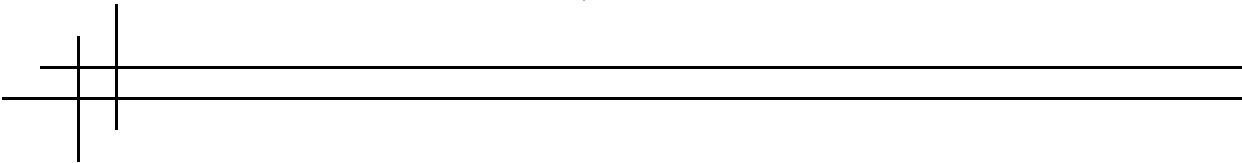


State of New Mexico  
**Loving Municipal Schools**

**Annual Financial Report**  
June 30, 2019

**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, 2019

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**Board of Education**

Chance Parson	President
Andrea Ramirez	Vice-President
Eleanora Hernandez	Secretary
Cruz Onsurez	Member
Rick Fuentes	Member

**School Officials**

Lee White	Superintendent
Oralia Galindo-Romero	Business Manager
Lee White	Chief Procurement Officer

Independent Auditor's Report

Mr. Brian S. Colón  
State Auditor of the State of New Mexico  
Board Members of the Loving Municipal Schools

Mr. Colón 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 comparisons for the general fund of Loving Municipal Schools (District), as of and for the year ended June 30, 2019, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents.

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, 2019, and the respective changes in financial position, thereof and the respective budgetary comparisons for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### 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 September 30, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*De'Aun Willoughby, CPA, PC*

Clovis, New Mexico  
September 30, 2019

## Financial Section



State of New Mexico  
**Loving Municipal Schools**  
Government-Wide Statement of Net Position  
June 30, 2019

	Governmental Activities
<b>Assets</b>	
<b>Current Assets</b>	
Cash and Cash Equivalents	\$ 6,873,599
Taxes Receivable	281,931
Due from Grantor	230,323
Inventory	31,982
<b>Total Current Assets</b>	<b>7,417,835</b>
<b>Noncurrent Assets</b>	
Capital Assets	27,326,330
Less Accumulated Depreciation	(11,426,396)
<b>Total Noncurrent Assets</b>	<b>15,899,934</b>
<b>Total Assets</b>	<b>23,317,769</b>
<b>Deferred Outflows of Resources</b>	
Deferred Outflows Related to Pensions	
Actuarial Experience	9,949
Changes of Assumptions	2,809,536
Investment Experience	30,178
Changes in Proportion	41,329
Contributions Subsequent to Measurement Date	438,166
Deferred Outflows Related to Other Post Employment Benefits	
Contributions Subsequent to Measurement Date	62,427
<b>Total Deferred Outflows of Resources</b>	<b>3,391,585</b>
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Accounts Payable	9,445
Accrued Interest	50,488
Compensated Absences	63,843
Current Portion Due of Long-Term Debt	915,000
<b>Total Current Liabilities</b>	<b>1,038,776</b>
<b>Noncurrent Liabilities</b>	
Bonds and Notes	2,119,000
Pension Liability	13,632,222
Other Post Employment Benefits Liability	3,254,309
<b>Total Noncurrent Liabilities</b>	<b>19,005,531</b>
<b>Total Liabilities</b>	<b>20,044,307</b>
<b>Deferred Inflows of Resources</b>	
Deferred Inflows Related to Unavailable Revenue	2,050
Deferred Inflows Related to Pensions	
Actuarial Experience	259,443
Changes in Proportion	721,668
Deferred Inflows Related to Other Post Employment Benefits	
Actuarial Experience	192,676
Investment Experience	40,613
Changes of Assumptions	607,565
Changes in Proportion	362,191
<b>Total Deferred Inflows of Resources</b>	<b>\$ 2,186,206</b>

State of New Mexico  
**Loving Municipal Schools**  
Government-Wide Statement of Net Position  
June 30, 2019

---

Net Position	
Net Investment in Capital Assets	\$ 12,865,934
Restricted for	
Capital Projects	3,405,117
Debt Service	1,469,189
Unrestricted	<u>(13,261,399)</u>
Total Net Position	<u>\$ 4,478,841</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, 2019

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental Activities				
Instruction	\$ 5,073,284	57,870	\$ 657,687	\$ 0
Support Services				
Students	583,811	37,590	25,394	0
Instruction	235,167	0	0	0
General Administration	463,701	0	1,925	0
School Administration	604,980	0	1,847	0
Central Services	185,240	0	0	0
Operation of Plant	1,151,734	8,700	0	16,127
Student Transportation	135,310	0	83,092	0
Other	3,492	0	0	0
Food Services Operations	386,610	20,064	471,372	0
Interest on Long-Term Obligations	115,548	0	0	0
<b>Total Governmental Activities</b>	<b>\$ 8,938,877</b>	<b>\$ 124,224</b>	<b>\$ 1,241,317</b>	<b>\$ 16,127</b>
General Revenues				
Taxes				
Property Taxes, Levied for General Purposes				209,133
Property Taxes, Levied for Capital Projects				840,023
Property Taxes, Levied for Debt Service				3,106,743
Federal and State Aid Not Restricted to Specific Purpose				
General				5,391,443
Capital				0
Interest Income				5,729
Miscellaneous				117,319
<b>Total General Revenues</b>				<b>9,670,390</b>
Other Items				
Gain on the Disposition of Capital Assets				500,000
Gain on the Refunding of Bonds				10,073
Return of Funding to PED				(645)
<b>Total Other Items</b>				<b>509,428</b>
Change in Net Position				2,622,609
Net Position - Beginning				1,856,232
Net Position - Ending				<b>\$ 4,478,841</b>

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

State of New Mexico  
**Loving Municipal Schools**  
Governmental Funds  
Balance Sheet  
June 30, 2019

	General Fund		
	Operational 11000	Transportation 13000	Instructional Materials 14000
<b>Assets</b>			
Cash and Cash Equivalents	\$ 1,284,159	\$ 0	\$ 39,241
Receivables			
Taxes	18,063	0	0
Due from Grantor	0	0	0
Interfund Balance	194,762	0	0
Inventory	0	0	0
<b>Total Assets</b>	<b>\$ 1,496,984</b>	<b>\$ 0</b>	<b>\$ 39,241</b>
<b>Liabilities</b>			
Accounts Payable	\$ 8,024	\$ 15	\$ 0
Interfund Balance	0	0	0
Current Portion Due			
Principal	0	0	0
Interest	0	0	0
<b>Total Liabilities</b>	<b>8,024</b>	<b>15</b>	<b>0</b>
<b>Deferred Inflows of Resources</b>			
Unavailable Revenue	1,354	0	0
<b>Total Inflow of Resources</b>	<b>1,354</b>	<b>0</b>	<b>0</b>
<b>Fund Balances</b>			
Nonspendable-Inventory	0	0	0
Restricted for			
Special Revenue	0	0	0
Capital Improvements	0	0	0
Debt Service	0	0	0
Unassigned	1,487,606	(15)	39,241
<b>Total Fund Balances</b>	<b>1,487,606</b>	<b>(15)</b>	<b>39,241</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 1,496,984</b>	<b>\$ 0</b>	<b>\$ 39,241</b>

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

State of New Mexico  
**Loving Municipal Schools**  
Governmental Funds  
Balance Sheet  
June 30, 2019

	Capital Projects Fund Senate Bill Nine-Local 31701	Debt Service Fund 41000	Other Governmental Funds
<b>Assets</b>			
Cash and Cash Equivalents	\$ 983,389	\$ 2,644,125	\$ 1,922,685
Receivables			
Taxes	71,790	176,164	15,914
Due from Grantor	0	0	230,323
Interfund Balance	0	0	0
Inventory	0	0	31,982
Total Assets	<u>\$ 1,055,179</u>	<u>\$ 2,820,289</u>	<u>\$ 2,200,904</u>
<b>Liabilities</b>			
Accounts Payable	\$ 758	\$ 0	\$ 648
Interfund Balance	0	0	194,762
Current Portion Due			
Principal	0	500,000	0
Interest	0	50,488	0
Total Liabilities	<u>758</u>	<u>550,488</u>	<u>195,410</u>
<b>Deferred Inflows of Resources</b>			
Unavailable Revenue	4,955	16,244	4,351
Total Inflow of Resources	<u>4,955</u>	<u>16,244</u>	<u>4,351</u>
<b>Fund Balances</b>			
Nonspendable-Inventory	0	0	31,982
Restricted for			
Special Revenue	0	0	397,878
Capital Improvements	0	2,253,557	1,151,560
Debt Service	1,049,466	0	419,723
Unassigned	0	0	0
Total Fund Balances	<u>1,049,466</u>	<u>2,253,557</u>	<u>2,001,143</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u>\$ 1,055,179</u>	<u>\$ 2,820,289</u>	<u>\$ 2,200,904</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, 2019

---

	Total Governmental Funds
<b>Assets</b>	
Cash and Cash Equivalents	\$ 6,873,599
Receivables	
Taxes	281,931
Due from Grantor	230,323
Interfund Balance	194,762
Inventory	31,982
Total Assets	<u>\$ 7,612,597</u>
<b>Liabilities</b>	
Accounts Payable	\$ 9,445
Interfund Balance	194,762
Current Portion Due	
Principal	500,000
Interest	50,488
Total Liabilities	<u>754,695</u>
<b>Deferred Inflows of Resources</b>	
Unavailable Revenue	26,904
Total Inflow of Resources	<u>26,904</u>
<b>Fund Balances</b>	
Nonspendable-Inventory	31,982
Restricted for	
Special Revenue	397,878
Capital Improvements	3,405,117
Debt Service	1,469,189
Unassigned	1,526,832
Total Fund Balances	<u>6,830,998</u>
 Total Liabilities, Deferred Inflows of Resources and Fund Balances	 <u>\$ 7,612,597</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, 2019

