

**STATE OF NEW MEXICO  
LOVINGTON MUNICIPAL SCHOOLS**

**AUDITED FINANCIAL STATEMENTS  
AND OTHER FINANCIAL INFORMATION  
JUNE 30, 2018**

*Woodard, Cowen & Co.*

Certified Public Accountants

STATE OF NEW MEXICO  
LOVINGTON MUNICIPAL SCHOOLS  
JUNE 30, 2018

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STATE OF NEW MEXICO  
LOVINGTON MUNICIPAL SCHOOLS

OFFICIAL ROSTER

June 30, 2018

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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents. 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, 2018.

### **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, 2018, and the respective changes in financial position and, the respective budgetary comparisons for the General Fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each non-major governmental fund, and the combining financial statements for the General Fund of the District as of June 30, 2018, 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 – xi, the Schedule of Proportionate Share of the Net Pension Liability on page 40, the Schedule of Contributions on page 41, with the notes to the required supplementary information on page 42 and the Schedule of Employer's Proportionate Share of the Net OPEB Liability on page 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the District's 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 "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 "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 8, 2018 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 on a white background.

Woodard, Cowen & Company

Portales, New Mexico

November 8, 2018



# LOVINGTON MUNICIPAL SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2018

### 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, 2018. 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 2018 are as follows:

- ❖ Total assets and deferred outflows of governmental fund activities were \$118,721,706.
- ❖ Total liabilities and deferred inflows of governmental fund activities were \$142,338,611.
- ❖ The District had \$48.9 million in expense related to governmental activities. General revenues (primarily State Equalization Guarantee, property taxes, investments and miscellaneous income) were \$38.6 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 2018?" 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, 2018

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 \$43.7 million and expenditures \$39.7 million. The net change in net position for the year was an increase of approximately \$3,991,855.

# LOVINGTON MUNICIPAL SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2018

### 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 2018, 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 2018, the District had \$78.9 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, 2018, the District had outstanding bonds payable of \$42.8 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 an upturn in the economy, the District anticipates a stable enrollment for the next term. The state funding for education is expected to result in an increase in revenue for the next term and possibly thereafter. Management maintains a strong commitment to the District's financial security.

The Lovington Municipal School District receives approximately 80% 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, 2018

### 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 should be directed to:

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

STATE OF NEW MEXICO  
 LOVINGTON MUNICIPAL SCHOOLS  
 STATEMENT OF NET POSITION

June 30, 2018

|   | Governmental<br>Activities<br>Primary<br>Government |
|---|---|
| <u>ASSETS</u>   |   |
| Current:  |   |
| Cash  | \$ 12,547,443                                       |
| Due from other governments                              | 1,307,630   |
| Property Taxes Receivable                               | 830,788   |
| Inventory   | 20,284  |
| Non-current:  |   |
| Capital assets, Net                                     | <u>78,902,071</u>                                   |
| Total Assets  | 93,608,216  |
| <br><u>DEFERRED OUTFLOWS OF RESOURCES</u>               |   |
| Deferred outflows from OPEB                             | 362,729   |
| Deferred outflows from pensions                         | <u>24,750,761</u>                                   |
| Total Assets and Deferred Outflows                      | <u><u>\$ 118,721,706</u></u>                        |
| <br><u>LIABILITIES AND NET POSITION</u>                 |   |
| Current:  |   |
| Accounts Payable  | \$ 144,648  |
| Accrued Payroll   | -   |
| Accrued Interest Payable                                | 228,189   |
| Compensated Absences                                    | 185,825   |
| Unearned Revenue  | 1,842   |
| Due to other Agencies                                   | -   |
| Debt due within one year                                | 3,030,000   |
| Non-current:  |   |
| Bond premium (net of amortization of \$70,171)          | 587,613   |
| Net Pension Liability                                   | 72,267,550  |
| OPEB Liability  | 19,548,731  |
| Debt due in more than one year                          | <u>39,780,000</u>                                   |
| Total Liabilities                                       | <u>135,774,398</u>                                  |
| <br><u>DEFERRED INFLOWS OF RESOURCES</u>                |   |
| Deferred inflows from pensions                          | 1,937,717   |
| Deferred inflows from OPEB                              | 4,449,246   |
| Unavailable Revenue                                     | 177,250   |
| TOTAL DEFERRED INFLOWS OF RESOURCES                     | <u>6,564,213</u>                                    |
| <br><u>NET POSITION</u>                                 |   |
| Net Investment in Capital Assets                        | 36,092,071  |
| Restricted for:   |   |
| Debt Service  | 5,321,371   |
| Capital Projects  | 3,317,463   |
| Athletics   | 239,320   |
| Cafeteria   | 412,011   |
| Instructional Materials                                 | 110,392   |
| Transportation  | 2,289   |
| Unrestricted  | <u>(69,111,822)</u>                                 |
| TOTAL NET POSITION                                      | <u>(23,616,905)</u>                                 |
| TOTAL LIABILITIES, DEFERRED INFLOWS<br>AND NET POSITION | <u><u>\$ 118,721,706</u></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, 2018

| 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                             | \$ 25,525,624        | \$ 98,505            | \$ 1,592,947                       | \$ -                             | \$ (23,834,172)                   |
| Support Services                        |                      |                      |                                    |                                  |                                   |
| Support Services-Students               | 4,910,480            | -                    | 613,764                            | -                                | (4,296,716)                       |
| Support Services-Instruction            | 612,610              | -                    | 35,952                             | -                                | (576,658)                         |
| Support Services-General Administration | 1,040,602            | -                    | 59,591                             | -                                | (981,011)                         |
| Support Services-School Administration  | 3,355,120            | -                    | 146,656                            | -                                | (3,208,464)                       |
| Central Services                        | 3,767,355            | -                    | 11,984                             | -                                | (3,755,371)                       |
| Operation & Maintenance of Plant        | 5,764,716            | -                    | -                                  | -                                | (5,764,716)                       |
| Student Transportation                  | 1,314,673            | -                    | 1,162,335                          | -                                | (152,338)                         |
| Food Services-Operations                | 1,440,286            | 189,706              | 1,451,632                          | -                                | 201,052                           |
| Community Services-Operations           | 54,676               | -                    | 46,695                             | -                                | (7,981)                           |
| Bond Interest Paid                      | 1,104,719            | -                    | -                                  | -                                | (1,104,719)                       |
| Other Bond Services                     | 1,450                | -                    | -                                  | -                                | (1,450)                           |
| <b>Total governmental activities</b>    | <b>\$ 48,892,311</b> | <b>\$ 288,211</b>    | <b>\$ 5,121,556</b>                | <b>\$ -</b>                      | <b>\$ (43,482,544)</b>            |
| General Revenues:                       |                      |                      |                                    |                                  |                                   |
| Property Taxes:                         |                      |                      |                                    |                                  |                                   |
| Levied for General Purposes             |                      |                      |                                    |                                  | 318,158                           |
| Levied for Debt Service                 |                      |                      |                                    |                                  | 5,053,659                         |
| Levied for Capital Projects             |                      |                      |                                    |                                  | 2,801,075                         |
| State Equalization Guarantee            |                      |                      |                                    |                                  | 28,977,036                        |
| State Capital Grants                    |                      |                      |                                    |                                  | 668,393                           |
| Federal Sources                         |                      |                      |                                    |                                  | 409,362                           |
| Indirect Costs                          |                      |                      |                                    |                                  | 53,467                            |
| Interest Earnings                       |                      |                      |                                    |                                  | 51,369                            |
| Rent                                    |                      |                      |                                    |                                  | 2,375                             |
| Fees                                    |                      |                      |                                    |                                  | 8,582                             |
| Donations                               |                      |                      |                                    |                                  | 180                               |
| Miscellaneous                           |                      |                      |                                    |                                  | 13,370                            |
|   |                      |                      | Total general revenues             |                                  | <u>38,357,026</u>                 |
|   |                      |                      | Change in net position             |                                  | (5,125,518)                       |
|   |                      |                      | Net position - beginning           |                                  | <u>5,183,254</u>                  |
|   |                      |                      | Restatement                        |                                  | <u>(23,674,641)</u>               |
|   |                      |                      | Restated Balance                   |                                  | (18,491,387)                      |
|   |                      |                      | Net position - ending              |                                  | <u>\$ (23,616,905)</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, 2018

|   | GENERAL             | TITLE I           | IDEA B<br>ENTITLEMENT |
|---|---------------------|-------------------|-----------------------|
| <b>ASSETS</b>   |                     |                   |                       |
| Cash on Deposit   | \$ 3,440,129        | \$ -              | \$ -                  |
| Due from Other Funds  | 814,511             | -                 | -                     |
| Due from Other Agencies   | -                   | 213,419           | 310,368               |
| Property Tax Receivable   | 31,388              | -                 | -                     |
| Inventory   | -                   | -                 | -                     |
| <b>TOTAL ASSETS</b>   | <b>\$ 4,286,028</b> | <b>\$ 213,419</b> | <b>\$ 310,368</b>     |
| <b>LIABILITIES AND FUND BALANCE</b>                                       |                     |                   |                       |
| Accounts Payable  | \$ 102,934          | \$ -              | \$ -                  |
| Accrued Payroll   | -                   | -                 | -                     |
| Due to Other Agencies   | -                   | -                 | -                     |
| Inter Agency Payable  | -                   | -                 | -                     |
| Due to Other Funds  | -                   | 213,419           | 310,368               |
| <b>TOTAL LIABILITIES</b>  | <b>102,934</b>      | <b>213,419</b>    | <b>310,368</b>        |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                      |                     |                   |                       |
| Unavailable Revenue   | 5,057               | -                 | -                     |
| Unearned Revenue  | -                   | -                 | -                     |
| <b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>                                | <b>5,057</b>        | <b>-</b>          | <b>-</b>              |
| <b>FUND BALANCE</b>   |                     |                   |                       |
| Nonspendable  | -                   | -                 | -                     |
| Restricted:   |                     |                   | -                     |
| Transportation  | 2,289               |                   |                       |
| Instructional Materials   | 110,392             |                   |                       |
| Capital projects Funds  | -                   |                   |                       |
| Debt Service  | -                   |                   |                       |
| Cafeteria   | -                   | -                 |                       |
| Athletics   | -                   | -                 |                       |
| Special Revenue Funds   | -                   | -                 |                       |
| Unassigned  | 4,065,356           | -                 | -                     |
| <b>TOTAL FUND BALANCE</b>   | <b>4,178,037</b>    | <b>-</b>          | <b>-</b>              |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b> | <b>\$ 4,286,028</b> | <b>\$ 213,419</b> | <b>310,368</b>        |

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

| CAPITAL<br>IMPROVEMENT<br>HB 33 | CAPITAL<br>IMPROVEMENT<br>SB9 STATE | DEBT<br>SERVICE     | OTHER<br>GOVERNMENTAL<br>FUNDS | TOTAL<br>GOVERNMENTAL<br>FUNDS |
|---------------------------------|-------------------------------------|---------------------|--------------------------------|--------------------------------|
| \$ 1,635,421                    | \$ -                                | \$ 4,858,166        | \$ 2,613,727                   | \$ 12,547,443                  |
| -                               | -                                   | -                   | 605,337                        | 1,419,848                      |
| -                               | 604,157                             | -                   | 179,686                        | 1,307,630                      |
| 142,955                         | -                                   | 513,944             | 142,500                        | 830,787                        |
| -                               | -                                   | -                   | 20,284                         | 20,284                         |
| <u>\$ 1,778,376</u>             | <u>\$ 604,157</u>                   | <u>\$ 5,372,110</u> | <u>\$ 3,561,534</u>            | <u>\$ 16,125,992</u>           |
| \$ 11,760                       | \$ -                                | \$ -                | \$ 29,954                      | \$ 144,648                     |
| -                               | -                                   | -                   | -                              | -                              |
| -                               | 604,157                             | -                   | -                              | -                              |
| -                               | -                                   | -                   | -                              | -                              |
| -                               | 604,157                             | -                   | 291,904                        | 1,419,848                      |
| <u>11,760</u>                   | <u>604,157</u>                      | <u>-</u>            | <u>321,858</u>                 | <u>1,564,496</u>               |
| 30,981                          | -                                   | 110,454             | 30,758                         | 177,250                        |
| -                               | -                                   | -                   | 1,842                          | 1,842                          |
| <u>30,981</u>                   | <u>-</u>                            | <u>110,454</u>      | <u>32,600</u>                  | <u>179,092</u>                 |
| -                               | -                                   | -                   | 20,284                         | 20,284                         |
| -                               | -                                   | -                   | -                              | 2,289                          |
| -                               | -                                   | -                   | -                              | 110,392                        |
| 1,735,635                       | -                                   | -                   | 1,581,828                      | 3,317,463                      |
| -                               | -                                   | 5,261,656           | 59,715                         | 5,321,371                      |
| -                               | -                                   | -                   | 391,727                        | 391,727                        |
| -                               | -                                   | -                   | 239,320                        | 239,320                        |
| -                               | -                                   | -                   | 914,202                        | 914,202                        |
| -                               | -                                   | -                   | -                              | 4,065,356                      |
| <u>1,735,635</u>                | <u>-</u>                            | <u>5,261,656</u>    | <u>3,207,076</u>               | <u>14,382,404</u>              |
| <u>\$ 1,778,376</u>             | <u>\$ 604,157</u>                   | <u>\$ 5,372,110</u> | <u>\$ 3,561,534</u>            | <u>\$ 16,125,992</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, 2018

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

|   |                        |
|---|------------------------|
| Fund balances - total governmental funds  | \$ 14,382,404          |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds                    | 78,902,071             |
| Compensated absences  | (185,825)              |
| Net Pension Liability not reported in the funds   | (91,816,280)           |
| Deferred outflows of resources related to pensions not reported in the funds  | 25,113,490             |
| Deferred inflows of resources related to pension not reported in the funds  | (6,386,963)            |
| Accrued Interest Payable not reported in funds  | (228,189)              |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds | (42,810,000)           |
| Bond Premium not included in funds  | <u>(587,613)</u>       |
| Net position of governmental activities   | <u>\$ (23,616,905)</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, 2018

|   | General             | TITLE I        | IDEA B<br>ENTITLEMENT |
|---|---------------------|----------------|-----------------------|
| <b>REVENUE</b>  |                     |                |                       |
| Federal Programs  | \$ -                | \$ 480,341     | \$ 912,684            |
| State Programs  | 1,238,942           | -              | -                     |
| State Equalization  | 28,977,036          | -              | -                     |
| Interest Earnings   | 6,168               | -              | -                     |
| Private/Direct Grants                                       | -                   | -              | -                     |
| Fees  | 8,582               | -              | -                     |
| Donations   | -                   | -              | -                     |
| Miscellaneous   | 2,727               | -              | -                     |
| Indirect Cost   | 53,467              | -              | -                     |
| Rent and Royalties  | 2,375               | -              | -                     |
| Refunds of Prior Year's Expenditures                        | -                   | -              | -                     |
| Local Property Taxes  | 317,350             | -              | -                     |
| <b>TOTAL REVENUES</b>                                       | <b>30,606,647</b>   | <b>480,341</b> | <b>912,684</b>        |
| <b>EXPENDITURES</b>   |                     |                |                       |
| Current   |                     |                |                       |
| Instruction   | 17,078,591          | 400,636        | 612,443               |
| Support Services  |                     |                |                       |
| Support Services-Students                                   | 3,602,647           | -              | 174,990               |
| Support Services-Instruction                                | 242,697             | -              | -                     |
| Support Services-General Administration                     | 722,237             | 15,267         | 29,285                |
| Support Services-School Administration                      | 2,259,736           | 64,438         | 49,271                |
| Central Services  | 944,918             | -              | -                     |
| Operation & Maintenance of Plant                            | 3,445,760           | -              | -                     |
| Student Transportation                                      | 1,128,994           | -              | -                     |
| Food Services-Operations                                    | 2,400               | -              | -                     |
| Community Services-Operations                               | 1,860               | -              | 46,695                |
| Capital Outlay  |                     |                |                       |
| Acquisition & Construction                                  | -                   | -              | -                     |
| Debt Service  |                     |                |                       |
| Other Bond Services   | -                   | -              | -                     |
| Principal   | -                   | -              | -                     |
| Interest  | -                   | -              | -                     |
| <b>TOTAL EXPENDITURES</b>                                   | <b>29,429,840</b>   | <b>480,341</b> | <b>912,684</b>        |
| <b>EXCESS (DEFICIENCY) OF<br/>REVENUE OVER EXPENDITURES</b> | <b>1,176,807</b>    | <b>-</b>       | <b>-</b>              |
| Other Financing Sources (uses)                              |                     |                |                       |
| Refunds to PED  | (425)               | -              | -                     |
| Transfers In/Out  | (12,135)            | -              | -                     |
| <b>Total Other Financial Sources</b>                        | <b>(12,560)</b>     | <b>-</b>       | <b>-</b>              |
| <b>Net Change In Fund Balance</b>                           | <b>1,164,247</b>    | <b>-</b>       | <b>-</b>              |
| <b>FUND BALANCE</b>   |                     |                |                       |
| as of June 30, 2017   | 3,507,539           | -              | -                     |
| Restatement   | (493,749)           | -              | -                     |
| Restated Balance  | 3,013,790           | -              | -                     |
| <b>FUND BALANCE<br/>as of June 30, 2018</b>                 | <b>\$ 4,178,037</b> | <b>\$ -</b>    | <b>\$ -</b>           |

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

| CAPITAL<br>IMPROVEMENT<br>HB 33 | CAPITAL<br>IMPROVEMENT<br>SB 9 STATE | DEBT SERVICE        | Other<br>Governmental<br>Funds | Total<br>Governmental |
|---------------------------------|--------------------------------------|---------------------|--------------------------------|-----------------------|
| \$ -                            | \$ -                                 | \$ -                | \$ 2,414,823                   | \$ 3,807,848          |
| -                               | 604,157                              | -                   | 499,364                        | 2,342,463             |
| -                               | -                                    | -                   | -                              | 28,977,036            |
| 9,187                           | -                                    | 7,242               | 28,772                         | 51,369                |
| -                               | -                                    | -                   | 49,000                         | 49,000                |
| -                               | -                                    | -                   | 288,211                        | 296,793               |
| -                               | -                                    | -                   | 180                            | 180                   |
| -                               | -                                    | -                   | 1,206                          | 3,933                 |
| -                               | -                                    | -                   | -                              | 53,467                |
| -                               | -                                    | -                   | -                              | 2,375                 |
| -                               | -                                    | -                   | 10,726                         | 10,726                |
| 1,399,458                       | -                                    | 5,035,940           | 1,391,715                      | 8,144,463             |
| <u>1,408,645</u>                | <u>604,157</u>                       | <u>5,043,182</u>    | <u>4,683,997</u>               | <u>43,739,653</u>     |
| -                               | -                                    | -                   | 549,269                        | 18,640,939            |
| -                               | -                                    | -                   | 238,077                        | 4,015,714             |
| -                               | -                                    | -                   | 236,650                        | 479,347               |
| 7,744                           | -                                    | 27,791              | 22,714                         | 825,038               |
| -                               | -                                    | -                   | 32,948                         | 2,406,393             |
| -                               | -                                    | -                   | 11,984                         | 956,902               |
| -                               | -                                    | -                   | -                              | 3,445,760             |
| -                               | -                                    | -                   | 31,477                         | 1,160,471             |
| -                               | -                                    | -                   | 1,434,309                      | 1,436,709             |
| -                               | -                                    | -                   | -                              | 48,555                |
| 977,000                         | 604,157                              | -                   | 979,241                        | 2,560,398             |
| -                               | -                                    | 1,450               | -                              | 1,450                 |
| -                               | -                                    | 2,625,000           | -                              | 2,625,000             |
| -                               | -                                    | 1,145,122           | -                              | 1,145,122             |
| <u>984,744</u>                  | <u>604,157</u>                       | <u>3,799,363</u>    | <u>3,536,669</u>               | <u>39,747,798</u>     |
| 423,901                         | -                                    | 1,243,819           | 1,147,328                      | 3,991,855             |
| -                               | -                                    | -                   | (119,015)                      | (119,440)             |
| -                               | -                                    | -                   | 12,135                         | -                     |
| -                               | -                                    | -                   | (106,880)                      | (119,440)             |
| <u>423,901</u>                  | <u>-</u>                             | <u>1,243,819</u>    | <u>1,040,448</u>               | <u>3,872,415</u>      |
| 1,311,734                       | -                                    | 4,067,873           | 2,010,219                      | 10,897,365            |
| -                               | -                                    | (50,036)            | 156,409                        | (387,376)             |
| <u>1,311,734</u>                | <u>-</u>                             | <u>4,017,837</u>    | <u>2,166,628</u>               | <u>10,509,989</u>     |
| <u>\$ 1,735,635</u>             | <u>\$ -</u>                          | <u>\$ 5,261,656</u> | <u>\$ 3,207,076</u>            | <u>\$ 14,382,404</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, 2018

