

**STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS**

**AUDITED FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION
JUNE 30, 2017**

Woodard, Cowen & Co.

Certified Public Accountants

STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS
JUNE 30, 2017

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STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS

OFFICIAL ROSTER

June 30, 2017

BOARD OF EDUCATION

Greg Maxie	President
Paul Campos	Vice President
Mara Salcido-Alcantar	Secretary
Zac Zimmerman	Member
Dymorie Maker	Member

SCHOOL OFFICIALS

LeAnne Gandy	Superintendent
Tanya Hutchins	Business Manager

Woodard, Cowen & Co.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Mr. Wayne A. Johnson
New Mexico State Auditor
Board of Education
Lovington Municipal Schools
Lovington, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the General Fund and major special revenue funds of Lovington Municipal Schools (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the District's non-major governmental funds, the combining financial statements for the General Fund, and the budgetary comparisons for the major capital project funds, as defined by the Governmental Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2017.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of

the District, as of June 30, 2017, and the respective changes in financial position and, the respective budgetary comparisons for the General Fund and major special revenue funds for for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each non-major governmental fund, and the combining financial statements for the General Fund of the District as of June 30, 2017, and the respective changes in financial position thereof, and the respective budgetary comparisons for the major capital projects fund for the year then ended in accordance with accounting principles generally accepted in United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Accounting principles generally accepted in the United States of America require that the Schedule of Proportionate Share of the Net Pension Liability on page 36, the Schedule of Contributions on page 37, with the notes to the required supplementary information of page 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to this required supplementary information in accordance with the auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the District's financial statements, the combining and individual fund financial statements and budgetary comparisons. The Schedule of Expenditures of Federal Awards required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Uniform Guidance* and the schedules required by Section 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of changes in assets and liabilities – agency funds, the Schedule of Expenditures of Federal Awards, and the additional schedules listed as “required supplemental information” in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards, the schedule of changes in assets and liabilities – agency funds and the additional schedules listed as “required supplemental information” in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2017 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Woodard, Cowen & Co." The signature is written in dark ink and is positioned above the printed name of the firm.

Woodard, Cowen & Company

Portales, New Mexico

November 10, 2017

LOVINGTON MUNICIPAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Introduction

The discussion and analysis of the Lovington Municipal School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2017 are as follows:

- ❖ Total assets and deferred outflows of governmental fund activities were \$101,246,481.
- ❖ Total liabilities and deferred inflows of governmental fund activities were \$96,063,227.
- ❖ The District had \$36.1 million in expense related to governmental activities. General revenues (primarily State Equalization Guarantee, property taxes, investments and miscellaneous income) were \$36.4 million.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Lovington Municipal School District as a financial whole, or as an entire operating entity.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in a single column. For Lovington Municipal School District, the General Fund is the most significant fund.

Reporting the School District as a Whole

Statement of Net Position and Statement of Activities

While this report contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2017?" The statement of net position and the statement of activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting system used by most private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash was received or paid.

These two statements report the School District's net position and changes in those assets. This change in net position is important because it identifies whether the financial position of the School District has improved or diminished for the School District as a whole. The cause of this change

LOVINGTON MUNICIPAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

may be the result of many factors, some financial, some not. Nonfinancial factors include the School District's property tax base, facility conditions, required educational programs, among other factors.

In the Statement of Net Position and the Statement of Activities, the School District reports only governmental activities:

Governmental Activities - Most of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, HB-33 Capital Outlay, and Debt Service Fund.

Governmental Funds

Most of the School District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year-end for spending in future periods. These funds are reported using an accounting method called modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs. The relationship, or differences, between governmental activities reported in the statement of net position and the statement of activities and the governmental funds is reconciled in the financial statements.

Governmental Activities

The Statement of Activities reflects the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. The Statement of Activities, for governmental activities, indicates the total cost of services and the net cost of services. It identifies the cost of these services supported by revenues from state entitlements.

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues and other financing sources of \$36.4 million and expenditures \$36.1 million. The net change in net position for the year was an increase of approximately \$260,500.

LOVINGTON MUNICIPAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

General Fund Budgeting Highlights

The School District's budget is prepared according to New Mexico law and State Department of Education Regulations and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During the course of fiscal year 2017, the School District amended its budget as needed according to and in compliance with state regulations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2017, the District had \$80 million in net capital assets. The value of District owned land and buildings were adjusted to correspond to historical cost or to appraised value (if historical cost was not available).

Debt

At June 30, 2017, the District had outstanding bonds payable of \$45.4 million and was bonded within practical capacity.

Economic Factors and Next Year's Budget

The Lovington Municipal School District is located in Lea County. Although, Lea County continues to build upon and maintain a balanced economy, it relies heavily on the oil and gas industry. Due to a downturn in the economy, the District anticipates a decline in enrollment for the next term. New Mexico also relies heavily on the oil and gas industry for revenue. The state funding for education along with an anticipated decrease in enrollment is expected to result in a decrease in revenue for the next term and possibly thereafter. However, management maintains a strong commitment to the District's financial security.

The Lovington Municipal School District receives approximately 79% of its annual operating budget from State Equalization Guarantee (SEG) formula funding. The SEG formula and State declared unit values are applied to State and certain Federal (i.e., Education Jobs Act) appropriated Operational Education funding sources. The objectives of the formula are (1) to equalize educational opportunity statewide (by crediting certain local and federal support and then distributing state support in an objective manner) and (2) to retain local autonomy in actual use of funds by allowing funds to be used in local districts at the discretion of local policy making bodies. The basis for the formula is in the number of students enrolled. Weighting factors are assigned to students that receive special services, i.e., special education and bilingual education services as well as other factors based on the training and experience of the teaching staff and the district's at-risk population.

LOVINGTON MUNICIPAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Contacting the School District's Financial Management

The financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to reflect the School District's accountability for the monies it receives. Questions about this report or additional financial information needs should be directed to:

Tanya Hutchins
Tanyahutchins@lovingtonschools.net
Business Manager (575) 739-2200
Lovington Municipal School District
18 W. Washington
Lovington, NM 88260

LOVINGTON MUNICIPAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Condensed Statement of Net Position (in thousands of dollars)

	June 30, 2017	June 30, 2016
	Governmental Activities	Governmental Activities
Current and other assets	\$ 11,938	\$ 15,917
Net capital assets	80,873	81,038
Deferred outflows	8,436	4,735
Total assets and deferred outflows	101,247	101,690
Long-term debt outstanding	91,477	86,423
Other liabilities	3,949	7,126
Deferred inflows	638	950
Total liabilities and deferred inflows	96,064	94,499
Net position	\$ 5,183	\$ 7,191
Invested in capital assets net of related debt	\$ 35,438	\$ 36,733
Restricted	7,212	5,783
Unrestricted	(37,467)	(35,325)
Total net position	\$ 5,183	\$ 7,191

Changes in Net Position from Operating Results (in thousands of dollars)

Revenues:		
Program revenues		
Charges for services	\$ 257	\$ 296
Operating grants	4,375	4,766
Capital grants		210
General revenues		
Property taxes/Oil & Gas taxes	7,092	7,163
State aid	28,622	29,517
Other	717	(163)
Total revenue	41,063	41,789
Expenses:		
Instruction	22,352	21,596
Support services	12,012	14,371
Transportation	1,168	1,153
Food services	1,501	1,521
Community service	48	60
Debt Service	1,241	1,454
Facilities Acquisition & Construction	2,480	3,057
Total expenses	40,802	43,212
Increase (decrease) in net position	\$ 261	\$ (1,423)

STATE OF NEW MEXICO
 LOVINGTON MUNICIPAL SCHOOLS
 STATEMENT OF NET POSITION

June 30, 2017

	Governmental Activities Primary Government
<u>ASSETS</u>	
Current:	
Cash	\$ 10,926,878
Due from other governments	543,072
Property Taxes Receivable	433,834
Inventory	34,163
Non-current:	
Capital assets, Net	<u>80,872,586</u>
Total Assets	92,810,533
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows from pensions	<u>8,435,948</u>
Total Assets and Deferred Outflows	<u>\$ 101,246,481</u>
<u>LIABILITIES AND NET POSITION</u>	
Current:	
Accounts Payable	\$ 236,150
Accrued Payroll	534,512
Accrued Interest Payable	248,392
Compensated Absences	185,869
Unearned Revenue	1,842
Due to other Agencies	119,252
Debt due within one year	2,625,000
Non-current:	
Bond premium (net of amortization of \$70,171)	657,784
Net Pension Liability	48,008,848
Debt due in more than one year	<u>42,810,000</u>
Total Liabilities	<u>95,427,649</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows from pensions	456,625
Unavailable Revenue	<u>178,953</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>635,578</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	35,437,586
Restricted for:	
Debt Service	4,127,588
Capital Projects	2,416,764
Athletics	201,475
Cafeteria	331,533
Instructional Materials	134,026
Transportation	850
Unrestricted	<u>(37,466,568)</u>
TOTAL NET POSITION	<u>5,183,254</u>
TOTAL LIABILITIES , DEFERRED INFLOWS AND NET POSITION	<u>\$ 101,246,481</u>

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

STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expenses)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue & Changes in Net Position
Primary government:					
Governmental Activities:					
Instruction	\$ 22,351,812	\$ 85,126	\$ 1,350,247	\$ -	\$ (20,916,439)
Support Services					
Support Services-Students	4,185,143	-	806,437	-	(3,378,706)
Support Services-Instruction	544,636	-	221,182	-	(323,454)
Support Services-General Administration	921,185	-	48,540	-	(872,645)
Support Services-School Administration	2,594,613	-	108,565	-	(2,486,048)
Central Services	3,755,635	-	-	-	(3,755,635)
Operation & Maintenance of Plant	2,480,938	-	-	-	(2,480,938)
Student Transportation	1,167,934	-	994,025	-	(173,909)
Food Services-Operations	1,501,491	171,793	1,344,854	-	15,156
Community Services-Operations	48,284	-	46,230	-	(2,054)
Bond Interest Paid	1,132,508	-	-	-	(1,132,508)
Other Bond Services	118,194	-	-	-	(118,194)
Total governmental activities	\$ 40,802,373	\$ 256,919	\$ 4,920,080	\$ -	\$ (35,625,374)
General Revenues:					
Property Taxes:					
Levied for General Purposes					275,422
Levied for Debt Service					4,390,204
Levied for Capital Projects					2,426,023
State Equalization Guarantee					28,621,922
State Capital Grants					55,637
Indirect Costs					42,431
Interest Earnings					15,144
Rent					15,858
Fees					11,586
Donations					29,308
Miscellaneous					2,353
			Total general revenues		<u>35,885,888</u>
			Change in net position		260,514
			Net position - beginning		<u>7,191,796</u>
			Restatement		<u>(2,269,056)</u>
			Restated Balance		4,922,740
			Net position - ending		<u>\$ 5,183,254</u>

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

STATE OF NEW MEXICO
 LOVINGTON MUNICIPAL SCHOOLS

BALANCE SHEET-- GOVERNMENTAL FUNDS

June 30, 2017

	GENERAL	CAPITAL IMPROVEMENT HB 33	DEBT SERVICE
ASSETS			
Cash on Deposit	\$ 3,544,476	\$ 1,213,167	\$ 3,891,594
Due from Other Funds	541,329	85,764	-
Due from Other Agencies	-	-	-
Property Tax Receivable	15,537	73,727	269,015
Inventory	-	-	-
TOTAL ASSETS	\$ 4,101,342	\$ 1,372,658	\$ 4,160,609
LIABILITIES AND FUND BALANCE			
Accounts Payable	\$ 55,038	\$ 35,653	\$ -
Accrued Payroll	534,512	-	-
Due to Other Agencies	-	-	-
Inter Agency Payable	-	-	-
Due to Other Funds	-	-	-
TOTAL LIABILITIES	589,550	35,653	-
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue	4,253	25,271	92,736
Unearned Revenue	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	4,253	25,271	92,736
FUND BALANCE			
Nonspendable	-	-	-
Restricted:			
Transportation	850	-	-
Instructional Materials	134,026	-	-
Capital projects Funds	-	1,311,734	-
Debt Service	-	-	4,067,873
Cafeteria	-	-	-
Athletics	-	-	-
Special Revenue Funds	-	-	-
Unassigned	3,372,663	-	-
TOTAL FUND BALANCE	3,507,539	1,311,734	4,067,873
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 4,101,342	\$ 1,372,658	\$ 4,160,609

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

OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 2,277,641	\$ 10,926,878
-	627,093
543,072	543,072
75,555	433,834
34,163	34,163
<u>\$ 2,930,431</u>	<u>\$ 12,565,040</u>
\$ 145,459	\$ 236,150
-	534,512
119,252	119,252
-	-
627,093	627,093
<u>891,804</u>	<u>1,517,007</u>
56,693	178,953
1,842	1,842
<u>58,535</u>	<u>180,795</u>
34,163	34,163
-	-
-	850
-	134,026
1,105,030	2,416,764
59,715	4,127,588
158,702	158,702
201,475	201,475
421,007	421,007
-	3,372,663
<u>1,980,092</u>	<u>10,867,238</u>
<u>\$ 2,930,431</u>	<u>\$ 12,565,040</u>

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

STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS

RECONCILIATION OF THE BALANCE SHEET
ALL GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION

June 30, 2017

Amounts reported for governmental activities in the statement of net position are different because:

Fund balances - total governmental funds	\$ 10,867,238
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	80,872,586
Compensated absences	(185,869)
Net Pension Liability not reported in the funds	(48,008,848)
Deferred outflows of resources related to pensions not reported in the funds	8,435,948
Deferred inflows of resources related to pension not reported in the funds	(456,625)
Accrued Interest Payable not reported in funds	(248,392)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds	(45,435,000)
Bond Premium not included in funds	<u>(657,784)</u>
Net position of governmental activities	<u>\$ 5,183,254</u>

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

STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS

STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE-- GOVERNMENTAL FUNDS
Year Ended June 30, 2017

	General	CAPITAL IMPROVEMENT HB 33	DEBT SERVICE
REVENUE			
Federal Programs	\$ -	\$ -	\$ -
State Programs	1,169,477	-	-
State Equalization	28,621,922	-	-
Interest Earnings	6,273	2,741	90
Private/Direct Grants	-	-	-
Fees	11,586	-	-
Donations	29,308	-	-
Miscellaneous	1,752	-	-
Indirect Cost	42,431	-	-
Rent and Royalties	15,858	-	-
Sale of Bond Proceeds	-	-	240,000
Local Property Taxes	273,730	1,191,699	4,357,116
TOTAL REVENUES	30,172,337	1,194,440	4,597,206
EXPENDITURES			
Current			
Instruction	19,372,848	-	-
Support Services			
Support Services-Students	3,528,162	-	-
Support Services-Instruction	269,270	-	-
Support Services-General Administration	756,967	9,322	29,000
Support Services-School Administration	2,243,857	-	-
Central Services	978,611	-	-
Operation & Maintenance of Plant	3,475,122	-	-
Student Transportation	963,869	-	-
Food Services-Operations	1,200	-	-
Community Services-Operations	809	-	-
Capital Outlay			
Acquisition & Construction	41,402	1,254,262	-
Debt Service			
Other Bond Services	-	-	118,194
Principal	-	-	2,370,000
Interest	-	-	1,385,218
TOTAL EXPENDITURES	31,632,117	1,263,584	3,902,412
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(1,459,780)	(69,144)	694,794
Other Financing Sources (uses)			
Refunds to PED	(13,108)	-	-
Total Other Financial Sources	(13,108)	-	-
Net Change In Fund Balance	(1,472,888)	(69,144)	694,794
FUND BALANCE			
as of June 30, 2016	4,632,532	1,380,878	3,373,796
Restatement	347,895	-	(717)
Restated Balance	4,980,427	1,380,878	3,373,079
FUND BALANCE as of June 30, 2017	\$ 3,507,539	\$ 1,311,734	\$ 4,067,873