Total Fund Balance - Governmental Funds \$ 6,830,998

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. 24,854

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

Capital Assets	\$ 27,326,330	
Accumulated Depreciation	<u>(11,426,396)</u>	15,899,934

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	3,329,158	
Deferred Outflows Related to OPEB	62,427	
Deferred Inflows Related to Pensions	(981,111)	
Deferred Inflows Related to OPEB	<u>(1,203,045)</u>	1,207,429

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	(63,843)	
Current Portion Due-Principal	500,000	
Current Portion Due of Long-Term Debt	(915,000)	
Bonds Payable	(2,119,000)	
Pension Liability	(13,632,222)	
Other Post Employment Benefits Liability	<u>(3,254,309)</u>	<u>(19,484,374)</u>

Total Net Position - Governmental Activities \$ 4,478,841

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, 2019

	General Fund		
	Operational 11000	Transportation 13000	Instructional Materials 14000
<b>Revenues</b>			
Property Taxes	\$ 208,815	\$ 0	\$ 0
Interest Income	5,729	0	0
Fees	15,163	0	0
State and Local Grants	5,389,645	81,360	17,856
Federal Grants	1,798	0	0
Miscellaneous	6,343	0	487
<b>Total Revenues</b>	<u>5,627,493</u>	<u>81,360</u>	<u>18,343</u>
<b>Expenditures</b>			
Current			
Instruction	2,904,520	0	3,386
Support Services			
Students	376,039	0	0
Instruction	188,847	0	0
General Administration	304,347	0	0
School Administration	435,599	0	0
Central Services	151,986	0	0
Operation of Plant	695,388	0	0
Student Transportation	0	81,979	0
Other	3,492	0	0
Food Service Operations	0	0	0
Capital Outlay	0	0	0
Debt Service			
Principal	0	0	0
Interest	0	0	0
<b>Total Expenditures</b>	<u>5,060,218</u>	<u>81,979</u>	<u>3,386</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>567,275</u>	<u>(619)</u>	<u>14,957</u>
<b>Other Financing Sources (Uses)</b>			
Gain on Refunding of Bonds	0	0	0
Sale of Capital Assets	0	0	0
Returned to PED	0	(645)	0
<b>Total Other Sources (Uses)</b>	<u>0</u>	<u>(645)</u>	<u>0</u>
<b>Net Change in Fund Balance</b>	567,275	(1,264)	14,957
<b>Fund Balances at Beginning of Year</b>	<u>920,331</u>	<u>1,249</u>	<u>24,284</u>
<b>Fund Balance End of Year</b>	<u>\$ 1,487,606</u>	<u>\$ (15)</u>	<u>\$ 39,241</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, 2019

	Capital Projects Fund Senate Bill Nine-Local 31701	Debt Service Fund 41000	Other Governmental Funds
<b>Revenues</b>			
Property Taxes	\$ 839,932	\$ 2,703,281	\$ 412,813
Interest Income	0	0	0
Fees	0	0	109,061
State and Local Grants	0	0	420,196
Federal Grants	0	0	738,032
Miscellaneous	9,074	0	101,415
Total Revenues	<u>849,006</u>	<u>2,703,281</u>	<u>1,781,517</u>
<b>Expenditures</b>			
Current			
Instruction	0	0	703,861
Support Services			
Students	0	0	78,257
Instruction	0	0	0
General Administration	1,553	4,271	51,808
School Administration	0	0	1,847
Central Services	0	0	0
Operation of Plant	322,866	0	1,147
Student Transportation	0	0	1,732
Other	0	0	0
Food Service Operations	0	0	372,074
Capital Outlay	424,294	0	371,619
Debt Service			
Principal	0	1,525,000	211,000
Interest	0	106,600	8,948
Total Expenditures	<u>748,713</u>	<u>1,635,871</u>	<u>1,802,293</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>100,293</u>	<u>1,067,410</u>	<u>(20,776)</u>
<b>Other Financing Sources (Uses)</b>			
Gain on Refunding of Bonds	0	10,073	0
Sale of Capital Assets	0	0	500,000
Returned to PED	0	0	0
Total Other Sources (Uses)	<u>0</u>	<u>10,073</u>	<u>500,000</u>
Net Change in Fund Balance	100,293	1,077,483	479,224
Fund Balances at Beginning of Year	<u>949,173</u>	<u>1,176,074</u>	<u>1,521,919</u>
Fund Balance End of Year	<u>\$ 1,049,466</u>	<u>\$ 2,253,557</u>	<u>\$ 2,001,143</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, 2019

---

	Total Governmental Funds
Revenues	
Property Taxes	\$ 4,164,841
Interest Income	5,729
Fees	124,224
State and Local Grants	5,909,057
Federal Grants	739,830
Miscellaneous	117,319
Total Revenues	<u>11,061,000</u>
Expenditures	
Current	
Instruction	3,611,767
Support Services	
Students	454,296
Instruction	188,847
General Administration	361,979
School Administration	437,446
Central Services	151,986
Operation of Plant	1,019,401
Student Transportation	83,711
Other	3,492
Food Service Operations	372,074
Capital Outlay	795,913
Debt Service	
Principal	1,736,000
Interest	115,548
Total Expenditures	<u>9,332,460</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,728,540</u>
Other Financing Sources (Uses)	
Gain on Refunding of Bonds	10,073
Sale of Capital Assets	500,000
Returned to PED	(645)
Total Other Sources (Uses)	<u>509,428</u>
Net Change in Fund Balance	2,237,968
Fund Balances at Beginning of Year	<u>4,593,030</u>
Fund Balance End of Year	<u>\$ 6,830,998</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, 2019

---

Net Change in Fund Balance \$ 2,237,968

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, 2018	\$ (33,796)	
Property Taxes Receivable, June 30, 2019	<u>24,854</u>	(8,942)

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.

Capital Outlays	795,913	
Depreciation expense	<u>(662,785)</u>	133,128

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		1,736,000
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Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences, June 30, 2018	53,916	
Compensated Absences, June 30, 2019	<u>(63,843)</u>	<u>(9,927)</u>

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	438,166	
Other Post Employment Benefits Contributions	62,427	
Pension Expense	(2,047,269)	
Other Post Employment Benefits Expenses	<u>81,058</u>	<u>(1,465,618)</u>

Changes in Net Position of Governmental Activities		<u>\$ 2,622,609</u>
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The notes to the financial statements are an integral part of this statement.

State of New Mexico  
**Loving Municipal Schools**  
 General Fund-Operational-11000  
 Statement of Revenues, Expenditures, and Changes in Cash Balance -  
 Budget and Actual (Budgetary Basis)  
 For the Year Ended June 30, 2019

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$ 68,827	\$ 110,000	\$ 201,943	\$ 91,943
Interest Income	2,500	2,500	5,729	3,229
Fees	2,700	2,700	15,164	12,464
State Grant	5,092,283	5,389,645	5,389,645	0
Federal Grant	0	0	1,798	1,798
Miscellaneous	0	0	6,343	6,343
Total Revenues	<u>5,166,310</u>	<u>5,504,845</u>	<u>5,620,622</u>	<u>115,777</u>
<b>Expenditures</b>				
<b>Instruction</b>				
Personnel Services	2,119,007	2,119,007	1,954,644	164,363
Employee Benefits	994,500	997,500	859,537	137,963
Professional & Tech Services	10,250	29,250	7,806	21,444
Purchased Services	7,500	40,000	25,638	14,362
Supplies	47,784	185,437	57,044	128,393
Supply Assets	4,148	70,000	0	70,000
Total Instruction	<u>3,183,189</u>	<u>3,441,194</u>	<u>2,904,669</u>	<u>536,525</u>
<b>Support Services</b>				
<b>Students</b>				
Personnel Services	158,322	158,322	108,191	50,131
Employee Benefits	58,900	58,900	68,360	(9,460)
Professional & Tech Services	310,000	310,000	199,215	110,785
Purchased Services	5,000	5,000	273	4,727
Total Students	<u>532,222</u>	<u>532,222</u>	<u>376,039</u>	<u>156,183</u>
<b>Instruction</b>				
Personnel Services	122,635	122,635	119,133	3,502
Employee Benefits	56,680	56,680	56,367	313
Professional & Tech Services	2,000	2,000	47	1,953
Supplies	10,000	20,000	13,300	6,700
Supply Assets	0	35,000	0	35,000
Total Instruction	<u>191,315</u>	<u>236,315</u>	<u>188,847</u>	<u>47,468</u>
<b>General Administration</b>				
Personnel Services	134,000	142,100	142,056	44
Employee Benefits	62,430	65,630	62,557	3,073
Professional & Tech Services	105,500	131,811	84,222	47,589
Purchased Services	26,000	31,000	5,400	25,600
Supplies	10,000	15,000	13,478	1,522
Supply Assets	0	15,000	0	15,000
Total General Administration	<u>\$ 337,930</u>	<u>\$ 400,541</u>	<u>\$ 307,713</u>	<u>\$ 92,828</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, 2019

