



State of New Mexico

Lovington Municipal Schools #31

Annual Financial Report

Year ending June 30, 2019



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

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**STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS**

**Official Roster
June 30, 2019**

BOARD OF EDUCATION

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

SCHOOL OFFICIALS

LeAnne Gandy	Superintendent
Tanya Hutchins	Business Manager
Taunya Campbell	Director of Curriculum and Instruction and Federal Programs
Robert DeLaCruz	Director of Human Resources and Bilingual Program
Roger Hein	Director of Special Programs

FINANCIAL SECTION



JOHNSON, MILLER & CO., CPA'S PC

Certified Public Accountants

A Professional Corporation

An Independent Member of BDO Alliance USA

INDEPENDENT AUDITORS' REPORT

Brian S. Colón, Esq.
New Mexico State Auditor
The Office of Management and Budget and
The 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, 2019, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2019, and the respective changes in financial position thereof, and the respective budgetary comparison 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.

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Midland Texas 79701
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P.O. Drawer 220
Hobbs, New Mexico 88241
(575) 393-2171

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 4 through 9 and schedules on pages 62 through 65 and the notes to those schedules as listed on page 66 in the table of contents 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 operation, 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 that collectively comprise the District's basic financial statements. The Schedule of Expenditures of federal awards as required by Title 2 U.S Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), the accompanying financial information listed as on page 88 and supporting schedules on pages 89 through 93 in the table of contents required by 2.2.2.NMAC are presented for purposes of additional analysis and are not a required part of the financial statements.

The Schedule of Expenditures of federal awards and other schedules required by 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements 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 and other schedules required by 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Johnson, Miller & Co., CPA's



Hobbs, New Mexico
November 4, 2019

LOVINGTON MUNICIPAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2019 UNAUDITED

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, 2019. 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 2019 are as follows:

- ❖ Total assets and deferred outflows of governmental fund activities decreased by \$4.3 million or 3.6%.
- ❖ Total liabilities and deferred inflows of governmental fund activities increased approximately \$1.7 million or 1.2%.
- ❖ The District had \$53 million in expenses related to governmental activities: \$6 million of these expenses were offset by program specific charges for services and sales, grants, and contributions. General revenues which consist primarily of State Equalization Guarantee, property taxes, investments and miscellaneous income were \$40.9 million.
- ❖ The District purchased the transportation contractor's building and buses. The District now owns and operates all transportation.
- ❖ A Lease Purchase agreement for apartments (teacherages) was entered into by the District for teacher recruitment.

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.

LOVINGTON MUNICIPAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2019 UNAUDITED

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 2019?" 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 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, and 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, Title I IASA, Entitlement IDEA B, HB-33 Capital Outlay, Capital Improvement SB 9 Local, 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.

LOVINGTON MUNICIPAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2019 UNAUDITED

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 dependence upon revenues from the State of New Mexico for governmental activities is apparent. Approximately 70 percent of expenses are supported through general state revenues.

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 \$46.6 million and expenditures \$45.1 million. The net change in net position for the year was an increase of approximately \$1.5 million. This increase in fund balance was primarily due to planned budgetary savings throughout the year.

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 2019, the School District amended its budget as needed according to and in compliance with state regulations.

The following table examines the summary budget performance of the major and combined non-major funds for the fiscal year ending June 30, 2019. Detail budget performance is examined through the expenditures on the Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual for each fund. (In thousands of dollars)

	Final Budget	Actual	Variance
General Fund	\$ 33,754	\$ 34,081	\$ 327
Title I IASA	613	614	1
Entitlement IDEA-B	1,072	660	(412)

For the General Fund, final budgeted expenditures are greater than actual expenditures by \$2.4 million. Expenditures were budgeted at \$36 million while actual expenditures were \$33.6 million. The difference between budget and actual expenditures was due to planned budgetary savings throughout the budget.

Actual revenues for the general fund were \$34 million and revenues from state sources constitute 94% of the total. Actual expenditures were less than revenues by approximately \$466 thousand. The decrease in expenditures over revenue is primarily planned budgetary savings throughout the year.

The Debt Service fund also budgets the entire cash balance, but much of the balance is restricted for subsequent year's bond payments.

LOVINGTON MUNICIPAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2019 UNAUDITED

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2019, the District had \$156 million invested in capitalized assets with associated accumulated depreciation of \$78 million (see Note 6). 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, 2019, the District had outstanding bonds payable of \$39.8 million. It is possible that the district will have a negative bonding capacity available next year due to drops in the District's assessed valuation.

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. This volatile industry plays a large role in the economy and greatly impacts District enrollment. Management maintains a strong commitment to the District's financial security.

The Lovington Municipal School District receives approximately 87% 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, 2019 UNAUDITED

Contacting the School District's Financial Management

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

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

LOVINGTON MUNICIPAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2019 UNAUDITED

Condensed Statement of Net Position (in thousands of dollars)

	June 30, 2019	June 30, 2018
	Governmental Activities	Governmental Activities
Current and other assets	\$ 16,821	\$ 14,706
Net capital assets	78,044	78,902
Deferred outflows	19,555	25,113
Total assets and deferred outflows	114,420	118,721
Long-term debt outstanding	39,780	42,810
Other liabilities	97,151	92,964
Deferred inflows	7,132	6,564
Total liabilities and deferred inflows	144,063	142,338
Net position	\$ (29,643)	\$ (23,617)
Invested in capital assets net of related debt	\$ 38,264	\$ 36,092
Restricted	11,119	9,402
Unrestricted	(79,026)	(69,111)
Total net position	\$ (29,643)	\$ (23,617)

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

Revenues:		
Program revenues		
Charges for services	\$ 375	\$ 288
Operating grants	5,577	5,122
General revenues		
Property taxes/Oil & Gas taxes	8,646	8,173
State aid	31,964	28,977
Other	312	1,207
Total revenue	46,874	43,767
Expenses:		
Instruction	27,475	25,526
Support services	10,770	9,918
Transportation	1,965	1,314
Food services	1,559	1,440
Community service	43	55
Debt Service	1,109	1,105
Operation and maintenance/Facilities	5,983	5,767
Central services	4,119	3,767
Total expenses	53,023	48,892
Increase (decrease) in net position	\$ (6,149)	\$ (5,125)

**BASIC
FINANCIAL STATEMENTS**

STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS
STATEMENT OF NET POSITION
June 30, 2019

	<u>Primary Government Governmental Activities</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 12,854,786
Investments	2,165,150
Receivables	
Property taxes	1,022,951
Due from other governments	759,850
Inventory	<u>18,562</u>
Total current assets	16,821,299
Noncurrent assets	
Capital assets	155,913,916
Less: accumulated depreciation	<u>(77,869,848)</u>
Total noncurrent assets	<u>78,044,068</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	19,175,082
Deferred outflows related to other postemployment benefits (OPEB)	<u>380,296</u>
Total deferred outflows of resources	<u>19,555,378</u>
Total assets and deferred outflows	<u><u>\$ 114,420,745</u></u>

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

	Primary Government Governmental Activities
LIABILITIES	
Current liabilities	
Accounts payable	\$ 523,769
Accrued interest	320,382
Accrued compensated absences	168,288
Current portion of bonds payable	<u>3,290,000</u>
Total current liabilities	<u>4,302,439</u>
Noncurrent liabilities	
Bonds payable	36,490,000
Bond premium, net of accumulated amortization of \$542,337	504,584
Net pension liability	77,165,225
Net OPEB liability	<u>18,468,765</u>
Total noncurrent liabilities	<u>132,628,574</u>
Total liabilities	<u>136,931,013</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	2,054,764
Deferred inflows related to OPEB	<u>5,077,257</u>
Total deferred inflows	<u>7,132,021</u>
NET POSITION	
Net invested in capital assets	38,264,068
Restricted for:	
Debt service	5,878,714
Capital projects	3,303,308
Other purposes - special revenue	1,937,626
Unrestricted	<u>(79,026,005)</u>
Total net position	<u>(29,642,289)</u>
Total liabilities, deferred inflows and net position	<u>\$ 114,420,745</u>

