,500</u>	<u>308,150</u>	<u>(6,650)</u>
Excess (Deficiency) of Revenues Over Expenditures	(8,069)	0	32,445	32,445
Cash Balance Beginning of Year	<u>(16,556)</u>	<u>(16,556)</u>	<u>(16,556)</u>	<u>0</u>
Cash Balance End of Year	<u>\$ (24,625)</u>	<u>\$ (16,556)</u>	<u>\$ 15,889</u>	<u>\$ 32,445</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 32,445	
Net Change in Inventory			<u>(674)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 31,771</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, 2018

	<u>Agency Funds</u>
Assets	
Cash and Cash Equivalents	\$ <u>135,519</u>
Total Assets	\$ <u><u>135,519</u></u>
Liabilities	
Deposits Held for Others	\$ <u>135,519</u>
Total Liabilities	\$ <u><u>135,519</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 Schools (District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

Financial Reporting Entity

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

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

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

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

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

Governmental Funds

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

General Fund - The General Fund 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.

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.

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 provider's 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.

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

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method or the straight-line method if the difference from the effective interest method is minimal. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual net of debt proceeds received, are reported as debt service expenditures.

Restricted Net Position

For the government-wide statement of net position, net 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 Outflows of Resources

In addition to assets, the balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a use of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until that time. The District has pension-related deferred outflows of resources items that qualify for reporting in this category.

Deferred Inflows of Resources

In addition to liabilities, the balance sheet reports a separate section for deferred inflows of resources. Deferred Inflows consist of three types. 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 balance sheet and the revenue is recognized. Outstanding property taxes that are received after 30 days of the year end are shown as Unearned Revenue on the balance sheet. The third type of deferred inflows of resources relate to pension and other post employment benefits.

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 following conditions are met:

- (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.

<u>Name of Account</u>	Balance Per Bank 6/30/18	Reconciled Balance	Type
General Fund Account	\$ 4,787,656	\$ 4,284,779	Checking- Interest
Total Deposited	4,787,656	<u>4,284,779</u>	
Less FDIC Coverage	(250,000)		
Uninsured Amount	4,537,656		
50% collateral requirement	2,268,828		
Pledged securities	2,706,706		
Over (Under) requirement	\$ <u>437,878</u>		

There is \$660 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	\$ 235,913	12/01/2034	FHLB, Dallas
SBAP Series 2009-20D Class 1	83162CSL8	312,168	04/01/2029	Texas
SBAP Series 2011-20B Class 1	83162CTV5	869,874	02/01/1931	
FNMA Pool #AH5857	3138A7QK7	491,651	02/01/2041	
SBAP Series 2003-20L	83162CNK5	70,950	12/01/2023	
FNMA Pool #604975	31388HCL1	85,173	09/01/2031	
GNMA Pool #8350	36202KH32	41,640	01/20/2024	
SBAP Series 2004-20J	83162CPB3	52,661	10/01/2024	
FHLMC Pool #G18471	3128MMQZ9	546,677	07/01/2025	
		\$ <u>2,706,706</u>		

Bank of Albuquerque-NMFA	Balance Per Bank 6/30/18	Reconciled Balance	Type
Bond Building	\$ <u>458,250</u>	\$ <u>458,250</u>	Interest

NMFA is responsible for securing the bank account with pledged securities.

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	2,706,706
Uninsured or under collateralized	<u>2,289,200</u>
Total Deposits	\$ <u>5,245,906</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, 2018 \$2,289,200 of the District's balance of \$5,245,906 was exposed to custodial risk.

B. Receivables

Following is a schedule of property taxes receivable as of June 30, 2018:

	<u>General Fund</u>	<u>Senate Bill Nine-Local 31701</u>	<u>Debt Service 41000</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Property Tax					
Available	\$ 9,836	\$ 39,346	\$ 197,547	\$ 46,433	\$ 293,162
Unavailable	<u>1,037</u>	<u>4,864</u>	<u>22,860</u>	<u>5,035</u>	<u>33,796</u>
Total Property Taxes Receivable	\$ <u>10,873</u>	\$ <u>44,210</u>	\$ <u>220,407</u>	\$ <u>51,468</u>	\$ <u>326,958</u>

Amounts due from other agencies and units of government were as follows as of June 30, 2018:

	<u>Other Governmental</u>	<u>Total</u>
Federal Agencies	\$ 154,211	154,211
State Agencies	<u>27,422</u>	<u>27,422</u>
Total	\$ <u>181,633</u>	<u>181,633</u>

C. Interfund Receivables, Payables and Transfers

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Funds</u>	
	Other	Totals
	<u>Governmental</u>	<u>Totals</u>
Operational Fund	\$ <u>181,633</u>	\$ <u>181,633</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, 2018, is as follows:

	<u>Balance</u> <u>6/30/17</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/18</u>
Governmental Activities				
Capital Assets not being Depreciated				
Land	\$ 10,000	\$ 0	\$ 0	\$ 10,000
Construction in Progress	0	0	0	0
Total Capital Assets not being Depreciated	<u>10,000</u>	<u>0</u>	<u>0</u>	<u>10,000</u>
Capital Assets, being Depreciated				
Buildings & Improvements	26,390,869	191,509	(10,000)	26,572,378
Equipment, Vehicles, Information Technology Equipment, Software & Library Books	<u>1,948,039</u>	<u>0</u>	<u>0</u>	<u>1,948,039</u>
Total Capital Assets, being Depreciated	<u>28,338,908</u>	<u>191,509</u>	<u>(10,000)</u>	<u>28,520,417</u>
Total Capital Assets	<u>28,348,908</u>	<u>191,509</u>	<u>(10,000)</u>	<u>28,530,417</u>
Less Accumulated Depreciation				
Buildings & Improvements	10,536,539	559,447	(10,000)	11,085,986
Equipment, Vehicles, Information Technology Equipment, Software & Library Books	<u>1,611,484</u>	<u>66,141</u>	<u>0</u>	<u>1,677,625</u>
Total Accumulated Depreciation	<u>12,148,023</u>	<u>625,588</u>	<u>0</u>	<u>12,763,611</u>
Capital Assets, net	\$ <u>16,200,885</u>	\$ <u>(434,079)</u>	\$ <u>(10,000)</u>	\$ <u>15,766,806</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 502,682
Support Services	
Students	4,657
General Administration	44,862
Operation of Plant	39,286
Student Transportation	18,157
Food Services Operations	15,944
Total Depreciation Expense	\$ <u>625,588</u>

E. Long-Term Liabilities and Other Liabilities

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

	Balance 6/30/17	Additions	Reductions	Balance 6/30/18	Amounts Due Within One Year
Governmental Activities					
Bonds and Notes Payable					
General Obligation					
Bonds	\$ 5,200,000	\$ 500,000	\$ 1,065,000	\$ 4,635,000	\$ 966,000
Total Bonds	<u>\$ 5,200,000</u>	<u>\$ 500,000</u>	<u>\$ 1,065,000</u>	<u>\$ 4,635,000</u>	<u>\$ 966,000</u>
Other Liabilities					
Compensated					
Absences	\$ 53,933	\$ 59,894	\$ 58,956	\$ 54,871	\$ 54,871
Total Other	<u>\$ 53,933</u>	<u>\$ 59,894</u>	<u>\$ 58,956</u>	<u>\$ 54,871</u>	<u>\$ 54,871</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%	\$ 300,000
08/01/08	2,500,000	4%	2,200,000
07/15/13	1,000,000	2%	800,000
08/25/15	1,000,000	2%	835,000
06/15/18	500,000	2%	500,000
			<u>\$ 4,635,000</u>

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

	Principal	Interest	Total
2019	\$ 966,000	\$ 141,876	\$ 1,107,876
2020	915,000	111,524	1,026,524
2021	804,000	84,617	888,617
2022	605,000	59,708	664,708
2023	610,000	35,870	645,870
2024-2026	735,000	24,563	759,563
Total	<u>\$ 4,635,000</u>	<u>\$ 458,158</u>	<u>\$ 5,093,158</u>

F. Commitments

The District is involved in renovations and repairs campus wide.