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
School Administration				
Personnel Services	\$ 325,000	\$ 325,000	\$ 310,717	\$ 14,283
Employee Benefits	156,850	156,850	120,286	36,564
Professional & Tech Services	10,000	10,000	3,108	6,892
Supplies	10,000	10,000	1,638	8,362
Supply Assets	0	30,000	0	30,000
Total School Administration	<u>501,850</u>	<u>531,850</u>	<u>435,749</u>	<u>96,101</u>
Central Services				
Personnel Services	91,013	92,413	100,264	(7,851)
Employee Benefits	45,930	45,980	49,571	(3,591)
Professional & Tech Services	5,000	5,000	1,381	3,619
Supplies	5,000	5,000	770	4,230
Supply Assets	0	25,000	0	25,000
Total Central Services	<u>146,943</u>	<u>173,393</u>	<u>151,986</u>	<u>21,407</u>
Operation of Plant				
Personnel Services	180,225	180,225	177,783	2,442
Employee Benefits	114,850	115,050	98,321	16,729
Professional & Tech Services	2,500	2,500	757	1,743
Purchased Property Services	205,000	335,612	162,433	173,179
Purchased Services	240,000	244,000	243,971	29
Supplies	15,000	50,000	17,351	32,649
Supply Assets	0	175,000	0	175,000
Total Operation of Plant	<u>757,575</u>	<u>1,102,387</u>	<u>700,616</u>	<u>401,771</u>
Other Support Service				
Professional & Tech Services	13,970	13,970	3,492	10,478
Total Other Support Service	<u>13,970</u>	<u>13,970</u>	<u>3,492</u>	<u>10,478</u>
Total Support Services	<u>2,481,805</u>	<u>2,990,678</u>	<u>2,164,442</u>	<u>826,236</u>
Total Expenditures	<u>5,664,994</u>	<u>6,431,872</u>	<u>5,069,111</u>	<u>1,362,761</u>
Excess (Deficiency) of Revenues Over Expenditures	(498,684)	(927,027)	551,511	(1,478,538)
Cash Balance Beginning of Year	<u>927,410</u>	<u>927,410</u>	<u>927,410</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 428,726</u>	<u>\$ 383</u>	<u>\$ 1,478,921</u>	<u>\$ (1,478,538)</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, 2019

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 551,511	
Net Change in Taxes Receivable			7,189	
Net Change in Accounts Payable			7,937	
Net Change in Compensated Absences			955	
Net Change in Unavailable Revenue			(317)	
Net Change in Fund Balance-GAAP Basis			<u>\$ 567,275</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, 2019

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
State Grant	\$ 81,360	\$ 81,360	\$ 81,360	\$ 0
Total Revenues	<u>81,360</u>	<u>81,360</u>	<u>81,360</u>	<u>0</u>
<b>Expenditures</b>				
<b>Support Services</b>				
<b>Student Transportation</b>				
Personnel Services	67,708	67,708	52,974	14,734
Employee Benefits	8,725	8,725	16,067	(7,342)
Purchased Property Services	1,427	1,972	1,972	0
Purchased Services	500	500	498	2
Supplies	3,000	3,100	10,494	(7,394)
Total Student Transportation	<u>81,360</u>	<u>82,005</u>	<u>82,005</u>	<u>0</u>
Total Support Services	<u>81,360</u>	<u>82,005</u>	<u>82,005</u>	<u>0</u>
Total Expenditures	<u>81,360</u>	<u>82,005</u>	<u>82,005</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>0</u>	<u>(645)</u>	<u>(645)</u>	<u>0</u>
<b>Other Financing Sources (Uses)</b>				
Returned to PED	0	0	(645)	645
Total Other Sources (Uses)	<u>0</u>	<u>0</u>	<u>(645)</u>	<u>645</u>
Net Change in Fund Balance	0	(645)	(1,290)	645
Cash Balance Beginning of Year	<u>1,290</u>	<u>1,290</u>	<u>1,290</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 1,290</u>	<u>\$ 645</u>	<u>\$ 0</u>	<u>\$ 645</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (1,290)	
Net Change in Accounts Payable			26	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (1,264)</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, 2019

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
State Grant	\$ 17,853	\$ 20,978	\$ 17,853	\$ (3,125)
Miscellaneous	0	0	487	487
Total Revenues	<u>17,853</u>	<u>20,978</u>	<u>18,340</u>	<u>(2,638)</u>
<b>Expenditures</b>				
<b>Instruction</b>				
Supplies	17,853	27,409	3,383	24,026
Total Instruction	<u>17,853</u>	<u>27,409</u>	<u>3,383</u>	<u>24,026</u>
Total Expenditures	<u>17,853</u>	<u>27,409</u>	<u>3,383</u>	<u>24,026</u>
Excess (Deficiency) of Revenues Over Expenditures	0	(6,431)	14,957	21,388
Cash Balance Beginning of Year	<u>24,284</u>	<u>24,284</u>	<u>24,284</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 24,284</u>	<u>\$ 17,853</u>	<u>\$ 39,241</u>	<u>\$ 21,388</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			<u>\$ 14,957</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 14,957</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, 2019

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	<u>Agency Funds</u>
Assets	
Cash and Cash Equivalents	\$ <u>183,621</u>
Total Assets	\$ <u><u>183,621</u></u>
Liabilities	
Deposits Held for Others	\$ <u>183,621</u>
Total Liabilities	\$ <u><u>183,621</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.

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

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

### **Measurement Focus and Basis of Accounting**

#### ***Government-Wide Financial Statements (GWFS)***

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

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

#### **Program Revenues**

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

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

#### Governmental Funds

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

#### Revenues

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

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

#### Revenue Recognition for Grants.

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

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

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

#### Expenditures

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

#### Other Financing Sources (Uses)

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

#### Basis of Budgeting

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

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

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

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

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

#### Cash and Cash Equivalents

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

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

#### Investments

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

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

#### Receivables and Payables

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

#### Property Taxes

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

#### Elimination and Reclassifications of Certain Receivables and Payables

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

Inventories and Prepaid Items

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

Capital Assets

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

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

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

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

Capital Leases

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

Short -Term Debt

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

Long-Term Liabilities

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 6/30/19	Reconciled Balance	Type
General Fund Account	\$ 7,100,501	\$ 6,642,976	Checking- Interest
Total Deposited	7,100,501	<u>6,642,976</u>	
Less FDIC Coverage	<u>(250,000)</u>		
Uninsured Amount	6,850,501		
50% collateral requirement	3,425,251		
Pledged securities	4,478,450		
Over (Under) requirement	<u>\$ 1,053,200</u>		

There is \$1,100 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	\$ 212,972	12/01/2034	FHLB, Dallas
SBAP Series 2009-20D Class 1	83162CSL8	250,264	04/01/2029	Texas
SBAP Series 2011-20B Class 1	83162CTV5	757,593	02/01/2031	
SBAP Series 2010-20E Class 1	83162CTG8	282,218	05/01/2030	
SBAP Series 2014-20C Class 1	83162CWD1	596,371	03/01/2034	
FNMA Pool #AH5857	3138A7QK7	443,588	02/01/2041	
SBAP Series 2003-20L	83162CNK5	55,335	12/01/2023	
FNMA Pool #MA2817	3141BCDX9	1,279,366	11/01/2036	
FNMA Pool #604975	31388HCL1	51,488	09/01/2031	
GNMA Pool #8350	36202KH32	30,964	01/20/2024	
SBAP Series 2004-20J	83162CPB3	39,692	10/01/2024	
FHLMC Pool #G18471	3128MMQZ9	478,599	07/01/2025	
		<u>\$ 4,478,450</u>		

**Bank of Albuquerque-NMFA**

<u>Name of Account</u>	<u>Balance Per Bank 6/30/19</u>	<u>Reconciled Balance</u>	<u>Type</u>
Bond Building	\$ <u>413,145</u>	\$ <u>413,145</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	4,478,450
Uninsured or under collateralized	2,785,196
Total Deposits	<u>\$ 7,513,646</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, 2019 \$2,785,196 of the District's balance of \$7,513,646 was exposed to custodial risk.

**B. Receivables**

Following is a schedule of property taxes receivable as of June 30, 2019:

	<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	\$ 16,709	\$ 66,835	\$ 159,920	\$ 13,613	\$ 257,077
Unavailable	1,354	4,955	16,244	2,301	24,854
Total Property Taxes Receivable	<u>\$ 18,063</u>	<u>\$ 71,790</u>	<u>\$ 176,164</u>	<u>\$ 15,914</u>	<u>\$ 281,931</u>

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Amounts due from other agencies and units of government were as follows as of June 30, 2019:

	Other Governmental	Total
Federal Agencies	\$ 129,960	129,960
State Agencies	100,363	100,363
Total	<u>\$ 230,323</u>	<u>230,323</u>

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

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Funds</u>	
	Other Governmental	Totals
Operational Fund	\$ <u>230,323</u>	\$ <u>230,323</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, 2019, is as follows:

	Balance 6/30/18	Additions	Deletions	Balance 6/30/19
<b>Governmental Activities</b>				
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	26,572,378	606,017	(2,000,000)	25,178,395
Equipment, Vehicles, Information Technology Equipment, Software & Library Books	1,948,039	189,896	0	2,137,935
Total Capital Assets, being Depreciated	<u>28,520,417</u>	<u>795,913</u>	<u>(2,000,000)</u>	<u>27,316,330</u>
Total Capital Assets	<u>28,530,417</u>	<u>795,913</u>	<u>(2,000,000)</u>	<u>27,326,330</u>
<b>Less Accumulated Depreciation</b>				
Buildings & Improvements	11,085,986	590,353	(2,000,000)	9,676,339
Equipment, Vehicles, Information Technology Equipment, Software & Library Books	1,677,625	72,432	0	1,750,057
Total Accumulated Depreciation	<u>12,763,611</u>	<u>662,785</u>	<u>0</u>	<u>11,426,396</u>
Capital Assets, net	<u>\$ 15,766,806</u>	<u>\$ 133,128</u>	<u>\$ (2,000,000)</u>	<u>\$ 15,899,934</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$	525,530
Support Services		
Students		4,657
General Administration		41,921
Operation of Plant		56,576
Student Transportation		18,157
Food Services Operations		15,944
Total Depreciation Expense	\$	<u>662,785</u>

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

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

	<u>Balance</u> 6/30/18	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> 6/30/19	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Governmental Activities					
Bonds and Notes Payable					
General Obligation					
Bonds	\$ 4,635,000	\$ 0	\$ 1,601,000	\$ 3,034,000	\$ 915,000
Total Bonds	<u>\$ 4,635,000</u>	<u>\$ 0</u>	<u>\$ 1,601,000</u>	<u>\$ 3,034,000</u>	<u>\$ 915,000</u>
Other Liabilities					
Compensated					
Absences	\$ 53,933	\$ 61,394	\$ 51,484	\$ 63,843	\$ 63,843
Total Other	<u>\$ 53,933</u>	<u>\$ 61,394</u>	<u>\$ 51,484</u>	<u>\$ 63,843</u>	<u>\$ 63,843</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.