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

STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Service</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government:				
Governmental activities:				
Instruction	\$ 27,474,675	\$ 138,447	\$ 1,780,379	\$ -
Support services - students	5,491,446	-	714,887	-
Support services - instruction	613,909	-	337	-
Support services - general admin.	1,291,579	-	28,779	-
Support services - school admin.	3,373,378	-	58,166	-
Central services	4,119,042	-	1,189	-
Operation and maintenance of plant	4,495,868	-	4,496	-
Student transportation	1,964,972	-	1,418,676	-
Food service operations	1,559,036	236,953	1,424,734	-
Community service operations	43,488	-	43,488	-
Facilities acquisition and construction	1,487,486	-	101,957	-
Interest and other charges	1,108,585	-	-	-
Total primary government	\$ 53,023,464	\$ 375,400	\$ 5,577,088	\$ -

General Revenues:

Property taxes levied for:
 General purposes
 Capital projects
 Debt service
 Educational
 Oil and gas taxes
 State equalization guarantee
 Investment income
 Miscellaneous income
 Total general revenues and transfers

Change in net position

Net position - beginning
 Prior period restatement (Note 16)
Net position - beginning, as restated

Net position - ending

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

**Net (Expenses) Revenue and
Changes in Net Position**

Primary Government
Governmental
Activities

\$	(25,555,849)
	(4,776,559)
	(613,572)
	(1,262,800)
	(3,315,212)
	(4,117,853)
	(4,491,372)
	(546,296)
	102,651
	-
	(1,385,529)
	(1,108,585)
	<u>(47,070,976)</u>

	218,125
	1,559,205
	2,313,124
	564,450
	3,991,180
	31,964,087
	86,909
	225,040
	<u>40,922,120</u>
	(6,148,856)
	(23,616,905)
	123,472
	<u>(23,493,433)</u>
\$	<u><u>(29,642,289)</u></u>

STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019

	General	Title I IASA	IDEA B Entitlement	Capital Improvement HB 33	Capital Improvement SB 9 Local
ASSETS					
<i>Current Assets</i>					
Cash and cash equivalents	\$ 3,947,742	\$ -	\$ -	\$ 874,898	999,933
Investments	4,413	-	-	842,057	546,363
Accounts receivable					
Taxes	37,085	-	-	176,526	39,457
Due from other governments	-	160,088	368,579	-	-
Interfund receivables	759,849	-	-	-	-
Inventory	-	-	-	-	-
<i>Total assets</i>	<u>\$ 4,749,089</u>	<u>\$ 160,088</u>	<u>\$ 368,579</u>	<u>\$ 1,893,481</u>	<u>1,585,753</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
<i>Current Liabilities:</i>					
Accounts payable	\$ 210,044	\$ 21,016	\$ -	\$ 38,378	35,800
Accrued expenses	-	-	-	-	-
Interfund payables	-	160,087	368,579	-	-
<i>Total liabilities</i>	<u>210,044</u>	<u>181,103</u>	<u>368,579</u>	<u>38,378</u>	<u>35,800</u>
<i>Deferred Inflows of Resources:</i>					
Unavailable revenue - delinquent property taxes	6,008	-	-	35,393	-
<i>Total deferred inflows of resources</i>	<u>6,008</u>	<u>-</u>	<u>-</u>	<u>35,393</u>	<u>-</u>
<i>Fund balances</i>					
Fund Balance:					
Nonspendable					
Inventory	-	-	-	-	-
Spendable					
Restricted for:					
Teacherages	12,195	-	-	-	-
Transportation	15,012	-	-	-	-
Instructional materials	161,004	-	-	-	-
Food services	-	-	-	-	-
Education	-	-	-	-	-
Extracurricular activities	-	-	-	-	-
Capital acquisitions and improvements	-	-	-	1,819,710	1,549,953
Debt service	-	-	-	-	-
Unassigned	4,344,826	(21,015)	-	-	-
<i>Total fund balances</i>	<u>4,533,037</u>	<u>(21,015)</u>	<u>-</u>	<u>1,819,710</u>	<u>1,549,953</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 4,749,089</u>	<u>\$ 160,088</u>	<u>\$ 368,579</u>	<u>\$ 1,893,481</u>	<u>1,585,753</u>

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

Debt Service	Other Governmental Funds	Total Governmental Funds
\$ 4,329,799	\$ 2,702,414	\$ 12,854,786
772,317	-	2,165,150
530,146	239,737	1,022,951
-	231,183	759,850
-	-	759,849
-	18,562	18,562
<u>\$ 5,632,262</u>	<u>\$ 3,191,896</u>	<u>\$ 17,581,148</u>
\$ -	\$ 218,529	\$ 523,767
-	-	-
-	231,183	759,849
<u>-</u>	<u>449,712</u>	<u>1,283,616</u>
<u>107,186</u>	<u>55,409</u>	<u>203,996</u>
<u>107,186</u>	<u>55,409</u>	<u>203,996</u>
-	18,562	18,562
-	-	12,195
-	-	15,012
-	-	161,004
-	500,347	500,347
-	1,174,556	1,174,556
-	216,954	216,954
-	8,140	3,377,803
5,525,076	858,222	6,383,298
-	(90,006)	4,233,805
<u>5,525,076</u>	<u>2,686,775</u>	<u>16,093,536</u>
<u>\$ 5,632,262</u>	<u>\$ 3,191,896</u>	<u>\$ 17,581,148</u>

STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS
GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
June 30, 2019

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

	District
Fund balances - total governmental funds	\$ 16,093,536
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	78,044,068
Deferred outflows of resources related to pensions and OPEB are not financial resources, and, therefore, are not reported in the funds	19,555,378
Other assets are not available to pay for current-period expenditures and therefore, are deferred in the funds:	
Property taxes	203,997
Other liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Accrued interest payable	(320,382)
Bond premium liability (net of amortization)	(504,584)
Long-term liabilities, including bonds payable, bond deposit, net pension liability, net OPEB liability, and compensated absences are not due and payable in the current period and, therefore, are not reported in the fund financial statement	(135,582,281)
Deferred inflows of resources related to pensions, OPEB, and bond refunding are not financial resources, and therefore, are not reported in the fund	(7,132,021)
Net Position of Governmental Activities in the Statement of Net Position	\$ (29,642,289)

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

STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019

	General	Title I IASA	IDEA B Entitlement	Capital Improvement HB 33	Capital Improvement SB 9 Local
<i>Revenues:</i>					
Taxes - property	\$ 212,117	\$ -	\$ -	\$ 763,511	705,796
Taxes - oil and gas	170,589	-	-	682,372	601,097
Federal flowthrough	37,668	566,726	717,893	-	-
Federal direct	-	-	-	-	-
State flowthrough	32,079,414	-	-	-	-
Transportation distribution	1,378,327	-	-	-	-
Charges for services	32,898	-	-	-	-
Investment income	7,604	-	-	17,551	44,428
Miscellaneous	225,040	-	-	-	-
<i>Total revenues</i>	<u>34,143,657</u>	<u>566,726</u>	<u>717,893</u>	<u>1,463,434</u>	<u>1,351,321</u>
<i>Expenditures:</i>					
Current:					
Instruction	18,909,417	587,741	449,849	-	-
Support services - students	3,991,799	-	149,181	-	-
Support services - instruction	288,768	-	-	-	-
Support services - general admin.	982,452	-	23,866	8,157	8,090
Support services - school admin.	2,385,108	-	51,509	-	-
Central services	1,017,586	-	-	-	-
Operation and maintenance of plant	3,849,060	-	-	-	-
Student transportation	1,476,106	-	-	-	-
Food service operations	1,200	-	-	-	-
Community service operations	-	-	43,488	-	-
Facilities acquisition and construction	875,225	-	-	1,371,202	1,286,110
Debt service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
<i>Total expenditures</i>	<u>33,776,721</u>	<u>587,741</u>	<u>717,893</u>	<u>1,379,359</u>	<u>1,294,200</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>366,936</u>	<u>(21,015)</u>	<u>-</u>	<u>84,075</u>	<u>57,121</u>
<i>Other financing sources (uses)</i>					
Reversion to PED	(1,144)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(1,144)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net changes in fund balances</i>	365,792	(21,015)	-	84,075	57,121
<i>Fund balances - beginning of year</i>	4,290,717	-	-	1,735,635	1,492,832
<i>Prior period restatement (Note 16)</i>	(123,472)	-	-	-	-
<i>Fund balances - beginning of year, as restated</i>	4,167,245	-	-	1,735,635	1,492,832
<i>Fund balances - end of year</i>	<u>\$ 4,533,037</u>	<u>\$ (21,015)</u>	<u>\$ -</u>	<u>\$ 1,819,710</u>	<u>\$ 1,549,953</u>