G. Retirement Plan

Summary of Significant Accounting Policies

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

General Information about the Pension Plan

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

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

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

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

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

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

- *The member's age and earned service credit add up to the sum of 75 or more,
- *The member is at least sixty-five years of age and has five or more
- *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 1.5%. Once the funding is greater than 90%, the COLA reductions will decrease. The retirees with benefits at or below the median and with 25 or more years of service credit will have a 5% COLA reduction; their average COLA will be 1.7%.

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

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

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

<u>Fiscal Year</u>	<u>Date Range</u>	<u>Wage Category</u>	<u>Member's Rate</u>	<u>Employer's Rate</u>	<u>Combined Rate</u>
2018	7-1-16 to 6-30-17	Over \$20K	10.70%	13.90%	24.60%
2018	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, 2018 and 2017, the District paid employee and employer contributions of \$782,304 and \$868,305 which equal the amount of the required contributions for each fiscal year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2018, the District reported a liability of \$13,859,606 for their proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2017 using generally accepted actuarial principles. The roll-forward incorporates the impact of the new assumptions adopted by the Board on April 21, 2017. There were no other significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2017. Therefore, the District's portion was established as of the measurement date of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating educational institutions, actuarially determined. At June 30, 2017, the District's proportion was 0.12471%, which was a decrease of 0.00151% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$2,177,356. At the June 30, 2018, the District reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 24,879	\$ 213,520
Net difference between projected and actual earnings on pension plan investments	0	1,901
Changes of assumptions	4,045,891	0
Changes in proportion and differences between the District's contributions and proportionate share of contributions	110,702	225,742
District's contributions subsequent to the measurement date	444,225	0
Total	<u>\$ 4,625,697</u>	<u>\$ 441,163</u>

\$444,225 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June</u>	
2019	\$ 1,450,120
2020	1,518,398
2021	885,915
2022	(114,124)
Total	<u>\$ 3,740,309</u>

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

Inflation	2.50%				
Salary Increases	3.25% composed of 2.50% inflation, plus a 0.75% productivity increase rate, plus a step-rate promotional increase for members with less than 10 years of service.				
Investment Rate of Return	7.25% compounded annually, net of expenses. This is made up of a 2.50% inflation rate and a 4.75 real rate of return.				
Average Expected Remaining Service Lives	Fiscal year Service Life in Years	2017	2016	2015	2014
		3.35	3.77	3.92	3.88
Mortality	<p>Healthy males: Based on the RP-2000 Combined Mortality Table with White Collar adjustments, generational mortality improvements with Scale BB.</p> <p>Healthy females: Based on GRS Southwest Region Teacher Mortality Table, set back one year, generational mortality improvements in accordance with Scale BB from the table's base year of 2012.</p> <p>Disabled males: RP-2000 Disabled Mortality Table for males, set back three years, projected to 2016 with Scale BB.</p> <p>Disabled females: RP-2000 Disabled Mortality Table for females, no set back, projected to 2016 with Scale BB.</p> <p>Active members: RP-2000 Employee Mortality Tables, with males set back two years and scaled at 80%, and females set back five years and scaled at 70%. Static mortality improvement from the table's base year of 2000 to the year 2016 in accordance with Scale BB. No future improvement was assumed for preretirement mortality.</p>				
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	1.90% per year, compounded annually.				
Payroll Growth	3.00% per year (with no allowance for membership growth).				
Contribution Accumulation	The accumulated member account balance with interest is estimated at the valuation date by assuming that member contributions increased 5.50% per year for all years prior to the valuation date. Contributions are credited with 4.00% interest, compounded annually, applicable to the account balances in the past as well as the future.				
Disability Incidence	Approved rates are applied to eligible members with at least 10 years of service.				

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

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

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

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

Discount rate. A single discount rate of 5.9% was used to measure the total pension liability as of June 30, 2017. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.25%, and a municipal bond rate of 3.56%, net of expense. Based on the stated assumptions and the projection of cash flows, the plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2053. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the 2053 fiscal year, and the municipal bond rate was applied to all benefit payments after that date.

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

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

	1% Decrease (4.9%)	Current Discount Rate (5.9%)	1% Increase (6.9%)
The Districts' proportionate share of the net pension liability	\$ 18,041,761	\$ 13,859,606	\$ 10,441,035

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

H. Other Post Employment Benefits (OPEB)

Retiree Health Care Plan

The New Mexico Retiree Health Care Authority (the Authority) was formed February 13, 1990, under the New Mexico Retiree Health Care Act (the Act) of New Mexico Statutes Annotated, as amended (NMSA 1978), to administer the Retiree Health Care Fund (the Fund) under Section 10-7C-1-19 NMSA 1978. The Fund was created to provide comprehensive group health insurance coverage for individuals (and their spouses, dependents and surviving spouses) who have retired or will retire from public service in New Mexico.

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

All regular full-time employees of the District are members of the Plan, in addition to certain job share and intermittent employees. Eligible employees become members on the first day they are physically on the job. At June 30, 2017, Plan membership consisted of the following:

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

The Authority is an independent agency of the State of New Mexico. The funds administered by the Authority are considered part of the State of New Mexico financial reporting entity and are OPEB trust funds of the State of New Mexico. The Authority’s financial information is included with the financial presentation of the State of New Mexico.

Because the Authority is a self-funded, mainly self-insured entity pursuant to Section 10-7C NMSA 1978, the Authority is not construed to be transacting insurance activity otherwise subject to the laws of the State of New Mexico that regulate insurance companies and therefore, not subject to minimum statutory reserve requirements.

Employer and employee contributions to the Authority total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee’s salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer’s participation in the Authority.

Current retirees are required to make monthly contributions for individual basic medical coverage. The Board may designate other plans as “optional coverages.” See Section 10 7C-13 NMSA 1978 for more details.

The Schedules are prepared using the economic resource measurement focus and the accrual basis of accounting in accordance with the standards issued by the Government Accounting Standards Board (GASB). Contributions are recognized when due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value. For the purposes of measuring the net OPEB liability, deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the Authority and additions to and deductions from Authority’s fiduciary net position have been determined on the same basis as they were reported by Authority. Each participating employer’s proportionate share of the Fund’s net OPEB liability, deferred amounts and OPEB expense is calculated based on the employer’s contributions to the Fund as a percentage of total employer contributions received by the Fund during the measurement year.