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

Other Governmental Funds	Total Governmental
\$ 3,106,207	\$ 3,106,207
556,032	1,725,509
-	28,621,922
6,040	15,144
144,000	144,000
256,919	268,505
-	29,308
-	1,752
-	42,431
-	15,858
-	240,000
1,208,312	7,030,857
<u>5,277,510</u>	<u>41,241,493</u>
1,083,239	20,456,087
427,215	3,955,377
221,182	490,452
58,079	853,368
108,563	2,352,420
-	978,611
-	3,475,122
42,413	1,006,282
1,496,362	1,497,562
46,230	47,039
3,188,054	4,483,718
-	118,194
-	2,370,000
-	1,385,218
<u>6,671,337</u>	<u>43,469,450</u>
(1,393,827)	(2,227,957)
-	(13,108)
-	(13,108)
<u>(1,393,827)</u>	<u>(2,241,065)</u>
2,890,397	12,277,603
483,522	830,700
<u>3,373,919</u>	<u>13,108,303</u>
<u>\$ 1,980,092</u>	<u>\$ 10,867,238</u>

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

STATE OF NEW MEXICO
 LOVINGTON MUNICIPAL SCHOOLS

RECONCILIATION OF THE STATEMENT OF REVENUES,
 EXPENDITURES, AND CHANGES IN FUND BALANCE OF
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2017

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

Net change in fund balance - total governmental funds	\$ (2,241,065)
Refunded to PED	13,107

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current year.	2,546,063
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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.	61,394
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(Increase)/Decrease in pension expense from the difference in allocated pension expense less the District's actual pension contributions.	(2,586,511)
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Expenses in the statement of activities which do not require use of current financial resources

Bond Proceeds	(240,000)
Decrease in interest Payable	182,539
Decrease in compensated absences	84,816
Bond Principal	2,370,000
Bond Premium Amortization	<u>70,171</u>

Change in Net Position	<u>\$ 260,514</u>
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The accompanying footnotes are an integral part of these financial statements.

STATE OF NEW MEXICO
 LOVINGTON MUNICIPAL SCHOOLS
 COMBINED STATEMENT OF REVENUE AND EXPENDITURES--BUDGET
 (NON-GAAP) AND ACTUAL-GENERAL FUND
 Year Ended June 30, 2017

	General Fund			VARIANCE
	ORIGINAL BUDGET	BUDGET	ACTUAL	Favorable (Unfavorable)
REVENUE				
Residential/Non-Residential Taxes	\$ 422,811	\$ 422,811	\$ 278,885	\$ (143,926)
Fees - Educational	-	-	469	469
Rent and Leases	-	-	15,858	15,858
Fees Activities	-	-	347	347
Fees-Users	-	-	10,770	10,770
Donations/Gifts	-	-	29,308	29,308
Interest Income	5,000	5,000	6,273	1,273
State Equalization	29,541,025	28,509,954	28,621,922	111,968
State Flow Through Grants	1,197,030	1,139,187	1,169,477	30,290
Refunds	-	-	1,710	1,710
Indirect Cost - (Flow Through Grants)	-	-	42,431	42,431
TOTAL REVENUE	31,165,866	30,076,952	\$ 30,177,450	\$ 100,498
Cash Balance Budgeted	<u>3,322,932</u>	<u>3,499,843</u>		
TOTAL REVENUE & CASH	\$ 34,488,798	\$ 33,576,795		
EXPENDITURES				
Current				
Instruction	\$ 21,073,962	\$ 20,337,244	\$ 19,394,505	\$ 942,739
Support Services-Students	3,927,801	3,908,401	3,528,162	380,239
Support Services-Instruction	328,208	310,183	269,270	40,913
Support Services-General Administration	938,475	883,475	756,967	126,508
Support Services-School Administration	2,350,379	2,307,379	2,243,857	63,522
Central Services	1,049,028	1,039,028	978,611	60,417
Operation & Maintenance of Plant	3,712,081	3,712,081	3,420,084	291,997
Student Transportation	994,579	964,719	963,869	850
Other Support Services	21,917	21,917	-	21,917
Food Services-Operations	1,260	1,260	1,200	60
Community Services-operations	2,288	2,288	810	1,478
Acquisition & Construction	88,820	88,820	41,402	47,418
TOTAL EXPENDITURES	\$ 34,488,798	\$ 33,576,795	\$ 31,598,737	\$ 1,978,058

Explanation of Difference between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Sources/inflows of resources

Actual amounts (budgetary basis)	\$ 30,177,450
Differences-Budget to GAAP	
Property tax Receivable	11,287
Prior Year Tax Receivables	(16,400)
Total Revenues (GAAP Basis)	\$ 30,172,337

Uses/outflows of resources

Actual amounts (budgetary basis)	\$ 31,598,737
Differences-budget to GAAP	
Accounts Payable	33,380
Total Expenditures (GAAP Basis)	\$ 31,632,117

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

STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS

SCHEDULE OF FIDUCIARY ASSETS & LIABILITIES--AGENCY FUND

June 30, 2017

ASSETS	
Cash on Deposit	\$ 336,162
Due from Operational	-
TOTAL ASSETS	<u>\$ 336,162</u>
LIABILITIES	
Due to Student Groups	\$ 336,162
TOTAL LIABILITIES	<u>\$ 336,162</u>

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

**STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS
Notes to the Financial Statements
June 30, 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Lovington Municipal School District (the "District") is a special purpose government corporation governed by an elected five-member Board of Education. The Board of Education is the basic level of government, which has oversight responsibility and control over all activities related to the public-school education in the city of Lovington and surrounding area. The District is responsible for all activities related to public elementary and secondary school education within its jurisdiction. The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities. Based on the criteria for determining the reporting entity (separate legal entity and fiscal or financial dependency on other governments), the District is considered to be an independent reporting entity and has no component units.

The summary of significant accounting policies of the District is presented to assist in the understanding of the District's financial statements. The financial statements and notes are the representation of the District's management who is responsible for their integrity and objectivity. The financial statements of the District conform to generally accepted accounting principles (GAAP) as applied to governmental 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 government's accounting policies are described below.

B. Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements.

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

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

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are the timing of related cash flows. Property taxes are recognized as revenues, net of estimated refunds and estimated uncollectible amounts, in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS
Notes to the Financial Statements
June 30, 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales and use taxes are classified as derived tax revenues and are recognized as revenue when the underlying exchange takes place and the revenues are measurable and available. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports decreases in net assets that relate to future periods as deferred outflows of resources in a separate section of its government-wide and proprietary funds statements of net position. The District reports, if any, deferred inflows of resources in the government wide financial statements for inflows received, but not recognized as revenue until future years subject to time restrictions. In the governmental funds, the District recognizes deferred inflows of resources for property taxes and federal and state reimbursements that are not considered available.

The government reports the following major governmental funds:

General Funds – The general fund is the government’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Debt Service – 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.

Capital Improvements HB-33 - The capital outlay fund is used, to account for resources received from the local ad valorem tax levy for use in remodeling and equipping classroom facilities.

Additionally, the government reports the following fund types:

Capital Improvements SB-9 – The revenues are derived from a district tax levy and matched by the state. Expenditures are restricted to capital improvements.

Bond Building Capital Projects – The capital projects fund is used to account for the erecting, remodeling, adding, and furnishing of school buildings.

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

Capital Projects Funds - Capital projects funds are used to account for financial resources to be used for the acquisition, maintenance, or construction of major capital facilities.

**STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS
Notes to the Financial Statements
June 30, 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Debt Service Funds – Debt service funds account for accumulation of resources for general long- term debt repayment.

Fiduciary Funds - The District's only fiduciary funds are agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The government has elected not to follow subsequent private-sector guidance.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

D. Assets, Liabilities, and Net Position or Equity

1. Deposits and Investments

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

State statutes authorize the investment of the District's funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, and money market accounts. The District is also allowed to invest in United States Government obligations. All funds for the District must follow the above investment policies.

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

The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case, shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

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

Investments for the District are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

**STATE OF NEW MEXICO
 LOVINGTON MUNICIPAL SCHOOLS
 Notes to the Financial Statements
 June 30, 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.”

The District’s property taxes are levied each year on the assessed valuation of property located in the District as of the preceding January 1st. The assessed valuation for the 2017 fiscal year was \$640,472,583. Mill levy rates are set by the State of New Mexico each year for the General Fund, HB-33 Capital Improvements Fund, SB-9 Capital Improvements Fund, Debt Service Fund, and the Education Technology Fund. Taxes are payable in two equal installments on November 10th and April 10th following the levy and become delinquent after 30 days.

3. Inventories

The food inventories are valued at cost using the first-in/first-out (FIFO) method. USDA commodities are recorded at estimated costs. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

4. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets, (retroactive to 1979) are to be included as part of the governmental capital assets reported in the government wide statements. However, the District does not construct or maintain infrastructure assets, accordingly, the District is not subject to this provision of GASB Statement No. 34. Donated capital assets are recorded at estimated fair market value at the date of donation. Library books are not capitalized but are expensed during the year of purchase.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

Assets	Years
Buildings	50
Building Improvements	20
Vehicles	2-15
Equipment and Software	3-15

**STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS
Notes to the Financial Statements
June 30, 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

5. Deferred Outflows of Resources

The District reports decreases in net assets that relate to future periods as deferred outflows of resources in a separate section of its government-wide and proprietary funds statements of net position. The District has one item that qualifies for reporting in this category on the government-wide statement of net position. It is the District's contributions subsequent to the measurement date of the collective net pension liability and before the end of the employer's reporting period. This will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

6. Deferred Inflows of Resources

The District's governmental funds report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net assets that applies to a future period(s). The District will not recognize the related revenues until a future event occurs. The District has one type of item which occurs because governmental fund revenues are not recognized until available (collected not later than 60 days after the end of the District's fiscal year) under the modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, deferred property taxes and other unavailable state and federal revenues are reported in the governmental funds balance sheet. Two other items, net difference between projected and actual investment earnings on pension plan investments and the change of assumptions related to the pension plan are also deferred inflows. These amounts will be amortized and recognized in future years.

7. Unearned Revenue

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

8. Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused sick pay benefits. Unused sick leave is accrued at 50% of days accumulated at a rate of \$50 per day for employees who retire with at least ten years of service. Vacation pay is not accrued. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The accrued leave at June 30, 2017 was \$185,869.

9. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. In the fund financial statements, current portions of debt that will mature early in the following year are reported as current liabilities. In addition, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS
Notes to the Financial Statements
June 30, 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

10. Fund Balance and Net Position

Fund Balance: In the fund financial statements, components of fund balance include the following:

1. Nonspendable fund balance is the portion of the gross fund balance that is not expendable or is legally earmarked for a specific use.
2. Restricted fund balances include fund balances that are subject or constrained to a specific purpose by the provider, such as a grantor.
3. Committed fund balances are the portion of the fund balance that is constrained to a specific purpose by the Board.
4. Assigned fund balances are the portion of the fund balances that are spendable or available for appropriation but have been tentatively earmarked for some specific purpose by the Superintendent or designee.
5. Unassigned fund balances include amounts available for any legal purpose. This portion of the net assets in the general fund is available to finance operating expenditures.

Net Position: In the government-wide financial statements components of net position include the following:

1. Net position invested in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balance of debt issued to finance the acquisition, improvement, or construction of those assets.
2. Restricted net position includes balances that are subject to constraints on their use by creditors, grantors, and bond indentures. These are the replacement reserves and the bond escrow accounts.
3. Unrestricted net position is available for general use by the District for any obligation or expense.

11. Estimates

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

12. Indirect Costs

The District's general fund receives indirect cost reimbursements from the various federal programs it administers. These reimbursements are for expenses incurred in performing administrative functions on behalf of the special revenue funds. They are shown as expenditures in the special revenue funds, and as other special federal revenue in the general fund.

13. Revenues

1. State Equalization Guarantee:

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

**STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS
Notes to the Financial Statements
June 30, 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

14. Revenues (continued)

1. State Equalization Guarantee: (continued)

A school district's program costs are determined through the use of various formulas using 'program units' which take into consideration 1) early childhood education; 2) basic education; 3) special education; 4) bilingual-multicultural education; 5) size; etc. Payment is made from the public-school fund under the authority of the Director of Public School Finance. The District received \$28,621,922 in state equalization guarantee distributions during the year ended June 30, 2017.

2. Transportation Distribution:

School districts in the State of New Mexico received student transportation distributions. The transportation distribution is allocated to each school district in accordance with formulas developed by the State Transportation Director and the Director of Public School Finance. The funds shall be used only for the purpose of making payments to each school district for the to- and-from school transportation costs of students in grades K through twelve attending public school within the school district. The District received \$951,612 in transportation distributions during the year ended June 30, 2017.

3. Tax Revenues:

The District receives mill levy and ad-valorem tax revenues primarily for debt service and capital outlay purposes. The District recognizes tax revenues in the period for which they are levied in the government-wide financial statements. The District recognized \$7,091,649 in tax revenues during the year ended June 30, 2017. Descriptions of the individual debt service and capital outlay funds contained in these financial statements include information regarding the authority for the collection and use of these taxes.

F. Pensions

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

**STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS
Notes to the Financial Statements
June 30, 2017**

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

Actual expenditures may not exceed the budget on a line item basis. (i.e., each budgeted expenditure must be within budgeted amounts.) Budgets may be amended in two ways. If a budget transfer is necessary within a major category called a 'series', this may be accomplished with only local Board of Education approval. If a transfer between 'series' or a budget increase is required, approval must also be obtained from Public School Finance Division.

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

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

1. In April or May, the Superintendent submits to the Board of Education a proposed operating budget of the fiscal year commencing the following July. The operating budget includes proposed expenditures and the means of financing them, and has approval by the Department of Education.
2. In May or June, the budget is approved by the Board of Education.
3. The school board meeting, while not intended for the general public, is open for the general public unless a closed meeting has been called for.
4. The Superintendent is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the school board and the State of New Mexico Board of Education.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Projects Funds.
6. Budgets for the General, Special Revenue, Capital Projects, and Debt Service Funds are adopted on a basis not consistent with generally accepted accounting principles (GAAP). Encumbrances are treated the same way for GAAP purposes and for budget purposes.

The Board of Education may approve amendments to the appropriated budget, which are required when a change is made affecting budgeted ending fund balance. The appropriated budget for the year ended June 30, 2017 was properly amended by the Board throughout the year. New Mexico state law prohibits a school district to exceed a function line item.

**STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS
Notes to the Financial Statements
June 30, 2017**

NOTE 3: DEPOSITS AND INVESTMENTS

State statutes authorize the investment of District funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the District properly followed State investment requirements as of June 30, 2017.

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

The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case, shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of the deposit. At June 30, 2017, there were no investments in non-demand interest-bearing accounts.