<u>Issue</u>	<u>Original</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Balance</u>
08/01/08	2,500,000	4%	\$ 2,100,000
07/15/13	1,000,000	2%	400,000
08/25/15	1,000,000	2%	245,000
06/15/18	500,000	2%	289,000
			<u>\$ 3,034,000</u>

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

	Principal	Interest	Total
2020	\$ 915,000	\$ 96,649	\$ 1,011,649
2021	604,000	72,230	676,230
2022	605,000	50,468	655,468
2023	610,000	27,991	637,991
2024	300,000	6,375	306,375
Total	<u>\$ 3,034,000</u>	<u>\$ 253,713</u>	<u>\$ 3,287,713</u>

**F. Commitments**

The District is not involved in construction commitments.

**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](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 years of earned service credit, or
- \*The member has service credit totaling 25 years or more.

Chapter 288, Laws of 2009 changed the eligibility requirements for new members first employed on, or after, July 1, 2010 and before July 1, 2013. The eligibility for a member who either becomes a new member on or after July 1, 2010 and before July 1, 2013, or at any time prior to July 1, 2010 refunded all member contributions and then becomes 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, 2019 educational employers contributed to the Plan based on the following rate schedule.

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<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>
2019	7-1-18 to 6-30-19	Over \$20K	10.70%	13.90%	24.60%
2019	7-1-18 to 6-30-19	\$20K or less	7.90%	13.90%	21.80%
2018	7-1-17 to 6-30-18	Over \$20K	10.70%	13.90%	24.60%
2018	7-1-17 to 6-30-18	\$20K or less	7.90%	13.90%	21.80%

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, 2019 and 2018, the District paid employee and employer contributions of \$438,166 and \$331,679 which equal the amount of the required contributions for each fiscal year.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.** At June 30, 2019, the District reported a liability of \$13,632,222 for their proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2018 using generally accepted actuarial principles. The roll-forward incorporates the impact of the new assumptions adopted by the Board on April 21, 2017. There were no other significant events of changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2018. Therefore, the District's portion was established as of the measurement date of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating educational institutions at June 30, 2018, actuarially determined. At June 30, 2018, the District's proportion was 0.11464%, which was a decrease of 0.01007% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the District recognized pension expense of \$2,047,269. At the June 30, 2019, the District reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 9,949	\$ 259,443
Changes of assumptions	2,809,536	0
Net difference between projected and actual earnings on pension plan investments	30,178	0
Changes in proportion and differences between the District's contributions and proportionate share of contributions	41,329	721,668
District's contributions subsequent to the measurement date	438,166	0
	<u>\$ 3,329,158</u>	<u>\$ 981,111</u>

\$438,166 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:



<u>Year ended June</u>	
2019	\$ 1,318,834
2020	736,495
2021	(145,845)
2022	397
Total	<u>\$ 1,909,881</u>

**Actuarial Assumptions and Methods.** The total pension liability as of June 30, 2018 was based on an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 and was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method

Entry age normal

Inflation

2.50%

Salary Increases

3.25% composed of 2.50% inflation, plus 0.75% productivity increase rate, plus a step-rate promotional increase for members with less than 10 years of service.

Investment Rate of Return

7.25% compounded annually, net of expenses. This is made up of a 2.50% inflation rate and a 4.75 real rate of return.

Average of Expected Remaining Service Lives

Fiscal year	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Service life in years	3.35	3.77	3.92	3.88

Mortality

Healthy males: Based on the RP-2000 Combined Mortality Table with White Collar adjustments, generational mortality improvements with Scale BB from the table's base year of 2000.

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.

Disabled males: RP-2000 Disabled Mortality Table for males, set back three years, projected to 2016 with Scale BB.

Disabled females: RP-2000 Disabled Mortality Table for females, no set back, projected to 2016 with Scale BB.

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.

Retirement Age

Experience based table of rates based on age and service. Adopted by NMERB on April 21, 2017 in conjunction with the six-year experience study for the period ended June 30, 2016.

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Cost-of-living Increases	1.90% per year, compounded annually; increases deferred until July 1 following the year a member retires, or the year in which a member attains the age of 65 (67 for Tier 3), whichever is later or, for disabled retirees, until July 1 of the third year following retirement.
Payroll Growth	3.00% per year (with no allowance for membership growth).
Contribution Accumulation	The accumulated member account balance with interest is estimated at the valuation date by assuming that member contributions increased 5.50% per year for all years prior to the valuation date. Contributions are credited with 4.00% interest, compounded annually, applicable to the account balances in the past as well as the future.
Disability Incidence	Approved rates 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, defaults, etc.)
- \*Application of key economic projections (inflation, real growth, dividends, etc.)
- \*Structural themes (supply and demand imbalances, capital flows, etc.) developed for each major asset class.

<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 5.69% was used to measure the total pension liability as of June 30, 2018. This rate is 0.21% less than the 5.90% discount rate used for June 30, 2017.

The June 30, 2018 single discount rate was based on a long-term expected rate of return on pension plan investments of 7.25%, and a municipal bond rate of 3.62%. Based on the stated assumptions and the projection of cash flows, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2050. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the 2050 fiscal year, and the municipal bond rate was applied to all benefit payments after that date.

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

	1% Decrease (4.69%)	Current Discount Rate (5.69%)	1% Increase (6.69%)
The Districts' proportionate share of the net pension liability	\$ 17,716,667	\$ 13,632,222	\$ 10,299,569

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

**H. 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.

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

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

**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.

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

*Employees covered by benefit terms* – At June 30, 2018, the Fund’s measurement date, the following employees were covered by the benefit terms:

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

**Contributions.** Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee’s salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer’s participation in the Fund. Contributions to the Fund from the District were \$62,427 for the year ended June 30, 2019.

#### **Actuarial Assumptions**

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

Valuation Date	June 30, 2017
Actuarial cost method	Entry age normal, level percent of pay, calculated on individual employee basis
Asset valuation method	Market value of assets
Actuarial assumptions:	
Inflation	2.50% for ERB members; 2.25% for PERA members
Projected payroll increases	3.25% to 12.50%, based on years of service, including inflation
Investment rate of return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation

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

**Discount Rate**

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

**Sensitivity of the Net OPEB Liability**

The following presents the net OPEB liability, calculated using the discount rate of 4.08%, 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 (3.08%)	Current Discount Rate (4.08%)	1% Increase (5.08%)
The Districts' proportionate share of the net OPEB liability.	\$ 3,938,480	\$ 3,254,309	\$ 2,715,029

The following presents the Net OPEB Liability of the District, 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.	\$ 2,751,032	\$ 3,254,309	\$ 3,648,889

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

At June 30, 2019, the District reported a liability of \$3,254,309 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. The District's proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2018. At June 30, 2018, the School's proportion was 0.07484%.

For the year ended June 30, 2019, the District recognized OPEB expense of \$(81,058). At June 30, 2019 the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience.	\$ 0	192,676
Net difference between projected and actual earnings on OPEB investments.	0	40,613
Changes in assumptions.	0	607,565
Changes in proportion and differences between the District's contributions and proportionate share of contributions.	0	362,191
District's contributions subsequent to the measurement date.	62,427	0
	\$ <u>62,427</u>	<u>1,203,045</u>

Deferred outflows of resources totaling \$62,427 represent District's contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

<u>Year ended June</u>	
2019	\$ (290,378)
2020	(290,378)
2021	(290,378)
2022	(241,721)
2023	(90,190)
Total	<u>\$ (1,203,045)</u>

**OPEB plan fiduciary net position.** Detailed information about the OPEB plan's fiduciary net position is available in NMRHCA's audited financial statements for the year ended June 30, 2018.

**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 September 30, 2019 which is the date the financial statements were available to be issued.

**N. Negative Fund Balance**

The following fund had a negative fund balance, Transportation \$(15).

**O. Tax Abatement Disclosures**

The District has not been affected by a tax abatement.



## **Required Supplemental Information**

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

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

Last 10 Fiscal Years\*

	Fiscal Year Measurement Date	2015 2014	2016 2015	2017 2016	2018 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%
	Fiscal Year Measurement Date	2019 2018			
District's proportion of the net pension liability.		0.11464%			
District's proportionate share of the net pension liability.	\$	13,632,222			
District's covered-employee payroll.	\$	3,152,271			
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll.		432.46%			
Plan fiduciary net position as a percentage of the total pension liability.		52.17%			

\**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.