The preparation of the schedules in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain amounts and disclosures for the reporting period. Actual results could differ from those estimates.

Benefits Provided

Benefit Types: Retirees and spouses are eligible for medical and prescription drug benefits. Dental and vision benefits are also available, but were not included in this valuation, since they are 100% retiree paid. A description of these benefits may be found at www.nmrhca.org by clicking on Retirees.

Duration of Coverage: Employees and dependents are valued for life.

Dependent Benefits: Same as retirees.

Dependent Coverage: Same as retirees.

Retiree Contributions: The retiree contribution is derived on a service based schedule implemented effective 7/1/2001 and updated annually. The table below shows the anticipated retiree paid portion of claims.

Non-Medicare Retiree	33.0%	34.3%	35.5%	36.0%
Non-Medicare Spouse	57.6%	60.5%	63.0%	64.0%
Medicare Retiree	52.7%	50.9%	50.0%	50.0%
Medicare Spouse	79.1%	76.4%	75.0%	75.0%

Retired Before 2020 or in Public Safety Pension Plan

Years of Service	Percent of full subsidy based on service	Years of Service	Percent of full subsidy based on service
5	6.25%	13	56.25%
6	12.50%	14	62.50%
7	18.75%	15	58.75%
8	25.00%	16	75.00%
9	31.25%	17	81.25%
10	37.50%	18	87.50%
11	43.75%	19	93.75%
12	50.00%	20+	100.00%

Retired After 2019 and Not in Public Safety Pension Plan

Years of Service	Percent of full subsidy based on service	Years of Service	Percent of full subsidy based on service
5	4.76%	16	57.14%
6	9.52%	17	61.90%
7	14.29%	18	66.67%
8	19.05%	19	71.43%
9	23.81%	20	76.19%
10	28.57%	21	80.95%
11	33.33%	22	85.71%
12	38.10%	23	90.48%
13	42.86%	24	95.24%
14	47.62%	25+	100.00%
15	52.38%		

Actuarial Valuation

The total OPEB liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2017. The mortality, retirement, disability, turnover and salary increase assumptions are based on the PERA annual valuation as of June 30, 2016 and the ERB actuarial experience study as of June 30, 2016. The following actuarial assumptions were applied to the actuary's measurement:

Valuation Date	6/30/17
Actuarial cost method	Entry age normal, level percent of pay, calculated on individual employee basis
Asset valuation method	Market value of assets
Actuarial assumptions:	
Inflation	2.50% for ERB members; 2.25% for PERA members
Projected payroll increases	3.50%

Investment rate of return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation rate 8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 for Medicare medical plan costs.
Health care cost trend rate	8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 for Medicare medical plan costs.
Mortality	ERB members: RP-2000 Combined Healthy Mortality Table with White Collar Adjustment (males) and GRS Southwest Region Teacher Mortality Table (females) PERA members: RP-2000 Combined Healthy Mortality.

Rate of Return

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

Asset Class	Target Allocation	Long-Term Rate of
U.S. core fixed income	20.0%	4.1%
U.S. equity - large cap	20.0%	9.1%
Non U.S. - emerging markets	15.0%	12.2%
Non U.S. - developed	12.0%	9.8%
Private equity	10.0%	13.8%
Credit and structured	10.0%	7.3%
Real estate	5.0%	6.9%
Absolute return	5.0%	6.1%
U.S. equity - small/mid cap	3.0%	9.1%

Discount Rate

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

Sensitivity of the Net OPEB Liability

The following presents the net OPEB liability, calculated using the discount rate of 3.81%, as well as what the Fund's net OPEB liability would be if it were calculated using a discount rate that is 1-percent lower or 1-percent higher than the current rate:

	1% Decrease (2.81%)	Current Discount Rate (3.81%)	1% Increase (4.81%)
The Districts' proportionate share of the net OPEB liability	\$ 4,547,543	\$ 3,749,053	\$ 3,122,566

The following presents the Net OPEB Liability of NMRHCA as of June 30, 2017, as well as what the Fund's Net OPEB Liability would be if it were calculated using a health cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the health cost trend rates used:

	1% Decrease	Current Trend Rates	1% Increase
The Districts' proportionate share of the net OPEB liability	\$ 3,188,828	\$ 3,749,053	\$ 4,185,890

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

At June 30, 2018, the District reported a liability of \$3,749,053 for their proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2016. The total OPEB liability was rolled-forward from the valuation date to the plan year ending June 30, 2017 using generally accepted actuarial principles. Therefore, the employer's portion as established as of the measurement date of June 30, 2017. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2017. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating institutions, actuarially determined. At June 30, 2017, the District's proportion was 0.08273%, which was an increase of 0% from their proportion measured as of June 30, 2016.

For the year ended June 30, 2017, the District recognized OPEB expense of \$149,050. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows or resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 0	\$ 143,869
Net difference between projected and actual earnings on OPEB investments	0	53,933
Changes in assumptions	0	655,474
Changes in proportion and differences between the District's contributions and proportionate share of contributions	0	0
District's contributions subsequent to the measurement date	63,917	0
Total	\$ 63,917	\$ 853,276

\$63,917 reported as deferred outflows of resources related to OPEB resulting from District's contributions subsequent to the measurement date June 30, 2017 will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ended June</u>	
2019	\$ (181,412)
2020	(181,412)
2021	(181,412)
2022	(181,412)
2023	(127,628)
Total	<u>\$ (853,276)</u>

Additional Information. Additional financial information is available at www.nmrhca.org or by contacting New Mexico Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

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, 2018 which is the date the financial statements were available to be issued.

N. Budget Violations

The District has maintained expenditures at the function level in which actual expenditures exceeded budgetary authority in the following fund:

Food Service	\$	(6,650)
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O. Restatement

Net Position was restated \$(4,453,280) for the OPEB Liability.

Required Supplemental Information

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

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

Last 10 Fiscal Years*

	Fiscal Year Measurement Date	2015	2016	2017	2018
		2014	2015	2016	2017
District's proportion of the net pension liability		0.12516%	0.12622%	0.12938%	0.12471%
District's proportionate share of the net pension liability		\$ 7,141,284	\$ 8,175,606	\$ 9,310,746	\$ 13,859,606
District's covered-employee payroll		\$ 3,588,133	\$ 3,696,092	\$ 3,551,377	\$ 3,195,865
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll		199.03%	221.20%	262.17%	433.67%
Plan fiduciary net position as a percentage of the total pension liability		66.54%	63.97%	61.58%	52.95%

*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*

	June 30,			
	2015	2016	2017	2018
Contractually required contribution	\$ 498,751	\$ 513,757	\$ 493,641	\$ 444,225
Contributions in relation to the contractually required contribution	498,751	513,757	493,641	444,225
Contribution deficiency (excess)	\$ 0	\$ 0	\$ 0	\$ 0
Districts covered-employee payroll	3,588,133	3,696,092	3,551,377	3,195,865
Contributions as a percentage of covered-employee payroll	13.90%	13.90%	13.90%	13.90%

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

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

Notes to Required Supplementary Information

Changes of benefit terms and assumptions.