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

According to the Federal Deposit Insurance Corporation, public unit deposits are funds owned by the public unit. All time and savings deposits owned by a public unit and held by the public unit's official custodian in an insured depository institution within the State in which the public unit is located are added together and insured up to \$250,000. Separately, all interest-bearing and noninterest-bearing demand deposits owned by a public unit and held by the public unit's official custodian in an insured depository institution within the State in which the public unit is located are added together insured up to \$250,000.

Custodial Credit Risk: Deposits - Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk.

As of June 30, 2017, \$12,218,586 of the District's bank balances were exposed to custodial credit risk as follows:

Insured (FDIC)	\$ 918,821
Collateralized by securities held by the pledging institution or by its trust department or agent in other than the District's name	7,648,742
Uninsured and uncollateralized	3,651,023
Balance exposed to custodial credit risk	<u>\$ 12,218,586</u>
Total bank balances	<u>\$ 12,218,586</u>
Carrying Amount	<u>\$ 11,263,040</u>

**STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS
Notes to the Financial Statements
June 30, 2017**

NOTE 3: DEPOSITS AND INVESTMENTS (continued)

The State Treasurer Local Government Investment Pool is not SEC registered. Section 6-10-10-1, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment funds in securities that are issued by the United States Government or by its departments or agencies and are either backed by the full faith and credit of the United States Government or are agencies sponsored by the United States Government. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments. The pool does not have unit shares; at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the amounts of the fund were invested. Any unrealized gain or loss on the portfolio is distributed through the investment yield on distribution dates. The State of New Mexico is the regulatory oversight entity and participation in the pool is voluntary. The State Treasurer issues separate financial statements that disclose the collateral pledged to secure these deposits. At June 30, 2017, the New MexiGROW Local Government Investment Pool was rated at AAAM and had a 53 day WAM(R) and 109 day WAM(F). The District had \$1,097,913 invested in the New MexiGROW Local Government Investment Pool at June 30, 2017.

Collateral Pledged

NM State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the District for at least one half of the amount on deposit with the institution, and one hundred two percent of the amount in overnight repurchase accounts on deposit with the institution. The schedule listed in the table of contents will meet the State of New Mexico Office of the State Auditor's requirements in reporting the insured portion of the deposits.

Reconciliation to the Statements of Net Position

The carrying amount of deposits shown above are included in the District's balance sheet as follows:

	District
Carrying amount - deposits	\$ 10,926,878
Amounts included in agency funds	336,162
Total	\$ 11,263,040
Included in the following balance sheet captions:	
Cash and cash equivalents	\$ 11,263,040

Interest Rate Risk – The District does not currently have an investment policy to minimize interest rate risk.

Credit Risk – As previously stated, State statutes allow the District to invest funds in a wide variety of instruments. However, at June 30, 2017 the District had limited the majority of its investments to those backed by the full faith and credit of the United States government. In addition, the investments in agencies of the United States were rated AAAM by Standard & Poor's.

**STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS
Notes to the Financial Statements
June 30, 2017**

NOTE 3: DEPOSITS AND INVESTMENTS (continued)

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District requires all investment securities to be held in third-party safekeeping by an institution acceptable to the District. The safekeeping institution is required to issue a safekeeping receipt or book entry notice to the District listing the specific instrument, rate, amount, maturity date, instrument number, term and other pertinent information. In addition, any financial institution holding securities for the benefit of the District is required to provide insurance sufficient to cover 100% of the securities.

Concentration of Credit Risk - The District places no limit on the amount the District may invest in any one issuer. However, as previously illustrated, 100% of the District's investments are backed by the full faith and credit of the United States government. These types of investments are considered to have minimal risk associated with them.

NOTE 4: RECEIVABLES

Receivables as of June 30, 2017 for the government's individual major funds and non-major funds in the aggregate, include the following:

	General	Capital Outlay	Debt Service	Other	Total
Receivables:					
Property taxes	\$ 15,537	\$ 149,282	\$ 269,015	\$ -	\$ 433,834
Due from other govts	-	-	-	543,072	543,072
	<u>\$ 15,537</u>	<u>\$ 149,282</u>	<u>\$ 269,015</u>	<u>\$ 543,072</u>	<u>\$ 976,906</u>

**STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS
Notes to the Financial Statements
June 30, 2017**

NOTE 5: INTERFUND RECEIVABLES AND TRANSFERS

Interfund balances represent advances to funds that receive grants on a reimbursement basis and balances for payment of expenses by the receiving fund. The composition of interfund balances during the year ended June 30, 2017 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Food Service	\$ 50,000
General Fund	Title I - IASA	103,779
General Fund	Migrant Children Education	29,250
General Fund	IDEA-B Entitlement	103,894
General Fund	IDEA-B Preschool	4,247
General Fund	English Language Acquisition	82,111
General Fund	Teacher/Principal Training & Recruiting	3,301
General Fund	Local Combined Grants	3,944
General Fund	GO Student Library Fund	19,494
General Fund	Reads to Lead	41,042
General Fund	GRADS Instruction	43,401
General Fund	GRADS Plus	1,085
General Fund	After School Enrichment	557
General Fund	Kindergarten 3 Plus	22,871
General Fund	Carl Perkins Secondary	19,354
General Fund	Carl Perkins High School	12,999
HB 33	Special Capital Outlay State	85,764
		<u>\$ 627,093</u>

**STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS
Notes to the Financial Statements
June 30, 2017**

NOTE 6: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 was as follows:

Governmental Activities

	Balance June 30, 2016	Adjustments	Increases	Decreases	Balance June 30, 2017
Capital Assets not being depreciated					
Land and Improvements	\$ 214,561	\$ -	\$ 131,605	\$ -	\$ 346,166
CIP	<u>20,169,590</u>	<u>(20,130,648)</u>	-	-	<u>38,942</u>
Total Capital Assets not being depreciated	20,384,151	(20,130,648)	131,605	-	385,108
Capital Assets being depreciated					
Buildings and Improvements	119,676,064	17,874,626	3,399,462	-	140,950,152
Equipment	7,606,119	(301,172)	2,074,774	-	9,379,721
Vehicles	2,054,582	76,717	41,382	-	2,172,681
Intangibles	<u>320,701</u>	-	-	-	<u>320,701</u>
Total Capital Assets being depreciated	129,657,466	17,650,171	5,515,618	-	152,823,255
Less Accumulated Depreciation					
Buildings and Improvements	63,673,138	(667,317)	2,258,126	-	65,263,947
Equipment	3,474,826	823,598	651,734	-	4,950,158
Vehicles	1,629,252	74,896	124,892	-	1,829,040
Intangibles	<u>226,222</u>	-	<u>66,410</u>	-	<u>292,632</u>
Total Accumulated Depreciation	69,003,438	231,177	3,101,162	-	72,335,777
Net Capital Assets being depreciated	<u>60,654,028</u>	<u>17,418,994</u>	<u>2,414,456</u>	-	<u>80,487,478</u>
Total Net Capital Assets	<u>\$ 81,038,179</u>	<u>\$ (2,711,654)</u>	<u>\$ 2,546,061</u>	\$ -	<u>\$ 80,872,586</u>

Total Construction in Process reclass \$17,951,343

Net position restatement

Construction in Process	2,179,305
Equipment	301,172
Depreciation	<u>231,177</u>
Total Restatement	<u>\$ 2,711,654</u>

**STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS
Notes to the Financial Statements
June 30, 2017**

NOTE 6: CAPITAL ASSETS (continued)

Depreciation expense for the year ended June 30, 2017 was charged to the following functions:

	<u>District</u>
Instruction	\$ 205,935
Support services:	
Students	11,335
Instruction	13,362
School administration	3,946
General administration	6,877
Central services	2,680,791
Operation and maintenance of plan	15,528
Student transportation	159,398
Food services	3,929
Community services	<u>61</u>
Total depreciation expense	<u>\$ 3,101,162</u>

NOTE 7: LONG – TERM DEBT

General Obligation Bonds – the District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. Bonds are direct obligations and pledge the full faith and credit of the District. The bonds will be paid from taxes levied against property owners living within the District boundaries. Bonds outstanding as of June 30, 2017 are comprised of the following:

	Original Amount	Interest Rates	Balance June 30, 2017
Series 2007 General Obligation Refund Bond	\$ 4,270,000	0.72 – 0.95%	\$ 4,270,000
Series 2008 General Obligation Bond	8,000,000	3.00 - 3.45%	800,000
Series 2008 General Obligation Refund Bond	4,070,000	0.81 – 1.05%	4,070,000
Series 2011 General Obligation Refund Bond	6,040,000	2.00 - 2.50%	1,620,000
Series 2014 General Obligation Bond	19,000,000	2.00 - 4.00%	18,675,000
Series 2015 General Obligation Bond	16,000,000	2.00 - 4.00%	16,000,000
Total General Obligation Bonds	<u>\$ 57,380,000</u>		<u>\$ 45,435,000</u>

**STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS
Notes to the Financial Statements
June 30, 2017**

NOTE 7: LONG – TERM DEBT (continued)

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

	Principal	Interest	Total Requirements
2018	\$ 2,625,000	\$ 1,145,122	\$ 3,770,122
2019	3,030,000	1,098,247	4,128,247
2020	3,290,000	1,058,417	4,348,417
2021	3,580,000	1,015,373	4,595,373
2022	2,810,000	959,553	3,769,553
2023-2027	20,700,000	3,115,500	23,815,500
2028-2030	<u>9,400,000</u>	<u>460,375</u>	<u>9,860,375</u>
Total	<u>\$ 45,435,000</u>	<u>\$ 8,852,587</u>	<u>\$ 54,287,587</u>

Changes in long-term liabilities – During the year ended June 30, 2017, the following changes occurred in liabilities reported in the general obligation bonds and compensated absences.

	Balance June 30, 2016	Additions	Retirements	Balance June 30, 2017	Due Within One Year
2007 Series	\$ 4,800,000	-	\$ 4,000,000	\$ 800,000	\$ 800,000
2007 Series Refunded	-	\$4,270,000	-	4,270,000	575,000
2008 Series	5,400,000	-	5,400,000	-	-
2008 Series Refunded	-	4,070,000	-	4,070,000	-
2011 Series	2,665,000	-	1,045,000	1,620,000	1,175,000
2014 Series	18,700,000	-	25,000	18,675,000	50,000
2015 Series	16,000,000	-	-	16,000,000	25,000
Compensated Absences	<u>270,686</u>	<u>178,636</u>	<u>263,453</u>	<u>185,869</u>	<u>185,869</u>
Total Long-Term Liabilities	<u>\$ 47,835,686</u>	<u>\$8,518,636</u>	<u>\$ 10,733,453</u>	<u>\$ 45,620,869</u>	<u>\$ 2,810,869</u>

Compensated absences typically have been liquidated in the general and other governmental funds. Total interest expense on outstanding bonds for the year ended June 30, 2017 was \$1,523,142.

Advance Refunding of Bonds

On October 21, 2016, the District issued \$8,340,000 in General Obligation Bonds with interest rates of .72% to 1.05% to advance refund \$4,270,000 of the 2007 Series Bonds and \$4,070,000 of the 2008 Series Bonds that had interest rates of 3.00% to 4.50%. The District chose to undertake this advance refunding to reduce future interest expenditures by taking advantage of lower interest rates.

**STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS
Notes to the Financial Statements
June 30, 2017**

NOTE 7: LONG – TERM DEBT (continued)

Summary of savings comparison of prior debt service to refunding debt service:

Date	Prior Debt Service	Unfunded Bonds	2016 Refunding Bonds	New Debt Service	Savings
3/1/2017	\$ 77,425	\$ 13,000	\$ -	\$ 13,000	\$ 64,425
4/1/2017	80,450		33,030	33,030	47,420
9/1/2017	877,425	813,000	-	813,000	64,425
10/1/2017	680,450		612,158	612,158	68,292
3/1/2018	64,425		-	-	64,425
4/1/2018	69,050		35,088	35,088	33,962
9/1/2018	964,425		-	-	964,425
10/1/2018	1,069,050		2,070,088	2,070,088	-1,001,038
3/1/2019	50,250		-	-	50,250
4/1/2019	50,050		26,847	26,847	23,203
9/1/2019	1,050,250		-	-	1,050,250
10/1/2019	1,150,050		2,216,847	2,216,847	-1,066,797
3/1/2020	34,000		-	-	34,000
4/1/2020	28,875		17,320	17,320	11,555
9/1/2020	1,034,000		-	-	1,034,000
10/1/2020	1,528,875		2,547,320	2,547,320	-1,018,445
3/1/2021	17,250		-	-	17,250
4/1/2021	-		5,303	5,303	-5,303
9/1/2021	1,017,250		-	-	1,017,250
10/1/2021	-		1,015,303	1,015,303	-1,015,303
	<u>\$ 9,843,550</u>	<u>\$ 826,000</u>	<u>\$ 8,579,304</u>	<u>\$ 9,405,304</u>	<u>\$ 438,246</u>

The total gross savings of \$438,246 less the \$116,690 paid by the District results in a present value savings percentage of principal of 5.421% for the 2007 and 2008 Series Bonds combined.

NOTE 8: RISK MANAGEMENT

The District is a member of the New Mexico Public School Insurance Authority (NMPSIA). NMPSIA was created to provide comprehensive core insurance programs by expanding the pool of subscribers to maximize cost containment opportunities for required insurance coverage. The District pays an annual premium to the NMPSIA based on claim experience and the status of the pool. The Risk Management Program includes Workers Compensation, General and Automobile Liability, Automobile Physical Damage, and Property and Crime coverage. Also included under the risk management program are Boiler, Machinery and Student Accident Insurance.

The NMPSIA provides property damage coverage at a maximum of \$101,133,600 for 2016-2017 as stated in the annual budget notice. The maximum deductible is \$15,000 with a maximum out of pocket of \$60,000 which when reached will then default to \$750 for the remainder of the policy period. General liability coverage is afforded to all employees, volunteers and school board members and the limit is subject to the NMSA Tort Claims Act on a per occurrence basis. The automobile and property liability limit are subject to the provisions of the Tort Claims Act. The crime limit is \$1,000,000 per occurrence for Faithful Performance. A limit of \$250,000 applies to Depositor's Forgery, Credit Card Forgery, Money Orders and Money and Securities, which include a \$750 deductible.

In case the NMPSIA's assets are not sufficient to meet its liability claims, the agreement provides that subscribers, including the District, cannot be assessed additional premiums to cover the shortfall. As of June 30, 2017, there have been no claims that have exceeded insurance coverage.

**STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS
Notes to the Financial Statements
June 30, 2017**

NOTE 9: EMPLOYEE RETIREMENT PLAN

General Information about the Pension Plan

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

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

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

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

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

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

- The member's age and earned service credit add up to the sum of 75 or more,
- The member is at least sixty-five years of age and has five or more 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, or
- The member has service credit totaling 30 years or more.

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

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

**STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS
Notes to the Financial Statements
June 30, 2017**

NOTE 9: EMPLOYEE RETIREMENT PLAN (continued)

- 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 Straight Life benefit. The member's increased monthly benefit commences in the month following the beneficiary's death.

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

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

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

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

**STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS
Notes to the Financial Statements
June 30, 2017**

NOTE 9: EMPLOYEE RETIREMENT PLAN (continued)

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

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

Contributions – For the fiscal year ended June 30, 2017 and 2016 educational employers contributed to the Plan based on the following rate schedule.