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

|   |                              |
|---|------------------------------|
| Net change in fund balance - total governmental funds   | \$ 3,872,415                 |
| Refunded to PED   | 119,440                      |
| 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.    | (1,970,515)                  |
| Revenue recognized in State Program   | (1,288)                      |
| 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. | 28,428                       |
| (Increase)/Decrease in pension expense from the difference in allocated pension expense less the District's actual pension contributions.   | (9,424,981)                  |
| (Increase)/Decrease in OPEB expense from the difference in allocated pension expense less the District's actual OPEB contributions.   | (414,466)                    |
| Expenses in the statement of activities which do not require use of current financial resources   |                              |
| Bond Proceeds   | -                            |
| Interest paid through Escrow not accrued in prior year  | (50,036)                     |
| Decrease in interest Payable  | 20,270                       |
| Decrease in compensated absences  | 44                           |
| Bond Principal  | 2,625,000                    |
| Bond Premium Amortization   | <u>70,171</u>                |
| Change in Net Position  | <u><u>\$ (5,125,518)</u></u> |

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, 2018

|   | General Fund         |                      |                      | VARIANCE                   |
|---|----------------------|----------------------|----------------------|----------------------------|
|   | ORIGINAL<br>BUDGET   | BUDGET               | ACTUAL               | Favorable<br>(Unfavorable) |
| <b>REVENUE</b>                          |                      |                      |                      |                            |
| Residential/Non-Residential Taxes       | \$ 289,275           | \$ 289,275           | \$ 302,306           | \$ 13,031                  |
| Fees - Educational                      | -                    | -                    | 522                  | 522                        |
| Rent and Leases                         | -                    | -                    | 2,375                | 2,375                      |
| Fees Activities                         | -                    | -                    | 200                  | 200                        |
| Fees-Users                              | -                    | -                    | 7,860                | 7,860                      |
| Interest Income                         | -                    | -                    | 6,167                | 6,167                      |
| State Equalization                      | 28,541,671           | 28,759,549           | 28,977,036           | 217,487                    |
| State Flow Through Grants               | 1,168,604            | 1,230,310            | 1,238,942            | 8,632                      |
| Refunds                                 | -                    | -                    | 665                  | 665                        |
| Indirect Cost - (Flow Through Grants)   | -                    | -                    | 53,467               | 53,467                     |
| Insurance Recoveries                    | -                    | -                    | 2,062                | 2,062                      |
| <b>TOTAL REVENUE</b>                    | <b>29,999,550</b>    | <b>30,279,134</b>    | <b>\$ 30,591,602</b> | <b>\$ 312,468</b>          |
| <br>                                    |                      |                      |                      |                            |
| Cash Balance Budgeted                   | 1,199,314            | 1,333,340            |                      |                            |
| <br>                                    |                      |                      |                      |                            |
| <b>TOTAL REVENUE &amp; CASH</b>         | <b>\$ 31,198,864</b> | <b>\$ 31,612,474</b> |                      |                            |
| <br>                                    |                      |                      |                      |                            |
| <b>EXPENDITURES</b>                     |                      |                      |                      |                            |
| <b>Current</b>                          |                      |                      |                      |                            |
| Instruction                             | \$ 18,940,516        | \$ 18,904,542        | \$ 17,056,091        | \$ 1,848,451               |
| Support Services-Students               | 3,758,881            | 3,619,341            | 3,602,648            | 16,693                     |
| Support Services-Instruction            | 315,931              | 267,161              | 242,615              | 24,546                     |
| Support Services-General Administration | 784,159              | 774,159              | 722,237              | 51,922                     |
| Support Services-School Administration  | 2,205,406            | 2,275,789            | 2,259,511            | 16,278                     |
| Central Services                        | 949,072              | 989,161              | 944,855              | 44,306                     |
| Operation & Maintenance of Plant        | 3,154,384            | 3,619,222            | 3,420,733            | 198,489                    |
| Student Transportation                  | 1,069,577            | 1,131,283            | 1,128,994            | 2,289                      |
| Other Support Services                  | 18,887               | 18,887               | -                    | 18,887                     |
| Food Services-Operations                | 1,200                | 2,400                | 2,400                | -                          |
| Community Services-operations           | 851                  | 10,529               | 1,860                | 8,669                      |
| <b>TOTAL EXPENDITURES</b>               | <b>\$ 31,198,864</b> | <b>\$ 31,612,474</b> | <b>\$ 29,381,944</b> | <b>\$ 2,230,530</b>        |

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

**Sources/inflows of resources**

|                                    |                      |
|------------------------------------|----------------------|
| Actual amounts (budgetary basis)   | \$ 30,591,602        |
| Differences-Budget to GAAP         |                      |
| Property tax Receivable            | 26,332               |
| Prior Year Tax Receivables         | (11,287)             |
| <b>Total Revenues (GAAP Basis)</b> | <b>\$ 30,606,647</b> |

**Uses/outflows of resources**

|  |                      |
|--|----------------------|
| Actual amounts (budgetary basis)       | \$ 29,381,944        |
| Differences-budget to GAAP             |                      |
| Accounts Payable                       | 47,896               |
| <b>Total Expenditures (GAAP Basis)</b> | <b>\$ 29,429,840</b> |

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--SPECIAL REVENUE FUND--TITLE I

Year Ended June 30, 2018

|   | ORIGINAL<br>BUDGET | ADJUSTED<br>BUDGET | ACTUAL            | VARIANCE<br>Favorable<br>(Unfavorable) |
|---|--------------------|--------------------|-------------------|--|
| REVENUE                                 |                    |                    |                   |  |
| Federal Revenue                         | \$ 543,637         | \$ 543,637         | \$ 402,757        | \$ (140,880)                           |
| TOTAL REVENUE                           | <u>543,637</u>     | <u>543,637</u>     | <u>\$ 402,757</u> | <u>\$ (140,880)</u>                    |
| <br>                                    |                    |                    |                   |  |
| Cash Balance Budgeted                   | <u>-</u>           | <u>-</u>           |                   |  |
| TOTAL REVENUE & CASH                    | <u>\$ 543,637</u>  | <u>\$ 543,637</u>  |                   |  |
| <br>                                    |                    |                    |                   |  |
| EXPENDITURES                            |                    |                    |                   |  |
| Current                                 |                    |                    |                   |  |
| Instruction                             | \$ 457,747         | \$ 457,747         | \$ 395,398        | \$ 62,349                              |
| Support Services                        |                    |                    |                   |  |
| Support Services-Instruction            | -                  | -                  | -                 | -                                      |
| Support Services-General Administration | 20,460             | 20,460             | 15,267            | 5,193                                  |
| Support Services-School Administration  | 65,430             | 65,430             | 64,438            | 992                                    |
| TOTAL EXPENDITURES                      | <u>\$ 543,637</u>  | <u>\$ 543,637</u>  | <u>\$ 475,103</u> | <u>\$ 68,534</u>                       |

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

**Sources/inflows of resources**

|                                  |                   |
|----------------------------------|-------------------|
| Actual amounts (budgetary basis) | \$ 402,757        |
| Differences-Budget to GAAP       |                   |
| Current Year Receivable          | 181,363           |
| Prior Year Receivable            | (103,779)         |
| Total Revenues (GAAP Basis)      | <u>\$ 480,341</u> |

**Uses/outflows of resources**

|                                  |                   |
|----------------------------------|-------------------|
| Actual amounts (budgetary basis) | \$ 475,103        |
| Differences-budget to GAAP       |                   |
| Expense Accrual                  | 5,238             |
| Total Expenditures (GAAP Basis)  | <u>\$ 480,341</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--SPECIAL REVENUE FUND--ENTITLEMENT

Year Ended June 30, 2018

|   | ORIGINAL<br>BUDGET  | ADJUSTED<br>BUDGET  | ACTUAL            | VARIANCE<br>Favorable<br>(Unfavorable) |
|---|---------------------|---------------------|-------------------|--|
| <b>REVENUE</b>                          |                     |                     |                   |  |
| Federal Revenue                         | \$ 937,895          | \$ 1,148,534        | \$ 718,876        | \$ (429,658)                           |
| TOTAL REVENUE                           | <u>937,895</u>      | <u>1,148,534</u>    | <u>\$ 718,876</u> | <u>\$ (429,658)</u>                    |
| <br>                                    |                     |                     |                   |  |
| Cash Balance Budgeted                   | <u>-</u>            | <u>-</u>            |                   |  |
| <br>                                    |                     |                     |                   |  |
| TOTAL REVENUE & CASH                    | <u>\$ 937,895</u>   | <u>\$ 1,148,534</u> |                   |  |
| <br>                                    |                     |                     |                   |  |
| <b>EXPENDITURES</b>                     |                     |                     |                   |  |
| <b>Current</b>                          |                     |                     |                   |  |
| Instruction                             | \$ 571,280          | \$ 773,280          | \$ 612,443        | \$ 160,837                             |
| Support Services-Students               | 215,550             | 201,057             | 174,990           | 26,067                                 |
| Support Services-General Administration | 28,000              | 38,132              | 29,285            | 8,847                                  |
| Support Services-School Administration  | 60,940              | 78,940              | 49,272            | 29,668                                 |
| Community Services-operations           | 621,256             | 59,125              | 46,694            | 12,431                                 |
| TOTAL EXPENDITURES                      | <u>\$ 1,497,026</u> | <u>\$ 1,150,534</u> | <u>\$ 912,684</u> | <u>\$ 237,850</u>                      |

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

**Sources/inflows of resources**

|                                  |                   |
|----------------------------------|-------------------|
| Actual amounts (budgetary basis) | \$ 718,876        |
| Differences-Budget to GAAP       |                   |
| Current Year Receivable          | 297,702           |
| Prior Year Receivable            | (103,894)         |
| Total Revenues (GAAP Basis)      | <u>\$ 912,684</u> |

**Uses/outflows of resources**

|                                  |                   |
|----------------------------------|-------------------|
| Actual amounts (budgetary basis) | \$ 912,684        |
| Differences-budget to GAAP       |                   |
| Total Expenditures (GAAP Basis)  | <u>\$ 912,684</u> |

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, 2018

|                       |                   |
|-----------------------|-------------------|
| ASSETS                |                   |
| Cash on Deposit       | \$ 315,721        |
| Due from Operational  | -                 |
| TOTAL ASSETS          | <u>\$ 315,721</u> |
| LIABILITIES           |                   |
| Due to Student Groups | \$ 315,721        |
| TOTAL LIABILITIES     | <u>\$ 315,721</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, 2018**

**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, 2018**

**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.

*Title I – Special Revenue Fund* – 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.

*Entitlement – Special Revenue Fund* – 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.

*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.

*Capital Improvements SB9 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.

**STATE OF NEW MEXICO  
LOVINGTON MUNICIPAL SCHOOLS  
Notes to the Financial Statements  
June 30, 2018**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

Additionally, the government reports the following fund types:

*Capital Improvements SB-9 – Local* - 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.

*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.

**STATE OF NEW MEXICO  
LOVINGTON MUNICIPAL SCHOOLS  
Notes to the Financial Statements  
June 30, 2018**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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.

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 2018 fiscal year was \$424,650,220. 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 10<sup>th</sup> and April 10<sup>th</sup> 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.

**STATE OF NEW MEXICO  
LOVINGTON MUNICIPAL SCHOOLS  
Notes to the Financial Statements  
June 30, 2018**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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  |

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 and OPEB liability and before the end of the employer's reporting period. This will be recognized as a reduction of the net pension and OPEB liability in the year ended June 30, 2019.

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 and OPEB investments and the change of assumptions related to the pension plan and OPEB 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, 2018 was \$185,825.

**STATE OF NEW MEXICO  
LOVINGTON MUNICIPAL SCHOOLS  
Notes to the Financial Statements  
June 30, 2018**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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.

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.



**STATE OF NEW MEXICO  
LOVINGTON MUNICIPAL SCHOOLS  
Notes to the Financial Statements  
June 30, 2018**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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.”

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 \$28,977,036 in state equalization guarantee distributions during the year ended June 30, 2018.

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 \$1,130,858 in transportation distributions during the year ended June 30, 2018.

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 \$8,144,463 in tax revenues during the year ended June 30, 2018. 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.

4. 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, 2018**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

- D. Assets, Liabilities, and Net Position or Equity (continued)
- 5. Other Post-employment Benefits (OPEB)

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

**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.



**STATE OF NEW MEXICO  
LOVINGTON MUNICIPAL SCHOOLS  
Notes to the Financial Statements  
June 30, 2018**

**NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

A. Budgetary Information (continued)

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, 2018 was properly amended by the Board throughout the year. New Mexico state law prohibits a school district to exceed a function line item.

**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, 2018.

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, 2018, 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, 2018, \$14,302,389 of the District's bank balances were exposed to custodial credit risk as follows:

|   |    |                   |
|---|----|-------------------|
| Insured (FDIC)  | \$ | 1,119,705         |
| Collateralized by securities held by the pledging institution or by its trust department or agent in other than the District's name |    | 8,548,839         |
| Uninsured and uncollateralized  |    | 4,633,845         |
| Balance exposed to custodial credit risk  | \$ | <u>14,302,389</u> |
| Total bank balances   | \$ | <u>14,302,389</u> |
| Carrying Amount   | \$ | <u>12,547,443</u> |

**STATE OF NEW MEXICO  
LOVINGTON MUNICIPAL SCHOOLS  
Notes to the Financial Statements  
June 30, 2018**

**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, 2018, 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 \$1,111,062 invested in the New MexiGROW Local Government Investment Pool at June 30, 2018.

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                        | \$ 12,547,433 |
| Amounts included in agency funds                  | 315,721       |
| Total   | \$ 12,863,164 |
| Included in the following balance sheet captions: |               |
| Cash and cash equivalents                         | \$ 12,863,164 |

*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, 2018 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, 2018**

**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, 2018 for the government's individual major funds and non-major funds in the aggregate, include the following:

|                      | General          | Capital<br>Outlay | Debt Service      | Other               | Total               |
|----------------------|------------------|-------------------|-------------------|---------------------|---------------------|
| Receivables:         |                  |                   |                   |                     |                     |
| Property taxes       | \$ 31,388        | \$ 285,455        | \$ 513,944        | \$ -                | \$ 830,787          |
| Due from other govts | -                | -                 | -                 | 1,307,630           | 1,307,630           |
|                      | <u>\$ 31,388</u> | <u>\$ 285,455</u> | <u>\$ 513,944</u> | <u>\$ 1,307,630</u> | <u>\$ 2,138,417</u> |

**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, 2018 is as follows:

| Receivable Fund  | Payable Fund                            | Amount              |
|------------------|---|---------------------|
| General Fund     | Title I - IASA                          | \$ 213,419          |
| General Fund     | IDEA-B Entitlement                      | 310,368             |
| General Fund     | IDEA-B Preschool                        | 4,648               |
| General Fund     | English Language Acquisition            | 81,316              |
| General Fund     | Teacher/Principal Training & Recruiting | 67,647              |
| General Fund     | 2009 Dual Credit Instr Materials        | 1,955               |
| General Fund     | Student Support Academic Achievement    | 1,498               |
| General Fund     | Reads to Lead                           | 32,793              |
| General Fund     | GRADS Instruction                       | 44,581              |
| General Fund     | GRADS Plus                              | 1,084               |
| General Fund     | After School Enrichment                 | 9,250               |
| General Fund     | Kindergarten 3 Plus                     | 33,968              |
| General Fund     | Teacher Recruitment                     | 11,984              |
| SB9 - LOCAL      | SB9 - State                             | 604,157             |
| Grads Child Care | Grads Instruction                       | 1,180               |
|                  |   | <u>\$ 1,419,848</u> |

**STATE OF NEW MEXICO  
LOVINGTON MUNICIPAL SCHOOLS  
Notes to the Financial Statements  
June 30, 2018**

**NOTE 6: CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2018 was as follows:

Governmental Activities

|  | Balance              |                    |                  |                  | Balance              |
|--|----------------------|--------------------|------------------|------------------|----------------------|
|  | <u>June 30, 2017</u> | <u>Adjustments</u> | <u>Increases</u> | <u>Decreases</u> | <u>June 30, 2018</u> |
| Capital Assets not being depreciated       |                      |                    |                  |                  |                      |
| Land                                       | \$ 346,166           | \$ -               | \$ -             | \$ -             | \$ 346,166           |
| Construction in Progress                   | 38,942               | -                  | -                | 38,942           | -                    |
| Total Capital Assets not being depreciated | 385,108              | -                  | -                | 38,942           | 346,166              |
| Capital Assets being depreciated           |                      |                    |                  |                  |                      |
| Buildings and Improvements                 | 140,950,152          | -                  | 674,966          | -                | 141,625,118          |
| Equipment                                  | 9,379,721            | -                  | 216,264          | -                | 9,595,985            |
| Vehicles                                   | 2,172,681            | -                  | -                | -                | 2,172,681            |
| Intangibles                                | 320,701              | -                  | -                | -                | 320,701              |
| Total Capital Assets being depreciated     | 152,823,255          | -                  | 891,230          | -                | 153,714,485          |
| Less Accumulated Depreciation              |                      |                    |                  |                  |                      |
| Buildings and Improvements                 | 65,263,947           | -                  | 2,011,328        | -                | 67,275,275           |
| Equipment                                  | 4,950,158            | -                  | 720,211          | -                | 5,670,369            |
| Vehicles                                   | 1,829,040            | -                  | 91,265           | -                | 1,920,305            |
| Intangibles                                | 292,632              | -                  | -                | -                | 292,632              |
| Total Accumulated Depreciation             | 72,335,777           | -                  | 2,822,804        | -                | 75,158,581           |
| Net Capital Assets being depreciated       | 80,487,478           | -                  | (1,931,573)      | -                | 78,555,905           |
| Total Net Capital Assets                   | \$ 80,872,586        | \$ -               | \$ (1,931,573)   | \$ 38,942        | \$ 78,902,071        |

**STATE OF NEW MEXICO  
LOVINGTON MUNICIPAL SCHOOLS  
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**NOTE 6: CAPITAL ASSETS (continued)**

Depreciation expense for the year ended June 30, 2018 was charged to the following functions:

|                                   | <u>District</u>     |
|-----------------------------------|---------------------|
| Instruction                       | \$ 187,450          |
| Support services:                 |                     |
| Students                          | 10,317              |
| Instruction                       | 12,163              |
| School administration             | 3,592               |
| General administration            | 6,260               |
| Central services                  | 2,440,166           |
| Operation and maintenance of plan | 14,134              |
| Student transportation            | 145,090             |
| Food services                     | 3,576               |
| Community services                | <u>56</u>           |
| Total depreciation expense        | <u>\$ 2,822,804</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, 2018 are comprised of the following:

|  | Original<br>Amount   | Interest Rates | Balance<br>June 30, 2018 |
|--|----------------------|----------------|--------------------------|
| Series 2007 General Obligation Refund Bond | \$ 4,270,000         | 0.72 – 0.95%   | \$ 3,695,000             |
| Series 2008 General Obligation Bond        | 8,000,000            | 3.00 - 3.45%   | 0                        |
| 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%   | 445,000                  |
| Series 2014 General Obligation Bond        | 19,000,000           | 2.00 - 4.00%   | 18,625,000               |
| Series 2015 General Obligation Bond        | 16,000,000           | 2.00 - 4.00%   | 15,975,000               |
| Total General Obligation Bonds             | <u>\$ 57,380,000</u> |                | <u>\$ 42,810,000</u>     |

The legal debt margin is specified by Article IX Section 11 of the Constitution of the State of New Mexico as not greater than 6% of the assessed value of the taxable property within the School District. Based on these criteria, the maximum general obligation debt permissible is \$36,509,132 including \$42,810,000 debt outstanding based on the 2017 valuation.