The liabilities reflect the impact of Senate Bill 115, signed into law on March 29, 2013, and new assumptions adopted by the Board of Trustees on June 12, 2015 in conjunction with the six-year experience study period ended June 30, 2014. Specifically, the liabilities measured as of June 30, 2016 incorporate the following assumptions:

- * All members with annual salary of more than \$20,000 will contribute 10.70% during the fiscal year ending June 30, 2015 and thereafter,
- * Members hired after June 30, 2013 will have an actuarially reduced retirement benefit if they retire before age 55 and their COLA will be deferred until age 67,
- * COLAs for most retirees are reduced until NMERB attains a 100% funded status, and
- * For purposes of projecting future benefits, it is assumed that the full COLA is paid in all future years.

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

Loving Municipal Schools

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

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

Last 10 Fiscal Years*

	Fiscal Year Measurement Date	2018 2017
District's proportion of the net OPEB liability		0.08273%
District's proportionate share of the net OPEB liability	\$	3,749,053
District's covered-employee payroll	\$	3,195,865
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll		117.31%
Plan fiduciary net OPEB as a percentage of the total OPEB liability		11.34%

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

Schedule of District's Contributions

Last 10 Fiscal Years*

	June 30, 2018
Contractually required contribution	\$ 63,917
Contributions in relation to the contractually required contribution	63,917
Contribution deficiency (excess)	\$ 0
District's covered-employee payroll	\$ 3,195,865
Contributions as a percentage of covered-employee payroll	2.00%

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

Notes to Required Supplementary Information

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

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

**Supplemental Information Related to
Nonmajor Funds**

Nonmajor Special Revenue Funds

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

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 Plan (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.

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 children of New Mexico with proven, early learning opportunities that significantly increase their chances for academic achievement by which includes 25 additional days of instruction for kindergarten through third grade. The fund was created by the authority of state grant provisions.

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.

Teachers Hard to Staff (27195). To account for funds provided by the New Mexico Public Education Department to assist with the recruitment and retention of teachers in "hard to staff" content areas. The fund was created by the authority of state grant provisions.

K3 Plus 4th & 5th Pilot (27198) To account for funds received to provide the children of New Mexico with proven, early learning opportunities that significantly increase their chances for academic achievement by which includes 25 additional days of instruction for fourth and fifth graders. The fund was created by the authority of state grant provisions.

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

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

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

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

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, 2018

	Special Revenue Fund		
	Athletics 22000	Title I 24101	IDEA B Entitlement 24106
Assets			
Cash and Cash Equivalents	\$ 41,679	\$ 0	\$ 0
Receivables			
Taxes	0	0	0
Due From Grantor	0	64,109	48,555
Total Assets	<u>\$ 41,679</u>	<u>\$ 64,109</u>	<u>\$ 48,555</u>
Liabilities			
Accounts Payable	\$ 0	\$ 36,317	\$ 0
Interfund Balance	0	27,792	48,555
Total Liabilities	<u>0</u>	<u>64,109</u>	<u>48,555</u>
Deferred Inflows of Resources			
Unavailable Revenue	0	0	0
Total Inflow of Resources	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances			
Restricted for			
Special Revenue	41,679	0	0
Capital Improvements	0	0	0
Debt Service	0	0	0
Total Fund Balances	<u>41,679</u>	<u>0</u>	<u>0</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 41,679</u>	<u>\$ 64,109</u>	<u>\$ 48,555</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, 2018

	Special Revenue Fund		
	IDEA Preschool 24109	IDEA B Results Plan 24132	Teacher Principal Training 24154
Assets			
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 0
Receivables			
Taxes	0	0	0
Due From Grantor	1,691	20,627	9,822
Total Assets	<u>\$ 1,691</u>	<u>\$ 20,627</u>	<u>\$ 9,822</u>
Liabilities			
Accounts Payable	\$ 0	\$ 0	\$ 0
Interfund Balance	1,691	20,627	9,822
Total Liabilities	<u>1,691</u>	<u>20,627</u>	<u>9,822</u>
Deferred Inflows of Resources			
Unavailable Revenue	<u>0</u>	<u>0</u>	<u>0</u>
Total Inflow of Resources	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances			
Restricted for			
Special Revenue	0	0	0
Capital Improvements	0	0	0
Debt Service	0	0	0
Total Fund Balances	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 1,691</u>	<u>\$ 20,627</u>	<u>\$ 9,822</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, 2018

	Special Revenue Fund		
	USDA Equipment 24183	Head Start 25127	Medicaid 25153
Assets			
Cash and Cash Equivalents	\$ 0	\$ 5,167	\$ 39,600
Receivables			
Taxes	0	0	0
Due From Grantor	0	0	0
Total Assets	<u>\$ 0</u>	<u>\$ 5,167</u>	<u>\$ 39,600</u>
Liabilities			
Accounts Payable	\$ 0	\$ 5,167	\$ 0
Interfund Balance	0	0	0
Total Liabilities	<u>0</u>	<u>5,167</u>	<u>0</u>
Deferred Inflows of Resources			
Unavailable Revenue	0	0	0
Total Inflow of Resources	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances			
Restricted for			
Special Revenue	0	0	39,600
Capital Improvements	0	0	0
Debt Service	0	0	0
Total Fund Balances	<u>0</u>	<u>0</u>	<u>39,600</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 0</u>	<u>\$ 5,167</u>	<u>\$ 39,600</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, 2018

	Special Revenue Fund		
	Rural Education Achievement 25233	Duel Credit Instructional Materials 27103	Breakfast after the Bell 27155
Assets			
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 0
Receivables			
Taxes	0	0	0
Due From Grantor	9,407	296	1,811
Total Assets	\$ 9,407	\$ 296	\$ 1,811
Liabilities			
Accounts Payable	\$ 0	\$ 0	\$ 0
Interfund Balance	9,407	296	1,811
Total Liabilities	9,407	296	1,811
Deferred Inflows of Resources			
Unavailable Revenue	0	0	0
Total Inflow of Resources	0	0	0
Fund Balances			
Restricted for			
Special Revenue	0	0	0
Capital Improvements	0	0	0
Debt Service	0	0	0
Total Fund Balances	0	0	0
Total Liabilities, Deferred Inflows and Fund Balances	\$ 9,407	\$ 0	\$ 1,811

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, 2018

	Special Revenue Fund		
	K3 Plus 27166	College Counselor 27189	Teachers Hard to Staff 27195
Assets			
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 0
Receivables			
Taxes	0	0	0
Due From Grantor	6,943	0	0
Total Assets	<u>\$ 6,943</u>	<u>\$ 0</u>	<u>\$ 0</u>
Liabilities			
Accounts Payable	\$ 0	\$ 0	\$ 0
Interfund Balance	6,943	0	0
Total Liabilities	<u>6,943</u>	<u>0</u>	<u>0</u>
Deferred Inflows of Resources			
Unavailable Revenue	0	0	0
Total Inflow of Resources	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances			
Restricted for			
Special Revenue	0	0	0
Capital Improvements	0	0	0
Debt Service	0	0	0
Total Fund Balances	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 6,943</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 Balance Sheet
 June 30, 2018