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

Debt Services	Other Governmental Funds	Total Governmental Funds
\$ 2,205,939	\$ 563,544	\$ 4,450,907
2,196,084	341,038	3,991,180
-	1,503,182	2,825,469
-	568,484	568,484
-	608,318	32,687,732
-	-	1,378,327
-	342,502	375,400
15,075	2,251	86,909
-	-	225,040
<u>4,417,098</u>	<u>4,014,506</u>	<u>46,674,635</u>
-	647,023	20,594,030
-	474,530	4,615,510
-	176,770	465,538
24,258	18,942	1,065,765
-	4,556	2,441,173
-	-	1,017,586
-	-	3,849,060
-	40,219	1,516,325
-	1,555,261	1,556,461
-	-	43,488
-	248,146	3,780,683
3,030,000	-	3,030,000
1,098,247	-	1,098,247
<u>4,153,678</u>	<u>3,165,447</u>	<u>45,075,039</u>
<u>263,420</u>	<u>849,059</u>	<u>1,599,596</u>
-	-	(1,144)
-	-	(1,144)
263,420	849,059	1,598,452
5,261,656	1,714,244	14,495,084
-	123,472	-
<u>5,261,656</u>	<u>1,837,716</u>	<u>14,495,084</u>
<u>\$ 5,525,076</u>	<u>\$ 2,686,775</u>	<u>\$ 16,093,536</u>

STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

Amounts reported for governmental activities in the Statement of Activities are different because:	<u>District</u>
Net change in fund balances - total governmental funds	\$ 1,598,452
Government 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:	
Capital expenditures	2,293,196
Depreciation expense	(3,151,198)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds:	
Property taxes	203,997
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds:	
Accrued compensated absences not due and payable	17,537
Accrued interest payable	(102,990)
Bond premiums	83,029
Principal payments on bonds	3,030,000
Expense reported in the governmental funds which require the use of current resources, but are recorded as deferred inflows on the Statement of Activities since they will be recognized in a different period	<u>(10,120,879)</u>
Change in Net Position of Governmental Activities in the Statement of Activities	<u><u>\$ (6,148,856)</u></u>

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

STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Taxes - property	\$ 157,196	\$ 157,196	\$ 169,971	\$ 12,775
Taxes - oil and gas	114,086	114,086	150,271	36,185
Taxes - gross receipts	-	-	-	-
Federal flowthrough	-	-	37,668	37,668
State flowthrough	31,432,860	32,104,698	32,079,415	(25,283)
Transportation distribution	1,124,201	1,378,327	1,378,327	-
Charges for services	-	-	32,898	32,898
Investment income	-	-	7,604	7,604
Miscellaneous	-	-	225,040	225,040
<i>Total revenues</i>	32,828,343	33,754,307	34,081,194	326,887
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	19,837,293	20,049,308	18,922,353	1,128,098
Support services - students	4,215,992	4,643,004	3,981,587	661,417
Support services - instruction	322,398	351,186	288,768	62,418
Support services - general admin.	859,940	1,008,217	959,666	48,551
Support services - school admin.	2,662,929	2,434,152	2,381,699	52,453
Central services	1,051,100	1,051,100	1,015,736	35,364
Operation and maintenance of plant	4,046,925	3,848,173	3,713,744	134,429
Student transportation	1,124,201	1,532,923	1,474,961	57,962
Other support services	939,046	22,878	-	22,878
Food service operations	1,320	1,320	1,200	120
Community service operations	1,434	126,434	-	126,434
Facilities acquisition and construction	85,000	1,001,168	875,225	125,943
<i>Total expenditures</i>	35,147,578	36,069,863	33,614,939	2,456,067
<i>Excess (deficiency) of revenues over expenditures</i>	(2,319,235)	(2,315,556)	466,255	2,782,954

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

STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS
GENERAL FUND

Exhibit C-1
(Page 2 of 2)

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Excess (deficiency) of revenues over expenditures</i>	(2,319,235)	(2,315,556)	466,255	2,782,954
<i>Other financing sources (uses):</i>				
Designated cash balance (budgeted increase in cash)	2,319,235	2,314,412	-	(2,314,412)
Reversion to PED	-	1,144	(2,289)	(3,433)
Transfers in (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>2,319,235</u>	<u>2,315,556</u>	<u>(2,289)</u>	<u>(2,317,845)</u>
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures</i>	-	-	463,966	465,109
<i>Fund balances - beginning of year</i>	-	-	4,252,385	4,252,385
<i>Prior period adjustments</i>	-	-	(123,472)	(123,472)
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,716,351</u>	<u>\$ 4,717,494</u>
<i>Reconciliation to GAAP basis:</i>				
Change in fund balance - GAAP Basis			\$ 365,792	
(Increase) decrease in accounts receivable			(5,697)	
Increase (decrease) in accounts payable			104,822	
Increase (decrease) in deferred inflows			<u>(951)</u>	
Change in fund balance - budgetary basis			<u>\$ 463,966</u>	

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

STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS
TITLE I IASA SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Federal flowthrough	\$ 613,447	\$ 613,447	\$ 614,819	\$ 1,372
Miscellaneous	-	-	-	-
<i>Total revenues</i>	613,447	613,447	614,819	1,372
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	613,447	613,447	561,488	51,959
Support services - students	-	-	-	-
Support services - instruction	-	-	-	-
Support services - general admin.	-	-	-	-
Support services - school admin.	-	-	-	-
Central services	-	-	-	-
Operation and maintenance of plant	-	-	-	-
<i>Total expenditures</i>	613,447	613,447	561,488	51,959
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	53,331	53,331
<i>Other financing sources (uses):</i>				
Designated cash balance (budgeted increase in cash)	-	-	-	-
<i>Total other financing sources (uses)</i>	-	-	-	-
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures</i>	-	-	53,331	53,331
<i>Fund balances - beginning of year</i>	-	-	(208,186)	(208,186)
<i>Fund balances - end of year</i>	\$ -	\$ -	\$ (154,855)	\$ (154,855)
<i>Reconciliation to GAAP basis:</i>				
Change in fund balance - GAAP Basis			\$ (21,015)	
(Increase) decrease in accounts receivable			53,331	
Increase (decrease) in accounts payable			21,015	
Change in fund balance - budgetary basis			\$ 53,331	

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

STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS
ENTITLEMENT IDEA-B SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2019

Exhibit C-3

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Federal flowthrough	\$ -	\$ 1,072,260	\$ 659,681	\$ (412,579)
Federal direct	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>1,072,260</u>	<u>659,681</u>	<u>(412,579)</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	-	627,420	449,849	177,571
Support services - students	-	211,671	149,181	62,490
Support services - general administration	-	36,779	23,866	12,913
Support services - school administration	-	98,440	51,509	46,931
Community service operations	-	97,950	43,488	54,462
<i>Total expenditures</i>	<u>-</u>	<u>1,072,260</u>	<u>717,893</u>	<u>354,367</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>(58,212)</u>	<u>(58,212)</u>
<i>Other financing sources (uses):</i>				
Designated cash balance (budgeted increase in cash)	-	-	-	-
Permanent transfers to PED	-	-	-	-
Transfers in (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures</i>	<u>-</u>	<u>-</u>	<u>(58,212)</u>	<u>(58,212)</u>
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>(308,605)</u>	<u>(308,605)</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (366,817)</u>	<u>\$ (366,817)</u>
Change in fund balance - GAAP Basis (Increase) decrease in accounts receivable			\$ - <u>(58,212)</u>	
Change in fund balance - budgetary basis			<u>\$ (58,212)</u>	

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

STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOL DISTRICT
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2019

	<u>Agency Funds</u>
ASSETS	
<i>Current assets</i>	
Cash	<u>\$ 263,691</u>
Total Assets	<u><u>\$ 263,691</u></u>
LIABILITIES	
<i>Current liabilities</i>	
Deposits held in trust for others	<u>\$ 263,691</u>
Total Liabilities	<u><u>\$ 263,691</u></u>

The accompanying notes are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS
Notes to the Financial Statements
June 30, 2019

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.