**STATE OF NEW MEXICO  
LOVINGTON MUNICIPAL SCHOOLS  
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June 30, 2018**

**NOTE 7: LONG – TERM DEBT (continued)**

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

|           | Principal            | Interest            | Total<br>Requirements |
|-----------|----------------------|---------------------|-----------------------|
| 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      | 4,000,000            | 867,250             | 4,867,250             |
| 2024-2028 | 19,700,000           | 2,501,500           | 22,201,500            |
| 2029-2030 | <u>6,400,000</u>     | <u>207,125</u>      | <u>6,607,125</u>      |
| Total     | <u>\$ 42,810,000</u> | <u>\$ 7,707,465</u> | <u>\$ 50,517,465</u>  |

Changes in long-term liabilities – During the year ended June 30, 2018, the following changes occurred in liabilities reported in the general obligation bonds and compensated absences.

|                             | Balance<br>June 30, 2017 | Additions       | Retirements         | Balance<br>June 30, 2018 | Due Within<br>One Year |
|-----------------------------|--------------------------|-----------------|---------------------|--------------------------|------------------------|
| 2007 Series                 | \$ 800,000               | -               | \$ 800,000          | \$ -                     | \$ -                   |
| 2007 Series Refunded        | 4,270,000                | -               | 575,000             | 3,695,000                | 1,060,000              |
| 2008 Series Refunded        | 4,070,000                | -               | -                   | 4,070,000                | 975,000                |
| 2011 Series                 | 1,620,000                | -               | 1,175,000           | 445,000                  | 445,000                |
| 2014 Series                 | 18,675,000               | -               | 50,000              | 18,625,000               | 325,000                |
| 2015 Series                 | 16,000,000               | -               | 25,000              | 15,975,000               | 225,000                |
| Compensated Absences        | <u>185,869</u>           | <u>55,025</u>   | <u>55,069</u>       | <u>105,825</u>           | <u>105,825</u>         |
| Total Long-Term Liabilities | <u>\$ 45,620,869</u>     | <u>\$55,025</u> | <u>\$ 2,680,069</u> | <u>\$ 42,915,825</u>     | <u>\$ 3,135,825</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, 2018 was \$1,104,719

**STATE OF NEW MEXICO  
LOVINGTON MUNICIPAL SCHOOLS  
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**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.

**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](https://www.nmerb.org/Annual_reports.html).

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

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

All accumulated assets are held by the Plan in trust to pay benefits, including refunds of contributions as defined in the terms of the Plan. Eligibility for membership in the Plan is a condition of employment, as defined in 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.



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**NOTE 9: EMPLOYEE RETIREMENT PLAN (continued)**

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

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

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

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

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

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

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

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

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

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



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**NOTE 9: EMPLOYEE RETIREMENT PLAN (continued)**

- **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 1.5%. Once the funding is greater than 90%, the COLA reductions will decrease. The retirees with benefits at or below the median and with 25 or more years of service credit will have a 5% COLA reduction; their average COLA will be 1.7%.

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

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

**STATE OF NEW MEXICO  
LOVINGTON MUNICIPAL SCHOOLS  
Notes to the Financial Statements  
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**NOTE 9: EMPLOYEE RETIREMENT PLAN (continued)**

**Contributions** – For the fiscal years ended June 30, 2018 and 2017 educational employers contributed to the Plan based on the following rate schedule.

| <u>Fiscal Year</u> | <u>Date Range</u> | <u>Wage Category</u> | <u>Member Rate</u> | <u>Employer Rate</u> | <u>Combined Rate</u> | <u>Increase Over Prior Year</u> |
|--------------------|-------------------|----------------------|--------------------|----------------------|----------------------|---------------------------------|
| 2018               | 7-1-17 to 6-30-   | Over \$20K           | 10.70%             | 13.90%               | 24.60%               | 0.00%                           |
| 2018               | 7-1-17 to 6-30-   | \$20K or less        | 7.90%              | 13.90%               | 21.80%               | 0.00%                           |
| 2017               | 7-1-16 to 6-30-   | Over \$20K           | 10.70%             | 13.90%               | 24.60%               | 0.00%                           |
| 2017               | 7-1-16 to 6-30-   | \$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, 2018 and 2017, the District paid employee and employer contributions of \$3,619,584 and \$4,505,958, which equal the amount of the required contributions for each fiscal year.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*** –

At June 30, 2018, the District reported a liability of \$72,267,550 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2017 using generally accepted actuarial principles. The roll-forward incorporates the impact of the new assumptions adopted by the Board on April 21, 2017. There were no other significant events of changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2017. Therefore, the employer's portion was established as of the measurement date of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating educational institutions, actuarially determined. At June 30, 2017, the District's proportion was 0.65027 %, which was an increase/decrease of 0.008690% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$9,424,981. At June 30, 2018, District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows of<br/>Resources</u> |
|--|---|--|
| Difference between expected and actual experience  | \$ 129,727                                | \$ 1,113,350                             |
| Changes of assumptions   | 21,096,318                                | -  |
| Net difference between projected and actual earnings on pension plan                                 | -   | 9,914                                    |
| Changes in proportion and differences between contributions and proportionate share of contributions | 1,004,114                                 | 814,453                                  |
| Employer contributions subsequent to the measurement date  | 2,520,602                                 | -  |
| <b>Total</b>   | <u><u>\$ 24,750,761</u></u>               | <u><u>\$ 1,1937,717</u></u>              |

**STATE OF NEW MEXICO  
LOVINGTON MUNICIPAL SCHOOLS  
Notes to the Financial Statements  
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**NOTE 9: EMPLOYEE RETIREMENT PLAN (continued)**

\$24,750,761 reported as deferred outflows of resources related to pensions resulting from employer's name'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                | \$ 7,940,036 |
| 2019                | \$ 8,239,140 |
| 2020                | \$ 4,708,335 |
| 2021                | \$ (595,068) |

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

| Inflation                                   | 2.50%   |             |             |             |             |             |                       |      |      |      |      |
|---|---|-------------|-------------|-------------|-------------|-------------|-----------------------|------|------|------|------|
| Salary increases                            | 3.25% composed of 2.50% inflation, plus a 0.75% productivity increase rate, plus a step-rate promotional increase for members with less than 10 years of service.   |             |             |             |             |             |                       |      |      |      |      |
| Investment rate of return                   | 7.25% compounded annually, net of expenses. This is made up of a 2.50% inflation rate and a 4.75 real rate of return.   |             |             |             |             |             |                       |      |      |      |      |
| Average of Expected Remaining Service Lives | <table style="margin-left: 40px; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Fiscal year</th> <th style="text-align: center;"><u>2017</u></th> <th style="text-align: center;"><u>2016</u></th> <th style="text-align: center;"><u>2015</u></th> <th style="text-align: center;"><u>2014</u></th> </tr> </thead> <tbody> <tr> <td style="text-align: left;">Service life in years</td> <td style="text-align: center;">3.35</td> <td style="text-align: center;">3.77</td> <td style="text-align: center;">3.92</td> <td style="text-align: center;">3.88</td> </tr> </tbody> </table>  | Fiscal year | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | Service life in years | 3.35 | 3.77 | 3.92 | 3.88 |
| Fiscal year                                 | <u>2017</u>   | <u>2016</u> | <u>2015</u> | <u>2014</u> |             |             |                       |      |      |      |      |
| Service life in years                       | 3.35  | 3.77        | 3.92        | 3.88        |             |             |                       |      |      |      |      |
| Mortality                                   | <p><b>Healthy males:</b> Based on the RP-2000 Combined Healthy Mortality Table with White Collar adjustments, not set back. Generational mortality improvements with Scale BB from the table's base year of 2000.</p> <p><b>Healthy females:</b> Based on GRS Southwest Region Teacher Mortality Table, set back one year. Generational mortality improvements in accordance with Scale BB from the table's base year of 2012.</p> <p><b>Disabled males:</b> RP-2000 Disabled Mortality Table for males, set back three years, projected to 2016 with Scale BB.</p> <p><b>Disabled females:</b> RP-2000 Disabled Mortality Table for females, no set back, projected to 2016 with Scale BB.</p> <p><b>Active members:</b> RP-2000 Employee Mortality Tables, with males set back two years and scaled at 80%, and females set back five years and scaled at 70%. Static mortality improvement from the table's base year of 2000 to the year 2016 in accordance with Scale BB. No future improvement was assumed for preretirement mortality.</p> |             |             |             |             |             |                       |      |      |      |      |
| Retirement Age                              | Experience-based table rates based on age and service, adopted by the Board on June 12, 2015 in conjunction with the six-year experience study for the period ending June 30, 2014.   |             |             |             |             |             |                       |      |      |      |      |
| Cost-of-living increases                    | 1.90% per year, compounded annually.  |             |             |             |             |             |                       |      |      |      |      |
| Payroll growth                              | 3.00% per year (with no allowance for membership growth).   |             |             |             |             |             |                       |      |      |      |      |
| Contribution accumulation                   | The accumulated member account balance with interest is estimated at the valuation date by assuming that member contributions increased 5.50% per year for all years prior to the valuation date. Contributions are credited with 4.00% interest, compounded annually, applicable to the account balances in the past as well as the future.  |             |             |             |             |             |                       |      |      |      |      |
| Disability incidence                        | Approved rates are applied to eligible members with at least 10 years of service.   |             |             |             |             |             |                       |      |      |      |      |

**STATE OF NEW MEXICO  
LOVINGTON MUNICIPAL SCHOOLS  
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**NOTE 9: EMPLOYEE RETIREMENT PLAN (continued)**

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

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

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

| Asset Class  | Target<br>Allocation | Long-Term<br>Expected Rate<br>of Return |
|--------------|----------------------|---|
| Equities     | 33%                  |   |
| Fixed income | 26                   |   |
| Alternatives | 40                   |   |
| Cash         | 1                    |   |
| Total        | 100%                 | 7.25%                                   |

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

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

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**NOTE 9: EMPLOYEE RETIREMENT PLAN (continued)**

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

|   | 1% Decrease<br>(4.90%) | Current Discount<br>Rate (5.90%) | 1% Increase<br>(6.90%) |
|---|------------------------|----------------------------------|------------------------|
| District's proportionate share of the net pension liability | \$ 94,074,378          | \$ 72,267,550                    | \$ 54,442,242          |

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

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

***General Information about the OPEB***

***Plan description.*** Employees of the District are provided with OPEB through the Retiree Health Care Fund (the Fund)—a cost-sharing multiple-employer defined benefit OPEB plan administered by the New Mexico Retiree Health Care Authority (NMRHCA). NMRHCA was formed February 13, 1990, under the New Mexico Retiree Health Care Act (the Act) of New Mexico Statutes Annotated, as amended (NMSA 1978), to administer the Fund under Section 10-7C-1-19 NMSA 1978. The Fund was created to provide comprehensive group health insurance coverage for individuals (and their spouses, dependents and surviving spouses) who have retired or will retire from public service in New Mexico.

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

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

**STATE OF NEW MEXICO  
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**NOTE 10: POST-EMPLOYMENT BENEFITS-STATE RETIREE HEALTH CARE PLAN (continued)**

**Employees covered by benefit terms** – At June 30, 2017, the Fund's measurement date, the following employees were covered by the benefit terms:

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

**Contributions** – Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee's salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer's participation in the Fund. Contributions to the Fund from the District were \$362,729 for the year ended June 30, 2018.

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

At June 30, 2018, the District reported a liability of \$19,548,731 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2017. At June 30, 2017, the District's proportion was 0.43138 percent.

For the year ended June 30, 2018, the District recognized OPEB expense of \$414,463. At June 30, 2018 the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|  | Deferred Outflows of<br>Resources | Deferred Inflows of<br>Resources |
|--|-----------------------------------|----------------------------------|
|  | <u>                    </u>       | <u>                    </u>      |
| Difference between expected and actual experience                          | \$ -                              | \$ 750,177                       |
| Changes of assumptions   | -                                 | 3,417,847                        |
| Differences between actual and projected earnings on OPEB plan investments | -                                 | 281,222                          |
| Contributions made after the measurement date                              | 362,729                           | -                                |
|  | <u>362,729</u>                    | <u>-</u>                         |
| Total  | <u>\$ 362,729</u>                 | <u>\$ 4,449,246</u>              |

**STATE OF NEW MEXICO  
LOVINGTON MUNICIPAL SCHOOLS  
Notes to the Financial Statements  
June 30, 2018**

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

Deferred outflows of resources totaling \$362,729 represent District contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

|                     |                       |
|---------------------|-----------------------|
| Year ended June 30: |                       |
| 2019                | \$ (945,941)          |
| 2020                | (945,941)             |
| 2021                | (945,941)             |
| 2022                | (945,941)             |
| 2023                | (665,482)             |
| Total               | <u>\$ (4,449,246)</u> |

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

|                             |  |
|-----------------------------|--|
| Valuation Date              | June 30, 2017  |
| Actuarial cost method       | Entry age normal, level percent of pay, calculated on individual employee basis  |
| Asset valuation method      | Market value of assets   |
| Actuarial assumptions:      |  |
| Inflation                   | 2.50% for ERB; 2.25% for PERA  |
| Projected payroll increases | 3.50%  |
| Investment rate of return   | 7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation  |
| Health care cost trend rate | 8% graded down to 4.5% over 14 years for Non- Medicare medical plan costs and 7.5% graded down to 4.5% over 12 for Medicare medical plan costs |

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



**STATE OF NEW MEXICO  
LOVINGTON MUNICIPAL SCHOOLS  
Notes to the Financial Statements  
June 30, 2018**

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

The best estimates for the long-term expected rate of return is summarized as follows:

| Asset Class                   | Long-Term Rate<br>of Return |
|-------------------------------|-----------------------------|
| U.S. core fixed income        | 4.1%                        |
| U.S. equity - large cap       | 9.1                         |
| Non U.S. - emerging markets   | 12.2                        |
| Non U.S. - developed equities | 9.8                         |
| Private equity                | 13.8                        |
| Credit and structured finance | 7.3                         |
| Real estate                   | 6.9                         |
| Absolute return               | 6.1                         |
| U.S. equity - small/mid cap   | 9.1                         |

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

**Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates.** The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.81 percent) or 1-percentage-point higher (4.81 percent) than the current discount rate:

| 1% Decrease<br>(2.81%) | Current Discount<br>(3.81%) | 1% Increase<br>(4.81%) |
|------------------------|-----------------------------|------------------------|
| \$ 23,712,306          | \$ 19,548,731               | \$ 16,282,032          |

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

| 1% Decrease   | Current Trend<br>Rates | 1% Increase   |
|---------------|------------------------|---------------|
| \$ 16,627,542 | \$ 19,548,731          | \$ 21,826,536 |

**OPEB plan fiduciary net position.** Detailed information about the OPEB plan's fiduciary net position is available in NMRHCA's audited financial statements for the year ended June 30, 2017.

**Payable Changes in the Net OPEB Liability.** At June 30, 2018, the District had no liability for outstanding contributions due to NMRHCA for the year ended June 30, 2018.



**STATE OF NEW MEXICO  
LOVINGTON MUNICIPAL SCHOOLS  
Notes to the Financial Statements  
June 30, 2018**

**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            |
| GRADS Plus                   | <u>1,085</u>      |
| Total                        | <u>\$ 204,520</u> |

B. Excess of expenditures over appropriations.

For the fiscal year ended June 30, 2018, expenditures exceed appropriations in the following funds:

None.

C. Designated cash appropriations in excess of available balances:

None.

**NOTE 13: 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, 2017                                   | \$ 5,183,254          |
| Restatement of prior year receivable                                 | -455,028              |
| Restatement of cash due to voided prior year checks                  | 860                   |
| Restatement of dormant funds revert to Operational Fund              | 312                   |
| Restatement to record beginning balance of liability related to OPEB | <u>-23,220,785</u>    |
| Net Position Balance July 1, 2017                                    | <u>\$ -18,491,387</u> |

**STATE OF NEW MEXICO  
LOVINGTON MUNICIPAL SCHOOLS  
Notes to the Financial Statements  
June 30, 2018**

**NOTE 13: RESTATEMENT OF NET POSITION AND FUND BALANCE (continued)**

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

|   |                      |
|---|----------------------|
| Fund Balance June 30, 2017  | \$ 10,897,365        |
| Operating receivable from Cafeteria in prior year                               | -50,000              |
| Operational loans to other funds in the prior year                              | -455,029             |
| Record prior year expenditures of Special Revenue funds paid from Operational   | 47,577               |
| Record amounts paid back from dormant funds recorded as transfers in            | -36,297              |
| Record voided prior year checks in Teacher/Principal Training Fund              | 860                  |
| Record dormant funds reverted to Operational from Carl Perkins Secondary Fund   | 19,354               |
| Record dormant funds reverted to Operational from Carl Perkins High School Fund | 12,999               |
| Record dormant funds reverted to Operational from Local Combined Grants Fund    | 3,944                |
| Record dormant funds from Technology for Education reverted to New Mexico PED   | 78                   |
| Record dormant funds from Adequacy Tech Equity Grant reverted to New Mexico PED | 117,326              |
| Record dormant funds from School Library Materials reverted to New Mexico PED   | 1,536                |
| Record dormant funds reverted to Operational from Value Options Fund            | 312                  |
| Restatement of prior year interest payable                                      | -50,036              |
| Fund Balance July 1, 2016   | <u>\$ 10,509,989</u> |

**STATE OF NEW MEXICO  
LOVINGTON MUNICIPAL SCHOOLS  
Notes to the Financial Statements  
June 30, 2018**

**NOTE 14: SUBSEQUENT PRONOUNCEMENTS**

In May 2017, GASB issued Government Accounting Standards Board Statement No. 90, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements, to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization. The provisions of this pronouncement are effective for reporting periods beginning after December 15, 2018. The pronouncement is expect to have little to no effect on the District in upcoming years.

In November 2016, GASB issued Government Accounting Standards Board Statement No. 83, Certain Asset Retirement Obligations, to address accounting and financial reporting for certain asset retirement obligations. The provisions of this pronouncement are effective for reporting periods beginning after June 15, 2018. In January 2017, GASB issued Government Accounting Standards Board Statement No. 84, Fiduciary Activities, to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The provisions of this pronouncement are effective for reporting periods beginning after December 15, 2018. In June 2017, GASB issued Government Accounting Standards Board Statement No. 87, Leases, to provide guidance on accounting and financial reporting for leases by governments. The provisions of this pronouncement are effective for reporting periods beginning after December 15, 2019. In April 2018, GASB issued Government Accounting Standards Board Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements, to improve the information that is disclosed in notes to government financial statements related to debt. The provisions of this pronouncement are effective for reporting periods beginning after June 15, 2018. In June 2018, GASB issued Government Accounting Standards Board Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period, to (1) enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) simplify accounting for interest cost incurred before the end of a construction period. The provisions of this pronouncement are effective for reporting periods beginning after December 15, 2019. The District is evaluating the effects on the financial statements of these pronouncements.