	Special Revenue Fund		
	K3 Plus 4th & 5th Pilot 27198	Local Projects 29102	United Way Grant 29107
Assets			
Cash and Cash Equivalents	\$ 0	\$ 75,294	\$ 5,017
Receivables			
Taxes	0	0	0
Due From Grantor	2,285	0	0
Total Assets	<u>\$ 2,285</u>	<u>\$ 75,294</u>	<u>\$ 5,017</u>
Liabilities			
Accounts Payable	\$ 0	\$ 0	\$ 0
Interfund Balance	2,285	0	0
Total Liabilities	<u>2,285</u>	<u>0</u>	<u>0</u>
Deferred Inflows of Resources			
Unavailable Revenue	0	0	0
Total Inflow of Resources	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances			
Restricted for			
Special Revenue	0	75,294	5,017
Capital Improvements	0	0	0
Debt Service	0	0	0
Total Fund Balances	<u>0</u>	<u>75,294</u>	<u>5,017</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 2,285</u>	<u>\$ 75,294</u>	<u>\$ 5,017</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, 2018

	Special Revenue Fund			Capital Projects Fund		
	Microsoft Pilot 29132	Bond Building 31100	Capital Outlay Local 31300			
Assets						
Cash and Cash Equivalents	\$ 13	\$ 391,030	\$ 251,568			
Receivables						
Taxes	0	0	0			
Due From Grantor	0	0	0			
Total Assets	<u>\$ 13</u>	<u>\$ 391,030</u>	<u>\$ 251,568</u>			
Liabilities						
Accounts Payable	\$ 0	\$ 0	\$ 0			
Interfund Balance	0	0	0			
Total Liabilities	<u>0</u>	<u>0</u>	<u>0</u>			
Deferred Inflows of Resources						
Unavailable Revenue	0	0	0			
Total Inflow of Resources	<u>0</u>	<u>0</u>	<u>0</u>			
Fund Balances						
Restricted for						
Special Revenue	13	0	0			
Capital Improvements	0	391,030	251,568			
Debt Service	0	0	0			
Total Fund Balances	<u>13</u>	<u>391,030</u>	<u>251,568</u>			
 Total Liabilities, Deferred Inflows and Fund Balances	 <u>\$ 13</u>	 <u>\$ 391,030</u>	 <u>\$ 251,568</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, 2018

	Capital Projects Fund		
	Special Capital Outlay-State 31400	Senate Bill Nine-State 31700	Ed Tech Equipment 31900
Assets			
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 470,534
Receivables			
Taxes	0	0	0
Due From Grantor	0	16,087	0
Total Assets	<u>\$ 0</u>	<u>\$ 16,087</u>	<u>\$ 470,534</u>
Liabilities			
Accounts Payable	\$ 0	\$ 0	\$ 2,042
Interfund Balance	0	16,087	0
Total Liabilities	<u>0</u>	<u>16,087</u>	<u>2,042</u>
Deferred Inflows of Resources			
Unavailable Revenue	0	0	0
Total Inflow of Resources	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances			
Restricted for			
Special Revenue	0	0	0
Capital Improvements	0	0	468,492
Debt Service	0	0	0
Total Fund Balances	<u>0</u>	<u>0</u>	<u>468,492</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 0</u>	<u>\$ 16,087</u>	<u>\$ 470,534</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, 2018

	<u>Debt Service</u>	
	Ed Tech Debt Service 43000	<u>Total</u>
Assets		
Cash and Cash Equivalents	\$ 180,837	\$ 1,460,739
Receivables		
Taxes	51,468	51,468
Due From Grantor	0	181,633
Total Assets	<u>\$ 232,305</u>	<u>\$ 1,693,840</u>
Liabilities		
Accounts Payable	\$ 0	\$ 43,526
Interfund Balance	0	145,316
Total Liabilities	<u>0</u>	<u>188,842</u>
Deferred Inflows of Resources		
Unavailable Revenue	<u>5,035</u>	<u>5,035</u>
Total Inflow of Resources	<u>5,035</u>	<u>5,035</u>
Fund Balances		
Restricted for		
Special Revenue	0	161,603
Capital Improvements	0	1,111,090
Debt Service	<u>227,270</u>	<u>227,270</u>
Total Fund Balances	<u>227,270</u>	<u>1,499,963</u>
 Total Liabilities, Deferred Inflows and Fund Balances	 <u>\$ 232,305</u>	 <u>\$ 1,693,544</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, 2018

	Special Revenue Fund		
	Athletics 22000	Title I 24101	IDEA B Entitlement 24106
Revenues			
Property Taxes	\$ 0	\$ 0	\$ 0
Fees	53,782	0	0
State and Local Grants	0	0	0
Federal Grants	0	100,299	134,753
Miscellaneous	0	0	0
Total Revenues	<u>53,782</u>	<u>100,299</u>	<u>134,753</u>
Expenditures			
Current			
Instruction	57,177	100,299	71,068
Support Services			
Students	0	0	63,685
General Administration	0	0	0
School Administration	0	0	0
Food Service Operations	0	0	0
Capital Outlay	0	0	0
Debt Service			
Principal	0	0	0
Interest	0	0	0
Total Expenditures	<u>57,177</u>	<u>100,299</u>	<u>134,753</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(3,395)</u>	<u>0</u>	<u>0</u>
Other Financing Sources (Uses)			
Bond Issue	0	0	0
Transfer to Operational	0	0	0
Total Other Financing Sources	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	(3,395)	0	0
Fund Balances at Beginning of Year	<u>45,074</u>	<u>0</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 41,679</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, 2018

	Special Revenue Fund		
	IDEA Preschool 24109	IDEA B Results Plan 24132	Teacher Principal Training 24154
	<u>24109</u>	<u>24132</u>	<u>24154</u>
Revenues			
Property Taxes	\$ 0	\$ 0	\$ 0
Fees	0	0	0
State and Local Grants	0	0	0
Federal Grants	6,001	35,000	9,822
Miscellaneous	0	0	0
Total Revenues	<u>6,001</u>	<u>35,000</u>	<u>9,822</u>
Expenditures			
Current			
Instruction	5,075	35,000	8,962
Support Services			
Students	926	0	0
General Administration	0	0	0
School Administration	0	0	860
Food Service Operations	0	0	0
Capital Outlay	0	0	0
Debt Service			
Principal	0	0	0
Interest	0	0	0
Total Expenditures	<u>6,001</u>	<u>35,000</u>	<u>9,822</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>0</u>	<u>0</u>	<u>0</u>
Other Financing Sources (Uses)			
Bond Issue	0	0	0
Transfer to Operational	0	0	0
Total Other Financing Sources	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	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, 2018

	Special Revenue Fund		
	USDA Equipment 24183	Head Start 25127	Medicaid 25153
Revenues			
Property Taxes	\$ 0	\$ 0	\$ 0
Fees	0	0	51,309
State and Local Grants	0	0	0
Federal Grants	0	0	0
Miscellaneous	0	0	0
Total Revenues	<u>0</u>	<u>0</u>	<u>51,309</u>
Expenditures			
Current			
Instruction	0	0	0
Support Services			
Students	0	0	19,494
General Administration	0	0	0
School Administration	0	0	0
Food Service Operations	0	0	0
Capital Outlay	0	0	0
Debt Service			
Principal	0	0	0
Interest	0	0	0
Total Expenditures	<u>0</u>	<u>0</u>	<u>19,494</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>0</u>	<u>0</u>	<u>31,815</u>
Other Financing Sources (Uses)			
Bond Issue	0	0	0
Transfer to Operational	0	0	0
Total Other Financing Sources	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	0	0	31,815
Fund Balances at Beginning of Year	<u>0</u>	<u>0</u>	<u>7,785</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 39,600</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, 2018