1. Implementation of New Accounting Principles

During fiscal year 2019, the District adopted the following Governmental Accounting Standards Board (GASB) Statement:

GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements. The objective of this Statement is to improve consistency in the information that is disclosed in notes to governmental financial statements related to debt, including direct borrowings and

STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS
Notes to the Financial Statements
June 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Government-Wide Financial Statements (continued)

1. Implementation of New Accounting Principles (continued)

direct placements, and to provide financial statement users with additional essential information about debt.

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 recorded when a liability is incurred, regardless of 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.

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 IASA – 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.

STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS
Notes to the Financial Statements
June 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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 SB-9 Local – To separate school district/charter schools SB-9 state match and local ad-valorem taxes. Authority for creation of this fund is the authority of the New Mexico Public Education Department.

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.

Additionally, the government reports the following fund types:

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.

STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS
Notes to the Financial Statements
June 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities, and Net Position or Equity

1. Deposits and Investments

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

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

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

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

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

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

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 or property located in the District as of the preceding January 1st. The assessed valuation for the 2019 fiscal year was \$591,435,517. Mill levy rates are set by the State of New Mexico each year for the General Fund, HB-33 Capital Improvements Fund, SB-9 Capital Improvements Fund, Debt Service Fund, and the Education Technology Fund. Taxes are payable in two equal installments on November 10th and April 10th following the levy and become delinquent after 30 days.

STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS
Notes to the Financial Statements
June 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

3. Inventories

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

4. Capital Assets

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

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

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

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

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

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's following items qualify for reporting in this category on the government-wide statement of net position; these are 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, the change in the District's proportion of the net pension and OPEB liability in the relation to other school districts in New Mexico and the change in proportion after reallocation of inactive employers.

STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS
Notes to the Financial Statements
June 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 items, of which, deferred property taxes and unavailable grant revenue, arises only under a modified accrual basis of accounting that qualifies for reporting in the category. Accordingly, the items, deferred property taxes and deferred federal or state grants, are reported in the governmental funds balance sheet. Additional items, the net difference between projected and actual investment earnings on pension plan investments and OPEB plan investments and the differences between expected and actuarial experience related to the pension plan and OPEB plan are also deferred inflows. These amounts will be amortized and recognized in future years. The last item, the net difference between the reacquisition price and the net carrying amount of the refunded debt are also deferred inflows.

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 vacation and 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. All vacation pay is accrued when incurred in the government-wide financial statements. 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, 2019 was \$168,288.

9. Long-Term Obligations

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

STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS
Notes to the Financial Statements
June 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

10. Fund Balance and Net Position

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

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

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

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

11. Estimates

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

12. Indirect Costs

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

E. 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 insure that the school district's operating revenue, including its local and federal revenues as defined (in Chapter 22, Section 825, NMSA 1978) is at least equal to the school district's program cost."

STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS
Notes to the Financial Statements
June 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Revenues (continued)

1. State Equalization Guarantee (continued):

A school district's program costs are determined through the use of various formulas using 'program units' which take into consideration 1) early childhood education; 2) basic education; 3) special education; 4) bilingual-multicultural education; 5) size; etc. Payment is made from the public school fund under the authority of the Director of Public School Finance. The District received \$31,964,087 in state equalization guarantee distributions during the year ended June 30, 2019.

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 \$1,418,676 in transportation distributions during the year ended June 30, 2019.

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 \$8,646,084 in tax revenues during the year ended June 30, 2019. Descriptions of the individual debt service and capital outlay funds contained in these financial statements include information regarding the authority for the collection and use of these taxes.

F. Pensions

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

G. 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.

STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS
Notes to the Financial Statements
June 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Tax Abatements

Governmental Accounting Standards Board Statement No. 77 requires the District to disclose information on certain tax abatement agreements affecting the District. Accordingly, the District did not have any tax abatements affecting the District for the year ended June 30, 2019.

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

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

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

STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS
Notes to the Financial Statements
June 30, 2019

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information (continued)

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, 2019 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, 2019.

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, 2019, the District had \$123,025 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.

STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS
Notes to the Financial Statements
June 30, 2019

NOTE 3. DEPOSITS AND INVESTMENTS (continued)

As of June 30, 2019, \$16,578,741 of the District's bank balances were exposed to custodial credit risk as follows:

	District
Insured (FDIC)	\$ 873,025
Collateralized by securities held by the pledging institution or by its trust department or agent in other than the District's name	9,578,419
Uninsured and uncollateralized	6,127,297
Balance exposed to custodial credit risk	\$ 16,578,741
Total bank balances	\$ 16,578,741
Carrying Amount	\$ 13,118,477

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, 2019, the New MexiGROW Local Government Investment Pool was rated at AAAM and had a 35 day WAM(R) and 112 day WAM(F). The District had \$1,907,711 invested in the New MexiGROW Local Government Investment Pool at June 30, 2019.

STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS
Notes to the Financial Statements
June 30, 2019

NOTE 3. DEPOSITS AND INVESTMENTS (continued)

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 below will meet the State of New Mexico Office of the State Auditor's requirements in reporting the insured portion of the deposits.

	<u>Lea County State Bank</u>	<u>Wells Fargo Bank</u>	<u>Western Commerce Bank</u>	<u>Total</u>
Total amount of deposits	\$ 401,788	\$ 8,035,751	\$ 8,141,202	\$ 16,578,741
FDIC coverage	<u>250,000</u>	<u>250,000</u>	<u>373,025</u>	<u>873,025</u>
Total uninsured public funds	151,788	7,785,751	7,768,177	15,705,716
Collateral requirement (50% of uninsured public funds)	75,894	3,892,876	3,884,089	7,852,859
Collateral requirement for repurchase agreement - 102%	-	-	-	-
Pledged securities	<u>795,000</u>	<u>4,055,157</u>	<u>4,728,262</u>	<u>9,578,419</u>
Over (under) collateralization	\$ <u>719,106</u>	\$ <u>162,281</u>	\$ <u>844,173</u>	\$ <u>1,725,560</u>

The collateral pledged is listed on page 91 of this report. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico.

Reconciliation to the Statements of Net Position

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

	<u>District</u>
Carrying amount - deposits	\$ 12,854,786
Amounts included in agency funds	<u>263,691</u>
Total	<u>13,118,477</u>
Included in the following balance sheet captions:	
Cash and cash equivalents	\$ <u>13,118,477</u>

STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS
Notes to the Financial Statements
June 30, 2019

NOTE 3. DEPOSITS AND INVESTMENTS (continued)

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, 2019 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.

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.

Pooled Accounts

The District utilized internal pooled accounts for some of their programs and funds. Negative cash balances in individual funds that were part of the pooled accounts were reclassified as due to/from accounts in the combining balance sheets as of June 30, 2019. Funds 24101 through 25153 are federal funds and 27107 through 28203 are nonfederal.

STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS
Notes to the Financial Statements
June 30, 2019

NOTE 3. DEPOSITS AND INVESTMENTS (continued)

The following individual funds had negative cash balance as of June 30, 2019.