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

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

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**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.	<u>498,751</u>	<u>513,757</u>	<u>493,641</u>	<u>444,225</u>
Contribution deficiency (excess).	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
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%
Last 10 Fiscal Years*	<u>June 30,</u> <u>2019</u>			
Contractually required contribution.	\$ 438,166			
Contributions in relation to the contractually required contribution.	<u>438,166</u>			
Contribution deficiency (excess).	<u>\$ 0</u>			
Districts covered-employee payroll.	\$ 3,152,271			
Contributions as a percentage of covered-employee payroll.	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.**

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

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

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)**

Last 10 Fiscal Years\*

	Fiscal Year Measurement Date	2018 2017	2019 2018
District's proportion of the net OPEB liability.		0.08273%	0.07484%
District's proportionate share of the net OPEB liability.		\$ 3,749,053	\$ 3,254,309
District's covered-employee payroll.		\$ 3,195,865	\$ 3,121,335
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll.		117.31%	104.26%
Plan fiduciary net OPEB as a percentage of the total OPEB liability.		11.34%	13.14%

\*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	2019
Contractually required contribution.	\$ 63,917	\$ 62,427
Contributions in relation to the contractually required contribution.	63,917	62,427
Contribution deficiency (excess).	\$ 0	\$ 0
District's covered-employee payroll.	3,195,865	3,121,335
Contributions as a percentage of covered-employee payroll.	2.00%	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](http://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**

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

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

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

**IDEA 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.

**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.

**Chevron School Grant (26205).** To account for funds received from Chevron North America for the purpose of supporting Discovery Education, literacy efforts or other forms of professional learning. The fund was created by definition.

**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.

**Excellence in Teaching (27125).** House Bill 2 established this fund to recognize teachers earning the highest distinction on NMTEACH with a one-time non-reoccurring stipend of \$5,000 or \$10,000 - with the larger awards for secondary math and science teachers. The fund was created by the authority of state grant provisions.

**Pre-K Initiative (27149).** To account for revenues and expenditures from a state grant provided for the running of the Pre K program. The fund was created by 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.

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

**Oil & Gas Lease and Royalties (29101).** To account for funds received from an oil and gas lease with possible future royalties. The fund was created by definition.

**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.

**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, 2019

	Special Revenue Fund		
	Food Service 21000	Athletics 22000	Title I 24101
<b>Assets</b>			
Cash and Cash Equivalents	\$ 74,340	\$ 37,831	\$ 0
Receivables			
Taxes	0	0	0
Due From Grantor	34,996	0	33,693
Inventory	31,982	0	0
Total Assets	<u>\$ 141,318</u>	<u>\$ 37,831</u>	<u>\$ 33,693</u>
<b>Liabilities</b>			
Accounts Payable	\$ 0	\$ 83	\$ 0
Interfund Balance	0	0	33,693
Total Liabilities	<u>0</u>	<u>83</u>	<u>33,693</u>
<b>Deferred Inflows of Resources</b>			
Unavailable Revenue	0	0	0
Total Inflow of Resources	<u>0</u>	<u>0</u>	<u>0</u>
<b>Fund Balances</b>			
Nonspendable-Inventory	31,982	0	0
Restricted for			
Special Revenue	109,336	37,748	0
Capital Improvements	0	0	0
Debt Service	0	0	0
Total Fund Balances	<u>141,318</u>	<u>37,748</u>	<u>0</u>
<b>Total Liabilities, Deferred Inflows and Fund Balances</b>	<u>\$ 141,318</u>	<u>\$ 37,831</u>	<u>\$ 33,693</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, 2019

	Special Revenue Fund		
	IDEA B Entitlement 24106	IDEA Preschool 24109	IDEA B Results Plan 24132
<b>Assets</b>			
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 0
Receivables			
Taxes	0	0	0
Due From Grantor	51,308	1,727	1,236
Inventory	0	0	0
Total Assets	<u>\$ 51,308</u>	<u>\$ 1,727</u>	<u>\$ 1,236</u>
<b>Liabilities</b>			
Accounts Payable	\$ 0	\$ 0	\$ 0
Interfund Balance	51,308	1,727	1,236
Total Liabilities	<u>51,308</u>	<u>1,727</u>	<u>1,236</u>
<b>Deferred Inflows of Resources</b>			
Unavailable Revenue	0	0	0
Total Inflow of Resources	<u>0</u>	<u>0</u>	<u>0</u>
<b>Fund Balances</b>			
Nonspendable-Inventory	0	0	0
Restricted for			
Special Revenue	0	0	0
Capital Improvements	0	0	0
Debt Service	0	0	0
Total Fund Balances	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total Liabilities, Deferred Inflows and Fund Balances</b>	<u>\$ 51,308</u>	<u>\$ 1,727</u>	<u>\$ 1,236</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, 2019

	Special Revenue Fund		
	Teacher Principal Training 24154	Medicaid 25153	Rural Education Achievement 25233
<b>Assets</b>			
Cash and Cash Equivalents	\$ 0	\$ 24,327	\$ 2,050
Receivables			
Taxes	0	0	0
Due From Grantor	7,000	0	0
Inventory	0	0	0
Total Assets	<u>\$ 7,000</u>	<u>\$ 24,327</u>	<u>\$ 2,050</u>
<b>Liabilities</b>			
Accounts Payable	\$ 0	\$ 0	\$ 0
Interfund Balance	7,000	0	0
Total Liabilities	<u>7,000</u>	<u>0</u>	<u>0</u>
<b>Deferred Inflows of Resources</b>			
Unavailable Revenue	0	0	2,050
Total Inflow of Resources	<u>0</u>	<u>0</u>	<u>2,050</u>
<b>Fund Balances</b>			
Nonspendable-Inventory	0	0	0
Restricted for			
Special Revenue	0	24,327	0
Capital Improvements	0	0	0
Debt Service	0	0	0
Total Fund Balances	<u>0</u>	<u>24,327</u>	<u>0</u>
<b>Total Liabilities, Deferred Inflows and Fund Balances</b>	<u>\$ 7,000</u>	<u>\$ 24,327</u>	<u>\$ 2,050</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, 2019

	Special Revenue Fund		
	Chevron School Grant 26205	Duel Credit Instructional Materials 27103	Excellence in Teaching Awards 27125
<b>Assets</b>			
Cash and Cash Equivalents	\$ 41,742	\$ 0	\$ 0
Receivables			
Taxes	0	0	0
Due From Grantor	0	573	0
Inventory	0	0	0
Total Assets	<u>\$ 41,742</u>	<u>\$ 573</u>	<u>\$ 0</u>
<b>Liabilities</b>			
Accounts Payable	\$ 0	\$ 0	\$ 0
Interfund Balance	0	573	0
Total Liabilities	<u>0</u>	<u>573</u>	<u>0</u>
<b>Deferred Inflows of Resources</b>			
Unavailable Revenue	0	0	0
Total Inflow of Resources	<u>0</u>	<u>0</u>	<u>0</u>
<b>Fund Balances</b>			
Nonspendable-Inventory	0	0	0
Restricted for			
Special Revenue	41,742	0	0
Capital Improvements	0	0	0
Debt Service	0	0	0
Total Fund Balances	<u>41,742</u>	<u>0</u>	<u>0</u>
<b>Total Liabilities, Deferred Inflows and Fund Balances</b>	<u>\$ 41,742</u>	<u>\$ 573</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, 2019

	Special Revenue Fund		
	Pre-K Initiative 27149	Breakfast after the Bell 27155	K3 Plus 27166
<b>Assets</b>			
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 0
Receivables			
Taxes	0	0	0
Due From Grantor	51,070	0	26,365
Inventory	0	0	0
Total Assets	<u>\$ 51,070</u>	<u>\$ 0</u>	<u>\$ 26,365</u>
<b>Liabilities</b>			
Accounts Payable	\$ 0	\$ 0	\$ 377
Interfund Balance	51,070	0	25,988
Total Liabilities	<u>51,070</u>	<u>0</u>	<u>26,365</u>
<b>Deferred Inflows of Resources</b>			
Unavailable Revenue	0	0	0
Total Inflow of Resources	<u>0</u>	<u>0</u>	<u>0</u>
<b>Fund Balances</b>			
Nonspendable-Inventory	0	0	0
Restricted for			
Special Revenue	0	0	0
Capital Improvements	0	0	0
Debt Service	0	0	0
Total Fund Balances	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total Liabilities, Deferred Inflows and Fund Balances</b>	<u>\$ 51,070</u>	<u>\$ 0</u>	<u>\$ 26,365</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, 2019

	Special Revenue Fund		
	K3 Plus 4th & 5th Pilot 27198	Oil & Gas Lease & Royalties 29101	Local Projects 29102
<b>Assets</b>			
Cash and Cash Equivalents	\$ 0	\$ 87,600	\$ 92,108
Receivables			
Taxes	0	0	0
Due From Grantor	6,228	0	0
Inventory	0	0	0
Total Assets	<u>\$ 6,228</u>	<u>\$ 87,600</u>	<u>\$ 92,108</u>
<b>Liabilities</b>			
Accounts Payable	\$ 188	\$ 0	\$ 0
Interfund Balance	6,040	0	0
Total Liabilities	<u>6,228</u>	<u>0</u>	<u>0</u>
<b>Deferred Inflows of Resources</b>			
Unavailable Revenue	0	0	0
Total Inflow of Resources	<u>0</u>	<u>0</u>	<u>0</u>
<b>Fund Balances</b>			
Nonspendable-Inventory	0	0	0
Restricted for			
Special Revenue	0	87,600	92,108
Capital Improvements	0	0	0
Debt Service	0	0	0
Total Fund Balances	<u>0</u>	<u>87,600</u>	<u>92,108</u>
<b>Total Liabilities, Deferred Inflows and Fund Balances</b>	<u>\$ 6,228</u>	<u>\$ 87,600</u>	<u>\$ 92,108</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, 2019