**NOTE 15: SUBSEQUENT EVENTS**

Management review

The date to which events occurring after June 30, 2018, the date of the most recent Statement of Net Position, have been evaluated for possible adjustment to the financial statements and disclosures is November 8, 2018 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, 2018

|  | 2018     | 2017          | 2016          | 2015          |
|--|----------|---------------|---------------|---------------|
| Proportion of the net pension liability  | 0.65027% | 0.66712%      | 0.63650%      | 0.63086%      |
| Proportionate share of the net pension liability   | 72267550 | \$ 48,008,848 | \$ 41,227,800 | \$ 35,995,164 |
| Covered Employee Payroll   | 18135539 | \$ 18,520,030 | \$ 17,378,489 | \$ 18,093,578 |
| Proportionate share of the net pension liability as a percentage of its covered-employee payroll | 398.49%  | 259.23%       | 237.23%       | 198.94%       |
| Plan fiduciary net position as a percentage of total pension liability                           | 52.95%   | 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, 2018

|  | <u>2018</u>   | <u>2017</u>   | <u>2016</u>   | <u>2015</u>   |
|--|---------------|---------------|---------------|---------------|
| Contractually required contribution                                  | \$ 2,520,602  | \$ 2,574,063  | \$ 2,870,300  | \$ 2,515,007  |
| Contributions in relation to the contractually required contribution | \$ 2,520,602  | \$ 2,574,063  | \$ 2,870,300  | \$ 2,515,007  |
| Contribution deficiency (excess)                                     | <u>\$ -</u>   | <u>\$ -</u>   | <u>\$ -</u>   | <u>\$ -</u>   |
| Covered-employee payroll   | \$ 18,135,539 | \$ 18,520,030 | \$ 17,378,489 | \$ 18,093,578 |
| Contributions as a percentage of covered-employee payroll            | 13.90%        | 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, 2018

**Changes in benefit provisions.** There were no modifications to the benefit provisions that were reflected in the actuarial valuation as of June 30, 2017.

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

STATE OF NEW MEXICO  
 LOVINGTON MUNICIPAL SCHOOLS  
 SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

for the YEAR ENDED JUNE 30, 2018

|  |                         |
|--|-------------------------|
| Employer's proportion of the net OPEB liability  | <u>2018</u><br>0.43138% |
| Employer's proportionate share of the net OPEB liability   | \$ 19,548,731           |
| Employer covered-employee payroll  | \$ 18,135,539           |
| Employers proportionate share of the net OPEB liability<br>as a percentage of its covered-employee payroll | 107.79%                 |
| Plan fiduciary net position as a percentage of the total<br>OPEB liability                                 | 11.34%                  |

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District will present information for available years.

## **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 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 – 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.

**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.

**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.

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

**STUDENT SUPPORT & ACADEMIC ENRICHMENT** - To account for the program and funds to support well-rounded educational opportunities, safe and healthy students and effective use of technology. Authority for this fund comes from ESEA section 4107, 4108, and 4109.



## **SPECIAL REVENUE – (continued)**

**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).

**TEACHER RECRUITMENT** - To account for funds provided to aid the District in the recruiting/hiring of teachers. Fund was created by funding initiative from New Mexico Public Education Department.

**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.

**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.

### **SPECIAL REVENUE – (continued)**

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 – 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, 2018

|   | <u>SPECIAL REVENUE</u>   |                          |   |
|---|--------------------------|--------------------------|---|
|   | <u>FOOD<br/>SERVICES</u> | <u>ATHLETICS</u>         | <u>MIGRANT<br/>CHILDREN<br/>EDUCATION</u> |
| <b>ASSETS</b>   |                          |                          |   |
| Cash on Deposit   | \$ 391,727               | \$ 239,320               | \$ -                                      |
| Due From Other Funds  | -                        | -                        | -   |
| Due From Other Agencies   | -                        | -                        | -   |
| Property Taxes Receivable   | -                        | -                        | -   |
| Inventory   | 20,284                   | -                        | -   |
| <b>TOTAL ASSETS</b>   | <b><u>\$ 412,011</u></b> | <b><u>\$ 239,320</u></b> | <b><u>\$ -</u></b>                        |
| <b>LIABILITIES AND FUND BALANCE</b>   |                          |                          |   |
| Accounts Payable  | \$ -                     | \$ -                     | \$ -                                      |
| Accrued Payroll   | -                        | -                        | -   |
| Due to Other Agencies   | -                        | -                        | -   |
| Due to Other Funds  | -                        | -                        | -   |
| <b>TOTAL LIABILITIES</b>  | <b><u>-</u></b>          | <b><u>-</u></b>          | <b><u>-</u></b>                           |
| <b>DEFERRED INFLOWS OF RESOURCES</b>  |                          |                          |   |
| Unavailable Revenue   | -                        | -                        | -   |
| Unearned Revenue  | -                        | -                        | -   |
| <b>TOTAL DEFERRED INFLOWS OF<br/>RESOURCES</b>                                | <b><u>-</u></b>          | <b><u>-</u></b>          | <b><u>-</u></b>                           |
| <b>FUND BALANCE</b>   |                          |                          |   |
| Nonspendable  | 20,284                   | -                        | -   |
| Restricted:   |                          |                          |   |
| Transportation  |                          |                          |   |
| Instructional Materials   |                          |                          |   |
| Capital Projects Funds  |                          |                          |   |
| Debt Service  |                          |                          |   |
| Cafeteria   | 391,727                  | -                        | -   |
| Athletics   | -                        | 239,320                  | -   |
| Special Revenue Funds   | -                        | -                        | -   |
| Unassigned  | -                        | -                        | -   |
| <b>TOTAL FUND BALANCE</b>   | <b><u>412,011</u></b>    | <b><u>239,320</u></b>    | <b><u>-</u></b>                           |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS<br/>OF RESOURCES, AND FUND BALANCE</b> | <b><u>\$ 412,011</u></b> | <b><u>\$ 239,320</u></b> | <b><u>\$ -</u></b>                        |

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

SPECIAL REVENUE

| IDEA B<br>PRESCHOOL | ENGLISH<br>LANGUAGE<br>ACQUISITION | TEACHER<br>PRINCIPAL<br>TRAINING | TITLE I<br>SCHOOL<br>IMPROVEMENTS | CARL<br>PERKINS<br>SECONDARY |
|---------------------|------------------------------------|----------------------------------|-----------------------------------|------------------------------|
| \$ -                | \$ -                               | \$ -                             | \$ -                              | \$ -                         |
| -                   | -                                  | -                                | -                                 | -                            |
| 5,115               | 154                                | 82,970                           | -                                 | -                            |
| -                   | -                                  | -                                | -                                 | -                            |
| -                   | -                                  | -                                | -                                 | -                            |
| <u>\$ 5,115</u>     | <u>\$ 154</u>                      | <u>\$ 82,970</u>                 | <u>\$ -</u>                       | <u>\$ -</u>                  |
| \$ 468              | \$ -                               | \$ 12,388                        | \$ -                              | \$ -                         |
| -                   | -                                  | -                                | -                                 | -                            |
| 4,647               | 81,317                             | 67,647                           | -                                 | -                            |
| <u>5,115</u>        | <u>81,317</u>                      | <u>80,035</u>                    | <u>-</u>                          | <u>-</u>                     |
| -                   | -                                  | -                                | -                                 | -                            |
| -                   | -                                  | -                                | -                                 | -                            |
| -                   | -                                  | -                                | -                                 | -                            |
| -                   | -                                  | -                                | -                                 | -                            |
| -                   | -                                  | -                                | -                                 | -                            |
| -                   | (81,163)                           | 2,935                            | -                                 | -                            |
| -                   | -                                  | -                                | -                                 | -                            |
| <u>-</u>            | <u>(81,163)</u>                    | <u>2,935</u>                     | <u>-</u>                          | <u>-</u>                     |
| <u>\$ 5,115</u>     | <u>\$ 154</u>                      | <u>\$ 82,970</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, 2018

|   | SPECIAL REVENUE                |                                    |  |                   |
|---|--------------------------------|------------------------------------|--|-------------------|
|   | CARL<br>PERKINS<br>HIGH SCHOOL | USDA<br>2010<br>EQUIPMENT<br>GRANT | STUDENT<br>SUPPORT &<br>ACADEMIC<br>ENRICHMENT | MEDICAID<br>XIX   |
| <b>ASSETS</b>   |                                |                                    |  |                   |
| Cash on Deposit   | \$ -                           | \$ -                               | \$ -   | \$ 772,819        |
| Due From Other Funds  | -                              | -                                  | -  | -                 |
| Due From Other Agencies   | -                              | -                                  | 1,498  | -                 |
| Property Taxes Receivable   | -                              | -                                  | -  | -                 |
| Inventory   | -                              | -                                  | -  | -                 |
| <b>TOTAL ASSETS</b>   | <b>\$ -</b>                    | <b>\$ -</b>                        | <b>\$ 1,498</b>                                | <b>\$ 772,819</b> |
| <b>LIABILITIES AND FUND BALANCE</b>                                       |                                |                                    |  |                   |
| Accounts Payable  | \$ -                           | \$ -                               | \$ -   | \$ -              |
| Accrued Payroll   | -                              | -                                  | -  | -                 |
| Due to Other Agencies   | -                              | -                                  | -  | -                 |
| Due to Other Funds  | -                              | -                                  | 1,498  | -                 |
| <b>TOTAL LIABILITIES</b>  | <b>-</b>                       | <b>-</b>                           | <b>1,498</b>                                   | <b>-</b>          |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                      |                                |                                    |  |                   |
| Unavailable Revenue   | -                              | -                                  | -  | -                 |
| Unearned Revenue  | -                              | -                                  | -  | -                 |
| <b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>                                | <b>-</b>                       | <b>-</b>                           | <b>-</b>                                       | <b>-</b>          |
| <b>FUND BALANCE</b>   |                                |                                    |  |                   |
| Nonspendable  | -                              | -                                  | -  | -                 |
| Restricted:   |                                |                                    |  |                   |
| Transportation  |                                |                                    |  |                   |
| Instructional Materials   |                                |                                    |  |                   |
| Capital Projects Funds  |                                |                                    |  |                   |
| Debt Service  |                                |                                    |  |                   |
| Cafeteria   |                                |                                    |  |                   |
| Athletics   |                                |                                    |  |                   |
| Special Revenue Funds   | -                              | -                                  | -  | 772,819           |
| Unassigned  | -                              | -                                  | -  | -                 |
| <b>TOTAL FUND BALANCE</b>   | <b>-</b>                       | <b>-</b>                           | <b>-</b>                                       | <b>772,819</b>    |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b> | <b>\$ -</b>                    | <b>\$ -</b>                        | <b>\$ 1,498</b>                                | <b>\$ 772,819</b> |

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

| SPECIAL REVENUE             |                            |   |                                    |  |                                   |
|-----------------------------|----------------------------|---|------------------------------------|--|-----------------------------------|
| LOCAL<br>COMBINED<br>GRANTS | CHEVRON<br>SCHOOL<br>GRANT | 2009 DUAL<br>CREDIT<br>INSTRUCTIONAL<br>MATERIALS | 2010 GO<br>BOND<br>LIBRARY<br>FUND | STUDENT<br>LIBRARY<br>GO BONDS<br>2012 | NEW<br>MEXICO<br>READS<br>TO LEAD |
| \$ -                        | \$ 50,000                  | \$ -  | -                                  | \$ -                                   | \$ -                              |
|                             |                            | -   | -                                  | -                                      | -                                 |
|                             |                            | 1,955   | -                                  | -                                      | 32,793                            |
|                             |                            | -   | -                                  | -                                      | -                                 |
|                             |                            | -   | -                                  | -                                      | -                                 |
| <u>\$ -</u>                 | <u>\$ 50,000</u>           | <u>\$ 1,955</u>                                   | <u>\$ -</u>                        | <u>\$ -</u>                            | <u>\$ 32,793</u>                  |
|                             |                            | \$ -  | \$ -                               | \$ -                                   | \$ -                              |
|                             |                            | -   | -                                  | -                                      | -                                 |
|                             |                            | 1,955   | -                                  | -                                      | 32,793                            |
|                             |                            | 1,955   | -                                  | -                                      | 32,793                            |
|                             |                            | -   | -                                  | -                                      | -                                 |
|                             |                            | -   | -                                  | -                                      | -                                 |
|                             |                            | -   | -                                  | -                                      | -                                 |
|                             |                            | -   | -                                  | -                                      | -                                 |
|                             |                            | -   | -                                  | -                                      | -                                 |
|                             |                            | -   | -                                  | -                                      | -                                 |
| -                           | 50,000                     | -   | -                                  | -                                      | -                                 |
|                             |                            | -   | -                                  | -                                      | -                                 |
| -                           | 50,000                     | -   | -                                  | -                                      | -                                 |
| <u>\$ -</u>                 | <u>\$ 50,000</u>           | <u>\$ 1,955</u>                                   | <u>\$ -</u>                        | <u>\$ -</u>                            | <u>\$ 32,793</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, 2018

|   | SPECIAL REVENUE                |                        |                                     |   |
|---|--------------------------------|------------------------|-------------------------------------|---|
|   | TECHNOLOGY<br>FOR<br>EDUCATION | TEACHER<br>RECRUITMENT | ADEQUACY<br>TECH<br>EQUITY<br>GRANT | KINDERGARTEN<br>THREE PLUS<br>AFTER<br>SCHOOL |
| <b>ASSETS</b>   |                                |                        |                                     |   |
| Cash on Deposit   | \$ -                           | \$ -                   | \$ -                                | \$ -  |
| Due From Other Funds  | -                              | -                      | -                                   | -   |
| Due From Other Agencies   | -                              | 11,984                 | -                                   | 33,967  |
| Property Taxes Receivable   | -                              | -                      | -                                   | -   |
| Inventory   | -                              | -                      | -                                   | -   |
| <b>TOTAL ASSETS</b>   | <b>\$ -</b>                    | <b>\$ 11,984</b>       | <b>\$ -</b>                         | <b>\$ 33,967</b>                              |
| <b>LIABILITIES AND FUND BALANCE</b>                                       |                                |                        |                                     |   |
| Accounts Payable  | \$ -                           | \$ -                   | \$ -                                | \$ -  |
| Accrued Payroll   | -                              | -                      | -                                   | -   |
| Due to Other Agencies   | -                              | -                      | -                                   | -   |
| Due to Other Funds  | -                              | 11,984                 | -                                   | 33,967  |
| <b>TOTAL LIABILITIES</b>  | <b>-</b>                       | <b>11,984</b>          | <b>-</b>                            | <b>33,967</b>                                 |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                      |                                |                        |                                     |   |
| Unavailable Revenue   | -                              | -                      | -                                   | -   |
| Unearned Revenue  | -                              | -                      | -                                   | -   |
| <b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>                                | <b>-</b>                       | <b>-</b>               | <b>-</b>                            | <b>-</b>                                      |
| <b>FUND BALANCE</b>   |                                |                        |                                     |   |
| Nonspendable  | -                              | -                      | -                                   | -   |
| Restricted:   |                                |                        |                                     |   |
| Transportation  |                                |                        |                                     |   |
| Instructional Materials   |                                |                        |                                     |   |
| Capital Projects Funds  |                                |                        |                                     |   |
| Debt Service  |                                |                        |                                     |   |
| Cafeteria   |                                |                        |                                     |   |
| Athletics   |                                |                        |                                     |   |
| Special Revenue Funds   | -                              | -                      | -                                   | -   |
| Unassigned  |                                |                        |                                     |   |
| <b>TOTAL FUND BALANCE</b>   | <b>-</b>                       | <b>-</b>               | <b>-</b>                            | <b>-</b>                                      |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b> | <b>\$ -</b>                    | <b>\$ 11,984</b>       | <b>\$ -</b>                         | <b>\$ 33,967</b>                              |

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

SPECIAL REVENUE

| AFTER<br>SCHOOL<br>SUMMER<br>ENRICHMENT | SCHOOL<br>LIBRARY<br>MATERIALS | EARLY<br>INTERVENTION<br>CYFD | GRADS<br>CHILD<br>CARE | GRADS<br>INSTRUCTION | GRADS<br>PLUS  | PRIVATE<br>DIRECT<br>GRANTS |
|---|--------------------------------|-------------------------------|------------------------|----------------------|----------------|-----------------------------|
| \$ -                                    | \$ -                           | \$ 108,248                    | \$ 3,022               | \$ -                 | \$ -           | \$ 105,849                  |
| -                                       | -                              | -                             | -                      | 1,180                | -              | -                           |
| 9,250                                   | -                              | -                             | -                      | -                    | -              | -                           |
| -                                       | -                              | -                             | -                      | -                    | -              | -                           |
| <u>\$ 9,250</u>                         | <u>\$ -</u>                    | <u>\$ 108,248</u>             | <u>\$ 3,022</u>        | <u>\$ 1,180</u>      | <u>\$ -</u>    | <u>\$ 105,849</u>           |
| \$ -                                    | \$ -                           | \$ -                          | \$ -                   | \$ -                 | \$ -           | \$ -                        |
| -                                       | -                              | -                             | -                      | -                    | -              | -                           |
| 9,250                                   | -                              | -                             | 1,180                  | 44,581               | 1,085          | -                           |
| <u>9,250</u>                            | <u>-</u>                       | <u>-</u>                      | <u>1,180</u>           | <u>44,581</u>        | <u>1,085</u>   | <u>-</u>                    |
| -                                       | -                              | -                             | -                      | -                    | -              | -                           |
| -                                       | -                              | -                             | 1,842                  | -                    | -              | -                           |
| -                                       | -                              | -                             | 1,842                  | -                    | -              | -                           |
| -                                       | -                              | -                             | -                      | -                    | -              | -                           |
| -                                       | -                              | 108,248                       | -                      | (43,401)             | (1,085)        | 105,849                     |
| <u>-</u>                                | <u>-</u>                       | <u>108,248</u>                | <u>-</u>               | <u>(43,401)</u>      | <u>(1,085)</u> | <u>105,849</u>              |
| <u>\$ 9,250</u>                         | <u>\$ -</u>                    | <u>\$ 108,248</u>             | <u>\$ 3,022</u>        | <u>\$ 1,180</u>      | <u>\$ -</u>    | <u>\$ 105,849</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, 2018

|   | SPECIAL REVENUE         |  | CAPITAL PROJECTS |                                       |
|---|-------------------------|--|------------------|---------------------------------------|
|   | VALUE<br>OPTIONS<br>DOH | TOTAL<br>NON MAJOR<br>SPECIAL<br>REVENUE | BOND<br>BUILDING | SPECIAL<br>CAPITAL<br>OUTLAY<br>LOCAL |
| <b>ASSETS</b>   |                         |  |                  |                                       |
| Cash on Deposit   | \$ -                    | \$ 1,670,985                             | \$ 88,996        | \$ -                                  |
| Due From Other Funds  | -                       | 1,180                                    | -                | -                                     |
| Due From Other Agencies   | -                       | 179,686                                  | -                | -                                     |
| Property Taxes Receivable   | -                       | -  | -                | -                                     |
| Inventory   | -                       | 20,284                                   | -                | -                                     |
|   |                         | -  |                  |                                       |
| <b>TOTAL ASSETS</b>   | <b>\$ -</b>             | <b>\$ 1,872,135</b>                      | <b>\$ 88,996</b> | <b>\$ -</b>                           |
| <b>LIABILITIES AND FUND BALANCE</b>                                       |                         |  |                  |                                       |
| Accounts Payable  | \$ -                    | \$ 12,856                                | \$ -             | \$ -                                  |
| Accrued Payroll   | -                       | -  | -                | -                                     |
| Due to Other Agencies   | -                       | -  | -                | -                                     |
| Due to Other Funds  | -                       | 291,904                                  | -                | -                                     |
| <b>TOTAL LIABILITIES</b>  | <b>-</b>                | <b>304,760</b>                           | <b>-</b>         | <b>-</b>                              |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                      |                         |  |                  |                                       |
| Unavailable Revenue   | -                       | -  | -                | -                                     |
| Unearned Revenue  | -                       | 1,842                                    | -                | -                                     |
| <b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>                                | <b>-</b>                | <b>1,842</b>                             | <b>-</b>         | <b>-</b>                              |
| <b>FUND BALANCE</b>   |                         |  |                  |                                       |
| Nonspendable  | -                       | 20,284                                   | -                | -                                     |
| Restricted:   |                         |  |                  |                                       |
| Transportation  |                         | -  |                  |                                       |
| Instructional Materials   |                         | -  |                  |                                       |
| Capital Projects Funds  |                         | -  | 88,996           | -                                     |
| Debt Service  |                         | -  |                  |                                       |
| Cafeteria   |                         | 391,727                                  |                  |                                       |
| Athletics   |                         | 239,320                                  |                  |                                       |
| Special Revenue Funds   | -                       | 914,202                                  |                  | -                                     |
| Unassigned  |                         | -  |                  |                                       |
| <b>TOTAL FUND BALANCE</b>   | <b>-</b>                | <b>1,565,533</b>                         | <b>88,996</b>    | <b>-</b>                              |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b> |                         |  |                  |                                       |
|   | <b>\$ -</b>             | <b>\$ 1,872,135</b>                      | <b>\$ 88,996</b> | <b>\$ -</b>                           |