24101	Title I IASA	\$	(160,088)
24106	Entitlement IDEA-B		(368,579)
24109	Preschool IDEA-B		(27,657)
24154	Teacher/Principal Training and Recruiting		(38,310)
24189	Student Support and Academic Enrollment		(4,429)
24193	Title I Direct Student Services		(13,289)
27103	2009 Dual Credit Instructional Materials		(1,660)
27114	NM Reads to Lead K-3		(40,228)
27141	Truancy Initiative PED		(31,227)
27166	Kindergarten - Three Plus		(62,956)
27198	K 4-5 Plus		(9,696)
28190	GRADS - Instruction		(30)
28203	GRADS - Plus		(1,700)
		\$	<u>(759,849)</u>

NOTE 4. ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2019, are as follows:

	General Fund	Title I IASA	IDEA B Entitlement	Capital Improvement HB 33
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Property tax receivable	\$ 37,085	\$ -	\$ -	\$ 176,526
Due from other governments:				
Federal/state sources	<u>-</u>	<u>160,088</u>	<u>368,579</u>	<u>-</u>
Totals	<u>\$ 37,085</u>	<u>\$ 160,088</u>	<u>\$ 368,579</u>	<u>\$ 176,526</u>

	Capital Improvement SB-9 Local	Debt Service	Other Governmental Funds	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Property tax receivable	\$ 39,457	\$ 530,146	\$ 239,737	\$ 1,022,951
Due from other governments:				
Federal/state sources	<u>-</u>	<u>-</u>	<u>231,183</u>	<u>759,850</u>
Totals	<u>\$ 39,457</u>	<u>\$ 530,146</u>	<u>\$ 470,920</u>	<u>\$ 1,782,801</u>

In accordance with GASB No. 33, property tax revenues in the amount of \$203,997 that were not collected within the period of availability have been reclassified as deferred inflows in the governmental fund financial statements. At fiscal year end June 30, 2019, there were no grant revenues that were not collected within the period of availability that would have been reclassified as deferred inflows in the governmental fund financial statements. All of the above receivables are deemed to be fully collectible.

STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS
Notes to the Financial Statements
June 30, 2019

NOTE 5. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The District records temporary interfund receivables and payables to enable the funds to operate until grant monies are received. The composition of interfund balances during the year ended June 30, 2019 is as follows:

	<u>Due from other funds</u>	<u>Due to other funds</u>
11000 General Fund	\$ 759,849	\$ -
24101 Title I IASA	-	160,088
24106 Entitlement IDEA-B	-	368,579
24109 Preschool IDEA-B	-	27,657
24154 Teacher/Principal Training & Recruiting	-	38,310
24189 Student Support and Academic Enrichment	-	4,429
24193 Title I Direct Student Services	-	13,289
27103 Dual Credit Instructional Materials HB-2	-	1,660
27114 New Mexico Reads to Lead	-	40,228
27141 Truancy Initiative PED	-	31,227
27166 Kindergarten Three Plus	-	62,956
27198 K 4-5 Plus	-	9,696
28190 GRADS Instruction	-	30
28203 GRADS Plus	-	1,700
	<hr/>	<hr/>
Total	\$ <u>759,849</u>	\$ <u>759,849</u>

All interfund balances are intended to be repaid within one year.

The District did not have any operating transfers, made to close out funds and to supplement other funding sources in the normal course of operations.

STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS
Notes to the Financial Statements
June 30, 2019

NOTE 6. CAPITAL ASSETS

A summary of capital assets and changes for the District occurring during the year ended June 30, 2019 follows:

<u>Governmental Activities</u>	<u>Balance June 30, 2018</u>	<u>Additions and Transfers in</u>	<u>Deletions and Transfers out</u>	<u>Balance June 30, 2019</u>
Capital assets not being depreciated:				
Land	\$ 346,166	\$ -	\$ -	\$ 346,166
Construction in progress	<u>-</u>	<u>455,018</u>	<u>-</u>	<u>455,018</u>
Total capital assets not being depreciated	<u>346,166</u>	<u>455,018</u>	<u>-</u>	<u>801,184</u>
Capital assets being depreciated:				
Buildings and improvements	141,625,118	716,142	-	142,341,260
Equipment	9,595,985	120,196	313,085	9,403,096
Vehicles	2,172,681	1,001,839	126,845	3,047,675
Intangibles	<u>320,701</u>	<u>-</u>	<u>-</u>	<u>320,701</u>
Total capital assets being depreciated	<u>153,714,485</u>	<u>1,838,177</u>	<u>439,930</u>	<u>155,112,732</u>
Total capital assets	<u>154,060,651</u>	<u>2,293,195</u>	<u>439,930</u>	<u>155,913,916</u>
Less accumulated depreciation:				
Buildings and improvements	67,275,275	2,706,258	-	69,981,533
Equipment	5,670,369	238,561	313,085	5,595,845
Vehicles	1,920,305	178,309	126,845	1,971,769
Intangibles	<u>292,632</u>	<u>28,069</u>	<u>-</u>	<u>320,701</u>
Total accumulated depreciation	<u>75,158,581</u>	<u>3,151,197</u>	<u>439,930</u>	<u>77,869,848</u>
Total capital assets net of depreciation	<u>\$ 78,902,070</u>	<u>\$ (858,002)</u>	<u>\$ -</u>	<u>\$ 78,044,068</u>

Depreciation expense for the year ended June 30, 2019 was charged to the following functions and programs of the primary government:

Instruction	\$ 229,061
Support services - students	7,425
Support services - instruction	14,484
Support services - general admin.	268
Support services - school admin.	3,408
Central services	2,706,258
Operation and maintenance of plant	9,409
Student transportation	178,309
Food service operations	<u>2,575</u>
Total depreciation expense	<u>\$ 3,151,197</u>

STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS
Notes to the Financial Statements
June 30, 2019

NOTE 6. CAPITAL ASSETS (continued)

The District has active construction projects as of June 30, 2019. The projects include renovations and improvements to existing school buildings and grounds. A portion of the outstanding projects is funded by payments made directly to contractors by the Public School Facilities Authority (PSFA). The PSFA was created by Laws 2003, Chapter 147, Section 13, pursuant to the Public School Capital Outlay Act as codified in Section 22-24-9 NMSA 1978 to assist in identifying and funding all outstanding deficiencies in public schools and grounds that may adversely affect the health or safety of students and school personnel.

NOTE 7. LONG TERM DEBT

General obligation bonds are direct obligations and pledge the full faith and credit of the District. These bonds are issued with varying terms and varying amounts of principal maturing each year. All general obligation bonds as of June 30, 2019 are for governmental activities.

Bond outstanding at June 30, 2019 are comprised on the following:

	Original Amount	Interest Rates	Balance June 30, 2019
Series 2014 General Obligation Bond	19,000,000	2.00 - 4.00%	18,300,000
Series 2015 General Obligation Bond	16,000,000	2.00 - 4.00%	15,750,000
Series 2016A General Obligation Bond (2007 Refunded)	4,270,000	0.7 - 1%	2,635,000
Series 2016B General Obligation Bond (2008 Refunded)	4,070,000	0.8 - 1.1%	3,095,000
Total General Obligation Bonds	\$ 43,340,000		\$ 39,780,000

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

Year Ending June 30	Principal	Interest	Total Requirements
2020	\$ 3,290,000	\$ 1,078,943	\$ 4,368,943
2021	3,580,000	1,037,890	4,617,890
2022	2,810,000	992,855	3,802,855
2023	4,000,000	926,250	4,926,250
2024	4,200,000	808,250	5,008,250
2025-2030	21,900,000	2,304,500	24,204,500
Total	\$ 39,780,000	\$ 7,148,688	\$ 46,928,688

STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS
Notes to the Financial Statements
June 30, 2019

NOTE 7. LONG TERM DEBT (continued)

Changes in long-term liabilities – During the year ended June 30, 2019, the following changes occurred in liabilities reported in the general obligation bonds and compensated absences.

	Balance			Balance	Due Within
	June 30, 2018	Additions	Retirements	June 30, 2019	One Year
2011 Series	\$ 445,000	\$ -	\$ (445,000)	\$ -	\$ -
2014 Series	18,625,000	-	(325,000)	18,300,000	500,000
2015 Series	15,975,000	-	(225,000)	15,750,000	600,000
2016A Series	3,695,000	-	(1,060,000)	2,635,000	1,135,000
2016B Series	4,070,000	-	(975,000)	3,095,000	1,055,000
Compensated Absences	105,825	96,426	(33,963)	168,288	168,288
Total Long-Term Liabilities	\$ 42,915,825	\$ 96,426	\$(3,063,963)	\$ 39,948,288	\$ 3,458,288

Compensated absences typically have been liquidated in the general and other governmental fund. Total interest expense on outstanding bonds for the year ended June 30, 2019 was \$1,190,440.

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 \$105,105,174 for 2018-2019 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 is 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, 2019, there have been no claims that have exceeded insurance coverage.