	Special Revenue Fund		
	United Way Grant 29107	Microsoft Pilot 29132	Bond Building 31100
<b>Assets</b>			
Cash and Cash Equivalents	\$ 5,017	\$ 0	\$ 73,198
Receivables			
Taxes	0	0	0
Due From Grantor	0	0	0
Inventory	0	0	0
Total Assets	<u>\$ 5,017</u>	<u>\$ 0</u>	<u>\$ 73,198</u>
<b>Liabilities</b>			
Accounts Payable	\$ 0	\$ 0	\$ 0
Interfund Balance	0	0	0
Total Liabilities	<u>0</u>	<u>0</u>	<u>0</u>
<b>Deferred Inflows of Resources</b>			
Unavailable Revenue	0	0	0
Total Inflow of Resources	<u>0</u>	<u>0</u>	<u>0</u>
<b>Fund Balances</b>			
Nonspendable-Inventory	0	0	0
Restricted for			
Special Revenue	5,017	0	0
Capital Improvements	0	0	73,198
Debt Service	0	0	0
Total Fund Balances	<u>5,017</u>	<u>0</u>	<u>73,198</u>
<b>Total Liabilities, Deferred Inflows and Fund Balances</b>	<u>\$ 5,017</u>	<u>\$ 0</u>	<u>\$ 73,198</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, 2019

	Capital Projects Fund		
	Capital Outlay	Senate Bill	Ed Tech
	Local 31300	Nine-State 31700	Equipment 31900
<b>Assets</b>			
Cash and Cash Equivalents	\$ 663,290	\$ 0	\$ 415,072
Receivables			
Taxes	0	0	0
Due From Grantor	0	16,127	0
Inventory	0	0	0
Total Assets	<u>\$ 663,290</u>	<u>\$ 16,127</u>	<u>\$ 415,072</u>
<b>Liabilities</b>			
Accounts Payable	\$ 0	\$ 0	\$ 0
Interfund Balance	0	16,127	0
Total Liabilities	<u>0</u>	<u>16,127</u>	<u>0</u>
<b>Deferred Inflows of Resources</b>			
Unavailable Revenue	0	0	0
Total Inflow of Resources	<u>0</u>	<u>0</u>	<u>0</u>
<b>Fund Balances</b>			
Nonspendable-Inventory	0	0	0
Restricted for			
Special Revenue	0	0	0
Capital Improvements	663,290	0	415,072
Debt Service	0	0	0
Total Fund Balances	<u>663,290</u>	<u>0</u>	<u>415,072</u>
<b>Total Liabilities, Deferred Inflows and Fund Balances</b>	<u>\$ 663,290</u>	<u>\$ 16,127</u>	<u>\$ 415,072</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, 2019

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	<u>Debt Service</u>	
	Ed Tech Debt Service 43000	Total
	<u>          </u>	<u>          </u>
<b>Assets</b>		
Cash and Cash Equivalents	\$ 406,110	\$ 1,922,685
Receivables		
Taxes	15,914	15,914
Due From Grantor	0	230,323
Inventory	0	31,982
Total Assets	<u>\$ 422,024</u>	<u>\$ 2,200,904</u>
<b>Liabilities</b>		
Accounts Payable	\$ 0	\$ 648
Interfund Balance	<u>0</u>	<u>194,762</u>
Total Liabilities	<u>0</u>	<u>195,410</u>
<b>Deferred Inflows of Resources</b>		
Unavailable Revenue	<u>2,301</u>	<u>4,351</u>
Total Inflow of Resources	<u>2,301</u>	<u>4,351</u>
<b>Fund Balances</b>		
Nonspendable-Inventory	0	31,982
Restricted for		
Special Revenue	0	397,878
Capital Improvements	0	1,151,560
Debt Service	<u>419,723</u>	<u>419,723</u>
Total Fund Balances	<u>419,723</u>	<u>2,001,143</u>
 Total Liabilities, Deferred Inflows and Fund Balances	 <u>\$ 422,024</u>	 <u>\$ 2,200,904</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, 2019

	Special Revenue Fund		
	Food Service 21000	Athletics 22000	Title I 24101
<b>Revenues</b>			
Property Taxes	\$ 0	\$ 0	\$ 0
Fees	20,064	51,407	0
State and Local Grants	0	0	0
Federal Grants	459,503	0	65,784
Miscellaneous	0	0	0
Total Revenues	<u>479,567</u>	<u>51,407</u>	<u>65,784</u>
<b>Expenditures</b>			
Current			
Instruction	0	55,338	65,784
Support Services			
Students	0	0	0
General Administration	0	0	0
School Administration	0	0	0
Operation of Plant	0	0	0
Student Transportation	0	0	0
Food Service Operations	360,205	0	0
Capital Outlay	0	0	0
Debt Service			
Principal	0	0	0
Interest	0	0	0
Total Expenditures	<u>360,205</u>	<u>55,338</u>	<u>65,784</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>119,362</u>	<u>(3,931)</u>	<u>0</u>
<b>Other Financing Sources (Uses)</b>			
Sale of Capital Asset	0	0	0
Total Other Financing Sources	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	119,362	(3,931)	0
Fund Balances at Beginning of Year	<u>21,956</u>	<u>41,679</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 141,318</u>	<u>\$ 37,748</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, 2019

	Special Revenue Fund		
	IDEA B	IDEA	IDEA B
	Entitlement 24106	Preschool 24109	Results Plan 24132
<b>Revenues</b>			
Property Taxes	\$ 0	\$ 0	\$ 0
Fees	0	0	0
State and Local Grants	0	0	0
Federal Grants	113,141	6,107	2,312
Miscellaneous	0	0	0
Total Revenues	<u>113,141</u>	<u>6,107</u>	<u>2,312</u>
<b>Expenditures</b>			
Current			
Instruction	86,823	5,184	2,312
Support Services			
Students	24,471	923	0
General Administration	0	0	0
School Administration	1,847	0	0
Operation of Plant	0	0	0
Student Transportation	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>113,141</u>	<u>6,107</u>	<u>2,312</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>0</u>	<u>0</u>	<u>0</u>
<b>Other Financing Sources (Uses)</b>			
Sale of Capital Asset	<u>0</u>	<u>0</u>	<u>0</u>
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>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

State of New Mexico  
**Loving Municipal Schools**  
 Nonmajor Funds  
 Combining Statement of Revenues, Expenditures and  
 Changes in Fund Balance  
 For the Year Ended June 30, 2019

	Special Revenue Fund		
	Teacher Principal Training 24154	Medicaid 25153	Rural Education Achievement 25233
<b>Revenues</b>			
Property Taxes	\$ 0	\$ 0	\$ 0
Fees	0	37,590	0
State and Local Grants	0	0	0
Federal Grants	23,287	0	67,898
Miscellaneous	0	0	0
Total Revenues	<u>23,287</u>	<u>37,590</u>	<u>67,898</u>
<b>Expenditures</b>			
Current			
Instruction	21,362	0	67,898
Support Services			
Students	0	52,863	0
General Administration	1,925	0	0
School Administration	0	0	0
Operation of Plant	0	0	0
Student Transportation	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>23,287</u>	<u>52,863</u>	<u>67,898</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>0</u>	<u>(15,273)</u>	<u>0</u>
<b>Other Financing Sources (Uses)</b>			
Sale of Capital Asset	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Financing Sources	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	0	(15,273)	0
Fund Balances at Beginning of Year	<u>0</u>	<u>39,600</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 24,327</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, 2019

	Special Revenue Fund		
	Chevron School Grant 26205	Duel Credit Instructional Materials 27103	Excellence in Teaching Awards 27125
<b>Revenues</b>			
Property Taxes	\$ 0	\$ 0	\$ 0
Fees	0	0	0
State and Local Grants	112,850	2,783	32,295
Federal Grants	0	0	0
Miscellaneous	0	0	0
Total Revenues	<u>112,850</u>	<u>2,783</u>	<u>32,295</u>
<b>Expenditures</b>			
Current			
Instruction	71,108	2,783	32,295
Support Services			
Students	0	0	0
General Administration	0	0	0
School Administration	0	0	0
Operation of Plant	0	0	0
Student Transportation	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>71,108</u>	<u>2,783</u>	<u>32,295</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>41,742</u>	<u>0</u>	<u>0</u>
<b>Other Financing Sources (Uses)</b>			
Sale of Capital Asset	0	0	0
Total Other Financing Sources	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	41,742	0	0
Fund Balances at Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 41,742</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, 2019

	Special Revenue Fund		
	Pre-K Initiative 27149	Breakfast after the Bell 27155	K3 Plus 27166
<b>Revenues</b>			
Property Taxes	\$ 0	\$ 0	\$ 0
Fees	0	0	0
State and Local Grants	84,623	11,869	68,395
Federal Grants	0	0	0
Miscellaneous	0	0	0
Total Revenues	<u>84,623</u>	<u>11,869</u>	<u>68,395</u>
<b>Expenditures</b>			
Current			
Instruction	84,623	0	67,412
Support Services			
Students	0	0	0
General Administration	0	0	0
School Administration	0	0	0
Operation of Plant	0	0	0
Student Transportation	0	0	983
Food Service Operations	0	11,869	0
Capital Outlay	0	0	0
Debt Service			
Principal	0	0	0
Interest	0	0	0
Total Expenditures	<u>84,623</u>	<u>11,869</u>	<u>68,395</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>0</u>	<u>0</u>	<u>0</u>
<b>Other Financing Sources (Uses)</b>			
Sale of Capital Asset	<u>0</u>	<u>0</u>	<u>0</u>
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>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