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

| SPECIAL<br>CAPITAL<br>OUTLAY<br>STATE | CAPITAL PROJECTS                        |   | DEBT<br>SERVICE            |                             |
|---------------------------------------|---|---|----------------------------|-----------------------------|
|                                       | CAPITAL<br>IMPROVEMENT<br>SB 9<br>LOCAL | TOTAL<br>NON MAJOR<br>CAPITAL<br>PROJECTS | ED TECH<br>DEBT<br>SERVICE | TOTAL<br>NON MAJOR<br>FUNDS |
| \$ -                                  | \$ 794,031                              | \$ 883,027                                | \$ 59,715                  | \$ 2,613,727                |
| -                                     | 604,157                                 | 604,157                                   | -                          | 605,337                     |
| -                                     | -                                       | -   | -                          | 179,686                     |
| -                                     | 142,500                                 | 142,500                                   | -                          | 142,500                     |
| -                                     | -                                       | -   | -                          | 20,284                      |
| -                                     | -                                       | -   | -                          | -                           |
| <u>\$ -</u>                           | <u>\$ 1,540,688</u>                     | <u>1,629,684</u>                          | <u>\$ 59,715</u>           | <u>\$ 3,561,534</u>         |
| \$ -                                  | \$ 17,098                               | \$ 17,098                                 | \$ -                       | \$ 29,954                   |
| -                                     | -                                       | -   | -                          | -                           |
| -                                     | -                                       | -   | -                          | -                           |
| -                                     | -                                       | -   | -                          | 291,904                     |
| <u>-</u>                              | <u>17,098</u>                           | <u>17,098</u>                             | <u>-</u>                   | <u>321,858</u>              |
| -                                     | -                                       | -   | -                          | -                           |
| -                                     | 30,758                                  | 30,758                                    | -                          | 30,758                      |
| -                                     | -                                       | -   | -                          | 1,842                       |
| <u>-</u>                              | <u>30,758</u>                           | <u>30,758</u>                             | <u>-</u>                   | <u>32,600</u>               |
| -                                     | -                                       | -   | -                          | -                           |
| -                                     | -                                       | -   | -                          | 20,284                      |
| -                                     | -                                       | -   | -                          | -                           |
| -                                     | 1,492,832                               | 1,581,828                                 | -                          | 1,581,828                   |
| -                                     | -                                       | -   | 59,715                     | 59,715                      |
| -                                     | -                                       | -   | -                          | 391,727                     |
| -                                     | -                                       | -   | -                          | 239,320                     |
| -                                     | -                                       | -   | -                          | 914,202                     |
| -                                     | -                                       | -   | -                          | -                           |
| <u>-</u>                              | <u>1,540,688</u>                        | <u>1,581,828</u>                          | <u>59,715</u>              | <u>3,207,076</u>            |
| <u>\$ -</u>                           | <u>\$ 1,588,544</u>                     | <u>\$ 1,629,684</u>                       | <u>\$ 59,715</u>           | <u>\$ 3,561,534</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, 2018

|   | SPECIAL REVENUE   |                   |                                  |
|---|-------------------|-------------------|----------------------------------|
|   | FOOD<br>SERVICES  | ATHLETICS         | MIGRANT<br>CHILDREN<br>EDUCATION |
| REVENUE   |                   |                   |                                  |
| Federal Programs                                    | \$ 1,434,950      | \$ -              | \$ -                             |
| State Programs                                      | -                 | -                 | -                                |
| State Equalization                                  | -                 | -                 | -                                |
| Interest Earnings                                   | 185               | 876               | -                                |
| Private/Direct Grants                               | -                 | -                 | -                                |
| Charges for Services                                | -                 | -                 | -                                |
| Fees  | 189,706           | 98,505            | -                                |
| Donations   | -                 | 180               | -                                |
| Sale of Property                                    | -                 | -                 | -                                |
| Miscellaneous                                       | 1,206             | -                 | -                                |
| Indirect Cost                                       | -                 | -                 | -                                |
| Rent and Royalties                                  | -                 | -                 | -                                |
| Local Property Taxes                                | -                 | -                 | -                                |
| Refund of Prior Year's Expenditures                 | 10,726            | -                 | -                                |
| TOTAL REVENUES                                      | <u>1,636,773</u>  | <u>99,561</u>     | <u>-</u>                         |
| EXPENDITURES  |                   |                   |                                  |
| Current   |                   |                   |                                  |
| Instruction   | -                 | 61,716            | -                                |
| Support Services                                    |                   |                   |                                  |
| Support Services-Students                           | -                 | -                 | -                                |
| 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                            | 1,417,627         | -                 | -                                |
| Community Services-Operations                       | -                 | -                 | -                                |
| Acquisition & Construction                          | -                 | -                 | -                                |
| TOTAL EXPENDITURES                                  | <u>1,417,627</u>  | <u>61,716</u>     | <u>-</u>                         |
| EXCESS (DEFICIENCY) OF<br>REVENUE OVER EXPENDITURES | 219,146           | 37,845            | -                                |
| Other Financing Sources (uses)                      |                   |                   |                                  |
| Refunds to PED                                      | -                 | -                 | -                                |
| Transfer/Refunds                                    | -                 | -                 | 29,250                           |
| Total Other Financial Sources                       | <u>-</u>          | <u>-</u>          | <u>29,250</u>                    |
| Net Change In Fund Balance                          | 219,146           | 37,845            | 29,250                           |
| FUND BALANCE  |                   |                   |                                  |
| as of June 30, 2017                                 | 192,865           | 201,475           | (29,250)                         |
| Restatement   | -                 | -                 | -                                |
| Restated Balance                                    | <u>192,865</u>    | <u>201,475</u>    | <u>(29,250)</u>                  |
| FUND BALANCE<br>as of June 30, 2018                 | <u>\$ 412,011</u> | <u>\$ 239,320</u> | <u>\$ -</u>                      |

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

SPECIAL REVENUE

| IDEA B<br>PRESCHOOL | ENGLISH<br>LANGUAGE<br>ACQUISITION | TEACHER<br>PRINCIPAL<br>TRAINING | TITLE I<br>SCHOOL<br>IMPROVEMENTS | CARL<br>PERKINS<br>SECONDARY |
|---------------------|------------------------------------|----------------------------------|-----------------------------------|------------------------------|
| \$ 30,153           | \$ 5,734                           | \$ 231,406                       | \$ 49,489                         | \$ -                         |
| -                   | -                                  | -                                | -                                 | -                            |
| -                   | -                                  | -                                | -                                 | -                            |
| -                   | -                                  | -                                | -                                 | -                            |
| -                   | -                                  | -                                | -                                 | -                            |
| -                   | -                                  | -                                | -                                 | -                            |
| -                   | -                                  | -                                | -                                 | -                            |
| -                   | -                                  | -                                | -                                 | -                            |
| <u>30,153</u>       | <u>5,734</u>                       | <u>231,406</u>                   | <u>49,489</u>                     | <u>-</u>                     |
| 29,184              | 5,580                              | 203,766                          | 49,489                            | -                            |
| -                   | -                                  | -                                | -                                 | -                            |
| -                   | -                                  | -                                | -                                 | -                            |
| 969                 | 154                                | 7,436                            | -                                 | -                            |
| -                   | -                                  | 32,948                           | -                                 | -                            |
| -                   | -                                  | -                                | -                                 | -                            |
| -                   | -                                  | -                                | -                                 | -                            |
| -                   | -                                  | -                                | -                                 | -                            |
| -                   | -                                  | -                                | -                                 | -                            |
| <u>30,153</u>       | <u>5,734</u>                       | <u>244,150</u>                   | <u>49,489</u>                     | <u>-</u>                     |
| -                   | -                                  | (12,744)                         | -                                 | -                            |
| -                   | -                                  | -                                | -                                 | -                            |
| -                   | -                                  | -                                | -                                 | (19,354)                     |
| -                   | -                                  | -                                | -                                 | (19,354)                     |
| -                   | -                                  | (12,744)                         | -                                 | (19,354)                     |
| -                   | (81,163)                           | 14,819                           | -                                 | -                            |
| -                   | -                                  | 860                              | -                                 | 19,354                       |
| <u>-</u>            | <u>(81,163)</u>                    | <u>15,679</u>                    | <u>-</u>                          | <u>19,354</u>                |
| <u>\$ -</u>         | <u>\$ (81,163)</u>                 | <u>\$ 2,935</u>                  | <u>\$ -</u>                       | <u>\$ -</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, 2018

|   | SPECIAL REVENUE                |                                    |  |                 |
|---|--------------------------------|------------------------------------|--|-----------------|
|   | CARL<br>PERKINS<br>HIGH SCHOOL | USDA<br>2010<br>EQUIPMENT<br>GRANT | STUDENT<br>SUPPORT &<br>ACADEMIC<br>ENRICHMENT | MEDICAID<br>XIX |
| REVENUE   |                                |                                    |  |                 |
| Federal Programs                                    | \$ -                           | \$ 16,682                          | \$ 11,087                                      | \$ 635,322      |
| 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                                      | -                              | 16,682                             | 11,087   | 635,322         |
| EXPENDITURES  |                                |                                    |  |                 |
| Current   |                                |                                    |  |                 |
| Instruction   | -                              | -                                  | 10,731   | -               |
| Support Services                                    | -                              | -                                  | -  | -               |
| Support Services-Students                           | -                              | -                                  | -  | 238,077         |
| Support Services-Instruction                        | -                              | -                                  | -  | -               |
| Support Services-General Administration             | -                              | -                                  | 356  | -               |
| Support Services-School Administration              | -                              | -                                  | -  | -               |
| Central Services                                    | -                              | -                                  | -  | -               |
| Operation & Maintenance of Plant                    | -                              | -                                  | -  | -               |
| Student Transportation                              | -                              | -                                  | -  | -               |
| Other Support Services                              | -                              | -                                  | -  | -               |
| Food Services-Operations                            | -                              | 16,682                             | -  | -               |
| Community Services-Operations                       | -                              | -                                  | -  | -               |
| Acquisition & Construction                          | -                              | -                                  | -  | -               |
| TOTAL EXPENDITURES                                  | -                              | 16,682                             | 11,087   | 238,077         |
| EXCESS (DEFICIENCY) OF<br>REVENUE OVER EXPENDITURES | -                              | -                                  | -  | 397,245         |
| Other Financing Sources (uses)                      |                                |                                    |  |                 |
| Refunds to PED                                      | -                              | -                                  | -  | -               |
| Transfer/Refunds                                    | (12,999)                       | -                                  | -  | -               |
| Total Other Financial Sources                       | (12,999)                       | -                                  | -  | -               |
| Net Change In Fund Balance                          | (12,999)                       | -                                  | -  | 397,245         |
| FUND BALANCE  |                                |                                    |  |                 |
| as of June 30, 2017                                 | -                              | -                                  | -  | 375,574         |
| Restatement   | 12,999                         | -                                  | -  | -               |
| Restated Balance                                    | 12,999                         | -                                  | -  | 375,574         |
| FUND BALANCE<br>as of June 30, 2018                 | \$ -                           | \$ -                               | \$ -   | \$ 772,819      |

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

SPECIAL REVENUE

| LOCAL<br>COMBINED<br>GRANTS | CHEVRON<br>SCHOOL<br>GRANT | 2009 DUAL<br>CREDIT<br>INSTRUCTIONAL<br>MATERIALS | 2010 GO<br>BOND<br>LIBRARY<br>FUND | STUDENT<br>LIBRARY<br>GO BONDS<br>2012 | NEW<br>MEXICO<br>READS<br>TO LEAD |
|-----------------------------|----------------------------|---|------------------------------------|--|-----------------------------------|
| \$ -                        | \$ -                       | \$ -  | \$ -                               | \$ -                                   | \$ -                              |
| -                           | 50,000                     | 7,684   | -                                  | 35,952                                 | 200,698                           |
| -                           |                            | -   | -                                  | -                                      | -                                 |
| -                           |                            | -   | -                                  | -                                      | -                                 |
| -                           |                            | -   | -                                  | -                                      | -                                 |
| -                           |                            | -   | -                                  | -                                      | -                                 |
| -                           |                            | -   | -                                  | -                                      | -                                 |
| -                           |                            | -   | -                                  | -                                      | -                                 |
| -                           |                            | -   | -                                  | -                                      | -                                 |
| -                           |                            | -   | -                                  | -                                      | -                                 |
| -                           |                            | -   | -                                  | -                                      | -                                 |
| -                           |                            | -   | -                                  | -                                      | -                                 |
| -                           |                            | -   | -                                  | -                                      | -                                 |
| -                           |                            | -   | -                                  | -                                      | -                                 |
| -                           |                            | -   | -                                  | -                                      | -                                 |
| -                           |                            | -   | -                                  | -                                      | -                                 |
| -                           | 50,000                     | 7,684   | -                                  | 35,952                                 | 200,698                           |
| -                           |                            | -   | -                                  | -                                      | -                                 |
| -                           | -                          | 7,684   | -                                  | -                                      | -                                 |
| -                           |                            | -   | -                                  | -                                      | -                                 |
| -                           |                            | -   | -                                  | -                                      | -                                 |
| -                           |                            | -   | -                                  | -                                      | -                                 |
| -                           |                            | -   | -                                  | -                                      | -                                 |
| -                           |                            | -   | -                                  | -                                      | -                                 |
| -                           |                            | -   | -                                  | -                                      | -                                 |
| -                           |                            | -   | -                                  | -                                      | -                                 |
| -                           |                            | -   | -                                  | -                                      | -                                 |
| -                           |                            | -   | -                                  | -                                      | -                                 |
| -                           |                            | -   | -                                  | -                                      | -                                 |
| -                           |                            | -   | -                                  | -                                      | -                                 |
| -                           |                            | -   | -                                  | -                                      | -                                 |
| -                           |                            | -   | -                                  | -                                      | -                                 |
| -                           |                            | -   | -                                  | -                                      | -                                 |
| -                           |                            | -   | -                                  | -                                      | -                                 |
| -                           |                            | -   | -                                  | -                                      | -                                 |
| -                           |                            | -   | -                                  | -                                      | -                                 |
| -                           |                            | -   | -                                  | -                                      | -                                 |
| -                           |                            | -   | -                                  | -                                      | -                                 |
| -                           |                            | -   | -                                  | -                                      | -                                 |
| -                           |                            | -   | -                                  | -                                      | -                                 |
| -                           | 50,000                     | -   | -                                  | -                                      | -                                 |
| -                           |                            | -   | -                                  | -                                      | -                                 |
| (3,944)                     | -                          | -   | 19,494                             | -                                      | -                                 |
| (3,944)                     | -                          | -   | 19,494                             | -                                      | -                                 |
| (3,944)                     | 50,000                     | -   | 19,494                             | -                                      | -                                 |
| -                           |                            | -   | -                                  | -                                      | -                                 |
| 3,944                       | -                          | -   | (19,494)                           | -                                      | -                                 |
| 3,944                       | -                          | -   | (19,494)                           | -                                      | -                                 |
| \$ -                        | \$ 50,000                  | \$ -  | \$ -                               | \$ -                                   | \$ -                              |

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, 2018

|   | SPECIAL REVENUE |             |           |              |
|---|-----------------|-------------|-----------|--------------|
|   | TECHNOLOGY      |             | ADEQUACY  | KINDERGARTEN |
|   | FOR             | TEACHER     | TECH      | THREE PLUS   |
|   | EDUCATION       | RECRUITMENT | EQUITY    | AFTER        |
|   |                 |             | GRANT     | SCHOOL       |
| REVENUE   |                 |             |           |              |
| Federal Programs                                    | \$ -            | \$ -        | \$ -      | \$ -         |
| State Programs                                      | -               | 11,984      | -         | 115,625      |
| 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                                      | -               | 11,984      | -         | 115,625      |
| EXPENDITURES  |                 |             |           |              |
| Current   |                 |             |           |              |
| Instruction   | -               | -           | -         | 84,148       |
| Support Services                                    |                 |             |           |              |
| Support Services-Students                           | -               | -           | -         | -            |
| Support Services-Instruction                        | -               | -           | -         | -            |
| Support Services-General Administration             | -               | -           | -         | -            |
| Support Services-School Administration              | -               | -           | -         | -            |
| Central Services                                    | -               | 11,984      | -         | -            |
| Operation & Maintenance of Plant                    | -               | -           | -         | -            |
| Student Transportation                              | -               | -           | -         | 31,477       |
| Other Support Services                              | -               | -           | -         | -            |
| Food Services-Operations                            | -               | -           | -         | -            |
| Community Services-Operations                       | -               | -           | -         | -            |
| Acquisition & Construction                          | -               | -           | -         | -            |
| TOTAL EXPENDITURES                                  | -               | 11,984      | -         | 115,625      |
| EXCESS (DEFICIENCY) OF<br>REVENUE OVER EXPENDITURES | -               | -           | -         | -            |
| Other Financing Sources (uses)                      |                 |             |           |              |
| Refunds to PED                                      | (78)            | -           | (117,326) | -            |
| Transfer/Refunds                                    | -               | -           | -         | -            |
| Total Other Financial Sources                       | (78)            | -           | (117,326) | -            |
| Net Change In Fund Balance                          | (78)            | -           | (117,326) | -            |
| FUND BALANCE  |                 |             |           |              |
| as of June 30, 2017                                 | -               | -           | -         | -            |
| Restatement   | 78              | -           | 117,326   | -            |
| Restated Balance                                    | 78              | -           | 117,326   | -            |
| FUND BALANCE  |                 |             |           |              |
| as of June 30, 2018                                 | \$ -            | \$ -        | \$ -      | \$ -         |