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NOTE 9. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

Generally accepted accounting principles require disclosures of certain information concerning individual funds including:

- A. Deficit fund balance of individual funds. The following funds reflected a deficit fund balance as of June 30, 2019:

Funds	
Title I IASA	\$ 21,015
Teacher/Principal Training & Recruiting	23,651
Special Capital Outlay - State	48,000
Capital Improvement SB-9 - State	<u>18,355</u>
Total Funds	<u><u>\$ 111,021</u></u>

The District incurred more expenditures than revenues received in these funds in the current year. The District anticipates these fund balances will not be in a deficit state in subsequent years.

- B. Excess of expenditures over appropriations. The District did not have any funds that exceeded approved budgetary authority at the function level for the year ended June 30, 2019.
- C. Excess of expenditures over available cash. The District did not have any funds in which budgeted expenditures exceeded available cash.

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NOTE 10. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD

Plan Description

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

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

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

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

Benefits Provided

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.

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NOTE 10. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (continued)

Summary of Plan Provisions for Retirement Eligibility (continued)

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 10. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (continued)

Benefit Options (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).

no

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

As of July 1, 2013, for current and future retirees the COLA is immediately reduced until the Plan is 100% funded. The COLA reduction is based on the median retirement benefit of all retirees excluding disability retirements. Retirees with benefits at or below the median and with 25 or more years of service credit will have a 10% COLA reduction; their average COLA will be 1.8%. Once the funding is greater than 90%, the COLA reductions will decrease. The retirees with benefits at or below the median and with 25 or more years of service credit will have a 5% COLA reduction; their average COLA will be 1.7%.

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NOTE 10. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (continued)

Cost of Living Adjustment (COLA) (continued)

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

Refund of Contributions

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

Contributions

Fiscal Year	Date Range	Wage Category	Member Rate	Employer Rate	Combined Rate	Increased Over Prior Year
2019	7-1-18 to 06-30-19	Over \$20K	10.70%	13.90%	24.60%	0.00%
2019	7-1-18 to 06-30-19	\$20K or less	7.90%	13.90%	21.80%	0.00%
2018	7-1-17 to 06-30-18	Over \$20K	10.70%	13.90%	24.60%	0.00%
2018	7-1-17 to 06-30-18	\$20K or less	7.90%	13.90%	21.80%	0.00%

The contribution requirements of defined benefit plan members and the Lovington Municipal School District #33 are established in state statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the New Mexico Legislature. For the fiscal year ended June 30, 2019 and 2018, the District paid employee and employer contributions of \$2,644,306 and \$2,502,602, which equal the amount of the required contributions for each fiscal year.

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

At June 30, 2019, the District reported a liability of \$77,165,225 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2018 using generally accepted actuarial principles. The roll-forward incorporates the impact of the new assumptions adopted by the Board on April 21, 2017. There were no other significant events of changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2018. Therefore, the employer's portion was established as of the measurement date of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating educational institutions, actuarially determined. At June 30, 2018, the District's proportion was 0.64892%, which was an increase of 0.00135% from its proportion measured as of June 30, 2017.

STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS
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NOTE 10. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

For the year ended June 30, 2019, the District recognized pension expense of \$10,590,401. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actuarial experience	\$ 56,318	\$ 1,468,578
Changes of assumptions	15,903,149	-
Net difference between projected and actual earnings on pension plan investments	170,824	-
Changes in proportion and differences between the District's contributions and proportionate share of contributions	400,485	586,186
Change in proportion after reallocation of inactive employees		-
District contributions subsequent to the measurement date	2,644,306	-
	<u>\$ 19,175,082</u>	<u>\$ 2,054,764</u>

The \$2,644,306 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,		
2019	\$	9,060,693
2020		5,536,610
2021		(123,300)
2022		2,248
2023		-
Thereafter		-
	\$	<u>14,476,251</u>

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NOTE 10. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (continued)

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 border="0" style="margin-left: 40px;"> <tr> <td style="text-align: center;">Fiscal year</td> <td style="text-align: center;">2017</td> <td style="text-align: center;">2016</td> <td style="text-align: center;">2015</td> <td style="text-align: center;">2014</td> </tr> <tr> <td style="text-align: center;">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> </table>	Fiscal year	2017	2016	2015	2014	Service life in years	3.35	3.77	3.92	3.88
Fiscal year	2017	2016	2015	2014							
Service life in years	3.35	3.77	3.92	3.88							
Mortality	<p>Healthy males: 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>Healthy females: Based on GRS Southwest Region Teacher Mortality Table, set back one year. Generational mortality improvements in accordance with Scale BB from the table’s base year of 2012.</p> <p>Disabled males: RP-2000 Disabled Mortality Table for males, set back three years, projected to 2016 with Scale BB.</p> <p>Disabled females: RP-2000 Disabled Mortality Table for females, no set back, projected to 2016 with Scale BB.</p> <p>Active members: RP-2000 Employee Mortality Tables, with males set back two years and scaled at 80%, and females set back five years and scaled at 70%. Static mortality improvement from the table’s base year of 2000 to the year 2016 in accordance with Scale BB. No future improvement was assumed for preretirement mortality.</p>										
Retirement Age	Experience-based table rates based on age and service, adopted by the Board on April 21, 2017 in conjunction with the six-year experience study for the period ending June 30, 2016.										
Cost-of-living increases	1.90% per year, compounded annually; increases deferred until July 1 following the year a member retires, or the year in which a member attains the age of 65 (67 for Tier 3), whichever is later or, for disabled retirees, until July 1 of the third year following retirement.										
Payroll Growth	3.00% per year (with no allowance for membership growth).										
Contribution accumulation	The accumulated member account balance with interest is estimated at the valuation date by assuming that member contributions increased 5.50% per year for all years prior to the valuation date. Contributions are credited with 4.00% interest, compounded annually, applicable to the account balances in the past as well as the future.										
Disability Incidence	Approved rates applied to eligible members with at least 10 years of service.										

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NOTE 10. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (continued)

Actuarial Assumptions (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 Allocation	Long-Term Expected Rate of Return
Equities	33%	
Fixed Income	26%	
Alternatives	40%	
Cash	1%	
Total	100%	7.25%

Discount Rate

A single discount rate of 5.69% was used to measure the total pension liability as of June 30, 2018. This rate is .21% less than the 5.90% discount rate used for June 30, 2017.

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

The projections of cash flows used to determine the June 30, 2018 single discount rate assumed that plan member and employer contributions will be made at the current statutory levels.

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NOTE 10. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (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 5.69 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.69 percent) or 1-percentage-point higher (6.69 percent) than the current rate:

	1.00% Decrease (4.90%)	Current Discount Rate (5.90%)	1.00% Increase (6.90%)
Lovington Municipal Schools proportionate share of the net pension liability	\$ 100,285,238	\$ 77,165,225	\$ 58,300,737

Pension Plan Fiduciary Net Position

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

NOTE 11. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN

Plan Description. Employees of the School 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.

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NOTE 11. 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	51,205
Inactive and eligible for deferred benefit	11,471
Current active members	93,349
	156,025
Active Membership	
State general	19,593
State police and corrections	1,886
Municipal general	17,004
Municipal police	3,820
Municipal FTRE	2,290
Educational Retirement Board	48,756
	93,349

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. The District’s contribution to the Fund were \$380,521 for the year ended June 30, 2019.

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

At June 30, 2019, the School reported a liability of \$18,468,765 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. The District’s proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2018. At June 30, 2018, the School’s proportion was 0.42473 percent.

STATE OF NEW MEXICO
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Notes to the Financial Statements
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NOTE 11. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN (continued)

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

For the year ended June 30, 2019, the District recognized OPEB expense of \$89,001. At June 30, 2019 the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actuarial experience	\$ -	\$ 1,093,469
Changes of assumptions	-	3,448,037
Net difference between projected and actual earnings on OPEB plan investments	-	230,483
Change in proportion	-	305,268
District contributions subsequent to the measurement date	<u>380,296</u>	<u>-</u>
	<u>\$ 380,296</u>	<u>\$ 5,077,257</u>

Deferred outflows of resources totaling \$380,296 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:

Fiscal Year	
Ending June 30:	
2020	\$ (1,277,135)
2021	(1,277,135)
2022	(1,277,135)
2023	(1,001,000)
2024	<u>(244,852)</u>
Total	<u>\$ (5,077,257)</u>

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LOVINGTON MUNICIPAL SCHOOLS
Notes to the Financial Statements
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NOTE 11. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN (continued)

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	3.25% to 12.50%, based on years of service, including inflation
Investment rate of return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation
Health care cost trend rate	8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 for Medicare medical plan costs
Mortality	ERB members: RP-2000 Combined Healthy Mortality Table with White Collar Adjustment (males) and GRS Southwest Region Teacher Mortality Table (females) PERA members: RP-2000 Combined Healthy Mortality

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

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

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

STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS
Notes to the Financial Statements
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NOTE 11. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN (continued)

Discount Rate. The discount rate used to measure the Fund’s total OPEB liability is 4.05% as of June 30, 2018. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2029. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2029. Beyond 2029, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Thus, 4.08% is the blended discount rate.