State of New Mexico  
**Loving Municipal Schools**  
 Nonmajor Funds  
 Combining Statement of Revenues, Expenditures and  
 Changes in Fund Balance  
 For the Year Ended June 30, 2019

	Special Revenue Fund		
	K3 Plus 4th & 5th Pilot 27198	Oil & Gas Lease & Royalties 29101	Local Projects 29102
<b>Revenues</b>			
Property Taxes	\$ 0	\$ 0	\$ 0
Fees	0	0	0
State and Local Grants	20,879	0	70,375
Federal Grants	0	0	0
Miscellaneous	0	87,600	0
Total Revenues	<u>20,879</u>	<u>87,600</u>	<u>70,375</u>
<b>Expenditures</b>			
Current			
Instruction	20,130	0	53,561
Support Services			
Students	0	0	0
General Administration	0	0	0
School Administration	0	0	0
Operation of Plant	0	0	0
Student Transportation	749	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>20,879</u>	<u>0</u>	<u>53,561</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>0</u>	<u>87,600</u>	<u>16,814</u>
Other Financing Sources (Uses)			
Sale of Capital Asset	0	0	0
Total Other Financing Sources	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	0	87,600	16,814
Fund Balances at Beginning of Year	<u>0</u>	<u>0</u>	<u>75,294</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 87,600</u>	<u>\$ 92,108</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, 2019

	Special Revenue Fund		
	United Way Grant 29107	Microsoft Pilot 29132	Bond Building 31100
<b>Revenues</b>			
Property Taxes	\$ 0	\$ 0	\$ 0
Fees	0	0	0
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>0</u>
<b>Expenditures</b>			
Current			
Instruction	0	13	0
Support Services			
Students	0	0	0
General Administration	0	0	0
School Administration	0	0	0
Operation of Plant	0	0	0
Student Transportation	0	0	0
Food Service Operations	0	0	0
Capital Outlay	0	0	317,832
Debt Service			
Principal	0	0	0
Interest	0	0	0
Total Expenditures	<u>0</u>	<u>13</u>	<u>317,832</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>0</u>	<u>(13)</u>	<u>(317,832)</u>
<b>Other Financing Sources (Uses)</b>			
Sale of Capital Asset	0	0	0
Total Other Financing Sources	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	0	(13)	(317,832)
Fund Balances at Beginning of Year	<u>5,017</u>	<u>13</u>	<u>391,030</u>
Fund Balance End of Year	<u>\$ 5,017</u>	<u>\$ 0</u>	<u>\$ 73,198</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, 2019

	Capital Projects Fund		
	Capital Outlay Local 31300	Senate Bill Nine-State 31700	Ed Tech Equipment 31900
<b>Revenues</b>			
Property Taxes	\$ 0	\$ 0	\$ 0
Fees	0	0	0
State and Local Grants	0	16,127	0
Federal Grants	0	0	0
Miscellaneous	0	0	13,815
Total Revenues	<u>0</u>	<u>16,127</u>	<u>13,815</u>
<b>Expenditures</b>			
Current			
Instruction	0	0	67,235
Support Services			
Students	0	0	0
General Administration	49,471	0	0
School Administration	0	0	0
Operation of Plant	0	1,147	0
Student Transportation	0	0	0
Food Service Operations	0	0	0
Capital Outlay	38,807	14,980	0
Debt Service			
Principal	0	0	0
Interest	0	0	0
Total Expenditures	<u>88,278</u>	<u>16,127</u>	<u>67,235</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(88,278)</u>	<u>0</u>	<u>(53,420)</u>
<b>Other Financing Sources (Uses)</b>			
Sale of Capital Asset	<u>500,000</u>	<u>0</u>	<u>0</u>
Total Other Financing Sources	<u>500,000</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	411,722	0	(53,420)
Fund Balances at Beginning of Year	<u>251,568</u>	<u>0</u>	<u>468,492</u>
Fund Balance End of Year	<u>\$ 663,290</u>	<u>\$ 0</u>	<u>\$ 415,072</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, 2019

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	Ed Tech Debt Service 43000	Total
Revenues		
Property Taxes	\$ 412,813	\$ 412,813
Fees	0	109,061
State and Local Grants	0	420,196
Federal Grants	0	738,032
Miscellaneous	0	101,415
Total Revenues	<u>412,813</u>	<u>1,781,517</u>
Expenditures		
Current		
Instruction	0	703,861
Support Services		
Students	0	78,257
General Administration	412	51,808
School Administration	0	1,847
Operation of Plant	0	1,147
Student Transportation	0	1,732
Food Service Operations	0	372,074
Capital Outlay	0	371,619
Debt Service		
Principal	211,000	211,000
Interest	8,948	8,948
Total Expenditures	<u>220,360</u>	<u>1,802,293</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>192,453</u>	<u>(20,776)</u>
Other Financing Sources (Uses)		
Sale of Capital Asset	0	500,000
Total Other Financing Sources	<u>0</u>	<u>500,000</u>
Net Change in Fund Balances	192,453	479,224
Fund Balances at Beginning of Year	<u>227,270</u>	<u>1,521,919</u>
Fund Balance End of Year	<u>\$ 419,723</u>	<u>\$ 2,001,143</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, 2019

Assets	Balance 6/30/18	Receipts	Disbursements	Balance 6/30/19
80001 HS Football	\$ 2,512	\$ 3,229	\$ 2,756	\$ 2,986
80002 HS Boys Basketball	689	1,968	150	2,507
80003 HS Girls Basketball	2,491	2,003	2,355	2,140
80004 HS Volleyball	677	8,252	5,081	3,849
80005 HS Track	6,283	3,292	4,268	5,307
80007 HS Softball	1,701	7,325	1,067	7,960
80009 HS Baseball	1,050	683	655	1,078
80010 Falcon Booster	1,160	0	0	1,160
80011 Dig Pink Volleyball	5,306	11,235	6,545	9,996
80013 HS Science	304	0	0	304
80014 HS Cheerleaders	2,295	2,698	3,921	1,072
80015 HS Student Council	2,498	406	744	2,160
80016 HS Systems GO	214	0	129	85
80017 HS Culinary Arts	595	399	404	591
80018 MS Science	201	0	0	201
80019 Loving Cares	266	0	0	266
80021 HS Yearbook	6,951	1,835	2,832	5,954
80022 HS National Honor Society	961	123	244	840
80023 Custodial	386	0	385	1
80024 HS General Activity	2,562	333	385	2,510
80025 HS Shop	369	180	0	549
80026 HS Band	3,040	0	500	2,540
80027 HS FFA	4,003	10,790	4,821	9,971
80028 Skills USA	3,387	2,834	4,913	1,309
80029 HS AD Athletics	18,385	9,618	8,327	19,676
80030 HS Scholarship	1,244	552	0	1,796
80031 HS Library	1,186	0	0	1,186
80032 Central Office	637	18,500	2,337	16,800
80034 ID Account	593	0	409	184
80035 KUNOS	915	0	0	915
80036 Posters-Tech Dept.	420	0	0	420
80037 MS General Activity	7,176	587	5,412	2,351
80038 MS Cheerleaders	184	744	437	491
80039 MS Student Council	2,744	793	751	2,787
80040 MS Library	451	0	0	451
80041 MS PE	31	0	0	31
80042 MS Parent Club	1,501	0	171	1,329
80043 MS Media	274	898	0	1,172
80044 MS Home Ec	2,097	1,210	102	3,204
80045 ES General Activity	2,441	18,091	10,604	9,927
80046 ES Student Council	953	1,224	1,385	792
80047 ES Library	1,225	4,340	4,719	846
80053 ES Parent Council	7,496	24,402	22,736	9,162
80055 ES Head Start	65	0	0	65
80061 ES Staff	771	2,066	542	2,294
80063 HS Falcon Creations	603	0	0	603
80064 HS Track Coaches	\$ 1,144	\$ 5,892	\$ 4,420	\$ 2,616

State of New Mexico  
**Loving Municipal Schools**  
 Agency Funds-Activity  
 Schedule of Fiduciary Assets and Liabilities-Agency Funds  
 For the Year Ended June 30, 2019

Assets	Balance 6/30/18	Receipts	Disbursements	Balance 6/30/19
80065 HS Football Coaches	\$ 729	\$ 5,956	\$ 4,849	\$ 1,835
80066 ES Music	3,687	0	0	3,687
80067 HS Boys Basketball Coaches	2	0	0	2
80069 ES Clothing Bank	1,951	0	182	1,769
80072 HS Robotics	1,038	0	305	733
80073 HS Girls Basketball Coaches	45	20	0	65
80075 HS Athletics	3,654	2,600	465	5,789
80076 HS Softball Coaches	2,448	4,026	4,682	1,792
80077 MS Shop	1,034	660	985	709
80078 HS Health	41	0	0	41
80079 Class of 2017	1,983	3,294	2,743	2,534
80081 HS Staff	3,851	7,567	7,082	4,336
80082 MS National Junior Honor Society	1,394	0	513	880
80083 Positive Behavior Support	44	12,167	7,133	5,079
80085 Class of 2018	1,655	3,938	1,733	3,861
80087 Volleyball Coaches	1,279	0	368	911
80088 Class of 2015	2,636	1,749	2,538	1,847
80090 Class of 2016	5,060	935	3,394	2,601
80091 Tech Lab Fees	551	200	35	716
Total Assets	<u>\$ 135,519</u>	<u>\$ 189,613</u>	<u>\$ 141,511</u>	<u>\$ 183,621</u>
Liabilities				
Deposits Held for Others	\$ 135,519	\$ 189,613	\$ 141,511	\$ 183,621
Total Liabilities	<u>\$ 135,519</u>	<u>\$ 189,613</u>	<u>\$ 141,511</u>	<u>\$ 183,621</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, 2019