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

SPECIAL REVENUE

| AFTER<br>SCHOOL<br>SUMMER<br>ENRICHMENT | SCHOOL<br>LIBRARY<br>MATERIALS | EARLY<br>INTERVENTION<br>CYFD | GRADS<br>CHILD<br>CARE | GRADS<br>INSTRUCTION | GRADS<br>PLUS | PRIVATE<br>DIRECT<br>GRANTS |
|---|--------------------------------|-------------------------------|------------------------|----------------------|---------------|-----------------------------|
| \$ -                                    | \$ -                           | \$ -                          | \$ -                   | \$ -                 | \$ -          | \$ -                        |
| 44,664                                  | -                              | 17,044                        | -                      | 1,477                | -             | -                           |
| -                                       | -                              | -                             | -                      | -                    | -             | -                           |
| -                                       | -                              | -                             | -                      | -                    | -             | -                           |
| -                                       | -                              | -                             | -                      | -                    | -             | 49,000                      |
| -                                       | -                              | -                             | -                      | -                    | -             | -                           |
| -                                       | -                              | -                             | -                      | -                    | -             | -                           |
| -                                       | -                              | -                             | -                      | -                    | -             | -                           |
| -                                       | -                              | -                             | -                      | -                    | -             | -                           |
| 44,664                                  | -                              | 17,044                        | -                      | 1,477                | -             | 49,000                      |
| 38,540                                  | -                              | 4,929                         | -                      | 1,477                | -             | 52,025                      |
| -                                       | -                              | -                             | -                      | -                    | -             | -                           |
| -                                       | -                              | -                             | -                      | -                    | -             | -                           |
| 6,124                                   | -                              | -                             | -                      | -                    | -             | -                           |
| -                                       | -                              | -                             | -                      | -                    | -             | -                           |
| -                                       | -                              | -                             | -                      | -                    | -             | -                           |
| -                                       | -                              | -                             | -                      | -                    | -             | -                           |
| -                                       | -                              | -                             | -                      | -                    | -             | -                           |
| -                                       | -                              | -                             | -                      | -                    | -             | -                           |
| -                                       | -                              | -                             | -                      | -                    | -             | -                           |
| 44,664                                  | -                              | 4,929                         | -                      | 1,477                | -             | 52,025                      |
| -                                       | -                              | 12,115                        | -                      | -                    | -             | (3,025)                     |
| -                                       | (1,536)                        | -                             | -                      | -                    | -             | -                           |
| -                                       | (1,536)                        | -                             | -                      | -                    | -             | -                           |
| -                                       | (1,536)                        | 12,115                        | -                      | -                    | -             | (3,025)                     |
| -                                       | -                              | 96,133                        | -                      | (43,401)             | (1,085)       | 108,874                     |
| -                                       | 1,536                          | -                             | -                      | -                    | -             | -                           |
| -                                       | 1,536                          | 96,133                        | -                      | (43,401)             | (1,085)       | 108,874                     |
| \$ -                                    | \$ -                           | \$ 108,248                    | \$ -                   | \$ (43,401)          | \$ (1,085)    | \$ 105,849                  |

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, 2018

|   | SPECIAL REVENUE         |                                 | CAPITAL PROJECTS |                            |
|---|-------------------------|---------------------------------|------------------|----------------------------|
|   | VALUE<br>OPTIONS<br>DOH | TOTAL                           | BOND<br>BUILDING | SPECIAL                    |
|   |                         | NON MAJOR<br>SPECIAL<br>REVENUE |                  | CAPITAL<br>OUTLAY<br>LOCAL |
| REVENUE   |                         |                                 |                  |                            |
| Federal Programs                                    | \$ -                    | \$ 2,414,823                    | \$ -             | \$ -                       |
| State Programs                                      | -                       | 485,128                         | -                | -                          |
| State Equalization                                  | -                       | -                               | -                | -                          |
| Interest Earnings                                   | -                       | 1,061                           | -                | -                          |
| Private/Direct Grants                               | -                       | 49,000                          | -                | -                          |
| Charges for Services                                | -                       | -                               | -                | -                          |
| Fees  | -                       | 288,211                         | -                | -                          |
| Donations   | -                       | 180                             | -                | -                          |
| Sale of Property                                    | -                       | -                               | -                | -                          |
| Miscellaneous                                       | -                       | 1,206                           | -                | -                          |
| Indirect Cost                                       | -                       | -                               | -                | -                          |
| Rent and Royalties                                  | -                       | -                               | -                | -                          |
| Local Property Taxes                                | -                       | -                               | -                | -                          |
| Refund of Prior Year's Expenditures                 | -                       | 10,726                          | -                | -                          |
| TOTAL REVENUES                                      | -                       | 3,250,335                       | -                | -                          |
| EXPENDITURES  |                         |                                 |                  |                            |
| Current   |                         |                                 |                  |                            |
| Instruction   | -                       | 549,269                         | -                | -                          |
| Support Services                                    |                         |                                 |                  |                            |
| Support Services-Students                           | -                       | 238,077                         | -                | -                          |
| Support Services-Instruction                        | -                       | 236,650                         | -                | -                          |
| Support Services-General Administration             | -                       | 15,039                          | -                | -                          |
| Support Services-School Administration              | -                       | 32,948                          | -                | -                          |
| Central Services                                    | -                       | 11,984                          | -                | -                          |
| Operation & Maintenance of Plant                    | -                       | -                               | -                | -                          |
| Student Transportation                              | -                       | 31,477                          | -                | -                          |
| Other Support Services                              | -                       | -                               | -                | -                          |
| Food Services-Operations                            | -                       | 1,434,309                       | -                | -                          |
| Community Services-Operations                       | -                       | -                               | -                | -                          |
| Acquisition & Construction                          | -                       | -                               | 63,224           | -                          |
| TOTAL EXPENDITURES                                  | -                       | 2,549,753                       | 63,224           | -                          |
| EXCESS (DEFICIENCY) OF<br>REVENUE OVER EXPENDITURES | -                       | 700,582                         | (63,224)         | -                          |
| Other Financing Sources (uses)                      |                         |                                 |                  |                            |
| Refunds to PED                                      | -                       | (118,940)                       | -                | (75)                       |
| Transfer/Refunds                                    | (312)                   | 12,135                          | -                | -                          |
| Total Other Financial Sources                       | (312)                   | (106,805)                       | -                | (75)                       |
| Net Change In Fund Balance                          | (312)                   | 593,777                         | (63,224)         | (75)                       |
| FUND BALANCE  |                         |                                 |                  |                            |
| as of June 30, 2017                                 | -                       | 815,347                         | 152,220          | 75                         |
| Restatement   | 312                     | 156,409                         | -                | -                          |
| Restated Balance                                    | 312                     | 971,756                         | 152,220          | 75                         |
| FUND BALANCE<br>as of June 30, 2018                 | \$ -                    | 1,565,533                       | \$ 88,996        | \$ -                       |

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

| CAPITAL PROJECTS             |                                |                                  | DEBT SERVICE         |                       |
|------------------------------|--------------------------------|----------------------------------|----------------------|-----------------------|
| SPECIAL CAPITAL OUTLAY STATE | CAPITAL IMPROVEMENT SB 9 LOCAL | TOTAL NON MAJOR CAPITAL PROJECTS | ED TECH DEBT SERVICE | TOTAL NON MAJOR FUNDS |
| \$ -                         | \$ -                           | \$ -                             | \$ -                 | \$ 2,414,823          |
| 14,236                       | -                              | 14,236                           | -                    | 499,364               |
| -                            | -                              | -                                | -                    | -                     |
| -                            | 27,711                         | 27,711                           | -                    | 28,772                |
| -                            | -                              | -                                | -                    | 49,000                |
| -                            | -                              | -                                | -                    | -                     |
| -                            | -                              | -                                | -                    | 288,211               |
| -                            | -                              | -                                | -                    | 180                   |
| -                            | -                              | -                                | -                    | -                     |
| -                            | -                              | -                                | -                    | 1,206                 |
| -                            | -                              | -                                | -                    | -                     |
| -                            | -                              | -                                | -                    | -                     |
| -                            | 1,391,715                      | 1,391,715                        | -                    | 1,391,715             |
| -                            | -                              | -                                | -                    | 10,726                |
| 14,236                       | 1,419,426                      | 1,433,662                        | -                    | 4,683,997             |
| -                            | -                              | -                                | -                    | -                     |
| -                            | -                              | -                                | -                    | -                     |
| -                            | -                              | -                                | -                    | 549,269               |
| -                            | -                              | -                                | -                    | -                     |
| -                            | -                              | -                                | -                    | 238,077               |
| -                            | -                              | -                                | -                    | 236,650               |
| -                            | 7,675                          | 7,675                            | -                    | 22,714                |
| -                            | -                              | -                                | -                    | 32,948                |
| -                            | -                              | -                                | -                    | 11,984                |
| -                            | -                              | -                                | -                    | -                     |
| -                            | -                              | -                                | -                    | 31,477                |
| -                            | -                              | -                                | -                    | -                     |
| -                            | -                              | -                                | -                    | 1,434,309             |
| -                            | -                              | -                                | -                    | -                     |
| 14,236                       | 901,781                        | 979,241                          | -                    | 979,241               |
| 14,236                       | 909,456                        | 986,916                          | -                    | 3,536,669             |
| -                            | -                              | -                                | -                    | -                     |
| -                            | 509,970                        | 446,746                          | -                    | 1,147,328             |
| -                            | -                              | -                                | -                    | -                     |
| -                            | -                              | (75)                             | -                    | (119,015)             |
| -                            | -                              | -                                | -                    | 12,135                |
| -                            | -                              | (75)                             | -                    | (106,880)             |
| -                            | -                              | -                                | -                    | -                     |
| -                            | 509,970                        | 446,671                          | -                    | 1,040,448             |
| -                            | -                              | -                                | -                    | -                     |
| -                            | -                              | -                                | -                    | -                     |
| -                            | 982,862                        | 1,135,157                        | 59,715               | 2,010,219             |
| -                            | -                              | -                                | -                    | 156,409               |
| -                            | 982,862                        | 1,135,157                        | 59,715               | 2,166,628             |
| -                            | -                              | -                                | -                    | -                     |
| \$ -                         | \$ 1,492,832                   | \$ 1,581,828                     | \$ 59,715            | \$ 3,207,076          |

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, 2018

|   | Operational         | Transportation  | Instructional<br>Materials | TOTALS              |
|---|---------------------|-----------------|----------------------------|---------------------|
| <b>ASSETS</b>   |                     |                 |                            |                     |
| Cash on Deposit   | \$ 3,327,448        | \$ 2,289        | \$ 110,392                 | \$ 3,440,129        |
| Due from Other Funds  | 814,511             | -               | -                          | 814,511             |
| Property Tax Receivable   | 31,388              | -               | -                          | 31,388              |
| <b>TOTAL ASSETS</b>   | <b>\$ 4,173,347</b> | <b>\$ 2,289</b> | <b>\$ 110,392</b>          | <b>\$ 4,286,028</b> |
| <b>LIABILITIES AND FUND BALANCE</b>   |                     |                 |                            |                     |
| Accounts Payable  | \$ 102,934          | \$ -            | \$ -                       | \$ 102,934          |
| Accrued Payroll   | -                   | -               | -                          | -                   |
| <b>TOTAL LIABILITIES</b>  | <b>102,934</b>      | <b>-</b>        | <b>-</b>                   | <b>102,934</b>      |
| <b>DEFERRED INFLOWS OF RESOURCES</b>  |                     |                 |                            |                     |
| Unavailable Revenue   | 5,057               | -               | -                          | 5,057               |
| Unearned Revenue  | -                   | -               | -                          | -                   |
| <b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>                                    | <b>5,057</b>        | <b>-</b>        | <b>-</b>                   | <b>5,057</b>        |
| <b>FUND BALANCE</b>   |                     |                 |                            |                     |
| Nonspendable  | -                   | -               | -                          | -                   |
| Restricted:   |                     |                 |                            |                     |
| Transportation  | -                   | 2,289           | -                          | 2,289               |
| Instructional Materials   | -                   | -               | 110,392                    | 110,392             |
| Unassigned  | 4,065,356           | -               | -                          | 4,065,356           |
| <b>TOTAL FUND BALANCE</b>   | <b>4,065,356</b>    | <b>2,289</b>    | <b>110,392</b>             | <b>4,178,037</b>    |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF<br/>RESOURCES, AND FUND BALANCE</b> | <b>\$ 4,173,347</b> | <b>\$ 2,289</b> | <b>\$ 110,392</b>          | <b>\$ 4,286,028</b> |

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, 2018

|   | Operational         | Transportation   | Instructional<br>Materials | TOTALS              |
|---|---------------------|------------------|----------------------------|---------------------|
| <b>REVENUE</b>  |                     |                  |                            |                     |
| Federal Programs  | \$ -                | \$ -             | \$ -                       | \$ -                |
| State Programs  | -                   | 1,130,858        | 108,084                    | 1,238,942           |
| State Equalization  | 28,977,036          | -                | -                          | 28,977,036          |
| Interest Earnings   | 6,168               | -                | -                          | 6,168               |
| Private/Direct Grants                                       | -                   | -                | -                          | -                   |
| Charges For Services  | -                   | -                | -                          | -                   |
| Fees  | 8,582               | -                | -                          | 8,582               |
| Donations   | -                   | -                | -                          | -                   |
| Sale of Property  | -                   | -                | -                          | -                   |
| Miscellaneous   | 2,727               | -                | -                          | 2,727               |
| Indirect Cost   | 53,467              | -                | -                          | 53,467              |
| Rent and Royalties  | 2,375               | -                | -                          | 2,375               |
| Local Property Taxes  | 317,350             | -                | -                          | 317,350             |
| <b>TOTAL REVENUES</b>                                       | <b>29,367,705</b>   | <b>1,130,858</b> | <b>108,084</b>             | <b>30,606,647</b>   |
| <b>EXPENDITURES</b>   |                     |                  |                            |                     |
| <b>Current</b>  |                     |                  |                            |                     |
| Instruction   | 16,946,873          | -                | 131,718                    | 17,078,591          |
| Support Services  | -                   | -                | -                          | -                   |
| Support Services-Students                                   | 3,602,647           | -                | -                          | 3,602,647           |
| Support Services-Instruction                                | 242,697             | -                | -                          | 242,697             |
| Support Services-General Administration                     | 722,237             | -                | -                          | 722,237             |
| Support Services-School Administration                      | 2,259,736           | -                | -                          | 2,259,736           |
| Central Services  | 944,918             | -                | -                          | 944,918             |
| Operation & Maintenance of Plant                            | 3,445,760           | -                | -                          | 3,445,760           |
| Student Transportation                                      | -                   | 1,128,994        | -                          | 1,128,994           |
| Food Services   | 2,400               | -                | -                          | 2,400               |
| Community Services  | 1,860               | -                | -                          | 1,860               |
| Construction & Acquisition                                  | -                   | -                | -                          | -                   |
| <b>TOTAL EXPENDITURES</b>                                   | <b>28,169,128</b>   | <b>1,128,994</b> | <b>131,718</b>             | <b>29,429,840</b>   |
| <b>EXCESS (DEFICIENCY) OF<br/>REVENUE OVER EXPENDITURES</b> | <b>1,198,577</b>    | <b>1,864</b>     | <b>(23,634)</b>            | <b>1,176,807</b>    |
| <b>Other Financing Sources (uses)</b>                       |                     |                  |                            |                     |
| Refunds to PED  | -                   | (425)            | -                          | (425)               |
| Transfer IN (OUT)   | (12,135)            | -                | -                          | (12,135)            |
| <b>Total Other Financial Sources</b>                        | <b>(12,135)</b>     | <b>(425)</b>     | <b>-</b>                   | <b>(12,560)</b>     |
| <b>Net Change In Fund Balances</b>                          | <b>1,186,442</b>    | <b>1,439</b>     | <b>(23,634)</b>            | <b>1,164,247</b>    |
| <b>FUND BALANCE</b>   |                     |                  |                            |                     |
| as of June 30, 2017   | 3,372,663           | 850              | 134,026                    | 3,507,539           |
| Restatement   | (493,749)           | -                | -                          | (493,749)           |
| Restated Balance  | 2,878,914           | 850              | 134,026                    | 3,013,790           |
| <b>FUND BALANCE<br/>as of June 30, 2018</b>                 | <b>\$ 4,065,356</b> | <b>\$ 2,289</b>  | <b>\$ 110,392</b>          | <b>\$ 4,178,037</b> |

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, 2018

|   | ORIGINAL<br>BUDGET   | ADJUSTED<br>BUDGET   | ACTUAL               | VARIANCE<br>Favorable<br>(Unfavorable) |
|---|----------------------|----------------------|----------------------|--|
| <b>REVENUE</b>                          |                      |                      |                      |  |
| Residential/Non-Residential Taxes       | \$ 289,275           | \$ 289,275           | \$ 302,306           | \$ 13,031                              |
| Fees - Educational                      | -                    | -                    | 522                  | 522                                    |
| Rent and Leases                         | -                    | -                    | 2,375                | 2,375                                  |
| Fees Activities                         | -                    | -                    | 200                  | 200                                    |
| Fees-Users                              | -                    | -                    | 7,860                | 7,860                                  |
| Interest Income                         | -                    | -                    | 6,167                | 6,167                                  |
| State Equalization                      | 28,541,671           | 28,759,549           | 28,977,036           | 217,487                                |
| Refunds                                 | -                    | -                    | 665                  | 665                                    |
| Insurance Proceeds                      | -                    | -                    | 2,062                | 2,062                                  |
| Indirect Cost - (Flow Through Grants)   | -                    | -                    | 53,467               | 53,467                                 |
| <b>TOTAL REVENUE</b>                    | <b>28,830,946</b>    | <b>29,048,824</b>    | <b>\$ 29,352,660</b> | <b>\$ 303,836</b>                      |
| <br>                                    |                      |                      |                      |  |
| Cash Balance Budgeted                   | 1,199,314            | 1,199,314            |                      |  |
| <b>TOTAL REVENUE &amp; CASH</b>         | <b>\$ 30,030,260</b> | <b>\$ 30,248,138</b> |                      |  |
| <b>EXPENDITURES</b>                     |                      |                      |                      |  |
| <b>Current</b>                          |                      |                      |                      |  |
| Instruction                             | \$ 18,841,489        | \$ 18,671,489        | \$ 16,924,373        | \$ 1,747,116                           |
| Support Services                        |                      |                      |                      |  |
| Support Services-Students               | 3,758,881            | 3,619,341            | 3,602,648            | 16,693                                 |
| Support Services-Instruction            | 315,931              | 267,161              | 242,615              | 24,546                                 |
| Support Services-General Administration | 784,159              | 774,159              | 722,237              | 51,922                                 |
| Support Services-School Administration  | 2,205,406            | 2,275,789            | 2,259,511            | 16,278                                 |
| Central services                        | 949,072              | 989,161              | 944,855              | 44,306                                 |
| Operation & Maintenance of Plant        | 3,154,384            | 3,619,222            | 3,420,733            | 198,489                                |
| Other Support Services                  | 18,887               | 18,887               | -                    | 18,887                                 |
| Food Services-Operations                | 1,200                | 2,400                | 2,400                | -                                      |
| Community Services-operations           | 851                  | 10,529               | 1,860                | 8,669                                  |
| Acquisition & Construction              | -                    | -                    | -                    | -                                      |
| <b>TOTAL EXPENDITURES</b>               | <b>\$ 30,030,260</b> | <b>\$ 30,248,138</b> | <b>\$ 28,121,232</b> | <b>\$ 2,126,906</b>                    |

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

**Sources/inflows of resources**

|                                    |                      |
|------------------------------------|----------------------|
| Actual amounts (budgetary basis)   | \$ 29,352,660        |
| Differences-Budget to GAAP         |                      |
| Property tax Receivable            | 26,332               |
| Prior Year Tax Receivables         | (11,287)             |
| <b>Total Revenues (GAAP Basis)</b> | <b>\$ 29,367,705</b> |

**Uses/outflows of resources**

|  |                      |
|--|----------------------|
| Actual amounts (budgetary basis)       | \$ 28,121,232        |
| Differences-budget to GAAP             |                      |
| Accounts Payable                       | 47,896               |
| <b>Total Expenditures (GAAP Basis)</b> | <b>\$ 28,169,128</b> |