Sensitivity of the net OPEB liability 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 (3.08 percent) or 1-percentage-point higher (5.08 percent) than the current discount rate:

1% Decrease (3.08%)	Current Discount (4.08%)	1% Increase (5.08%)
\$ 22,351,558	\$ 18,468,765	\$ 15,408,263

The following presents the net OPEB liability of the School, as well as what the School’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 Rates	1% Increase
\$ 15,612,584	\$ 18,468,765	\$ 20,708,080

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, 2019, no amounts were reported payable for outstanding contributions due to NMRHCA.

STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS
Notes to the Financial Statements
June 30, 2019

NOTE 12. FAIR VALUE MEASUREMENT

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District has the following recurring fair value measurements as of June 30, 2019:

- Investments with the State Treasurer's Local Government Investment Pool, Certificates of Deposit and money market funds of \$2,165,150 are valued using quoted market prices (Level 1 inputs).
- General Obligation bonds of \$40 million are valued using a matrix pricing model (Level 2 inputs).

NOTE 13. COMMITMENTS AND CONTINGENT LIABILITIES

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

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 14. CONCENTRATIONS

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

The District depends on financial resources flowing from, or associated with, oil and gas tax revenues. Because of this dependency, the District is subject to changes in specific flows of revenues based on the price and volume of production of oil and gas which can be volatile.

STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS
Notes to the Financial Statements
June 30, 2019

NOTE 15. SUBSEQUENT PRONOUNCEMENTS

In June 2017, GASB issued Government Accounting Standards Board Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The provisions of the statement are effective for financial statement periods beginning after December 15, 2019. The pronouncement is expected to have no effect on the District in upcoming years.

In June 2018, GASB issued Government Accounting Standards Board Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The District is evaluating the effects on the financial statement of this pronouncement.

In August 2018, GASB issued Government Accounting Standards Board Statement No. 90, *Majority Equity Interests—An Amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government’s holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The provisions of the statement are effective for financial statement periods beginning after December 15, 2018. The pronouncement is expected to have no effect on the District in upcoming years.

In May 2019, GASB issued Government Accounting Standards Board Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The provisions of the statement are effective for financial statement periods beginning after December 15, 2020. The pronouncement is expected to have no effect on the District in upcoming years.

STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS
Notes to the Financial Statements
June 30, 2019

NOTE 16. PRIOR PERIOD RESTATEMENT

During the fiscal year ended June 30, 2019, the District cleared old outstanding balances in various funds and expensed the difference through 11000 Operational fund. The fund balance for these funds have been restated to correctly account for the transactions.

<u>The District</u>	<u>As Previously Reported</u>	<u>Restatement</u>	<u>As Restated</u>
<i>Fund balance:</i>			
Operational	\$ 4,178,036	\$ (123,472)	\$ 4,054,564
English Language Acquisition	(81,163)	81,163	-
Teacher/Principal Training & Recruitment	2,935	(2,935)	-
GRADS Child Care CYFD	-	758	758
GRADS Instruction	(43,401)	43,401	-
GRADS Plus	(1,085)	1,085	-

NOTE 17. SUBSEQUENT EVENTS

Management Review

The date to which events occurring after June 30, 2019, the date of the most recent Statement of Net Position, have been evaluated for possible adjustment to the financial statements and disclosures is November 4, 2019 which is the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Last 10 Fiscal Years*

Fiscal Year Measurement Date	2019 2018	2018 2017	2017 2016	2016 2015	2015 2014
The District's proportion of the net pension liability (asset)	0.64892%	0.65027%	0.66712%	0.63650%	0.63086%
The District's proportionate share of the net pension liability (asset)	77,165,225	72,267,550	48,008,848	41,227,800	35,995,164
The District's covered-employee payroll	19,116,497	18,135,539	18,520,030	17,378,489	18,093,578
The District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	403.66%	398.49%	259.23%	237.23%	198.94%
Plan fiduciary net position as a percentage of the total pension liability.	52.17%	52.95%	61.58%	63.97%	66.54%

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

STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS OF THE NET PENSION LIABILITY
Last 10 Fiscal Years*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 2,644,306	\$ 2,520,602	\$ 2,574,063	\$ 2,870,300	\$ 2,515,007
Contributions in relation to the contractually required contribution	<u>2,644,306</u>	<u>2,520,602</u>	<u>2,574,063</u>	<u>2,870,300</u>	<u>2,515,007</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
The District's covered-employee payroll	19,116,496.81	\$ 18,135,539	\$ 18,520,030	\$ 17,378,489	\$ 18,093,578
Contributions as a percentage of covered-employee payroll	13.83%	13.90%	13.90%	16.52%	13.90%

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

STATE OF NEW MEXICO
 LOVINGTON MUNICIPAL SCHOOLS
 SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
 Last 10 Fiscal Years*

Fiscal Year Measurement Date	2019 2018	2018 2017
The District's proportion of the net OPEB liability	0.42473%	0.43138%
The District's proportionate share of the net OPEB liability	18,468,765	19,548,731
The District's covered-employee payroll	18,223,537	18,135,539
The District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	101.35%	107.79%
Plan fiduciary net position as a percentage of the total OPEB liability.	13.14%	11.34%

* *Governmental Accounting Standards Board Statement No. 75* requires ten years of historical information be presented; however until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the District is not available prior to fiscal year 2017, the year the statement's requirements became effective.

STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS OF THE NET OPEB LIABILITY
Last 10 Fiscal Years*

	2019	2018
Contractually required contribution	\$ 663,712	\$ 1,369,834
Contributions in relation to the contractually required contribution	655,608	687,504
Contribution deficiency (excess)	\$ 8,104	\$ 682,330
The District's covered-employee payroll	\$ 18,223,537	\$ 17,969,769
Contributions as a percentage of covered-employee payroll	3.60%	3.83%

* *Governmental Accounting Standards Board Statement No. 75* requires ten years of historical information be presented; however until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the District is not available prior to fiscal year 2017, the year the statement's requirements became effective.

STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2019

SCHEDULES OF NET PENSION LIABILITY

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

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

SCHEDULES OF NET OPEB LIABILITY

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

Changes in assumptions and methods. There were no modifications to the assumptions and methods that were reflected in the actuarial valuation as of June 30, 2018

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS
COMBINING BALANCE SHEET
GENERAL FUND
June 30, 2019

	General Fund				
	Operational	Teacherage	Pupil Transportation	Instructional Materials	Total
ASSETS					
<i>Current Assets</i>					
Cash and cash equivalents	\$ 3,752,611	\$ 12,195	\$ 16,155	\$ 166,781	\$ 3,947,742
Investments	4,413	-	-	-	4,413
Accounts receivable					
Taxes	37,085	-	-	-	37,085
Due from other governments	-	-	-	-	-
Interfund receivables	759,849	-	-	-	759,849
Other	-	-	-	-	-
Inventory	-	-	-	-	-
<i>Total assets</i>	<u>\$ 4,553,958</u>	<u>\$ 12,195</u>	<u>\$ 16,155</u>	<u>\$ 166,781</u>	<u>\$ 4,749,089</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
<i>Current Liabilities:</i>					
Accounts payable	\$ 203,124	\$ -	\$ 1,143	\$ 5,777	\$ 210,044
Accrued expenses	-	-	-	-	-
Interfund payable	-	-	-	-	-
<i>Total liabilities</i>	<u>203,124</u>	<u>-</u>	<u>1,143</u>	<u>5,777</u>	<u>210,044</u>
<i>Deferred Inflows of Resources:</i>					
Unavailable revenue - delinquent property taxes	6,008	-	-	-	6,008
<i>Total deferred inflows of resources</i>	<u>6,008</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,008</u>
<i>Fund balance:</i>					
Nonspendable					
Inventory	-	-	-	-	-
Spendable					
Restricted for:					
Teacherages	-	12,195	-	-	12,195
Transportation	-	-	15,012	-	15,012
Instructional materials	-	-	-	161,004	161,004
Assigned	-	-	-	-	-
Unassigned	4,344,826	-	-	-	4,344,826
<i>Total fund balance</i>	<u>4,344,826</u>	<u>12,195</u>	<u>15,012</u>	<u>161,004</u>	<u>4,533,037</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 4,553,958</u>	<u>\$ 12,195</u>	<u>\$ 16,155</u>	<u>\$ 166,781</u>	<u>\$ 4,749,089</u>