Fiscal Year	Date Range	Wage Category	Member Rate	Employer Rate	Combined Rate	Increase Over Prior Year
2017	7-1-16 to 6-30-17	Over \$20k	10.70%	13.90%	24.60%	0.00%
2017	7-1-16 to 6-30-17	\$20k or less	7.90%	13.90%	21.80%	0.00%
2016	7-1-15 to 6-30-17	Over \$20k	10.70%	13.90%	24.60%	0.00%
2016	7-1-15 to 6-30-17	\$20k or less	7.90%	13.90%	21.80%	0.00%

The contribution requirements are established in statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the New Mexico Legislature. For the fiscal years ended June 30, 2017 and 2016, the District paid employee and employer contributions of \$110,615 and \$152,041, 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, 2017, the District reported a liability of \$48,008,848 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2016 using generally accepted actuarial principles. Therefore, the District's portion was established as of the measurement date of June 30, 2016. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating educational institutions, actuarially determined. At June 30, 2016, the District's proportion was .66712%, which was a decrease of 0.03062% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$2,586,511. At June 30, 2017, District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 208,280	\$ 456,625
Changes of assumptions	977,268	
Net difference between projected and actual earnings on pension plan investments	2,865,728	
Changes in proportion and differences between contributions and proportionate share of contributions	1,810,609	-
Employer contributions subsequent to the measurement date	2,574,063	
Total	<u>\$8,435,948</u>	<u>\$ 456,625</u>

**STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS
Notes to the Financial Statements
June 30, 2017**

NOTE 9: EMPLOYEE RETIREMENT PLAN (continued)

\$2,574,063 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	\$ 1,503,782
2019	\$ 1,445,261
2020	\$ 1,757,380
2021	\$ 698,836

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

Inflation	3.0%
Salary increases	Composed of 3.0% inflation, plus a 0.75% productivity increase rate, plus a step-rate promotional increase for members with less than 10 years of service.
Investment rate of return	7.75% compounded annually, net of expenses. This is made up of a 3.00% inflation rate and a 4.75 real rate of return. The long-term expected rate of return on pension plan investments is determined annually using a building-block approach that includes the following: 1) rate of return projections are the sum of current yield plus projected changes in price (valuation, defaults, etc.), 2) application of key economic projections (inflation, real growth, dividends, etc.), and 3) structural themes (supply and demand imbalances, capital flows, etc.) developed for each major asset class.
Average of Expected Remaining Service Lives	3.77 years.
Mortality	Healthy males: Based on the RP-2000 Combined Mortality Table with White Collar adjustments, generational mortality improvements with Scale BB. 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 rates based on age and service, adopted by the Board on June 12, 2015 in conjunction with the six-year experience study for the period ending June 30, 2014.
Cost-of-living increases	2% per year, compounded annually.
Payroll growth	3.5% per year (with no allowance for membership growth).
Contribution accumulation	5% increase per year for all years prior to the valuation date. (Contributions are credited with 4.0% interest, compounded annually, applicable to the account balance in the past as well as the future).
Disability Incidence	Approved rates applied to eligible members with at least 10 years of service.

**STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS
Notes to the Financial Statements
June 30, 2017**

NOTE 9: EMPLOYEE RETIREMENT PLAN (continued)

The actuarial assumptions and methods are set by the Plan's Board of Trustees, based upon recommendations made by the Plan's actuary. The Board adopted new assumptions on June 12, 2015 in conjunction with the six-year actuarial experience study period ending June 30, 2014. At that time, the Board adopted several assumption changes, which included a decrease in the annual wage inflation rate from 4.25% to 3.75%, and changes to the mortality rates, disability rates, and retirement rates for members who joined the plan after June 30, 2010. In addition, the board lowered the population growth rate assumption to zero.

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

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

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

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

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1- percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	<u>\$63,586,604</u>	<u>\$48,008,848</u>	<u>\$35,083,711</u>

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.

Payable to the pension plan. The District has no payables to the pension plan.

**STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS
Notes to the Financial Statements
June 30, 2017**

NOTE 10: POST-EMPLOYMENT BENEFITS-STATE RETIREE HEALTH CARE PLAN

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

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

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

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

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

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

**STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS
Notes to the Financial Statements
June 30, 2017**

NOTE 10: POST-EMPLOYMENT BENEFITS-STATE RETIREE HEALTH CARE PLAN (continued)

The District's contributions to the RHCA for the years ended June 30, 2017, 2016, and 2015 were \$370,369, \$381,034, and \$361,872, in employer contributions, which equals the required contributions for each year.

NOTE 11: COMMITMENTS AND CONTINGENT LIABILITIES

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

NOTE 12: OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

Generally accepted accounting principles require disclosures as part of the combined statements of certain information concerning individual funds including:

A. Deficit fund balance of individual funds.

Migrant Children Education	\$ 29,250
English Language Acquisition	81,163
2010 GO Bond Student Library	19,494
GRADS Instruction	43,401
Special Capital Outlay - State	30,127
GRADS Plus	<u>1,085</u>
Total	<u>\$ 204,520</u>

B. Excess of expenditures over appropriations.

For the fiscal year ended June 30, 2017, expenditures exceed appropriations in the following funds:

None.

C. Designated cash appropriations in excess of available balances:

None.

NOTE 13: MEMORANDUM OF UNDERSTANDING

The District entered into a memorandum of understanding (MOU) with Lovington Community Wellness and Fitness Center. The Lovington Community Wellness and Fitness Center will provide a natatorium allowing students to compete athletically in swimming and diving sports. The District endorses the plan presented by Nor-Lea Hospital District and will commit to sharing operating costs for up to five years in an amount not to exceed \$9,375 per month less \$833 monthly for in-kind support in the form of a swim coach to oversee swimming programs for Lovington Municipal Schools and the Community of Lovington. Payments are pending to start upon completion of the natatorium, tentatively September 2017.

**STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS
Notes to the Financial Statements
June 30, 2017**

NOTE 14: RESTATEMENT OF NET POSITION AND FUND BALANCE

Beginning Net Position of the government-wide financial statements was restated for the following purposes:

Net Position Balance June 30, 2016	\$ 7,191,796
Restatement of capital assets due to over statement of construction in progress	-2,711,654
Restatement of compensated absences due to the over statement of paid sick leave	60,261
Cash repaid to PED	-13,107
Restated cash balance	-282,444
Reclassification of temporary loans to accounts receivable	677,888
Net Position Balance July 1, 2016	<u>\$ 4,922,740</u>

Beginning Fund Balance was restated for the following purposes and in the following funds:

Fund Balance June 30, 2016	\$ 12,277,603
Operating Cash reported as Special Revenue cash	916,168
Operational fund Due to/Due from Other funds reclass to/from Accounts Receivable	-568,273
IDEA-B Entitlement fund Due to/Due from Other funds reclass to/from Accounts Receivable	10,278
IDEA-B Preschool fund Due to/Due from Other funds reclass to/from Accounts Receivable	886
IDEA-B Risk Pool fund Due to/Due from Other funds reclass to/from Accounts Receivable	544
English Language Acquisition fund Due to/Due from Other funds reclass to/from Accounts Receivable	-9,635
Teacher Principal Training fund Due to/Due from Other funds reclass to/from Accounts Receivable	16,950
Reading First fund Due to/Due from Other funds reclass to/from Accounts Receivable	180,338
Carl Perkins High School fund Due to/Due from Other funds reclass to/from Accounts Receivable	-10,060
Local Combined Grants fund Due to/Due from Other funds reclass to/from Accounts Receivable	-621
2009 Dual Credit Instructional Materials fund Due to/Due from Other funds reclass to/from Accounts Receivable	5,480
2012 GO Bonds Library fund Due to/Due from Other funds reclass to/from Accounts Receivable	38,007
New Mexico Reads to Lead fund Due to/Due from Other funds reclass to/from Accounts Receivable	57,885
GRADS Instruction fund Due to/Due from Other funds reclass to/from Accounts Receivable	-1,218
Value Options DOH fund Due to/Due from Other funds reclass to/from Accounts Receivable	-312
Special Capital Outlay State fund Due to/Due from Other funds reclass to/from Accounts Receivable	195,000
Senate Bill – 9 – State fund Due to/Due from Other funds reclass to/from Accounts Receivable	6,763
Senate Bill – 9 - Local fund Due to/Due from Other funds reclass to/from Accounts Receivable	-6,763
Debt Service fund Due to/Due from Other funds reclass to/from Accounts Receivable	-717
Fund Balance July 1, 2016	<u>\$ 13,108,303</u>

**STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS
Notes to the Financial Statements
June 30, 2017**

NOTE 15: SUBSEQUENT PRONOUNCEMENTS

In April 2015, GASB issued Government Accounting Standards Board Statement No. 78, Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans, to address an issue relating to the availability of data relating to multiple-employer defined benefit plans that arose during the implementation of GASB Statement No. 68. The provisions of the statement are effective for financial statement periods beginning after December 15, 2015. The pronouncement is expected to have no effect on the District in upcoming years.

In March 2016, GASB issued Government Accounting Standards Board Statement No. 82, Pension Issues – an amendment of GASB Statements No. 67, 68, and No. 73. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of paragraph 7 in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. The District is evaluating the effects on the financial statement of this pronouncement.

NOTE 16: SUBSEQUENT EVENTS

Management review

The date to which events occurring after June 30, 2017, the date of the most recent Statement of Net Position, have been evaluated for possible adjustment to the financial statements and disclosures is November 10, 2017 which is the date on which the financial statements were available for release.

STATE OF NEW MEXICO
 LOVINGTON MUNICIPAL SCHOOLS
 SCHEDULE OF THE PROPORTIONATE SHARE OF NET PENSION LIABILITY
 Educational Retirement Board (ERB) Pension Plan

JUNE 30, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability	0.66712%	0.63650%	0.63086%
Proportionate share of the net pension liability	\$ 48,008,848	\$ 41,227,800	\$ 35,995,164
Covered Employee Payroll	\$ 18,520,030	\$ 17,378,489	\$ 18,093,578
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	259.23%	237.23%	198.94%
Plan fiduciary net position as a percentage of total pension liability	61.58%	63.97%	66.54%

*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

STATE OF NEW MEXICO
 LOVINGTON MUNICIPAL SCHOOLS
 SCHEDULE OF CONTRIBUTIONS Educational Retirement Board (ERB) Pension Plan

JUNE 30, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 2,574,063	\$ 2,870,300	\$ 2,515,007
Contributions in relation to the contractually required contribution	\$ 2,574,063	\$ 2,870,300	\$ 2,515,007
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 18,520,030	\$ 17,378,489	\$ 18,093,578
Contributions as a percentage of covered-employee payroll	13.90%	16.52%	13.90%

*The amounts presented were determined as of June 30, This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION: SCHEDULE OF THE PROPORTIONATE
SHARE OF NET PENSION LIABILITY and SCHEDULE OF CONTRIBUTIONS Educational
Retirement Board (ERB) Pension Plan
JUNE 30, 2017

Changes of benefit terms The COLA and retirement eligibility benefits changes in recent years are described in the **Benefits Provided** subsection of the financial statement note disclosure **General Information on the Pension Plan**.

Changes of assumptions.

ERB conducts an actuarial experience study for the Plan on a biennial basis. Based on the six-year actuarial experience study presented to the Board of Trustees on June 12 2015, ERB implemented the following changes in assumptions for fiscal years 2015 and 2014.

1. Fiscal year 2015 and 2014 valuation assumptions that changed based on this study:

- a. Lower wage inflation from 4.25% to 3.75%
- b. Lower payroll growth from 3.75% to 3.50%
- c. Update demographic assumptions to use currently published tables
- d. Population growth per year from 0.50% to 0.00%

2. Assumptions that were not changed:

- a. Investment return will remain at 7.75%
- b. Inflation will remain at 3.00%
- c. COLA assumption 2.00% per year
- d. Payroll growth remain at 3.50%

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

See also the **Actuarial Assumptions** subsection of the financial statement note disclosure **General Information on the Pension Plan**.

NON-MAJOR GOVERNMENTAL FUNDS

ALL FUNDS – All funds were created by management directive.

SPECIAL REVENUE

ATHLETICS – This is an auxiliary fund to account for budgeted athletics of the school for activities that are considered to be non-instructional. Authority for the creation of this fund is NMAC 6.20.2.

FOOD SERVICES – 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.

TITLE I – 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.

TITLE I MIGRANT CHILDREN EDUCATION – To account for a program funded by a federal grant whose purpose is to implement school wide bilingual education programs of special alternative instruction programs to improve, reform and upgrade relevant programs and operations within an entire local educational agency, that serve a significant number of children and youth of limited English proficiency in local educational agencies with significant concentrations of such children and youth. The fund was created by the authority of federal grant provisions. (Title VII, Section 7115 of the ESEA (20 USC 7425))

IDEA B – ENTITLEMENT – 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 B – PRESCHOOL – To account for revenue received under the Preschool Public Act P.L. 99-457 for the purpose of providing special educational services to the developmentally delayed preschool children. This fund is federally funded and is restricted to expenditure by grant application. Required by the New Mexico State Department of Education Manual of Procedures for New Mexico School Districts to be accounted for as a separate fund.

IDEA B – RISK POOL – To account for a federal grant restricted to the operation and maintenance of meeting the special education needs of children with disabilities. (Authority, Individuals with Disabilities Act, Part B Sec 611, as amended; P.L. 91-230, 93-380, 94-142, 98-199, 99-457, 100-630, and 101-476; U.S.C. 1401-1419, P.L. 105-17)

IDEA B – RESULTS PLAN – To provide funding to schools for professional development, coaching, technical assistance, and additional funds to support school improvement targeted to early elementary reading achievement. Authority for this fund comes from the Individuals with Disabilities Act, Part B.

ENGLISH LANGUAGE ACQUISITION – To ensure that limited English proficient children and youth, including immigrant children and youth, attain English proficiency and meet the same challenging State academic content and student academic achievement standards as all children and youth are expected to meet. The authority for the creation of this fund is the Elementary and Secondary Education Act, as amended, Title III, Part A, Sections 3101, 3129.

TEACHER/PRINCIPAL TRAINING – To provide grants to State Education Agencies 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. The authority for the creation of this fund is the Elementary and Secondary Education Act of 1965 as amended, Title II, Part A, Public Law 107-110.

TITLE I SCHOOL IMPROVEMENT – to help local education agencies and schools improve the teaching and learning of children failing, or most at-risk of failing, to meet challenging state academic standards. Federal revenues accounted for in this fund are allocated to the District through the New Mexico Public Education Department. Authority for the creation of this fund is the Elementary and Secondary Education Act of 1965, Title I, Part A, 20 USC 6301 et seq.

SPECIAL REVENUE (continued)

READING FIRST – Reading First was established by the No Child Left Behind Act in an effort to enable all students to become successful readers. Funds are provided to assist in professional development for teachers, provide screenings and assessments, diagnostic tools, and tools for teaching reading to various levels of readers.

CARL PERKINS – SECONDARY – The objective of this grant is to provide secondary and post-secondary educational institutions the opportunity to develop, implement, and operate programs using different models of curricula that integrate vocational and academic learning. Funds are acquired from federal sources through the New Mexico Department of Education. Authority for creation of this fund is Carl D. Perkins Vocational and Applied Technology Education Act of 1990, as amended, Public Law 105-332.

CARL PERKINS HIGH SCHOOL – To account for funds administered through the state Public Education Office to the deployment of the High Schools That Work framework is intended to improve student achievement, increase graduation rates and provide relevant and rigorous high school instruction.