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, 2018

|                           | ORIGINAL<br>BUDGET  | ADJUSTED<br>BUDGET  | ACTUAL              | VARIANCE<br>Favorable<br>(Unfavorable) |
|---------------------------|---------------------|---------------------|---------------------|--|
| <b>REVENUE</b>            |                     |                     |                     |  |
| State Flow Through Grants | \$ 1,069,577        | \$ 1,131,283        | \$ 1,130,858        | \$ (425)                               |
| TOTAL REVENUE             | <u>1,069,577</u>    | <u>1,131,283</u>    | <u>\$ 1,130,858</u> | <u>\$ (425)</u>                        |
| <br>                      |                     |                     |                     |  |
| Cash Balance Budgeted     | <u>-</u>            | <u>-</u>            |                     |  |
| <br>                      |                     |                     |                     |  |
| TOTAL REVENUE & CASH      | <u>\$ 1,069,577</u> | <u>\$ 1,131,283</u> |                     |  |
| <br>                      |                     |                     |                     |  |
| <b>EXPENDITURES</b>       |                     |                     |                     |  |
| Current                   |                     |                     |                     |  |
| Student Transportation    | \$ 1,069,577        | \$ 1,131,283        | \$ 1,128,994        | \$ 2,289                               |
| TOTAL EXPENDITURES        | <u>\$ 1,069,577</u> | <u>\$ 1,131,283</u> | <u>\$ 1,128,994</u> | <u>\$ 2,289</u>                        |

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

**Sources/inflows of resources**

|                                  |                     |
|----------------------------------|---------------------|
| Actual amounts (budgetary basis) | \$ 1,130,858        |
| Differences-Budget to GAAP       |                     |
| Total Revenues (GAAP Basis)      | <u>\$ 1,130,858</u> |

**Uses/outflows of resources**

|                                  |                     |
|----------------------------------|---------------------|
| Actual amounts (budgetary basis) | \$ 1,128,994        |
| Differences-budget to GAAP       |                     |
| Accounts Payable                 | -                   |
| Total Expenditures (GAAP Basis)  | <u>\$ 1,128,994</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, 2018

|                           | ORIGINAL<br>BUDGET | ADJUSTED<br>BUDGET | ACTUAL            | VARIANCE<br>Favorable<br>(Unfavorable) |
|---------------------------|--------------------|--------------------|-------------------|--|
| REVENUE                   |                    |                    |                   |  |
| State Flow Through Grants | \$ 99,027          | \$ 99,027          | \$ 108,084        | \$ 9,057                               |
| Refunds                   | -                  | -                  | -                 | -                                      |
| TOTAL REVENUE             | <u>99,027</u>      | <u>99,027</u>      | <u>\$ 108,084</u> | <u>\$ 9,057</u>                        |
| <br>                      |                    |                    |                   |  |
| Cash Balance Budgeted     | <u>-</u>           | <u>134,026</u>     |                   |  |
| TOTAL REVENUE & CASH      | <u>\$ 99,027</u>   | <u>\$ 233,053</u>  |                   |  |
| <br>                      |                    |                    |                   |  |
| EXPENDITURES              |                    |                    |                   |  |
| Current                   |                    |                    |                   |  |
| Instruction               | \$ 99,027          | \$ 233,053         | \$ 131,718        | \$ 101,335                             |
| TOTAL EXPENDITURES        | <u>\$ 99,027</u>   | <u>\$ 233,053</u>  | <u>\$ 131,718</u> | <u>\$ 101,335</u>                      |

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

**Sources/inflows of resources**

|                                  |                   |
|----------------------------------|-------------------|
| Actual amounts (budgetary basis) | \$ 108,084        |
| Differences-Budget to GAAP       |                   |
| Total Revenues (GAAP Basis)      | <u>\$ 108,084</u> |

**Uses/outflows of resources**

|                                  |                   |
|----------------------------------|-------------------|
| Actual amounts (budgetary basis) | \$ 131,718        |
| Differences-budget to GAAP       |                   |
| Total Expenditures (GAAP Basis)  | <u>\$ 131,718</u> |

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

STATE OF NEW MEXICO  
 PORTALES MUNICIPAL SCHOOLS

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

Year Ended June 30 2018

|                                   | ORIGINAL<br>BUDGET  | BUDGET              | ACTUAL              | VARIANCE<br>Favorable<br>(Unfavorable) |
|-----------------------------------|---------------------|---------------------|---------------------|--|
| <b>REVENUE</b>                    |                     |                     |                     |  |
| Residential/Non-Residential Taxes | \$ 1,255,634        | \$ 1,255,634        | \$ 1,335,939        | \$ 80,305                              |
| Interest Income                   | -                   | -                   | 9,187               | 9,187                                  |
| <b>TOTAL REVENUE</b>              | <u>1,255,634</u>    | <u>1,255,634</u>    | <u>\$ 1,345,126</u> | <u>\$ 89,492</u>                       |
| <br>                              |                     |                     |                     |  |
| Cash Balance Budgeted             | <u>890,308</u>      | <u>890,308</u>      |                     |  |
| <b>TOTAL REVENUE &amp; CASH</b>   | <u>\$ 2,145,942</u> | <u>\$ 2,145,942</u> |                     |  |
| <b>EXPENDITURES</b>               |                     |                     |                     |  |
| <b>Current</b>                    |                     |                     |                     |  |
| Instruction                       | \$ -                | \$ -                | \$ -                | \$ -                                   |
| Support Services                  | 12,556              | 12,556              | 7,744               | 4,812                                  |
| Acquisition & Construction        | 2,133,386           | 2,133,386           | 1,000,893           | 1,132,493                              |
| <b>TOTAL EXPENDITURES</b>         | <u>\$ 2,145,942</u> | <u>\$ 2,145,942</u> | <u>\$ 1,008,637</u> | <u>\$ 1,137,305</u>                    |

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

**Sources/inflows of resources**

|                                    |                     |
|------------------------------------|---------------------|
| Actual amounts (budgetary basis)   | \$ 1,345,126        |
| Differences-Budget to GAAP         |                     |
| Property tax Receivable            | 111,973             |
| Prior Year Tax Receivables         | (48,454)            |
| <b>Total Revenues (GAAP Basis)</b> | <u>\$ 1,408,645</u> |

**Uses/outflows of resources**

|  |                   |
|--|-------------------|
| Actual amounts (budgetary basis)       | \$ 1,008,637      |
| Differences-budget to GAAP             |                   |
| Expense Accrual                        | (23,893)          |
| Inventory Adjustment                   |                   |
| <b>Total Expenditures (GAAP Basis)</b> | <u>\$ 984,744</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)--CAPITAL PROJECTS FUND--SENATE BILL 9 LOCAL

Year Ended June 30, 2018

|   | ORIGINAL<br>BUDGET  | BUDGET              | ACTUAL              | VARIANCE<br>Favorable<br>(Unfavorable) |
|---|---------------------|---------------------|---------------------|--|
| <b>REVENUE</b>                          |                     |                     |                     |  |
| Residential/Non-Residential Taxes       | \$ 1,273,015        | \$ 1,273,015        | \$ 1,328,962        | \$ 55,947                              |
| Interest Income                         | -                   | -                   | 27,711              | 27,711                                 |
| <b>TOTAL REVENUE</b>                    | <u>1,273,015</u>    | <u>1,273,015</u>    | <u>\$ 1,356,673</u> | <u>\$ 83,658</u>                       |
| <br>                                    |                     |                     |                     |  |
| Cash Balance Budgeted                   | <u>-</u>            | <u>-</u>            |                     |  |
| <b>TOTAL REVENUE &amp; CASH</b>         | <u>\$ 1,273,015</u> | <u>\$ 1,273,015</u> |                     |  |
| <br>                                    |                     |                     |                     |  |
| <b>EXPENDITURES</b>                     |                     |                     |                     |  |
| <b>Current</b>                          |                     |                     |                     |  |
| Instruction                             | \$ -                | \$ -                | \$ -                | \$ -                                   |
| Support Services                        |                     |                     |                     | -                                      |
| Support Services-General Administration | 12,731              | 12,731              | 7,675               | 5,056                                  |
| Acquisition & Construction              | 1,260,284           | 1,260,284           | 964,351             | 295,933                                |
| <b>TOTAL EXPENDITURES</b>               | <u>\$ 1,273,015</u> | <u>\$ 1,273,015</u> | <u>\$ 972,026</u>   | <u>\$ 300,989</u>                      |

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

**Sources/inflows of resources**

Actual amounts (budgetary basis) \$ 1,356,673

Differences-Budget to GAAP

Total Revenues (GAAP Basis)

\$ 1,356,673

**Uses/outflows of resources**

Actual amounts (budgetary basis)

\$ 972,026

Differences-budget to GAAP

Total Expenditures (GAAP Basis)

\$ 972,026

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

STATE OF NEW MEXICO  
LOVINGTON MUNICIPAL SCHOOLS

SCHEDULE OF PLEDGED COLLATERAL

June 30, 2018

|                              | TOTAL DEPOSITS | FDIC INSURANCE | UNINSURED BANK BALANCE | COLLATERAL REQUIRED | COLLATERAL PLEDGED | SECURITY DEFICIT | UNINSURED & UNCOLLATERALIZED DEPOSITS |
|------------------------------|----------------|----------------|------------------------|---------------------|--------------------|------------------|---------------------------------------|
| <b>WESTERN COMMERCE BANK</b> | \$ 6,380,137   | \$ 369,705     | \$ 6,010,432           | \$ 3,005,216        | \$ 4,172,344       | \$ -             | \$ 1,838,088                          |

| COLLATERAL | CUSIP #  | MATURITY | CREDIT AMOUNT       |
|------------|----------|----------|---------------------|
| GNMA       | 80362    | 01/20/30 | \$ 22,714           |
| GNMA       | 80170    | 02/20/28 | 23,417              |
| GNMA       | 8146     | 02/20/23 | 19,502              |
| FNMA       | 654159   | 10/01/32 | 49,835              |
| FHLMC      | A84288   | 01/01/39 | 43,646              |
| GNMA       | 714730   | 06/15/39 | 247,065             |
| FNMA       | MA0602   | 12/01/30 | 357,006             |
| FNMA       | AJ4035   | 10/01/41 | 501,858             |
| FNMA       | 704407   | 05/01/33 | 27,675              |
| FHLMC      | GO8534   | 06/01/43 | 628,268             |
| FNMA       | AC4792   | 10/01/39 | 257,850             |
| FNMA       | 888990   | 01/01/37 | 86,828              |
| SBAP       | 2008-20H | 08/01/28 | 348,930             |
| FHLMC      | GO8473   | 01/01/42 | 345,270             |
| FNMA       | AQ8653   | 12/01/42 | 1,212,480           |
|            |          |          | <u>\$ 4,172,344</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 |
|------------------------------|----------------|----------------|------------------------|---------------------|--------------------|------------------|---------------------------------------|
| <b>LEA COUNTY STATE BANK</b> | \$ 443,862     | \$ 250,000     | \$ 193,862             | \$ 96,931           | \$ 193,862         | \$ -             | \$ -                                  |

| COLLATERAL                         | CUSIP # | MATURITY | CREDIT AMOUNT     |
|------------------------------------|---------|----------|-------------------|
| DEXTER NM ISD 5%                   |         | 08/01/21 | 200,000           |
| ALAMOGORDO NM 4%                   |         | 08/01/34 | 595,000           |
| (Exceeds Requirement by \$601,138) |         |          | <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 |
|-------------------------|----------------|----------------|------------------------|---------------------|--------------------|------------------|---------------------------------------|
| <b>WELLS FARGO BANK</b> | \$ 6,367,328   | \$ 500,000     | \$ 5,867,328           | \$ 2,933,664        | \$ 3,071,571       | \$ -             | \$ 2,795,757                          |

| COLLATERAL | CUSIP #   | MATURITY | CREDIT AMOUNT       |
|------------|-----------|----------|---------------------|
| FNMA       | 3138A2CB3 | 12/01/25 | 496,038             |
| FNMA       | 3138W7C51 | 03/01/43 | 2,575,533           |
|            |           |          | <u>\$ 3,071,571</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 |
|---------------------------------|----------------|----------------|------------------------|---------------------|--------------------|------------------|---------------------------------------|
| <b>STATE OF NEW MEXICO LGIP</b> | 1,111,062      | -              |                        |                     | 1,111,062          |                  |                                       |

|                        | TOTAL DEPOSITS       | FDIC INSURANCE      | UNINSURED BANK BALANCE | COLLATERAL REQUIRED | COLLATERAL PLEDGED  | SECURITY DEFICIT | UNINSURED & UNCOLLATERALIZED DEPOSITS |
|------------------------|----------------------|---------------------|------------------------|---------------------|---------------------|------------------|---------------------------------------|
| <b>TOTAL ALL BANKS</b> | <u>\$ 14,302,389</u> | <u>\$ 1,119,705</u> | <u>\$ 12,071,622</u>   | <u>\$ 6,035,811</u> | <u>\$ 8,548,839</u> | <u>\$ -</u>      | <u>\$ 4,633,845</u>                   |

STATE OF NEW MEXICO  
 LOVINGTON MUNICIPAL SCHOOLS

BANK SUMMARY

June 30, 2018

| BANK                            | ACCT<br>TYPE | FUND                    | BANK<br>BALANCE | DEPOSITS<br>IN TRANSIT | OUTSTANDING<br>CHECKS | CASH<br>BALANCE |
|---------------------------------|--------------|-------------------------|-----------------|------------------------|-----------------------|-----------------|
| <b>WESTERN COMMERCE BANK</b>    | CHK          |                         | \$ -            | \$ -                   | \$ -                  | \$ -            |
|                                 | CHK          | OPERATIONS / MULTI FUND | 5,868,705       | -                      | 1,392,957             | 4,475,748       |
|                                 | * CD         | ATHLETICS               | 84,821          | -                      | -                     | 84,821          |
|                                 | CHK          | CAFETERIA               | 391,727         | -                      | -                     | 391,727         |
|                                 | * CD         | ACTIVITY                | 34,884          | -                      | -                     | 34,884          |
| TOTAL                           |              |                         | 6,380,137       | -                      | 1,392,957             | 4,987,180       |
| <b>LEA COUNTY STATE BANK</b>    |              |                         |                 |                        |                       |                 |
|                                 | * CHK        | ACTIVITY/ATHLETICS      | 443,862         | -                      | 8,526                 | 435,336         |
| <b>WELLS FARGO BANK</b>         |              |                         |                 |                        |                       |                 |
|                                 | CHK          | CAPITAL IMPROVEMENTS    | 1,197,033       | -                      | 37,752                | 1,159,281       |
|                                 | * MM         | CAPITAL IMPROVEMENTS    | 252,414         | -                      | -                     | 252,414         |
|                                 | * MM         | DEBT SERVICE            | 757,242         | -                      | -                     | 757,242         |
|                                 | CHK          | DEBT SERVICE            | 4,160,639       | -                      | -                     | 4,160,639       |
| TOTAL                           |              |                         | 6,367,328       | -                      | 37,752                | 6,329,576       |
| <b>STATE OF NEW MEXICO LGIP</b> |              |                         |                 |                        |                       |                 |
|                                 | *            | CAPITAL PROJECTS        | 1,106,750       |                        |                       | 1,106,750       |
|                                 | *            | OPERATIONAL             | 4,312           |                        |                       | 4,312           |
|                                 |              |                         | 1,111,062       |                        |                       | 1,111,062       |
|                                 | *            |                         |                 |                        |                       |                 |
| TOTAL ALL BANKS                 |              |                         | \$ 14,302,389   | \$ -                   | \$ 1,439,235          | \$ 12,863,154   |

\* interest bearing

|                               |                      |
|-------------------------------|----------------------|
| RECONCILED CASH BALANCE       | \$ 12,863,164        |
| AGENCY CASH                   | (315,721)            |
|                               | -                    |
| CASH PER FINANCIAL STATEMENTS | <u>\$ 12,547,443</u> |

STATE OF NEW MEXICO  
 LOVINGTON MUNICIPAL SCHOOLS

BANK RECONCILIATION

JUNE 30, 2018

|                          | Operational  | Payroll Clearing | SB9 STATE | Transportation | Food Services | Athletics  | Federal Projects | Local & State |
|--------------------------|--------------|------------------|-----------|----------------|---------------|------------|------------------|---------------|
| Audited Net Cash         |              |                  |           |                |               |            |                  |               |
| JUNE 30, 2017            | \$ 3,409,600 | \$ -             | \$ -      | \$ 850         | \$ 112,644    | \$ 201,475 | \$ 411,869       | \$ 326,100    |
| Audit Adjustment         | -            | -                | -         | -              | -             | -          | -                | -             |
| Held Checks Cleared      | (534,512)    | -                | -         | -              | -             | -          | -                | -             |
| CASH BALANCE             |              |                  |           |                |               |            |                  |               |
| JUNE 30, 2018            | 2,875,088    | -                | -         | 850            | 112,644       | 201,475    | 411,869          | 326,100       |
| Add:                     |              |                  |           |                |               |            |                  |               |
| 2017-2018 Receipts       | 29,352,661   | -                | -         | 1,130,858      | 1,686,523     | 99,561     | 2,038,800        | 518,999       |
| Loans In                 | -            | -                | -         | -              | -             | -          | 631,319          | 135,615       |
| Transfers in             | 36,609       | -                | 604,157   | -              | -             | -          | 29,249           | 19,494        |
|                          | -            | -                | -         | -              | -             | -          | -                | -             |
|                          | 29,389,270   | -                | 604,157   | 1,130,858      | 1,686,523     | 99,561     | 2,699,368        | 674,108       |
| TOTAL AVAILABLE CASH     | 32,264,358   | -                | 604,157   | 1,131,708      | 1,799,167     | 301,036    | 3,111,237        | 1,000,208     |
| Less:                    |              |                  |           |                |               |            |                  |               |
| 2017-2018 Expenses       | 28,121,232   | -                | 604,157   | 1,128,994      | 1,357,440     | 61,716     | 1,975,541        | 485,389       |
| Loans Out                | 766,934      | -                | -         | -              | 50,000        | -          | 326,580          | 128,449       |
| Accrued Payroll          | -            | -                | -         | -              | -             | -          | -                | -             |
| Paid Back To PED         | -            | -                | -         | 425            | -             | -          | -                | -             |
| Transfers Out            | 48,744       | -                | -         | -              | -             | -          | 36,297           | 119,251       |
|                          | 28,936,910   | -                | 604,157   | 1,129,419      | 1,407,440     | 61,716     | 2,338,418        | 733,089       |
| NET CASH, JUNE 30, 2018  | 3,327,448    | -                | -         | 2,289          | 391,727       | 239,320    | 772,819          | 267,119       |
| Held Checks              | -            | -                | -         | -              | -             | -          | -                | -             |
| Operational Cash         | -            | -                | -         | -              | -             | -          | -                | -             |
| A/P Clearing Cash        | -            | -                | -         | -              | -             | -          | -                | -             |
| Cash Held in Escrow      | -            | -                | -         | -              | -             | -          | -                | -             |
| TOTAL CASH JUNE 30, 2018 | \$ 3,327,448 | \$ -             | \$ -      | \$ 2,289       | \$ 391,727    | \$ 239,320 | \$ 772,819       | \$ 267,119    |