	Special Revenue Fund		
	Rural Education Achievement 25233	Duel Credit Instructional Materials 27103	Breakfast after the Bell 27155
Revenues			
Property Taxes	\$ 0	\$ 0	\$ 0
Fees	0	0	0
State and Local Grants	0	1,974	17,361
Federal Grants	54,815	0	0
Miscellaneous	0	0	0
Total Revenues	<u>54,815</u>	<u>1,974</u>	<u>17,361</u>
Expenditures			
Current			
Instruction	54,815	1,974	0
Support Services			
Students	0	0	0
General Administration	0	0	0
School Administration	0	0	0
Food Service Operations	0	0	17,361
Capital Outlay	0	0	0
Debt Service			
Principal	0	0	0
Interest	0	0	0
Total Expenditures	<u>54,815</u>	<u>1,974</u>	<u>17,361</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>0</u>	<u>0</u>	<u>0</u>
Other Financing Sources (Uses)			
Bond Issue	0	0	0
Transfer to Operational	0	0	0
Total Other Financing Sources	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	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, 2018

	Special Revenue Fund		
	K3 Plus 27166	College Counselor 27189	Teachers Hard to Staff 27195
Revenues			
Property Taxes	\$ 0	\$ 0	\$ 0
Fees	0	0	0
State and Local Grants	35,094	0	6,075
Federal Grants	0	0	0
Miscellaneous	0	0	0
Total Revenues	<u>35,094</u>	<u>0</u>	<u>6,075</u>
Expenditures			
Current			
Instruction	35,094	0	0
Support Services			
Students	0	0	6,075
General Administration	0	0	0
School Administration	0	0	0
Food Service Operations	0	0	0
Capital Outlay	0	0	0
Debt Service			
Principal	0	0	0
Interest	0	0	0
Total Expenditures	<u>35,094</u>	<u>0</u>	<u>6,075</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>0</u>	<u>0</u>	<u>0</u>
Other Financing Sources (Uses)			
Bond Issue	0	0	0
Transfer to Operational	0	0	0
Total Other Financing Sources	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	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, 2018

	Special Revenue Fund		
	K3 Plus 4th & 5th Pilot 27198	Local Projects 29102	United Way Grant 29107
Revenues			
Property Taxes	\$ 0	\$ 0	\$ 0
Fees	0	0	0
State and Local Grants	2,285	158,000	0
Federal Grants	0	0	0
Miscellaneous	0	0	0
Total Revenues	<u>2,285</u>	<u>158,000</u>	<u>0</u>
Expenditures			
Current			
Instruction	2,285	195,663	0
Support Services			
Students	0	0	0
General Administration	0	0	0
School Administration	0	0	0
Food Service Operations	0	0	0
Capital Outlay	0	0	0
Debt Service			
Principal	0	0	0
Interest	0	0	0
Total Expenditures	<u>2,285</u>	<u>195,663</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>0</u>	<u>(37,663)</u>	<u>0</u>
Other Financing Sources (Uses)			
Bond Issue	0	0	0
Transfer to Operational	0	0	0
Total Other Financing Sources	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	0	(37,663)	0
Fund Balances at Beginning of Year	<u>0</u>	<u>112,957</u>	<u>5,017</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 75,294</u>	<u>\$ 5,017</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, 2018

	Special Revenue Fund		
	Microsoft Pilot 29132	Bond Building 31100	Capital Projects Fund Capital Outlay Local 31300
Revenues			
Property Taxes	\$ 0	\$ 0	\$ 0
Fees	0	0	0
State and Local Grants	0	0	0
Federal Grants	0	0	0
Miscellaneous	0	0	74,668
Total Revenues	0	0	74,668
Expenditures			
Current			
Instruction	4,012	0	0
Support Services			
Students	0	0	0
General Administration	0	0	0
School Administration	0	0	0
Food Service Operations	0	0	0
Capital Outlay	0	116,724	0
Debt Service			
Principal	0	0	0
Interest	0	0	0
Total Expenditures	4,012	116,724	0
Excess (Deficiency) of Revenues Over Expenditures	(4,012)	(116,724)	74,668
Other Financing Sources (Uses)			
Bond Issue	0	0	0
Transfer to Operational	0	0	0
Total Other Financing Sources	0	0	0
Net Change in Fund Balances	(4,012)	(116,724)	74,668
Fund Balances at Beginning of Year	4,025	507,754	176,900
Fund Balance End of Year	\$ 13	\$ 391,030	\$ 251,568

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, 2018

	Capital Projects Fund		
	Special Capital Outlay-State 31400	Senate Bill Nine-State 31700	Ed Tech Equipment 31900
Revenues			
Property Taxes	\$ 0	\$ 0	\$ 0
Fees	0	0	0
State and Local Grants	0	16,087	0
Federal Grants	0	0	0
Miscellaneous	0	0	0
Total Revenues	<u>0</u>	<u>16,087</u>	<u>0</u>
Expenditures			
Current			
Instruction	0	0	7,593
Support Services			
Students	0	0	0
General Administration	0	0	41,750
School Administration	0	0	0
Food Service Operations	0	0	0
Capital Outlay	0	16,087	0
Debt Service			
Principal	0	0	0
Interest	0	0	0
Total Expenditures	<u>0</u>	<u>16,087</u>	<u>49,343</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>0</u>	<u>0</u>	<u>(49,343)</u>
Other Financing Sources (Uses)			
Bond Issue	0	0	500,000
Transfer to Operational	0	0	0
Total Other Financing Sources	<u>0</u>	<u>0</u>	<u>500,000</u>
Net Change in Fund Balances	0	0	450,657
Fund Balances at Beginning of Year	<u>0</u>	<u>0</u>	<u>17,835</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 468,492</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, 2018

	<u>Debt Service</u>	
	Ed Tech Debt Service 43000	<u>Total</u>
Revenues		
Property Taxes	\$ 527,334	\$ 527,334
Fees	0	105,091
State and Local Grants	0	236,876
Federal Grants	0	340,690
Miscellaneous	0	74,668
Total Revenues	<u>527,334</u>	<u>1,284,659</u>
Expenditures		
Current		
Instruction	0	579,017
Support Services		
Students	0	90,180
General Administration	1,476	43,226
School Administration	0	860
Food Service Operations	0	17,361
Capital Outlay	0	132,811
Debt Service		
Principal	200,000	200,000
Interest	4,000	4,000
Total Expenditures	<u>205,476</u>	<u>1,067,455</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>321,858</u>	<u>217,204</u>
Other Financing Sources (Uses)		
Bond Issue	0	500,000
Transfer to Operational	(47,854)	(47,854)
Total Other Financing Sources	<u>(47,854)</u>	<u>452,146</u>
Net Change in Fund Balances	274,004	669,350
Fund Balances at Beginning of Year	<u>(46,734)</u>	<u>830,613</u>
Fund Balance End of Year	<u>\$ 227,270</u>	<u>\$ 1,499,963</u>