TITLE XIX MEDICAID – The purpose of this fund is to account for reimbursement of health-related services of Medicaid eligible students receiving related services, for administrative time study, and for a statement of service costs study. Authorized by the Social Security Act.

LOCAL COMBINED SCHOOLS – To account for revenues received from a state grant for additions to native New Mexico plants to study within the science programs. The fund was created by state grant provisions.

2009 DUAL CREDIT INSTRUCTIONAL MATERIALS – This fund was created to account for funds provided to the District to pay for required textbooks and materials needed for dual credit activities. The authority and funding for this fund is provided under HB214 which amended Section 21-1-1.2 and Section 21-13-19 related to dual credit.

2010 G.O. BOND STUDENT LIBRARY - The funding was made available through Senate Bill 1, Laws of 2010, 2nd Special Session, Chapter 3, which appropriated funds for the public school library improvement. The funds are available on a reimbursement basis. Libraries acquired library books, equipment, and library resources for public schools.

2012 G.O. BOND LIBRARY FUND SB-66 – This fund is used to account for the revenue and expenditures to acquire supplementary library books, equipment, and library resources for public schools and juvenile detention libraries statewide.

NEW MEXICO READS TO LEAD – To account for the funding provided by the PED for the purchase of K-3 non-fiction books, K-3 non-fiction classroom libraries, and K-3 non-fiction text materials. Fund was created under the state-wide reading initiative authorized under NM Section 22-13-1.3.

TECHNOLOGY FOR EDUCATION – To account for funds received from the Technology for Education Grant created by the 1994 State Legislation to establish funding of any costs associated with educational technology. Funding provided by the State of New Mexico. (NMSA 22-15A-1-10).

ADEQUACY TECH EQUITY GRANT – The capital improvements fund is used to assist the District in developing and implementing a strategic, long-term plan for utilizing education technology in the school system. The fund was created by state grant provisions.

K-3 PLUS – The purpose of this program is to allow New Mexico public schools and districts to develop a six year pilot project that extends the school year for kindergarten through third grade by up to two months for participating students and measures the effect of additional time on literacy, numeracy and social development. Authority for creation of this fund is the authority of the New Mexico Public Education Department.

AFTER SCHOOL ENRICHMENT – To account for the revenues and expenditures to provide additional services to students after regular school hours. The funding and authority provided by the NM PED and grant provision.

SCHOLL LIBRARY MATERIAL FUND - To account for revenues and expenditures related to the purchase of library materials. The fund was created by state grant requirements.

EARLY INTERVENTION CYFD - To account for revenues and expenditures for grants to provide daycare for high school students with children. The fund was created by state grant provisions.

SPECIAL REVENUE (continued)

GRADS CHILD CARE – To account for funds received from New Mexico Department of Health for the Graduation and Dual Skills (GRADS) program for pregnant and parenting skills. The fund was created by state grant provisions.

GRADS INSTRUCTION – The purpose of this program is to provide funds to be used for the salary and fringe benefits of a childcare worker for the children of student parents. Authority for creation of this fund is the Social Security Act, Title IV, Part A, as amended; Personal Responsibility and Work Opportunity Reconciliation Act of 1996, Public Law 104-193; Balanced Budget Act of 1997, Public Law 105-33.

GRADS PLUS – The purpose of this fund is to ensure that all expectant and parenting teens receive support through NM GRADS classes, case management, fatherhood support services, School Based Health Center health support through the GRADS Plus grant and are enrolled as GRADS students. Authority for creation of this fund is the authority of the New Mexico Public Education Department.

PRIVATE DIRECT GRANTS – To account for grants received from private sources. Funding provided by grant contract in which sources will vary from year to year. Expenditures in this fund are stipulated by individual grant contract. All private grants are subject to board approval.

VALUE OPTIONS DOH – To account for funds received from Value Options to teach substance abuse prevention classes. Authority for creation of this fund is the New Mexico Public Education Department.

CAPITAL PROJECTS

BOND BUILDING – To account for the costs of capital improvements, such as erecting, remodeling, making additions to, providing equipment for and furnishing school buildings, purchasing and improving school grounds funded from the sale of General Obligation Bonds.

SPECIAL CAPITAL OUTLAY – STATE – To account for special appropriations monies received from the State of New Mexico under Chapter 4, Laws of 1996 for the purpose of specific capital outlay projects.

SPECIAL CAPITAL OUTLAY - LOCAL – To account for special appropriations monies received from local sources for the purpose of specific capital outlay projects.

SENATE BILL NINE – STATE – To account for resources received through Senate Bill 9 state match obtained for the purpose of building, remodeling, and equipping classroom facilities. Funding authority is the New Mexico Public Education Department.

SENATE BILL NINE – LOCAL – To account for resources received through a local property tax levy obtained for the purpose of building, remodeling, and equipping classroom facilities. Funding authority is the New Mexico Public Education Department.

DEBT SERVICE

ED TECH DEBT SERVICE - This fund is established to receive revenue for the payment of interest and principal on outstanding general obligation school bond issues.

STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2017

	SPECIAL REVENUE			
	FOOD SERVICES	ATHLETICS	TITLE I	MIGRANT CHILDREN EDUCATION
ASSETS				
Cash on Deposit	\$ 112,644	\$ 201,475	\$ -	\$ -
Due From Other Funds	-	-	-	-
Due From Other Agencies	151,500	-	103,779	-
Property Taxes Receivable	-	-	-	-
Inventory	34,163	-	-	-
TOTAL ASSETS	\$ 298,307	\$ 201,475	\$ 103,779	\$ -
LIABILITIES AND FUND BALANCE				
Accounts Payable	\$ 55,442	\$ -	\$ -	\$ -
Accrued Payroll	-	-	-	-
Due to Other Agencies	-	-	-	-
Due to Other Funds	50,000	-	103,779	29,250
TOTAL LIABILITIES	105,442	-	103,779	29,250
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue	-	-	-	-
Unearned Revenue	-	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	-	-
FUND BALANCE				
Nonspendable	34,163	-	-	-
Restricted:				
Transportation				
Instructional Materials				
Capital Projects Funds				
Debt Service				
Cafeteria	158,702	-	-	-
Athletics	-	201,475	-	-
Special Revenue Funds	-	-	-	(29,250)
Unassigned	-	-	-	-
TOTAL FUND BALANCE	192,865	201,475	-	(29,250)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 298,307	\$ 201,475	\$ 103,779	\$ -

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

SPECIAL REVENUE

IDEA B ENTITLEMENT	IDEA B PRESCHOOL	IDEA B RISK POOL	ENGLISH LANGUAGE ACQUISITION	TEACHER PRINCIPAL TRAINING	TITLE I SCHOOL IMPROVEMENTS	READING FIRST
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
103,894	4,247	-	948	18,120	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 103,894</u>	<u>\$ 4,247</u>	<u>\$ -</u>	<u>\$ 948</u>	<u>\$ 18,120</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
103,894	4,247	-	82,111	3,301	-	-
<u>103,894</u>	<u>4,247</u>	<u>-</u>	<u>82,111</u>	<u>3,301</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	(81,163)	14,819	-	-
-	-	-	-	-	-	-
-	-	-	<u>(81,163)</u>	<u>14,819</u>	<u>-</u>	<u>-</u>
<u>\$ 103,894</u>	<u>\$ 4,247</u>	<u>\$ -</u>	<u>\$ 948</u>	<u>\$ 18,120</u>	<u>\$ -</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2017

	SPECIAL REVENUE			
	CARL PERKINS SECONDARY	CARL PERKINS HIGH SCHOOL	MEDICAID XIX	LOCAL COMBINED SCHOOLS
ASSETS				
Cash on Deposit	\$ 19,354	\$ 12,999	\$ 375,574	\$ 3,944
Due From Other Funds	-	-	-	-
Due From Other Agencies	-	-	-	-
Property Taxes Receivable	-	-	-	-
Inventory	-	-	-	-
TOTAL ASSETS	\$ 19,354	\$ 12,999	\$ 375,574	\$ 3,944
LIABILITIES AND FUND BALANCE				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Accrued Payroll	-	-	-	-
Due to Other Agencies	-	-	-	-
Due to Other Funds	19,354	12,999	-	3,944
TOTAL LIABILITIES	19,354	12,999	-	3,944
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue	-	-	-	-
Unearned Revenue	-	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	-	-
FUND BALANCE				
Nonspendable	-	-	-	-
Restricted:				
Transportation				
Instructional Materials				
Capital Projects Funds				
Debt Service				
Cafeteria				
Athletics				
Special Revenue Funds	-	-	375,574	-
Unassigned	-	-	-	-
TOTAL FUND BALANCE	-	-	375,574	-
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 19,354	\$ 12,999	\$ 375,574	\$ 3,944

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

SPECIAL REVENUE

2009 DUAL CREDIT INSTRUCTIONAL MATERIALS	2010 GO BOND LIBRARY FUND	GO BONDS 2012	NEW MEXICO READS TO LEAD	TECHNOLOGY FOR EDUCATION	ADEQUACY TECH EQUITY GRANT
\$ -		\$ -	\$ -	\$ 78	\$ 117,326
-	-	-	-	-	-
-	-	-	41,042	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,042</u>	<u>\$ 78</u>	<u>\$ 117,326</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	19,494	-	41,042	78	117,326
<u>-</u>	<u>19,494</u>	<u>-</u>	<u>41,042</u>	<u>78</u>	<u>117,326</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	(19,494)	-	-	-	-
<u>-</u>	<u>(19,494)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,042</u>	<u>\$ 78</u>	<u>\$ 117,326</u>

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

STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2017

	SPECIAL REVENUE			
	KINDERGARTEN THREE PLUS AFTER SCHOOL	AFTER SCHOOL SUMMER ENRICHMENT	SCHOOL LIBRARY MATERIALS	EARLY INTERVENTION CYFD
ASSETS				
Cash on Deposit	\$ -	\$ -	\$ 1,536	\$ 96,133
Due From Other Funds	-	-	-	-
Due From Other Agencies	33,221	557	-	-
Property Taxes Receivable	-	-	-	-
Inventory	-	-	-	-
TOTAL ASSETS	\$ 33,221	\$ 557	\$ 1,536	\$ 96,133
LIABILITIES AND FUND BALANCE				
Accounts Payable	\$ 10,350	\$ -	\$ -	\$ -
Accrued Payroll	-	-	-	-
Due to Other Agencies	-	-	1,536	-
Due to Other Funds	22,871	557	-	-
TOTAL LIABILITIES	33,221	557	1,536	-
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue	-	-	-	-
Unearned Revenue	-	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	-	-
FUND BALANCE				
Nonspendable	-	-	-	-
Restricted:				
Transportation				
Instructional Materials				
Capital Projects Funds				
Debt Service				
Cafeteria				
Athletics				
Special Revenue Funds	-	-	-	96,133
Unassigned	-	-	-	-
TOTAL FUND BALANCE	-	-	-	96,133
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 33,221	\$ 557	\$ 1,536	\$ 96,133

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

SPECIAL REVENUE					CAPITAL PROJECTS			
GRADS CHILD CARE	GRADS INSTRUCTION	GRADS PLUS	PRIVATE DIRECT GRANTS	VALUE OPTIONS DOH	TOTAL NON MAJOR SPECIAL REVENUE	BOND BUILDING	SPECIAL CAPITAL OUTLAY LOCAL	
\$ 1,842	\$ -	\$ -	\$ 108,874	\$ 312	\$ 1,052,091	\$ 152,220	\$ 75	
-	-	-	-	-	-	-	-	
-	-	-	-	-	457,308	-	-	
-	-	-	-	-	-	-	-	
-	-	-	-	-	34,163	-	-	
<u>\$ 1,842</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 108,874</u>	<u>\$ 312</u>	<u>\$ 1,543,562</u>	<u>\$ 152,220</u>	<u>\$ 75</u>	
-	-	-	-	-	-	-	-	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 65,792	\$ -	\$ -	
-	-	-	-	-	-	-	-	
-	43,401	1,085	-	312	119,252	-	-	
<u>-</u>	<u>43,401</u>	<u>1,085</u>	<u>-</u>	<u>312</u>	<u>541,329</u>	<u>-</u>	<u>-</u>	
-	43,401	1,085	-	312	726,373	-	-	
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	
1,842	-	-	-	-	1,842	-	-	
<u>1,842</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,842</u>	<u>-</u>	<u>-</u>	
-	-	-	-	-	-	-	-	
-	-	-	-	-	34,163	-	-	
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	152,220	75	
-	-	-	-	-	158,702	-	-	
-	(43,401)	(1,085)	108,874	-	201,475	-	-	
-	(43,401)	(1,085)	108,874	-	421,007	-	-	
<u>-</u>	<u>(43,401)</u>	<u>(1,085)</u>	<u>108,874</u>	<u>-</u>	<u>815,347</u>	<u>152,220</u>	<u>75</u>	
-	-	-	-	-	-	-	-	
<u>\$ 1,842</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 108,874</u>	<u>\$ 312</u>	<u>\$ 1,543,562</u>	<u>\$ 152,220</u>	<u>\$ 75</u>	

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

STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2017

	CAPITAL PROJECTS			TOTAL NON MAJOR CAPITAL PROJECTS
	SPECIAL CAPITAL OUTLAY STATE	CAPITAL IMPROVEMENT SB 9 STATE	CAPITAL IMPROVEMENT SB 9 LOCAL	
ASSETS				
Cash on Deposit	\$ -	\$ -	\$ 1,013,540	\$ 1,165,835
Due From Other Funds	-	-	-	-
Due From Other Agencies	85,764	-	-	85,764
Property Taxes Receivable	-	-	75,555	75,555
Inventory	-	-	-	-
TOTAL ASSETS	\$ 85,764	\$ -	\$ 1,089,095	1,327,154
LIABILITIES AND FUND BALANCE				
Accounts Payable	\$ -	\$ -	\$ 79,667	\$ 79,667
Accrued Payroll	-	-	-	-
Due to Other Agencies	-	-	-	-
Due to Other Funds	85,764	-	-	85,764
TOTAL LIABILITIES	85,764	-	79,667	165,431
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue	30,127	-	26,566	56,693
Unearned Revenue	-	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	30,127	-	26,566	56,693
FUND BALANCE				
Nonspendable	-	-	-	-
Restricted:				
Transportation				
Instructional Materials				
Capital Projects Funds	(30,127)	-	982,862	1,105,030
Debt Service	-	-	-	-
Cafeteria				
Athletics		-		-
Special Revenue Funds				
Unassigned				
TOTAL FUND BALANCE	(30,127)	-	982,862	1,105,030
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 85,764	\$ -	\$ 1,089,095	\$ 1,327,154

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

<u>DEBT SERVICE</u>			
<u>ED TECH DEBT SERVICE</u>		<u>TOTAL NON MAJOR FUNDS</u>	
\$ 59,715		\$ 2,277,641	
-		-	
-		543,072	
-		75,555	
-		34,163	
		-	
<u>\$ 59,715</u>		<u>\$ 2,930,431</u>	
\$ -		\$ 145,459	
-		-	
-		119,252	
-		627,093	
-		891,804	
		-	
-		-	
-		56,693	
-		1,842	
		-	
-		58,535	
		-	
		-	
-		34,163	
		-	
		-	
		-	
		1,105,030	
59,715		59,715	
		158,702	
		201,475	
-		421,007	
		-	
<u>59,715</u>		<u>1,980,092</u>	
<u>\$ 59,715</u>		<u>\$ 2,930,431</u>	