| SB9 LOCAL         | Ed Tech Debt Service | Debt Service        | Instructional Materials | Special Capital Outlay State | Special Capital Outlay Local | Capital Improvement HB 33 | Bond Building    | Activities        | Total                |
|-------------------|----------------------|---------------------|-------------------------|------------------------------|------------------------------|---------------------------|------------------|-------------------|----------------------|
| \$ 1,013,540      | \$ 59,715            | \$ 3,891,594        | \$ 134,027              | \$ -                         | \$ 75                        | \$ 1,213,168              | \$ 152,221       | \$ 336,162        | \$ 11,263,040        |
| -                 | -                    | \$ (50,036)         | -                       | -                            | -                            | \$ -                      | -                | -                 | (50,036)             |
| -                 | -                    | -                   | -                       | -                            | -                            | -                         | -                | -                 | (534,512)            |
| 1,013,540         | 59,715               | 3,841,558           | 134,027                 | -                            | 75                           | 1,213,168                 | 152,221          | 336,162           | 10,678,492           |
| 1,356,673         | -                    | 4,815,972           | 108,084                 | 100,000                      | -                            | 1,345,126                 | -                | 334,053           | 42,887,310           |
| -                 | -                    | -                   | -                       | -                            | -                            | 85,764                    | -                | -                 | 852,698              |
| -                 | -                    | -                   | -                       | -                            | -                            | -                         | -                | -                 | 689,509              |
| -                 | -                    | -                   | -                       | -                            | -                            | -                         | -                | -                 | -                    |
| 1,356,673         | -                    | 4,815,972           | 108,084                 | 100,000                      | -                            | 1,430,890                 | -                | 334,053           | 44,429,517           |
| 2,370,213         | 59,715               | 8,657,530           | 242,111                 | 100,000                      | 75                           | 2,644,058                 | 152,221          | 670,215           | 55,108,009           |
| 972,025           | -                    | 3,799,364           | 131,719                 | 14,236                       | -                            | 1,008,637                 | 63,225           | 354,494           | 40,078,169           |
| 604,157           | -                    | -                   | -                       | 85,764                       | -                            | -                         | -                | -                 | 1,961,884            |
| -                 | -                    | -                   | -                       | -                            | -                            | -                         | -                | -                 | -                    |
| -                 | -                    | -                   | -                       | -                            | -                            | -                         | -                | -                 | 425                  |
| -                 | -                    | -                   | -                       | -                            | 75                           | -                         | -                | -                 | 204,367              |
| 1,576,182         | -                    | 3,799,364           | 131,719                 | 100,000                      | 75                           | 1,008,637                 | 63,225           | 354,494           | 42,244,845           |
| 794,031           | 59,715               | 4,858,166           | 110,392                 | -                            | -                            | 1,635,421                 | 88,996           | 315,721           | 12,863,164           |
| -                 | -                    | -                   | -                       | -                            | -                            | -                         | -                | -                 | -                    |
| -                 | -                    | -                   | -                       | -                            | -                            | -                         | -                | -                 | -                    |
| -                 | -                    | -                   | -                       | -                            | -                            | -                         | -                | -                 | -                    |
| <u>\$ 794,031</u> | <u>\$ 59,715</u>     | <u>\$ 4,858,166</u> | <u>\$ 110,392</u>       | <u>\$ -</u>                  | <u>\$ -</u>                  | <u>\$ 1,635,421</u>       | <u>\$ 88,996</u> | <u>\$ 315,721</u> | <u>12,863,164</u>    |
|                   |                      |                     |                         |                              |                              |                           | Agency Cash      |                   | (315,721)            |
|                   |                      |                     |                         |                              |                              |                           |                  |                   | <u>\$ 12,547,443</u> |

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

Year Ended June 30, 2018

|                                   | Balance<br>6/30/2017 | ADDITIONS | DEDUCTIONS | Balance<br>6/30/2018 |
|-----------------------------------|----------------------|-----------|------------|----------------------|
| High School Yearbook              | \$ 6,312             | \$ 1,329  | \$ 6,000   | \$ 1,641             |
| 6th Grade Energy Club             | 641                  | -         | 641        | -                    |
| Business Professionals of America | 3,040                | -         | 3,040      | -                    |
| 7th Grade Choir                   | 3,688                | 1,167     | 3,346      | 1,509                |
| Key Club                          | 1,849                | -         | 91         | 1,758                |
| AP Consumable Lab/Cavine          | 286                  | -         | 286        | -                    |
| HS Cheerleaders                   | -                    | 4         | -          | 4                    |
| Cheerleaders-Jr High              | 674                  | -         | 660        | 14                   |
| Geo Group Scholarship             | 3,000                | 6,000     | 1,000      | 8,000                |
| Communication/Drama               | 519                  | 1,341     | -          | 1,860                |
| Consumable Workbooks              | 108                  | -         | 108        | -                    |
| Llano Activity Fund               | 2,684                | 19,886    | 17,108     | 5,462                |
| FFA                               | 23,312               | 43,296    | 43,683     | 22,925               |
| LHS FCCLA                         | 2,950                | 8,788     | 7,075      | 4,663                |
| TMS FHA                           | -                    | 1,032     | 1,032      | -                    |
| Scholarship Activity              | 4,749                | -         | -          | 4,749                |
| High School Computer Lab-NMJC     | 373                  | -         | -          | 373                  |
| HS Student ID                     | 987                  | 45        | 1,032      | -                    |
| Administration Coke Fund          | 284                  | -         | 284        | -                    |
| Judy Davis Memorial               | 398                  | -         | 398        | -                    |
| TMS Activity Account              | 752                  | 9,340     | 5,445      | 4,647                |
| 6th Grade Activity Account        | 9,557                | 23,529    | 22,506     | 10,580               |
| Class of 2017                     | 5,914                | 300       | 310        | 5,904                |
| Lost Textbooks                    | 734                  | 1,100     | -          | 1,834                |
| Miscellaneous                     | 1,938                | 8,037     | 4,768      | 5,207                |
| NOW/Account/Interest Earned       | 2,423                | 7         | -          | 2,430                |
| Class of 2020                     | 1,619                | 335       | 182        | 1,772                |
| Class of 2018                     | 5,126                | 398       | 5,173      | 351                  |
| Choir Activity                    | 9,460                | 1,734     | 5,584      | 5,610                |
| Special Education Fund            | 26,479               | 15,381    | 16,560     | 25,300               |
| TMS Honor Society                 | 1,080                | 200       | 240        | 1,040                |
| Student Council-High School       | 20,541               | 19,888    | 22,023     | 18,406               |
| Student Council-Jr. High          | 918                  | -         | -          | 918                  |
| 6th Grade Honor Society           | 4,853                | 4,107     | 3,250      | 5,710                |
| Summer School                     | 29,217               | 3,050     | 10,105     | 22,162               |
| Volleyball-High School            | 1,464                | -         | -          | 1,464                |
| Freshman Academy Home Economics   | 220                  | 763       | 290        | 693                  |
| Agnes Kastner Scholarship         | 2,127                | 59        | -          | 2,186                |
| H. Clardy Scholarship             | 2,676                | 94        | 501        | 2,269                |
| Crouse Memorial Scholarship       | 5,525                | 1,528     | 501        | 6,552                |
| Wal-Mart Teacher of the Year      | 33                   | -         | 33         | -                    |
| 9th Media Class                   | 1,371                | -         | -          | 1,371                |
| Ben Alexander Activity            | 6,213                | 14,227    | 16,154     | 4,286                |
| Task Force for Substance          | 1,250                | -         | 1,250      | -                    |
| LHS Brick                         | 2,795                | 260       | 243        | 2,812                |
| National Honor Society            | 2,474                | 1,443     | 1,187      | 2,730                |
| TMS Library                       | 2,803                | -         | -          | 2,803                |
| Jr. High Library                  | 1,055                | 878       | 871        | 1,062                |
| Jefferson Activity Fund           | 3,405                | 23,249    | 20,867     | 5,787                |

|                                 | Balance<br>6/30/2017 | ADDITIONS         | DEDUCTIONS        | Balance<br>6/30/2018 |
|---------------------------------|----------------------|-------------------|-------------------|----------------------|
| Miles and Smiles                | 524                  | 3,465             | 3,632             | 357                  |
| After Grads                     | 35,012               | 12,510            | 19,629            | 27,893               |
| High School Library             | 4,264                | 326               | 723               | 3,867                |
| Junior High Garden Club         | 986                  | 223               | 1,209             | -                    |
| Jr. High National Honor Society | 211                  | -                 | 211               | -                    |
| Culinary Arts Lab Fee           | 1,531                | 2,198             | 1,528             | 2,201                |
| High School Principals Acct     | 3,375                | 9,826             | 7,874             | 5,327                |
| High School Math                | 1,681                | -                 | 1,681             | -                    |
| High School Parking Stickers    | 389                  | -                 | 389               | -                    |
| Yarbro Library                  | 3,541                | 13,232            | 10,322            | 6,451                |
| Jefferson Library               | 22,634               | 6,285             | 15,614            | 13,305               |
| Ben A Library                   | 6,773                | 6,253             | 5,979             | 7,047                |
| Lea Library                     | 2,082                | 5,331             | 5,251             | 2,162                |
| Llano Library                   | 3,093                | 5,376             | 3,992             | 4,477                |
| Bob Jameson Memorial            | 325                  | -                 | 325               | -                    |
| Freshman Academy Volleyball     | 63                   | -                 | -                 | 63                   |
| Elementary Fine Arts - Belinda  | 4,359                | 1,015             | 1,120             | 4,254                |
| High School Art Club            | 295                  | -                 | -                 | 295                  |
| 9th Grade Student Council       | 1,440                | 9,195             | 2,872             | 7,763                |
| Brian Urlacher Scholarship      | 1,125                | -                 | -                 | 1,125                |
| David Templeman Memorial        | 6,180                | -                 | -                 | 6,180                |
| Wildcat Tale                    | 1,320                | 380               | 1,320             | 380                  |
| FSC High School                 | 428                  | -                 | -                 | 428                  |
| TMS Band                        | 1,197                | 2,602             | 1,722             | 2,077                |
| Lea Activity Fund               | 9,207                | 17,682            | 21,342            | 5,547                |
| High School Tech Lab            | 1,033                | -                 | 1,033             | -                    |
| Yarbro Activity Account         | 6,619                | 18,740            | 15,199            | 10,160               |
| 9th Grade Cross Country         | 913                  | -                 | 913               | -                    |
| Character Counts                | 5                    | -                 | 5                 | -                    |
| Science Activity Fund           | 312                  | 6,619             | 4,970             | 1,961                |
| Department of Public Safety     | 274                  | -                 | 274               | -                    |
| Freshman Academy Activity       | 1,377                | -                 | -                 | 1,377                |
| HS - PSAT Testing               | 613                  | -                 | -                 | 613                  |
| 9th Dance Fund                  | 544                  | -                 | 544               | -                    |
| NHHS Activity                   | 1,421                | -                 | 121               | 1,300                |
| 9th Grade Cheerleader Fund      | 241                  | -                 | 240               | 1                    |
| Aaron Austin Scholarship        | 335                  | -                 | 325               | 10                   |
| J.D. Fry Scholarship            | 300                  | -                 | 300               | -                    |
| High School Band                | 251                  | -                 | -                 | 251                  |
| Caprock Pipe Supply Scholarship | 2                    | -                 | 2                 | -                    |
| PNM Grants                      | 6                    | -                 | 6                 | -                    |
| Urlacher Royalties              | 1                    | -                 | -                 | 1                    |
|                                 | <u>\$ 336,162</u>    | <u>\$ 334,053</u> | <u>\$ 354,494</u> | <u>\$ 315,721</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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 8, 2018.

### Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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. 2017-002 & 2018-001.

### 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. 2018-002.



### **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.".

Woodard, Cowen & Company

Portales, New Mexico

November 8, 2018

# 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, 2018. 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, 2018.

### **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 typed name of the firm.

Woodard, Cowen & Company

Portales, New Mexico

November 8, 2018

STATE OF NEW MEXICO  
 LOVINGTON MUNICIPAL SCHOOLS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2018

|   | <u>FEDERAL<br/>CFDA<br/>NUMBER</u> | <u>PASS<br/>THROUGH<br/>GRANTOR<br/>NUMBER</u> | <u>PROGRAM<br/>EXPENDITURES</u> |
|---|------------------------------------|--|---------------------------------|
| <b>US DEPARTMENT OF EDUCATION</b>                           |                                    |  |                                 |
| Passed through New Mexico Public Education<br>Department    |                                    |  |                                 |
| <b>SPECIAL EDUCATION CLUSTER (IDEA CLUSTER)</b>             |                                    |  |                                 |
| Entitlement   | <1> 84.027                         | 24106  | \$ 912,684                      |
| Preschool   | <1> 84.173                         | 24109  | <u>30,153</u>                   |
| <b>Total Special Education Cluster (IDEA) Cluster</b>       |                                    |  | <u>942,837</u>                  |
| <br>  |                                    |  |                                 |
| Title I   | 84.010                             | 24101  | 480,341                         |
| English Language Acquisition                                | 84.365                             | 24153  | 5,734                           |
| Teacher/Principal Training                                  | 84.367                             | 24154  | 231,405                         |
| Title I School Improvement                                  | 84.377                             | 24162  | 49,489                          |
| Student Support & Academic Enrichment                       | 84.424                             | 24189  | 11,087                          |
| Title XIX Medicaid  | 93.778                             | 25153  | <u>238,076</u>                  |
| <b>Total Department of Education</b>                        |                                    |  | <u>1,958,969</u>                |
| <br>  |                                    |  |                                 |
| <b>US DEPARTMENT OF AGRICULTURE</b>                         |                                    |  |                                 |
| Passed Through New Mexico Public Education<br>Department    |                                    |  |                                 |
| National School Lunch                                       | 10.555                             | 21000  | 1,333,199                       |
| School Food Commodity Distribution Program                  | 10.555                             | 21000  | 101,751                         |
| USDA 2010 Equipment Grant                                   | 10.579                             | 24183  | <u>16,682</u>                   |
| <b>Total Department of Agriculture</b>                      |                                    |  | <u>1,451,632</u>                |
| <b>TOTAL FEDERAL AWARDS EXPENDITURES</b>                    |                                    |  | <u><u>\$ 3,410,601</u></u>      |
| <br>  |                                    |  |                                 |
| <1> Major Program   |                                    |  |                                 |
| Reconciliation to Federal Revenues in Financial Statements: |                                    |  |                                 |
| Federal Revenues Per Financial Statements                   |                                    |  | \$ 3,807,848                    |
| Medicaid Fees for Service                                   |                                    |  | <u>(397,247)</u>                |
|   |                                    |  | <u><u>\$ 3,410,601</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, 2018 in accordance with the requirements of Title 2 U.S. code fo Federal Reqlation 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 \$101,751 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, 2018.

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

June 30, 2018

PRIOR YEAR AUDIT FINDINGS – Lovington Municipal Schools

**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.

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.

Status: Resolved.

**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.

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: Revised and repeated.

STATE OF NEW MEXICO  
 LOVINGTON MUNICIPAL SCHOOLS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 June 30, 2018

I. SUMMARY OF AUDITORS RESULTS:

|  |  |
|--|--|
| Report on Financial Statements                                   | Unmodified   |
| Significant Deficiencies on GAGAS                                | 2017-002 & 2018-001  |
| 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  | Special Education Cluster (IDEA Cluster)<br>IDEA-B Entitlement #84.027<br>IDEA-B Preschool #84.173 |
| 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:

**2017-002 – 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 25 out of the 42 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.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)  
June 30, 2018

III. FINANCIAL STATEMENT FINDINGS: (continued)

**2017-002 – Receipting of funds – Significant deficiency and compliance – (continued)**

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: See management response at page 85.

**2018-001 – Overspent budget line item – Significant deficiency – Control and compliance**

Statement of Condition: During the auditor's review of the District's year-end budget reports, it was noted that in the fund Kindergarten – Three Plus, the function Student Transportation (2700) was over spent by \$10,351.

Criteria: According to 6.20.2.10 NMAC and the manual of procedures of the Public Education Department a school district is to control expenditures from the budget function level.

Cause: This fund's award was to be split over two budget periods of the District. The transportation contractor however, billed the total amount for transportation in the 2017-2018 fiscal year.

Effect: First, the District is overspent for the function noted above. Secondly, the District could face shortage of funds within the special revenue fund which would have to be covered by the General Fund.

Recommendation: First, the District should execute budget adjustment request for changes in rewards and timing of rewards and related expenditures. Secondly, and maybe more appropriately in this case, communicate with contractors and vendors about the timing of their billing and set the budget accordingly.

Response: See management response at page 86.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)  
June 30, 2018

IV. NEW MEXICO STATE AUDIT RULE SECTION 12-6-5 NMSA 1978 FINDINGS

**2018-002 – Outstanding Bonded Debt exceeds bonding capacity – Other Matter**

|                         |   |
|-------------------------|---|
| Statement of Condition: | During the auditor's comparison of the District's bonded debt to bonding capacity, it was noted that the District's bonded debt appears to have exceeded the bonding capacity of the District.  |
| Criteria:               | The total issuance of bonds is subject to the constitutional limit of 6% of the assessed valuation of the taxable property within the school district (Article 9, Section 11, NM Constitution).   |
| Cause:                  | Despite being surrounded by the oil and gas industry, the assessed valuation of the taxable property within the District has decreased quite dramatically. At the time of issuance of the bonds, the District was well within its bonding capacity.     |
| Effect:                 | First, the District is in violation of the New Mexico State Constitution. Secondly, if the assessed valuation of the taxable property within the District continues to decrease, the District may have difficulty meeting its bond payment obligations. |
| Recommendation:         | The District should not seek any additional bond issuances. Management should monitor the property tax assessments versus debt payment obligations closely to insure the District has the funds to make its debt obligations.                           |
| Response:               | See management response at page 87.   |



**ADMINISTRATION**

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Superintendent  
Roger Hein  
Director of Special Programs  
Taunya Campbell  
Director of Curriculum  
And Instruction  
Director of Federal Programs  
Robert De La Cruz  
Director of Human Resources  
Director of Bilingual Program

*Lovington Municipal Schools*

18 West Washington  
Lovington, New Mexico 88260  
Phone: 575-739-2200  
Facsimile: 575-739-2205



**BOARD OF EDUCATION**

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President  
Paul Campos  
Vice President  
Mara Salcido-Alcañtar  
Secretary  
Zac Zimmerman  
Member  
Dymorie Maker  
Member

Management response to audit finding:

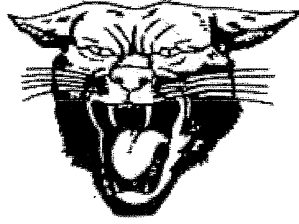
This finding has been immediately addressed. It is now required for both the receipt and deposit slip to be attached to the deposit information form and turned into the Business Office. This will ensure that receipts are written and deposits are made within 24 hours. Any errors will be addressed immediately by the Business Office Staff with the Activity Sponsor and/or Principal. Education regarding proper cash procedures will be provided for any new Principal and Activity Sponsor.

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Member  
Dymorie Maker  
Member

Management response to audit finding:

This was the first year for Lovington Municipal Schools to provide the summer K-3 Plus program through two budget years. The transportation budget was split between June 2017 and July 2017. However, the total expense was billed by the vendor in July 2017 which is a new budget year. In order to expend the budgeted amount in June 2017, the Business Manager made a JE accrual for that portion of expense for reimbursement. This created a deficient cash budget for the July K-3 Plus Program.

This finding has been corrected for the summer of 2018. The K-3 Plus Sponsor and Business Manager entered the total transportation budget in July 2018.

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Management response to audit finding:

There was adequate property valuations assigned to the bonds when they were issued. Due to the down-turn in the oil and gas industry, a lower assessed property value resulted. There is not an action that can be taken to correct this finding.

This will be closely monitored and the District and Board of Education will not issue any new bonds.

STATE OF NEW MEXICO  
LOVINGTON MUNICIPAL SCHOOLS

June 30, 2018

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 8, 2018. In attendance at the 9:00 AM meeting was LeAnne Gandy, Superintendent; Greg Maxie, School Board President; 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.