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

Other Supplemental Information

Fiduciary Fund

Activity Trust Fund

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

State of New Mexico
Loving Municipal Schools
Agency Funds-Activity
Schedule of Fiduciary Assets and Liabilities-Agency Funds
For the Year Ended June 30, 2018

Assets	Balance 6/30/17	Receipts	Disbursements	Balance 6/30/18
80001 HS Football	\$ 2,063	\$ 5,241	\$ 4,792	\$ 2,512
80002 HS Boys Basketball	395	3,246	2,951	689
80003 HS Girls Basketball	231	2,985	725	2,491
80004 HS Volleyball	487	3,281	3,092	677
80005 HS Track	6,973	3,807	4,497	6,283
80007 HS Softball	590	2,897	1,785	1,701
80009 HS Baseball	371	1,507	828	1,050
80010 Falcon Booster	587	773	200	1,160
80011 Dig Pink Volleyball	2,391	9,933	7,018	5,306
80013 HS Science	304	0	0	304
80014 HS Cheerleaders	1,629	3,217	2,551	2,295
80015 HS Student Council	1,931	1,391	824	2,498
80016 HS Systems GO	788	10	584	214
80017 HS Culinary Arts	172	450	27	595
80018 MS Science	201	0	0	201
80019 Loving Cares	266	0	0	266
80021 HS Yearbook	4,975	4,195	2,219	6,951
80022 HS National Honor Society	372	842	253	961
80023 Custodial	38	349	0	386
80024 HS General Activity	2,102	746	286	2,562
80025 HS Shop	369	0	0	369
80026 HS Band	3,085	30	75	3,040
80027 HS FFA	0	4,003	0	4,003
80028 Skills USA	1,795	8,106	6,513	3,387
80029 HS AD Athletics	10,731	14,744	7,089	18,385
80030 HS Scholarship	1,079	165	0	1,244
80031 HS Library	1,146	40	0	1,186
80032 Central Office	1,590	7,323	8,276	637
80034 ID Account	593	0	0	593
80035 KUNOS	915	0	0	915
80036 Posters-Tech Dept.	420	0	0	420
80037 MS General Activity	4,473	14,671	11,968	7,176
80038 MS Cheerleaders	458	0	274	184
80039 MS Student Council	2,871	751	877	2,744
80040 MS Library	451	0	0	451
80041 MS PE	31	0	0	31
80042 MS Parent Club	2,213	2,775	3,487	1,501
80043 MS Media	905	415	1,046	274
80044 MS Home Ec	2,100	1,050	1,054	2,097
80045 ES General Activity	4,162	1,389	3,110	2,441
80046 ES Student Council	971	565	583	953
80047 ES Library	604	4,212	3,591	1,225
80053 ES Parent Council	5,735	17,421	15,659	7,496
80055 ES Head Start	65	0	0	65
80061 ES Staff	694	1,105	1,028	771
80063 HS Falcon Creations	603	0	0	603
80064 HS Track Coaches	\$ 3,402	\$ 0	\$ 2,257	\$ 1,144

State of New Mexico
Loving Municipal Schools
 Agency Funds-Activity
 Schedule of Fiduciary Assets and Liabilities-Agency Funds
 For the Year Ended June 30, 2018

Assets	Balance 6/30/17	Receipts	Disbursements	Balance 6/30/18
80065 HS Football Coaches	\$ 1,863	\$ 4,035	\$ 5,169	\$ 729
80066 ES Music	3,687	0	0	3,687
80067 HS Boys Basketball Coaches	2	0	0	2
80069 ES Clothing Bank	2,644	0	693	1,951
80072 HS Robotics	1,038	0	0	1,038
80073 HS Girls Basketball Coaches	45	0	0	45
80075 HS Athletics	964	2,690	0	3,654
80076 HS Softball Coaches	268	4,035	1,856	2,448
80077 MS Shop	1,468	640	1,074	1,034
80078 HS Health	41	0	0	41
80079 Class of 2017	531	3,521	2,070	1,983
80081 HS Staff	2,194	6,693	5,036	3,851
80082 MS National Junior Honor Society	1,238	637	481	1,394
80083 Positive Behavior Support	44	0	0	44
80085 Class of 2018	1,637	2,080	2,062	1,655
80087 Volleyball Coaches	(0)	4,079	2,800	1,279
80088 Class of 2015	4,212	2,110	3,686	2,636
80090 Class of 2016	5,249	2,183	2,372	5,060
80091 Tech Lab Fees	551	0	0	551
Total Assets	<u>\$ 106,000</u>	<u>\$ 156,338</u>	<u>\$ 126,819</u>	<u>\$ 135,519</u>
Liabilities				
Deposits Held for Others	\$ 106,000	\$ 156,338	\$ 126,819	\$ 135,519
Total Liabilities	<u>\$ 106,000</u>	<u>\$ 156,338</u>	<u>\$ 126,819</u>	<u>\$ 135,519</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, 2018

		Beginning Cash 6/30/17	Revenue	Expenditures	Ending Cash 6/30/18
Operational	11000 \$	656,716 \$	5,382,085 \$	5,111,391 \$	927,410
Transportation	13000	(0)	112,636	111,345	1,291
Instructional Materials	14000	64,496	16,980	57,192	24,284
Food Service	21000	(16,556)	340,595	308,149	15,890
Athletics	22000	45,075	53,782	57,178	41,679
Federal Flowthrough	24000	(68,591)	209,663	249,559	(108,487)
Federal Direct	25000	(52,215)	161,883	74,309	35,359
State Flowthrough	27000	(32,625)	84,078	62,790	(11,337)
Local/State	29000	121,999	158,000	199,675	80,324
Bond Building	31100	507,754	0	116,724	391,030
Capital Outlay-Local	31300	176,900	74,668	0	251,568
Capital Outlay-State	31400	(199,132)	199,132	0	0
Senate Bill Nine-State	31700	(16,645)	16,645	16,087	(16,087)
Senate Bill Nine-Local	31701	654,383	662,143	405,277	911,249
Ed Tech Equipment	31900	17,834	500,000	47,301	470,533
Debt Service	41000	275,748	2,169,285	1,032,406	1,412,627
Debt Service Ed Tech	43000	(47,853)	482,021	253,330	180,838
Activities	23000	106,000	156,338	126,819	135,518
Total		<u>\$ 2,193,288</u>	<u>\$ 10,779,934</u>	<u>\$ 8,229,532</u>	<u>\$ 4,743,690</u>

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

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. Wayne Johnson
State Auditor of the State of New Mexico
Board Members of the Loving Municipal Schools

Mr. Johnson 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 for the general and major special revenue funds, of Loving Municipal Schools (District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 2, 2018.

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. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses, that we consider to be significant deficiencies. 2016-001, 2016-002, 2016-003, 2018-001, 2018-003, 2018-004

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which is described in the accompanying Schedule of Findings and Responses; 2016-001, 2016-002, 2016-003, 2018-001, 2018-002, 2018-003, and 2018-004.