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

STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2017

	SPECIAL REVENUE			
	FOOD SERVICES	ATHLETICS	TITLE I	MIGRANT CHILDREN EDUCATION
REVENUE				
Federal Programs	\$ 1,344,854	\$ -	\$ 420,890	\$ -
State Programs	-	-	-	-
State Equalization	-	-	-	-
Interest Earnings	166	585	-	-
Private/Direct Grants	-	-	-	-
Charges for Services	-	-	-	-
Fees	171,793	85,126	-	-
Donations	-	-	-	-
Sale of Property	-	-	-	-
Miscellaneous	-	-	-	-
Indirect Cost	-	-	-	-
Rent and Royalties	-	-	-	-
Local Property Taxes	-	-	-	-
Refund of Prior Year's Expenditures	-	-	-	-
TOTAL REVENUES	<u>1,516,813</u>	<u>85,711</u>	<u>420,890</u>	<u>-</u>
EXPENDITURES				
Current				
Instruction	-	80,483	356,302	-
Support Services				
Support Services-Students	-	-	-	-
Support Services-Instruction	-	-	-	-
Support Services-General Administration	-	-	15,051	-
Support Services-School Administration	-	-	49,537	-
Central Services	-	-	-	-
Operation & Maintenance of Plant	-	-	-	-
Student Transportation	-	-	-	-
Other Support Services	-	-	-	-
Food Services-Operations	1,496,362	-	-	-
Community Services-Operations	-	-	-	-
Acquisition & Construction	-	-	-	-
TOTAL EXPENDITURES	<u>1,496,362</u>	<u>80,483</u>	<u>420,890</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	20,451	5,228	-	-
Other Financing Sources (uses)				
Refunds to PED	-	-	-	-
Transfer/Refunds	-	-	-	-
Total Other Financial Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change In Fund Balance	20,451	5,228	-	-
FUND BALANCE				
as of June 30, 2016	172,414	196,247	-	(29,250)
Restatement	-	-	-	-
Restated Balance	<u>172,414</u>	<u>196,247</u>	<u>-</u>	<u>(29,250)</u>
FUND BALANCE as of June 30, 2017	<u>\$ 192,865</u>	<u>\$ 201,475</u>	<u>\$ -</u>	<u>\$ (29,250)</u>

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

STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2017

	SPECIAL REVNEUE			
	CARL PERKINS SECONDARY	CARL PERKINS HIGH SCHOOL	MEDICAID XIX	LOCAL COMBINED SCHOOLS
REVENUE				
Federal Programs	\$ -	\$ -	\$ 537,279	\$ -
State Programs	-	-	-	-
State Equalization	-	-	-	-
Interest Earnings	-	-	-	-
Private/Direct Grants	-	-	-	-
Charges for Services	-	-	-	-
Fees	-	-	-	-
Donations	-	-	-	-
Sale of Property	-	-	-	-
Miscellaneous	-	-	-	-
Indirect Cost				
Rent and Royalties				
Local Property Taxes				
Refund of Prior Year's Expenditures				
TOTAL REVENUES	-	-	537,279	-
EXPENDITURES				
Current				
Instruction	-	-	-	-
Support Services				
Support Services-Students	-	-	158,057	-
Support Services-Instruction	-	-	-	-
Support Services-General Administration	-	-	-	-
Support Services-School Administration	-	-	-	-
Central Services	-	-	-	-
Operation & Maintenance of Plant	-	-	-	-
Student Transportation	-	-	-	-
Other Support Services	-	-	-	-
Food Services-Operations	-	-	-	-
Community Services-Operations	-	-	-	-
Acquisition & Construction	-	-	-	-
TOTAL EXPENDITURES	-	-	158,057	-
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	-	-	379,222	-
Other Financing Sources (uses)				
Refunds to PED	-	-	-	-
Transfer/Refunds	-	-	-	-
Total Other Financial Sources	-	-	-	-
Net Change In Fund Balance	-	-	379,222	-
FUND BALANCE				
as of June 30, 2016	-	10,060	(3,648)	621
Restatement	-	(10,060)	-	(621)
Restated Balance	-	-	(3,648)	-
FUND BALANCE as of June 30, 2017	\$ -	\$ -	\$ 375,574	\$ -

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

STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2017

	SPECIAL REVNEUE			
	KINDERGARTEN THREE PLUS AFTER SCHOOL	AFTER SCHOOL SUMMER ENRICHMENT	SCHOOL LIBRARY MATERIALS	EARLY INTERVENTION CYFD
REVENUE				
Federal Programs	\$ -	\$ -	\$ -	\$ -
State Programs	172,620	44,569	-	23,873
State Equalization	-	-	-	-
Interest Earnings	-	-	-	-
Private/Direct Grants	-	-	-	-
Charges for Services	-	-	-	-
Fees	-	-	-	-
Donations	-	-	-	-
Sale of Property	-	-	-	-
Miscellaneous	-	-	-	-
Indirect Cost				
Rent and Royalties				
Local Property Taxes				
Refund of Prior Year's Expenditures				
TOTAL REVENUES	<u>172,620</u>	<u>44,569</u>	<u>-</u>	<u>23,873</u>
EXPENDITURES				
Current				
Instruction	130,207	38,459	-	2,028
Support Services				
Support Services-Students	-	-	-	-
Support Services-Instruction	-	-	-	-
Support Services-General Administration	-	6,110	-	-
Support Services-School Administration	-	-	-	-
Central Services	-	-	-	-
Operation & Maintenance of Plant	-	-	-	-
Student Transportation	42,413	-	-	-
Other Support Services	-	-	-	-
Food Services-Operations	-	-	-	-
Community Services-Operations	-	-	-	-
Acquisition & Construction	-	-	-	-
TOTAL EXPENDITURES	<u>172,620</u>	<u>44,569</u>	<u>-</u>	<u>2,028</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	-	-	-	21,845
Other Financing Sources (uses)				
Refunds to PED	-	-	-	-
Transfer/Refunds	-	-	-	-
Total Other Financial Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change In Fund Balance	-	-	-	21,845
FUND BALANCE				
as of June 30, 2016	-	-	-	74,288
Restatement	-	-	-	-
Restated Balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>74,288</u>
FUND BALANCE as of June 30, 2017	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 96,133</u>

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

STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2017

	CAPITAL PROJECTS			TOTAL NON MAJOR CAPITAL PROJECTS
	SPECIAL CAPITAL OUTLAY STATE	CAPITAL IMPROVEMENT SB 9 STATE	CAPITAL IMPROVEMENT SB 9 LOCAL	
REVENUE				
Federal Programs	\$ -	\$ -	\$ -	\$ -
State Programs	55,637	-	-	55,637
State Equalization	-	-	-	-
Interest Earnings	-	-	5,270	5,289
Private/Direct Grants	-	-	-	-
Charges for Services	-	-	-	-
Fees	-	-	-	-
Donations	-	-	-	-
Sale of Property	-	-	-	-
Miscellaneous	-	-	-	-
Indirect Cost	-	-	-	-
Rent and Royalties	-	-	-	-
Local Property Taxes	-	-	1,208,312	1,208,312
Refund of Prior Year's Expenditures	-	-	-	-
TOTAL REVENUES	55,637	-	1,213,582	1,269,238
EXPENDITURES				
Current				-
Instruction	-	-	-	-
Support Services				-
Support Services-Students	-	-	-	-
Support Services-Instruction	-	-	-	-
Support Services-General Administration	-	-	9,539	9,539
Support Services-School Administration	-	-	-	-
Central Services	-	-	-	-
Operation & Maintenance of Plant	-	-	-	-
Student Transportation	-	-	-	-
Other Support Services	-	-	-	-
Food Services-Operations	-	-	-	-
Community Services-Operations	-	-	-	-
Acquisition & Construction	200,764	-	1,188,810	3,188,054
TOTAL EXPENDITURES	200,764	-	1,198,349	3,197,593
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(145,127)	-	15,233	(1,928,355)
Other Financing Sources (uses)				-
Refunds to PED	-	-	-	-
Transfer/Refunds	-	(975,187)	975,187	-
Total Other Financial Sources	-	(975,187)	975,187	-
Net Change In Fund Balance	(145,127)	(975,187)	990,420	(1,928,355)
FUND BALANCE				
as of June 30, 2016	(80,000)	968,424	(795)	2,838,385
Restatement	195,000	6,763	(6,763)	195,000
Restated Balance	115,000	975,187	(7,558)	3,033,385
FUND BALANCE as of June 30, 2017	\$ (30,127)	\$ -	\$ 982,862	\$ 1,105,030

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

<u>DEBT SERVICE</u>	
<u>ED TECH DEBT SERVICE</u>	<u>TOTAL NON MAJOR FUNDS</u>
\$ -	\$ 3,106,207
-	556,032
-	-
-	6,040
-	144,000
-	-
-	256,919
-	-
-	-
-	-
-	-
-	1,208,312
-	-
-	<u>5,277,510</u>
-	-
-	-
-	-
-	1,083,239
-	-
-	427,215
-	221,182
-	58,079
-	108,563
-	-
-	-
-	42,413
-	-
-	1,496,362
-	46,230
-	<u>3,188,054</u>
-	<u>6,671,337</u>
-	-
-	(1,393,827)
-	-
-	-
-	-
-	-
-	<u>(1,393,827)</u>
-	-
-	-
59,715	2,890,397
-	483,522
<u>59,715</u>	<u>3,373,919</u>
-	-
<u>\$ 59,715</u>	<u>\$ 1,980,092</u>

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

STATE OF NEW MEXICO
 LOVINGTON MUNICIPAL SCHOOLS
 COMBINING BALANCE SHEET -- GENERAL FUND

June 30, 2017

	Operational	Transportation	Instructional Materials	TOTALS
ASSETS				
Cash on Deposit	\$ 3,409,600	\$ 850	\$ 134,026	\$ 3,544,476
Due from Other Funds	541,329	-	-	541,329
Property Tax Receivable	15,537	-	-	15,537
TOTAL ASSETS	\$ 3,966,466	\$ 850	\$ 134,026	\$ 4,101,342
LIABILITIES AND FUND BALANCE				
Accounts Payable	\$ 55,038	\$ -	\$ -	\$ 55,038
Accrued Payroll	534,512	-	-	534,512
TOTAL LIABILITIES	589,550	-	-	589,550
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue	4,253	-	-	4,253
Unearned Revenue	-	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	4,253	-	-	4,253
FUND BALANCE				
Nonspendable	-	-	-	-
Restricted:				
Transportation	-	850	-	850
Instructional Materials	-	-	134,026	134,026
Unassigned	3,372,663	-	-	3,372,663
TOTAL FUND BALANCE	3,372,663	850	134,026	3,507,539
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 3,966,466	\$ 850	\$ 134,026	\$ 4,101,342

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

STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES
IN FUND BALANCE -- GENERAL FUND

Year Ended June 30, 2017

	Operational	Transportation	Instructional Materials	TOTALS
REVENUE				
Federal Programs	\$ -	\$ -	\$ -	\$ -
State Programs	-	951,612	217,865	1,169,477
State Equalization	28,621,922	-	-	28,621,922
Interest Earnings	6,273	-	-	6,273
Private/Direct Grants	-	-	-	-
Charges For Services	-	-	-	-
Fees	11,586	-	-	11,586
Donations	29,308	-	-	29,308
Sale of Property	-	-	-	-
Miscellaneous	1,752	-	-	1,752
Indirect Cost	42,431	-	-	42,431
Rent and Royalties	15,858	-	-	15,858
Local Property Taxes	273,730	-	-	273,730
TOTAL REVENUES	29,002,860	951,612	217,865	30,172,337
EXPENDITURES				
Current				
Instruction	19,125,205	-	247,643	19,372,848
Support Services	-	-	-	-
Support Services-Students	3,528,162	-	-	3,528,162
Support Services-Instruction	269,270	-	-	269,270
Support Services-General Administration	756,967	-	-	756,967
Support Services-School Administration	2,243,857	-	-	2,243,857
Central Services	978,611	-	-	978,611
Operation & Maintenance of Plant	3,475,122	-	-	3,475,122
Student Transportation	-	963,869	-	963,869
Food Services	1,200	-	-	1,200
Community Services	809	-	-	809
Construction & Acquisition	41,402	-	-	41,402
TOTAL EXPENDITURES	30,420,605	963,869	247,643	31,632,117
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(1,417,745)	(12,257)	(29,778)	(1,459,780)
Other Financing Sources (uses)				
Refunds to PED	-	(13,108)	-	(13,108)
Transfer IN (OUT)	-	-	-	-
Total Other Financial Sources	-	(13,108)	-	(13,108)
Net Change In Fund Balances	(1,417,745)	(25,365)	(29,778)	(1,472,888)
FUND BALANCE				
as of June 30, 2016	4,442,513	26,215	163,804	4,632,532
Restatement	347,895	-	-	347,895
Restated Balance	4,790,408	26,215	163,804	4,980,427
FUND BALANCE as of June 30, 2017	\$ 3,372,663	\$ 850	\$ 134,026	\$ 3,507,539

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

STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS

STATEMENT OF REVENUE & EXPENDITURES--BUDGET (NON-GAAP)
AND ACTUAL--GENERAL FUND--OPERATIONAL

Year Ended June 30, 2017

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
Residential/Non-Residential Taxes	\$ 422,811	\$ 422,811	\$ 278,885	\$ (143,926)
Fees - Educational	-	-	469	469
Rent and Leases	-	-	15,858	15,858
Fees Activities	-	-	347	347
Fees-Users	-	-	10,770	10,770
Donations/Gifts	-	-	29,308	29,308
Interest Income	5,000	5,000	6,273	1,273
State Equalization	29,541,025	28,509,954	28,621,922	111,968
Refunds	-	-	1,710	1,710
Indirect Cost - (Flow Through Grants)	-	-	42,431	42,431
TOTAL REVENUE	29,968,836	28,937,765	\$ 29,007,973	\$ 70,208
Cash Balance Budgeted	3,322,932	3,322,932		
TOTAL REVENUE & CASH	\$ 33,291,768	\$ 32,260,697		
EXPENDITURES				
Current				
Instruction	\$ 20,871,511	\$ 19,985,865	\$ 19,146,862	\$ 839,003
Support Services				
Support Services-Students	3,927,801	3,908,401	3,528,162	380,239
Support Services-Instruction	328,208	310,183	269,270	40,913
Support Services-General Administration	938,475	883,475	756,967	126,508
Support Services-School Administration	2,350,379	2,307,379	2,243,857	63,522
Central services	1,049,028	1,039,028	978,611	60,417
Operation & Maintenance of Plant	3,712,081	3,712,081	3,420,084	291,997
Other Support Services	21,917	21,917	-	21,917
Food Services-Operations	1,260	1,260	1,200	60
Community Services-operations	2,288	2,288	810	1,478
Acquisition & Construction	88,820	88,820	41,402	47,418
TOTAL EXPENDITURES	\$ 33,291,768	\$ 32,260,697	\$ 30,387,225	\$ 1,873,472

Explanation of Difference between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Sources/inflows of resources

Actual amounts (budgetary basis)	\$ 29,007,973
Differences-Budget to GAAP	
Property tax Receivable	11,287
Prior Year Tax Receivables	(16,400)
Total Revenues (GAAP Basis)	\$ 29,002,860