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		Beginning Cash 6/30/18	Revenue	Expenditures	Ending Cash 6/30/19
Operational	11000 \$	927,410 \$	5,620,622 \$	5,069,111 \$	1,478,921
Transportation	13000	1,291	81,360	82,651	(0)
Instructional Materials	14000	24,284	18,340	3,384	39,240
Food Service	21000	15,890	386,259	327,809	74,340
Athletics	22000	41,679	51,407	55,255	37,831
Activities	23000	135,518	189,613	141,511	183,620
Federal Flowthrough	24000	(108,487)	260,471	246,948	(94,964)
Federal Direct	25000	35,359	116,945	125,928	26,376
State Direct	26000	0	112,850	71,108	41,742
State Flowthrough	27000	(11,337)	147,944	220,279	(83,672)
Local/State	29000	80,324	157,975	53,574	184,725
Bond Building	31100	391,030	0	317,832	73,198
Capital Outlay-Local	31300	251,568	500,000	88,278	663,290
Senate Bill Nine-State	31700	(16,087)	16,087	16,127	(16,127)
Senate Bill Nine-Local	31701	911,249	821,517	749,376	983,390
Ed Tech Equipment	31900	470,533	13,815	69,276	415,072
Debt Service	41000	1,412,627	2,750,980	1,519,482	2,644,125
Debt Service Ed Tech	43000	180,838	445,633	220,359	406,112
Total		<u>\$ 4,743,690</u>	<u>\$ 11,691,818</u>	<u>\$ 9,378,288</u>	<u>\$ 7,057,220</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. Brian S. Colón  
State Auditor of the State of New Mexico  
Board Members of the Loving Municipal Schools

Mr. Colón 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 fund, of Loving Municipal Schools (District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 30, 2019.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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. 2019-001, 2019-002, 2019-004



#### 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; 2019-001, 2019-002, 2019-003, 2019-004, and 2019-005.

#### 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  
September 30, 2019



**2019-001 (2016-001) Payroll - Non-compliance and internal control-significant deficiency**

**Condition**

Out of seventeen personnel files reviewed:

(A) Three I-9s were incorrectly completed or incomplete.

(B) Two background checks could not be located.

**Management has made progress resolving this issue.** The District stated that the previous HR personnel was replaced and that they felt confident that the new HR personnel with correct this finding.

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

**Cause**

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

**Effect**

(A) I-9 penalties assessed after April 5, 2019 now range from \$230 to \$2,292 per I-9 for paperwork violations, which includes improper completion.

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

**Recommendation**

(A) The Human Resource Clerk should read and understand both the I-9 Instructions and the M-274 Handbook for Employers. Additional training and supervision is necessary to assure the I-9s are completed correctly.

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

**Response**

Periodic discussion, training and oversight will be held to acquire knowledge and understanding of HR requirements. The new HR employee will change the method in which I-9's are monitored beginning this fiscal year.

**Responsible Position:** Human Resource Clerk

**Timeframe:** June 30, 2020

**2019-002 (2016-003) Activity Receipts - Non-compliance and internal control-significant deficiency**

**Condition**

Of 15 deposits reviewed, 4 included receipts that were not deposited within 24 hours.

**Management has made progress resolving this issue.** The District stated that they will continue to provide internal training.

**Criteria**

NMAC 6.20.2.14 ( C ). Money received and receipted shall be deposited in the bank within twenty-four (24) hours or one banking day.

**Cause**

The district's school/work week ends on Thursdays and our only local bank closes at 2pm each day. This poses a problem when monies are received late on Thursdays and either the bank is already closed or monies are not received in the Business Office with sufficient time to reconcile and take to the bank by 2pm. In such cases, monies are locked in a secured cabinet until the following Monday.

**Effect**

Depositing money within 24 hours, depositing money daily, reduces the risk of theft.

**Recommendation**

Employees handling activity money need additional training and there should be consequences for failing to turn the money into the secretaries daily.

**Response**

The district does not have an alternate plan due to the bank closing at 2pm daily. Such explanation will be documented when this violation occurs. Aside from this, the district has made tremendous progress in this area and training will continue to ensure processes are understood and followed.

**Responsible Position:** Superintendent

**Timeframe:** June 30, 2020

**2019-003 (2018-002) Certified Chief Procurement Officers - Other Non-compliance**

**Condition**

The District did not have a CPO for the entire fiscal year. The District signed a Memorandum Of Understanding with the REC on 8/15/18 to piggyback off of the REC's CPO. Also the District should have obtained a waiver to utilize the REC's CPO from NM General Services Department.

**Management has made progress resolving this issue.** The District stated that both the Superintendent and the Business Manager will be certified by the end of the fiscal year 2020.

**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 district did not have knowledge of the waiver requirement when using the REC's CPO.

**Effect**

The purpose of the CPO certification program was to improve the procurement process through gained knowledge. Issuing purchase orders by someone other than the CPO could cause violations of the procurement code.

**Recommendation**

Should the District find themselves in this situation again, they should receive a waiver from the New Mexico General Services Department and then enter into a memorandum of understanding with the REC utilizing their CPO.

**Response**

The Superintendent has his CPO certificate as of April 30, 2019. They have scheduled the Business Manager to obtain her CPO certificate to avoid a lapse in the District have a CPO.

**Responsible Position:** Superintendent

**Timeframe:** Timeframe: Business Manager will obtain certification in 2020 as enrollment allows.

**2019-004 ERB & RHCA - Non-Compliance and internal control-significant deficiency**

**Condition**

While testing ERB and RHCA we noted:

Five of the 12 ERB reports were calculated incorrectly. The remittance reports were \$1,486.89 less than the calculated amounts. This error is an indication that the amounts withheld from employees' pay were incorrect.

Four of the 12 RHCA reports had wages that did not agree with ERB wages for a total under reported wages of \$6,075.46. RHCA and ERB wages should agree. This error is an indication that employees are not selected in the Visions software for RHCA but are ERB.

**Criteria**

22-11-21 NMSA 1978 Contributions; members; local administrative units. The ERB handbook states any employee working .25 FTE or more is covered by ERB's retirement program. As per ERB New Member Brochure any employee covered by ERB's retirement program earning Greater than \$20,000 is to contribute 10.7% and employees earning less than \$20,000 are to contribute 7.9%. ERB withholdings are based on the employee's gross salary without including stipends or increments. Retiree Health Care Authority Act (Section 10-7C to 10-7C-19 NMSA 1978). Auditors should test to ensure that 100% of the payroll is reported to NMRHCA. RHCA employer and employee contributions are set forth in Section 10-7C-15 NMSA 1978.

**Cause**

Lack of verification when setting up and reporting ERB and RHCA.

**Effect**

Benefits paid for employees were understated for ERB of \$324.14 and for RHCA of \$182.26.

**Recommendation**

Additional training is necessary to correctly classify employees for ERB and RHCA benefits. There should be a system in place to identify employees who did not qualify when hired for ERB and RHCA but became eligible later in the school year. Additional staff and/or a restructuring of duties may be necessary.

**Response**

Payroll duties are split between Business Manager and Bookkeeper to improve the checks and balances of such reporting.

**Responsible Position: Business Manager**

**Timeframe:** New processes implemented within FY20

### **2019-005 Coaches - Other Non-compliance**

#### **Condition**

Of 22 coaches tested we noted the following:

Two had no coaching license issued by NM PED for the FY 18-19 school year.

Nineteen coaches had no current concussion in sports certificate for the FY 18-19 school year.

Three cheer coaches had no AACCA spirit safety certificate in their file for the FY 18-19 school year.

#### **Criteria**

New Mexico Public Education Department (NMPED) is the state agency and department in which administers the coaching licensure regulations. Athletic coach licenses are required for all athletic services in grades 7-12 performed by a head coach or assistant coach, paid or volunteer, for any athletic sport, including cheer, dance or drill. The New Mexico Athletic Association (NMAA) requires all coaches to have an annual Concussion in Sports Certificate. The NMAA also requires coaches of cheerleading to obtain an AACCA Spirit Safety Certificate, renewable every 4 years and if the District has pole vaulting in track the coach who coaches that event must have their Coaching Pole Vaulting Certificate, renewable every 4 years.

#### **Cause**

Athletic Director permitted unlicensed individuals to coach without proper certification.

#### **Effect**

The District is not in compliance with NMPED or the NMAA regarding coaching license, and certifications.

#### **Recommendation**

Each year, the Athletic Director should review all coaches' files to ensure there are current coaching licenses and the required certifications.

#### **Response**

Superintendent has addressed matters to the Athletic Director with a reprimand to follow and also executed a corrective action plan. FY19 findings have been cleared as of the date of the audit.

**Responsible Position:** Athletic Director

**Timeframe:** Immediately

### **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 September 30, 2019. Those present were Lee White-Superintendent, Cruz Onsurez-Board Member/Audit Committee Member, Doug Santo-Athletic Director, Victoria Martinez-Administrative Assistant, Catherine Bass-Principal, Shannon Brown-FSD, Veronica Carrasco-Bookkeeper, Paula Wallace-Federal Programs, Oralia Galindo-Romero-Business Manager, Starla Sharp-Auditor and De'Aun Willoughby, CPA.