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 Responses. The District's response was not subject to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

Purpose of this Report

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

De'Aun Willoughby, CPA, PC

Clovis, New Mexico
November 2, 2018

Financial Statements Findings

Prior Year Audit Findings	Status
2016-001 Payroll	Repeated and Modified
2016-002 Expenditure Issues	Repeated and Modified
2016-003 Activity Receipts	Repeated and Modified

Current Year Audit Findings

2016-001 Payroll-Compliance and Internal Control-Significant Deficiency Condition

Out of fifteen personnel files reviewed we noted:

- (A) Seven I-9s were incorrectly completed or incomplete.
- (B) Four of 5 new hires reviewed were not reported timely.
- (C) One background check could not be located.
- (D) One of the 10 transcripts could not be located and 2 were copies.

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.

(D) As per School Board Policy G-1650 © GBJ Personnel Records and Files - Professional employees are required to supply the District office with current and complete official transcripts of all college credits.

Cause

Faulty procedures, misunderstanding of regulations and lack of supervision are causes of this finding.

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.

Loving Municipal Schools

Schedule of Findings and Responses

June 30, 2018

2016-001 Payroll-Compliance and Internal Control-Significant Deficiency (Continued)

(D) Official transcripts received directly from an educational institution ensures the employee has completed the necessary courses to work in the District.

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.

(D) The District should only accept official transcripts before the employee begins to work.

Response

Internal control processes were discussed with the HR employee and new methods established to ensure that all responsibilities would be accomplished effectively. The FY18 HR employee received a reprimand for failure to perform required tasks. That position has since been replaced with a new HR Clerk.

Responsible Employee and Resolution Timeline

The previous Human Resource Clerk is responsible for this finding. The new employee is diligently working to review and update all personnel documents and hopes to resolve the issues during the current 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 45 expenditures tested totaling \$306,734.24, 1 totaling \$270.49 did not have an expense log attached.

Fund 13000 - Of the 14 expenditures tested totaling \$7,971.29 we noted: 1 totaling \$507.24 or 6.36% reviewed did not have a description on which vehicle the parts were purchased for.

1 totaling \$489.00 or 6.13% reviewed had a different vendor name and address on the check than the purchase order had.

Management has made progress resolving this issue.

Criteria

The employee must verify the date, time, place, amount, and business purpose of expenses. Receipts are required unless the reimbursement is made under a per diem plan. Reg. §1.62-2(e); Reg. §1.274-5(b)(2). 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 result 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.

Responsible Employee and Resolution Timeline

The Superintendent is responsible for enforcing the procurement process. The superintendent is working hard to resolve these issues by the end of fiscal year.

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

Condition

Money was not always deposited within 24 hours, receipts were made out to an activity instead of an individual, an employee made out a receipt to herself, original receipts were in the receipt book rather than given to the individual, receipts were skipped, deposit receipt or copy of the deposit ticket was not always included in the deposit package. The total of the receipts with the issues discussed was \$18,459.05.

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

Responsible Employee and Resolution Timeline

The Superintendent is responsible for enforcing the receipting process and will resolve this finding by the end of fiscal year.

2018-001 Educational Assistant - Compliance and Internal Control-Significant Deficiency

Condition

One Educational Assistant that was paid from Title I (24101) did not have a Level 3 EA license as required by the federal grant.

Criteria

ESEA Title I, Part A Section 1119 Qualifications for Paraprofessionals - Federal requirements for Title I, as amended by the No Child Left Behind Act- All educational assistants (EAs) assisting in instruction in Title I programs must hold a New Mexico Level III Educational Assistant license.

Cause

Superintendent and business personnel had no prior knowledge of the requirement.

Effect

All federal funding is at risk of being lost if the provisions of a federal grant are not followed.

Recommendation

All educational assistants working with Title I students should have a Level 3 EA license.

Response

The educational assistants working with Title I students are currently enrolled in college courses to obtain their AA degrees. If their degrees are not attained, they will be required to take the paraprofessional exam.

Responsible Employee and Resolution Timeline

HR employee will monitor the college hours attained by each instructional assistant and set up the paraprofessional exam, if necessary. The finding should be resolved by the end of the current fiscal year.

2018-002 Certified Chief Procurement Officers-Compliance and Other Matters

Condition

At the end of the year the District did not have a CPO. 8/15/18 they signed a MOU with the REC to piggy back off of them until the District can obtain a new CPO within the District.

Criteria

Procurement code Sections 13-1-1 to 13-1-199 NMSA 1978 including providing the state purchasing agent with the name of the agency's or local public body's chief procurement officer, pursuant to Section 13-1-95.2 NMSA 1978, and state purchasing regulations 1.4.1 NMAC, or home rule equivalent.

Cause

The previous Superintendent left the District and she was the CPO.

Effect

The purpose of the training was to improve the procurement process through gained knowledge. Issuing purchase orders by someone other than the CPO negates the purpose of the training.

Recommendation

The District should enter into a memorandum of understanding with the REC utilizing their CPO until the Superintendent obtains his certification.

Response

The District continues to piggy back off the REC and will attend the certification courses during the next scheduled dates.

Responsible Employee and Resolution Timeline

Superintendent and Business Manager will both receive certification during FY19.

2018-003 Unbalanced Budget-Compliance and Internal Control-Significant Deficiency

Condition

The District did not have a sufficient beginning cash balance to balance the budget in the Food Service Fund-21000 of \$(16,556).

Criteria

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

Cause

Fund 21000 is used to operate the Summer Food program sponsored by the District. Sufficient state CYFD revenues were not budgeted.

Effect

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

Recommendation

The District should have amended the revenue budget to include the summer food program to balance the budget.

Response

The Business Manager will amend the revenue budget when amending the expenditure budget for new programs.

Responsible Party and Timeline

The Business Manager is responsible for this finding. This finding will be resolved within the next fiscal year.

2018-004 Budget Violations-Compliance and Internal Control-Significant Deficiency

Condition

The District has maintained expenditures at the function level in which actual expenditures exceeded budgetary authority in the following funds:

	Budget			Over
	Original	Final	Actual	Budget
Food Service				
Food Service Operations	\$ <u>309,569</u>	\$ <u>301,500</u>	\$ <u>308,150</u>	\$ <u>(6,650)</u>

Criteria

Sound financial management and state regulation 6.20.2.9 (A), NMAC and state statutes 22-8-5 through 22-8-12.2, NMSA 1978, require that budgets not be exceeded at the legal level of control. For school district's, the expenditure function is the legal level of control.

Cause

The District did not make the appropriate budgetary adjustments requests and transfers to the funds mentioned in the condition, which would alleviate over-expenditure within the functions prior to the year end.

Effect

As a result, the district is in noncompliance with New Mexico law, and the control established by the use of budgets has been compromised. Continued over-expenditure of budgeted balances may result in unnecessary usage of operating funds to absorb over-expenditures.

Recommendation

The District must establish a policy of budgetary review at year-end, and make the necessary budget adjustments.

Response

The summer food program expenditures were more than expected and happened at the end of FY18. It was too late to submit the increase in budget to the board and PED before the time to do so expired.

Responsible Employee and Resolution Timeline

The Business Manager is responsible and will take care of it in FY19.

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, 2018. Those present were Lee White-Superintendent, Cruz Onsurez-Board Member/Audit Committee Member, Doug Sonto-Athletic Director, Veronica Carrasco-Central Office, Margarita Buendia-Administrative Assistant, Catherine Bass-Principal, Katrina Chaffin-Principal, Oralía Galindo-Business Manager and De'Aun Willoughby, CPA.