Uses/outflows of resources

Actual amounts (budgetary basis)	\$ 30,387,225
Differences-budget to GAAP	
Accounts Payable	33,380
Total Expenditures (GAAP Basis)	\$ 30,420,605

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

STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS

STATEMENT OF REVENUE & EXPENDITURES--BUDGET (NON-GAAP)
AND ACTUAL--GENERAL FUND--TRANSPORTATION FUND

Year Ended June 30, 2017

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
State Flow Through Grants	\$ 994,579	\$ 951,612	\$ 951,612	\$ -
TOTAL REVENUE	<u>994,579</u>	<u>951,612</u>	<u>\$ 951,612</u>	<u>\$ -</u>
Cash Balance Budgeted	<u>-</u>	<u>13,107</u>		
TOTAL REVENUE & CASH	<u>\$ 994,579</u>	<u>\$ 964,719</u>		
EXPENDITURES				
Current				
Student Transportation	\$ 994,579	\$ 964,719	\$ 963,869	\$ 850
TOTAL EXPENDITURES	<u>\$ 994,579</u>	<u>\$ 964,719</u>	<u>\$ 963,869</u>	<u>\$ 850</u>

Explanation of Difference between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Sources/inflows of resources

Actual amounts (budgetary basis)	\$ 951,612
Differences-Budget to GAAP	
Total Revenues (GAAP Basis)	<u>\$ 951,612</u>

Uses/outflows of resources

Actual amounts (budgetary basis)	\$ 963,869
Differences-budget to GAAP	
Total Expenditures (GAAP Basis)	<u>\$ 963,869</u>

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

STATE OF NEW MEXICO
 LOVINGTON MUNICIPAL SCHOOLS

STATEMENT OF REVENUE & EXPENDITURES--BUDGET (NON-GAAP)
 AND ACTUAL--GENERAL FUND--INSTRUCTIONAL MATERIALS

Year Ended June 30, 2017

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
State Flow Through Grants	\$ 202,451	\$ 187,575	\$ 217,865	\$ 30,290
Refunds	-	-	-	-
TOTAL REVENUE	<u>202,451</u>	<u>187,575</u>	<u>\$ 217,865</u>	<u>\$ 30,290</u>
Cash Balance Budgeted	<u>-</u>	<u>163,804</u>		
TOTAL REVENUE & CASH	<u>\$ 202,451</u>	<u>\$ 351,379</u>		
EXPENDITURES				
Current				
Instruction	\$ 202,451	\$ 351,379	\$ 247,643	\$ 103,736
TOTAL EXPENDITURES	<u>\$ 202,451</u>	<u>\$ 351,379</u>	<u>\$ 247,643</u>	<u>\$ 103,736</u>

Explanation of Difference between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Sources/inflows of resources

Actual amounts (budgetary basis)	\$ 217,865
Differences-Budget to GAAP	
Total Revenues (GAAP Basis)	<u>\$ 217,865</u>

Uses/outflows of resources

Actual amounts (budgetary basis)	\$ 247,643
Differences-budget to GAAP	
Total Expenditures (GAAP Basis)	<u>\$ 247,643</u>

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

STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS

STATEMENT OF REVENUE & EXPENDITURES--BUDGET (NON-GAAP)
AND ACTUAL--CAPITAL PROJECTS FUND--HOUSE BILL 33

Year Ended June 30, 2017

	ORIGINAL BUDGET	BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
Residential/Non-Residential Taxes	\$ 1,785,293	\$ 1,785,293	\$ 1,212,456	\$ (572,837)
Interest Income	-	-	2,741	2,741
TOTAL REVENUE	<u>1,785,293</u>	<u>1,785,293</u>	<u>\$ 1,215,197</u>	<u>\$ (570,096)</u>
Cash Balance Budgeted	<u>523,941</u>	<u>523,941</u>		
TOTAL REVENUE & CASH	<u>\$ 2,309,234</u>	<u>\$ 2,309,234</u>		
EXPENDITURES				
Current				
Instruction	\$ -	\$ -	\$ -	\$ -
Acquisition & Construction	2,309,234	2,309,234	1,259,654	1,049,580
TOTAL EXPENDITURES	<u>\$ 2,309,234</u>	<u>\$ 2,309,234</u>	<u>\$ 1,259,654</u>	<u>\$ 1,049,580</u>

Explanation of Difference between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Sources/inflows of resources

Actual amounts (budgetary basis)	\$ 1,215,197
Differences-Budget to GAAP	
Prior Year Tax Receivables	(69,211)
Current Year Receivable	48,454
Total Revenues (GAAP Basis)	<u>\$ 1,194,440</u>

Uses/outflows of resources

Actual amounts (budgetary basis)	\$ 1,259,654
Differences-budget to GAAP	
Prior year Accounts Payable	(31,723)
Current year Accounts Payable	35,653
Total Expenditures (GAAP Basis)	<u>\$ 1,263,584</u>

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

STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS

STATEMENT OF REVENUE & EXPENDITURES--BUDGET (NON-GAAP)
ACTUAL (NON GAAP BUDGETARY BASIS)--DEBT SERVICE FUND

Year Ended June 30, 2017

	ORIGINAL BUDGET	BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
Residential/Non-Residential Taxes	\$ 3,793,000	\$ 3,793,000	\$ 4,414,070	\$ 621,070
Interest Income	-	-	90	90
Bond Proceeds	-	-	240,000	240,000
TOTAL REVENUE	<u>3,793,000</u>	<u>3,793,000</u>	<u>\$ 4,654,160</u>	<u>\$ 861,160</u>
Cash Balance Budgeted	<u>3,121,830</u>	<u>3,121,830</u>		
TOTAL REVENUE & CASH	<u>\$ 6,914,830</u>	<u>\$ 6,914,830</u>		
EXPENDITURES				
Current				
Support Services-General Administration	\$ 20,000	\$ 29,000	\$ 29,000	\$ -
Other Support Services	3,101,130	3,092,130	118,192	2,973,938
Principal	2,370,000	2,370,000	2,370,000	-
Interest and Finance Charges	1,423,700	1,423,700	1,385,220	38,480
TOTAL EXPENDITURES	<u>\$ 6,914,830</u>	<u>\$ 6,914,830</u>	<u>\$ 3,902,412</u>	<u>\$ 3,012,418</u>

Explanation of Difference between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Sources/inflows of resources

Actual amounts (budgetary basis)	\$ 4,654,160
Differences-Budget to GAAP	
Current Year Receivable	269,015
Prior Year Receivable	(325,969)
Total Revenues (GAAP Basis)	<u>\$ 4,597,206</u>

Uses/outflows of resources

Actual amounts (budgetary basis)	\$ 3,902,412
Differences-budget to GAAP	
Total Expenditures (GAAP Basis)	<u>\$ 3,902,412</u>

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

STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS

SCHEDULE OF PLEDGED COLLATERAL

June 30, 2017

	TOTAL DEPOSITS	FDIC INSURANCE	UNINSURED BANK BALANCE	COLLATERAL REQUIRED	COLLATERAL PLEDGED	SECURITY DEFICIT	UNINSURED & UNCOLLATERALIZED DEPOSITS
WESTERN COMMERCE BANK	\$ 5,396,551	\$ 368,785	\$ 5,027,766	\$ 2,513,883	\$ 3,616,251	\$ -	\$ 1,411,515

COLLATERAL	CUSIP #	MATURITY	CREDIT AMOUNT
GNMA	80362	01/20/30	\$ 27,385
GNMA	80170	02/20/28	27,671
GNMA	8146	02/20/23	26,660
FNMA	654159	10/01/32	52,649
FHLMC	A84288	01/01/39	46,582
GNMA	714730	06/15/39	305,567
FNMA	MA0602	12/01/30	433,744
FNMA	AJ4035	10/01/41	607,343
FNMA	704407	05/01/33	58,311
FHLMC	GO8534	06/01/43	732,690
FNMA	AC4792	10/01/39	312,768
FNMA	888990	01/01/37	112,328
SBAP	2008-20H	08/01/28	465,274
FHLMC	GO8473	01/01/42	407,279
			<u>\$ 3,616,251</u>

SECURITIES HELD AT FEDERAL HOME LOAN BANK DALLAS, TX

	TOTAL DEPOSITS	FDIC INSURANCE	UNINSURED BANK BALANCE	COLLATERAL REQUIRED	COLLATERAL PLEDGED	SECURITY DEFICIT	UNINSURED & UNCOLLATERALIZED DEPOSITS
LEA COUNTY STATE BANK	\$ 420,196	\$ 250,000	\$ 170,196	\$ 85,098	\$ 170,196	\$ -	\$ -

COLLATERAL	CUSIP #	MATURITY	CREDIT AMOUNT
DEXTER NM ISD 5%		08/01/21	200,000
ALAMOGORDO NM 4%		08/01/34	595,000
			<u>\$ 795,000</u>

SECURITIES HELD AT LEA COUNTY STATE BANK HOBBS, NM

	TOTAL DEPOSITS	FDIC INSURANCE	UNINSURED BANK BALANCE	COLLATERAL REQUIRED	COLLATERAL PLEDGED	SECURITY DEFICIT	UNINSURED & UNCOLLATERALIZED DEPOSITS
WELLS FARGO BANK	\$ 5,253,890	\$ 250,000	\$ 5,003,890	\$ 2,501,945	\$ 2,764,382	\$ -	\$ 2,239,508

COLLATERAL	CUSIP #	MATURITY	CREDIT AMOUNT
FMAC	3128MMTK9	05/01/30	56,593
FMAC	3132GKV94	11/01/41	216,129
FNMA	3138WQAY8	05/01/43	1,189
FNMA	31417DAJ2	09/01/42	173,693
FNMA	31418AEBO	04/01/32	2,316,778
			<u>\$ 2,764,382</u>

SECURITIES HELD AT BANK OF NEW YORK MELLON NEW YORK, NY

	TOTAL DEPOSITS	FDIC INSURANCE	UNINSURED BANK BALANCE	COLLATERAL REQUIRED	COLLATERAL PLEDGED	SECURITY DEFICIT	UNINSURED & UNCOLLATERALIZED DEPOSITS
STATE OF NEW MEXICO LGIP	1,097,913	-			1,097,913		

	TOTAL DEPOSITS	FDIC INSURANCE	UNINSURED BANK BALANCE	COLLATERAL REQUIRED	COLLATERAL PLEDGED	SECURITY DEFICIT	UNINSURED & UNCOLLATERALIZED DEPOSITS
RBC CAPITAL	50,036	50,036					

	TOTAL DEPOSITS	FDIC INSURANCE	UNINSURED BANK BALANCE	COLLATERAL REQUIRED	COLLATERAL PLEDGED	SECURITY DEFICIT	UNINSURED & UNCOLLATERALIZED DEPOSITS
TOTAL ALL BANKS	<u>\$ 12,218,586</u>	<u>\$ 918,821</u>	<u>\$ 10,201,852</u>	<u>\$ 5,100,926</u>	<u>\$ 7,648,742</u>		<u>\$ 3,651,023</u>

STATE OF NEW MEXICO
 LOVINGTON MUNICIPAL SCHOOLS

BANK SUMMARY

June 30, 2017

BANK	ACCT TYPE	FUND	BANK BALANCE	DEPOSITS IN TRANSIT	OUTSTANDING CHECKS	CASH BALANCE
WESTERN COMMERCE BANK	CHK	FEDERAL ACCOUNT	\$ 1,009,916	\$ -	\$ 8,459	\$ 1,001,457
	CHK	OPERATIONS	4,155,523	-	907,440	3,248,083
	CHK	CAFETERIA	112,644	-	-	112,644
	* CD	ACTIVITY	118,468	-	-	118,468
TOTAL			5,396,551	-	915,899	4,480,652
LEA COUNTY STATE BANK	* CHK	ACTIVITY/ATHLETICS	420,196	-	1,027	419,169
WELLS FARGO BANK	CHK	CAPITAL IMPROVEMENTS	1,323,976	-	38,620	1,285,356
	CHK	PAYROLL CLEARING	28,640	-	-	28,640
	CHK	DEBT SERVICE	3,901,274	-	-	3,901,274
TOTAL			5,253,890	-	38,620	5,215,270
STATE OF NEW MEXICO LGIP	*	CAPITAL PROJECTS	1,093,646			1,093,646
	*	OPERATIONAL	4,267			4,267
			1,097,913			1,097,913
RBC Capital Markets	*	DEBT SERVICE	50,036			50,036
TOTAL ALL BANKS			<u>\$ 12,218,586</u>	<u>\$ -</u>	<u>\$ 955,546</u>	<u>\$ 11,263,040</u>

* interest bearing

RECONCILED CASH BALANCE	\$ 11,263,040
AGENCY CASH	(336,162)
	-
CASH PER FINANCIAL STATEMENTS	<u>\$ 10,926,878</u>

STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS

BANK RECONCILIATION

JUNE 30, 2017

	Operational	Payroll Clearing	ERB/NMPSIA Clearing	Transportation	Food Services	Athletics	Federal Projects	Local & State
Audited Net Cash								
JUNE 30, 2016	\$ 2,451,852	\$ 34,240	\$ 1,570,420	\$ 26,214	\$ 235,278	\$ 196,248	\$ 3,944	\$ 195,665
Audit Adjustment	18						(53,198)	(154,018)
Loan In/Out	-	-	-	-	-	-	-	-
CASH BALANCE								
JUNE 30, 2016	2,451,870	34,240	1,570,420	26,214	235,278	196,248	(49,254)	41,647
Add:								
2016-2017 Revenue	29,007,973	-	-	951,612	1,309,674	85,710	3,063,141	670,502
Loans In	1,312,691	-	-	-	-	-	326,580	128,449
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	30,320,664	-	-	951,612	1,309,674	85,710	3,389,721	798,951
TOTAL AVAILABLE CASH	32,772,534	34,240	1,570,420	977,826	1,544,952	281,958	3,340,467	840,598
Less:								
2016-2017 Expenditures	30,387,225	-	-	963,869	1,432,308	80,483	1,435,071	514,498
Loans Out	455,029	-	-	-	-	-	577,359	-
Accrued Payroll	-	-	-	-	-	-	-	-
Paid Back To PED	-	-	-	13,107	-	-	-	-
Change Clearing Accts	-	34,240	1,541,780	-	-	-	-	-
	30,842,254	34,240	1,541,780	976,976	1,432,308	80,483	2,012,430	514,498
NET CASH, JUNE 30, 2017	1,930,280	-	28,640	850	112,644	201,475	1,328,037	326,100
Held Checks	534,512	-	-	-	-	-	-	-
Operational Cash	916,168	-	-	-	-	-	(916,168)	-
A/P Clearing Cash	28,640	-	(28,640)	-	-	-	-	-
Cash Held in Escrow								
TOTAL CASH JUNE 30, 2017	\$ 3,409,600	\$ -	\$ -	\$ 850	\$ 112,644	\$ 201,475	\$ 411,869	\$ 326,100

SB-9	Ed Tech Debt Service	Debt Service	Instructional Materials	Special Capital Outlay State	Special Capital Outlay Local	Capital Improvement HB 33	Bond Building	Activities	Total
\$ 895,187 2,401 -	\$ 59,715	\$ 3,136,863	\$ 163,804	\$ - (80,000) 80,000	\$ 8,800	\$ 1,341,034 2,353 (80,000)	\$ 3,260,500	\$ 355,803	\$ 13,935,567 (282,444) -
897,588	59,715	3,136,863	163,804	-	8,800	1,263,387	3,260,500	355,803	13,653,123
1,234,301	-	4,414,070	217,866	195,000	-	1,215,198	20	297,016	42,662,083
80,000	-	3,700	-	5,763	-	-	-	-	1,857,183
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
1,314,301	-	4,417,770	217,866	200,763	-	1,215,198	20	297,016	44,519,266
2,211,889	59,715	7,554,633	381,670	200,763	8,800	2,478,585	3,260,520	652,819	58,172,389
1,198,349	-	3,713,075	247,643	200,763	8,725	1,259,654	3,108,299	316,657	44,866,619
-	-	-	-	-	-	5,763	-	-	1,038,151
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	13,107
-	-	-	-	-	-	-	-	-	1,576,020
1,198,349	-	3,713,075	247,643	200,763	8,725	1,265,417	3,108,299	316,657	47,493,897
1,013,540	59,715	3,841,558	134,027	-	75	1,213,168	152,221	336,162	10,678,492
-	-	-	-	-	-	-	-	-	534,512
-	-	-	-	-	-	-	-	-	-
		50,036							50,036
<u>\$ 1,013,540</u>	<u>\$ 59,715</u>	<u>\$ 3,891,594</u>	<u>\$ 134,027</u>	<u>\$ -</u>	<u>\$ 75</u>	<u>\$ 1,213,168</u>	<u>\$ 152,221</u>	<u>\$ 336,162</u>	11,263,040

Agency Cash (336,162)
\$ 10,926,878

STATE OF NEW MEXICO
 LOVINGTON MUNICIPAL SCHOOLS
 SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES-- AGENCY FUNDS

Year Ended June 30, 2017

	Balance 6/30/2016	ADDITIONS	DEDUCTIONS	Balance 6/30/2017
High School Yearbook	\$ 8,103	\$ 3,544	\$ 5,335	\$ 6,312
6th Grade Energy Club	640	1	-	641
Business Professionals of America	3,040	-	-	3,040
7th Grade Choir	3,523	2,760	2,595	3,688
Key Club	1,849	-	-	1,849
AP Consumable Lab/Cavine	286	-	-	286
Cheerleaders-Jr High	1,410	-	736	674
Geo Group Scholarship	-	4,000	1,000	3,000
Communication/Drama	218	791	490	519
Consumable Workbooks	108	-	-	108
Llano Activity Fund	8,482	687	6,485	2,684
FFA	25,755	41,568	44,011	23,312
LHS FCCLA	2,054	2,640	1,744	2,950
Scholarship Activity	4,749	-	-	4,749
High School Computer Lab-NMJC	374	-	1	373
HS Student ID	987	-	-	987
Administration Coke Fund	283	1	-	284
Judy Davis Memorial	398	-	-	398
TMS Activity Account	2,311	14,427	15,986	752
6th Grade Activity Account	4,333	23,157	17,933	9,557
Class of 2017	9,145	425	3,656	5,914
Lost Textbooks	3,654	1,036	3,956	734
Miscellaneous	5,473	5,378	8,913	1,938
NOW/Account/Interest Earned	2,586	87	250	2,423
Class of 2020	2,001	-	382	1,619
Class of 2018	2,535	4,746	2,155	5,126
Choir Activity	10,654	1,931	3,125	9,460
Special Education Fund	30,094	9,401	13,016	26,479
TMS Honor Society	1,090	244	254	1,080
Student Council-High School	21,820	12,983	14,262	20,541
Student Council-Jr. High	918	-	-	918
6th Grade Honor Society	6,544	2,894	4,585	4,853
Summer School	27,517	2,200	500	29,217
Volleyball-High School	1,464	-	-	1,464
Freshman Academy Home Economics	219	1	-	220
Agnes Kastner Scholarship	2,088	39	-	2,127
H. Clardy Scholarship	2,613	63	-	2,676
Crouse Memorial Scholarship	5,906	619	1,000	5,525
Wal-Mart Teacher of the Year	33	-	-	33
9th Media Class	1,371	-	-	1,371
Ben Alexander Activity	8,128	9,745	11,660	6,213
Task Force for Substance	1,250	-	-	1,250
LHS Brick	2,576	470	251	2,795
National Honor Society	2,699	1,442	1,667	2,474
TMS Library	2,801	1,813	1,811	2,803
Jr. High Library	719	375	39	1,055
Jefferson Activity Fund	2,099	24,560	23,254	3,405
Miles and Smiles	300	10,585	10,361	524
After Grads	30,721	22,900	18,609	35,012
High School Library	5,769	629	2,134	4,264

	Balance 6/30/2016	ADDITIONS	DEDUCTIONS	Balance 6/30/2017
Junior High Garden Club	1,250	-	264	986
Jr. High National Honor Society	211	-	-	211
Culinary Arts Lab Fee	1,472	2,702	2,643	1,531
High School Principals Acct	5,998	863	3,486	3,375
High School Math	1,681	-	-	1,681
High School Parking Stickers	389	-	-	389
Yarbro Library	1,990	11,355	9,804	3,541
Jefferson Library	22,384	8,516	8,266	22,634
Ben A Library	5,197	5,823	4,247	6,773
Lea Library	2,473	5,229	5,620	2,082
Llano Library	2,594	5,966	5,467	3,093
Bob Jameson Memorial	325	-	-	325
Freshman Academy Volleyball	63	-	-	63
Elementary Fine Arts - Belinda	2,774	1,585	-	4,359
High School Art Club	295	-	-	295
9th Grade Student Council	1,754	-	314	1,440
Brian Urlacher Scholarship	3,125	-	2,000	1,125
David Templeman Memorial	6,180	-	-	6,180
Wildcat Tale	1,319	1	-	1,320
FSC High School	517	623	712	428
TMS Band	1,870	3,412	4,085	1,197
Lea Activity Fund	14,501	15,395	20,689	9,207
High School Tech Lab	1,033	-	-	1,033
Yarbro Activity Account	4,798	17,556	15,735	6,619
9th Grade Cross Country	913	-	-	913
Character Counts	5	-	-	5
Science Activity Fund	2,475	6,800	8,963	312
Department of Public Safety	274	-	-	274
Freshman Academy Activity	1,377	-	-	1,377
HS - PSAT Testing	598	15	-	613
9th Dance Fund	544	-	-	544
NHHS Activity	593	3,033	2,205	1,421
9th Grade Cheerleader Fund	241	-	-	241
Aaron Austin Scholarship	335	-	-	335
J.D. Fry Scholarship	300	-	-	300
High School Band	252	-	1	251
Caprock Pipe Supply Scholarship	2	-	-	2
PNM Grants	6	-	-	6
Urlacher Royalties	1	-	-	1
	<u>\$ 355,803</u>	<u>\$ 297,016</u>	<u>\$ 316,657</u>	<u>\$ 336,162</u>

Woodard, Cowen & Co.

Certified Public Accountants

INDEPENDENT AUDITOR'S 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

Mr. Wayne A. Johnson
New Mexico State Auditor
Board of Education
Lovington Municipal Schools
Lovington, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, and the budgetary comparison for the General Fund and major special revenue funds of Lovington Municipal Schools (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 10, 2017.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. 2017-001 & 2017-002.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The District's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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.

A handwritten signature in cursive script that reads "Woodard, Cowen & Co." The signature is written in dark ink on a white background.

Woodard, Cowen & Compan

Portales, New Mexico

November 10, 2017

Woodard, Cowen & Co.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Mr. Wayne A. Johnson
New Mexico State Auditor
Board of Education
Lovington Municipal Schools
Lovington, New Mexico

Report on Compliance for Each Major Federal Program

We have audited Lovington Municipal Schools' (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2017. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

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

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

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

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

A handwritten signature in cursive script that reads "Woodard, Cowen & Co." The signature is written in black ink and is positioned above the printed name of the firm.

Woodard, Cowen & Company

Portales, New Mexico

November 10, 2017

STATE OF NEW MEXICO
 LOVINGTON MUNICIPAL SCHOOLS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2017

	<u>FEDERAL CFDA NUMBER</u>	<u>PASS THROUGH GRANTOR NUMBER</u>	<u>PROGRAM EXPENDITURES</u>
<u>US DEPARTMENT OF EDUCATION</u>			
Passed through New Mexico Public Education Department			
Title I	84.010	24101	\$ 420,890
Idea B Entitlement	84.027	24106	696,095
IDEA B Preschool	84.173	24109	29,542
English Language Acquisition	84.365	24153	1,753
Teacher/Principal Training	84.367	24154	37,253
Title I School Improvement	84.010	24162	38,541
Title XIX Medicaid	93.778	25153	<u>158,059</u>
Total Department of Education			<u>1,382,133</u>
<u>US DEPARTMENT OF AGRICULTURE</u>			
Passed Through New Mexico Public Education Department			
National School Lunch	<1> 10.555	21000	1,289,214
School Food Commodity Distribution Program	<1> 10.559	21000	<u>55,640</u>
Total Department of Agriculture			<u>1,344,854</u>
<u>TOTAL FEDERAL AWARDS EXPENDITURES</u>			<u><u>\$ 2,726,987</u></u>

<1> Major Program

Reconciliation to Federal Revenues in Financial Statements:

Federal Revenues Per Financial Statements	\$ 3,106,207
Medicaid Fees for Service	(379,220)
Change in Fund Balance	-
	<u><u>\$ 2,726,987</u></u>

Note 1 The accompanying schedule of expenditures of Federal awards includes the Federal awards activity, under programs of the federal government for the year ended June 30, 2017 in accordance with the requirements of Title 2 U.S. code fo Federal Regulation Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the District , it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District.

Note 2 The District has elected to not use the 10 percent de minimus indirect cost rate as allowed under Uniform Guidance.

Note 3 Non-Monetary assistance of \$55,640 is included in the schedule at fair market value of the commodities received from the Department of Agriculture.

Note 4 The District had no loans or loan guarantee programs for the year ended June 30, 2017.

STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

June 30, 2017

PRIOR YEAR AUDIT FINDINGS – Lovington Municipal Schools

2015-005 Accounts Payable – Significant Deficiency

Condition: In our testing of accounts payable, we noted that the District did not record \$1,409,865 in invoices for accounts payable and incorrectly included \$175,187 of invoices in accounts payable. After adjustment, the invoices are properly reflected in the financial statements. The prior year corrective action plan, to be implemented annually in preparation for the conversion to the modified accrual basis, was proposed by the former Business Manager. The corrective action plan was not properly implemented at year end.

Recommendation: The District should review the procedures with the accounts payable personnel to ensure that the procedure is followed. Alternate methods could be devised with accounts payable personnel such as recording the invoices related to the prior period in an Excel spreadsheet while processing the invoices if the current method is unfeasible.

Status: Resolved

2016-001 Donated Assets – Other Matter

Condition: The District did not properly identify donated computer equipment and record the items in the District's records and did not tag the assets as District property. The total fair market value of the donated equipment is \$3,533.

Recommendation: The District should implement the necessary internal controls in order to identify and properly record all donated assets received.

Status: Resolved

STATE OF NEW MEXICO
 LOVINGTON MUNICIPAL SCHOOLS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 June 30, 2017

I. SUMMARY OF AUDITORS RESULTS:

Report on Financial Statements	Unmodified
Significant Deficiencies on GAGAS	2017-001 & 2017-002
Material Weakness involving Significant Deficiencies	None
Material Noncompliance	None
Questioned Cost	None
Type A & Type B dollar threshold	\$750,000
Entity Risk	Low Risk
Major Federal Program	National School Lunch #10.555 School Food Commodity Distributions Program #10.599
Significant Deficiencies on Internal Control over Major Programs	None
Report on Compliance with Major Programs	Unmodified

II. FEDERAL PROGRAM FINDINGS: None

III. FINANCIAL STATEMENT FINDINGS:

2017-001 – Deposits not made within 24 hours – Significant deficiency (control and compliance)

Statement of Condition: During the testing of bank deposits, four deposits totaling \$220 out of 40 deposits tested were not in compliance with the 24-hour rule. Three appear to from activities of the high school and one was from Pre-K.

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

Cause: Funds collected by District staff were not submitted to the campus secretary in time to deposited with the 24-hour period.

Effect: The purpose of the 24hour rule is to limit the vulnerability of fund to theft or loss. The longer funds sit on District property there is an increased chance of theft or loss. In addition, some activities are dependent on having funds available in the bank to pay for fund raising or operating expenditures. Funds kept in the office are not available for expenditures.

Recommendation: All funds should be deposited with 24 hours or one banking day. Funds that must remain on District property due the bank being closed should be in a secure place to prevent theft or destruction. Management should continue monitoring the process and continue training District staff.

Response: The business manager immediately began communication with the campus principals that all funds collected must be deposited within 24-hours. Many of these communications were witnessed by the auditor. The business manager, over the course of the following quarter, will monitor the District's compliance and help provide the tools or training necessary to bring the District into compliance.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
June 30, 2017

III. FINANCIAL STATEMENT FINDINGS: (continued)

2017-002 – Receipting of funds – Significant deficiency and compliance

Statement of Condition: During the review of the activity fund receipting process for the fiscal year ended, the auditors noted an inconsistency in the receipting from the source of activity deposits. For the fiscal year under audit it was noted that 33 out of the 40 deposits test appear to not have proper receipting from the source of the funds. This appears to be a District-wide issue as the exceptions came from multiple locations within the district.

Criteria: PSAB Supplement 18 page 4 states: The club sponsor or authorized staff member shall bring all monies collected and balanced to the receipts, to the designated personnel (typically site bookkeepers or secretaries who must issue a pre-numbered receipt to the club sponsor) for deposit by the school district office by the end of the day of collection. In most cases, the duplicate deposit slip, together with all records (cash register tapes, inventory sheets, etc.) must be submitted to the bookkeeper/secretary without delay, for recording in the school's financial management system (FMS) and depositing into the bank account.

Effect: The District has no way to measure or monitor the control of funds collected by staff of the District. The District cannot ascertain whether it is in compliance with the State's 24-hour deposit requirement.

Cause: All receipting of funds had been moved to the central office, but there is no consistency of receipted at the source of the funds.

Recommendation: Policies and procedures in place reflect existing state regulations, standard administrative procedures and generally accepted accounting practices. As with other funds, business officials should coordinate and implement all policies and rules pertaining to the supervision and administration of student activity funds in schools. This should be accordance with established policies and rules set forth in the district administrative procedures that have been approved by the governing boards. Personnel should then adhere to these policies and procedures.

Response: The business manager immediately began issuing receipt books to the campus principals and informing them that each receipt of funds must be recorded and receipted upon receipt. If necessary, the District will purchase more receipt books to aid in the receipting process

STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS

June 30, 2017

OTHER DISCLOSURES

AUDITOR PREPARED FINANCIAL STATEMENTS

These financial statements and related footnotes and supplemental information were prepared by the auditor. The auditor cannot be a part of the District's internal control, thus the preparation of the report is not a substitute for managements' internal control and is not considered in the auditors' evaluation of the severity of the internal control deficiency.

EXIT CONFERENCE

An exit conference, to discuss the contents of this report, was held on November 10, 2017. In attendance at the 1:00 PM meeting were LeAnne Gandy, Superintendent; Dymorie Maker, School Board; and Tanya Hutchins, Director of Finance. Gayland Cowen CPA represented our firm at this meeting. Also in attendance was audit committee members Elizabeth Wieser, Mark Roddenberry, and Allyson Roberts.