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

STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GENERAL FUND
For the Year Ended June 30, 2019

	General Fund				Total
	Operational	Teachereage	Pupil Transportation	Instructional Materials	
<i>Revenues:</i>					
Taxes - property	\$ 212,117	\$ -	\$ -	\$ -	\$ 212,117
Taxes - oil and gas	170,589	-	-	-	170,589
Federal flowthrough	37,668	-	-	-	37,668
State flowthrough	31,964,200	-	-	115,214	32,079,414
Transportation distribution	-	-	1,378,327	-	1,378,327
Charges for services	20,703	12,195	-	-	32,898
Investment income	7,604	-	-	-	7,604
Miscellaneous	225,040	-	-	-	225,040
<i>Total revenues</i>	<u>32,637,921</u>	<u>12,195</u>	<u>1,378,327</u>	<u>115,214</u>	<u>34,143,657</u>
<i>Expenditures:</i>					
Current:					
Instruction	18,844,815	-	-	64,602	18,909,417
Support services - students	3,991,799	-	-	-	3,991,799
Support services - instruction	288,768	-	-	-	288,768
Support services - general admin.	982,452	-	-	-	982,452
Support services - school admin.	2,385,108	-	-	-	2,385,108
Central services	1,017,586	-	-	-	1,017,586
Operation and maintenance of plant	3,849,060	-	-	-	3,849,060
Student transportation	111,646	-	1,364,460	-	1,476,106
Food service operations	1,200	-	-	-	1,200
Facilities acquisition and construction	875,225	-	-	-	875,225
<i>Total expenditures</i>	<u>32,347,659</u>	<u>-</u>	<u>1,364,460</u>	<u>64,602</u>	<u>33,776,721</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>290,262</u>	<u>12,195</u>	<u>13,867</u>	<u>50,612</u>	<u>366,936</u>
<i>Other financing sources (uses)</i>					
Reversion to PED	-	-	(1,144)	-	(1,144)
Transfers in (out)	-	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>(1,144)</u>	<u>-</u>	<u>(1,144)</u>
<i>Net changes in fund balances</i>	290,262	12,195	12,723	50,612	365,792
<i>Fund balances - beginning of year</i>	4,178,036	-	2,289	110,392	4,290,717
<i>Prior period restatement (Note 16)</i>	(123,472)	-	-	-	(123,472)
<i>Fund balances-beg of year, as restated</i>	<u>4,054,564</u>	<u>-</u>	<u>2,289</u>	<u>110,392</u>	<u>4,167,245</u>
<i>Fund balances - end of year</i>	<u>\$ 4,344,826</u>	<u>\$ 12,195</u>	<u>\$ 15,012</u>	<u>\$ 161,004</u>	<u>\$ 4,533,037</u>

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

STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS
GENERAL FUND - OPERATIONAL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Taxes - property	\$ 157,196	\$ 157,196	\$ 169,971	\$ 12,775
Taxes - oil and gas	114,086	114,086	150,271	36,185
Federal flowthrough	-	-	37,668	37,668
State flowthrough	31,432,860	31,989,483	31,964,200	(25,283)
Charges for services	-	-	20,703	20,703
Investment income	-	-	7,604	7,604
Miscellaneous	-	-	225,040	225,040
<i>Total revenues</i>	<u>31,704,142</u>	<u>32,260,765</u>	<u>32,575,457</u>	<u>314,692</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	19,722,078	19,823,701	18,862,384	961,317
Support services - students	4,215,992	4,643,004	3,981,587	661,417
Support services - instruction	322,398	351,186	288,768	62,418
Support services - general admin.	859,940	1,008,217	959,666	48,551
Support services - school admin.	2,662,929	2,434,152	2,381,699	52,453
Central services	1,051,100	1,051,100	1,015,736	35,364
Operation and maintenance of plant	4,046,925	3,848,173	3,713,744	134,429
Student transportation	-	153,452	111,646	41,806
Other support services	939,046	22,878	-	22,878
Food service operations	1,320	1,320	1,200	120
Community service operations	1,434	126,434	-	126,434
Facilities acquisition and construction	85,000	1,001,168	875,225	125,943
<i>Total expenditures</i>	<u>33,908,162</u>	<u>34,464,785</u>	<u>32,191,655</u>	<u>2,273,130</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(2,204,020)</u>	<u>(2,204,020)</u>	<u>383,802</u>	<u>2,587,822</u>

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

STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS
GENERAL FUND - OPERATIONAL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2019

(Page 2 of 2)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(2,204,020)</u>	<u>(2,204,020)</u>	<u>383,802</u>	<u>2,587,822</u>
<i>Other financing sources (uses):</i>				
Designated cash balance (budgeted increase in cash)	2,204,020	2,204,020	-	(2,204,020)
Transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total other financing sources (uses)</i>	<u>2,204,020</u>	<u>2,204,020</u>	<u>-</u>	<u>(2,204,020)</u>
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures</i>	-	-	383,802	383,802
<i>Fund balances - beginning of year</i>	-	-	4,139,704	4,139,704
<i>Prior period adjustments</i>	<u>-</u>	<u>-</u>	<u>(123,472)</u>	<u>(123,472)</u>
<i>Fund balances - beginning of year as restated</i>	<u>-</u>	<u>-</u>	<u>4,016,232</u>	<u>4,016,232</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,400,034</u>	<u>\$ 4,400,034</u>
<i>Reconciliation to GAAP basis:</i>				
Change in fund balance - GAAP Basis			\$ 290,262	
(Increase) decrease in accounts receivable			(5,697)	
Increase (decrease) in accounts payable			100,188	
Increase (decrease) in deferred inflows			<u>(951)</u>	
Change in fund balance - budgetary basis			<u>\$ 383,802</u>	

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

STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS
TEACHERAGES - GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Taxes - property	\$ -	\$ -	\$ -	\$ -
Local grants	-	-	-	-
State flowthrough	-	-	-	-
State direct	-	-	-	-
Transportation distribution	1,124,201	-	-	-
Charges for services	-	-	12,195	12,195
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>1,124,201</u>	<u>-</u>	<u>12,195</u>	<u>12,195</u>
<i>Expenditures:</i>				
Current:				
Instruction	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Facilities acquisition and construction	-	-	-	-
Debt service	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>1,124,201</u>	<u>-</u>	<u>12,195</u>	<u>12,195</u>
<i>Other financing sources (uses):</i>				
Designated cash balance (budgeted increase in cash)	-	-	-	-
Reversion to PED	-	-	-	-
Transfers in (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures</i>	<u>1,124,201</u>	<u>-</u>	<u>12,195</u>	<u>12,195</u>
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances - end of year</i>	<u>\$ 1,124,201</u>	<u>\$ -</u>	<u>\$ 12,195</u>	<u>\$ 12,195</u>
<i>Reconciliation to GAAP basis:</i>				
Change in fund balance - GAAP Basis			<u>\$ 12,195</u>	
Change in fund balance - budgetary basis			<u>\$ 12,195</u>	

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

STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS
PUPIL TRANSPORTATION - GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Taxes - property	\$ -	\$ -	\$ -	\$ -
Local grants	-	-	-	-
State flowthrough	-	-	-	-
Transportation distribution	1,124,201	1,378,327	1,378,327	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	1,124,201	1,378,327	1,378,327	-
<i>Expenditures:</i>				
Current:				
Instruction	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Student transportation	1,124,201	1,379,471	1,363,315	16,156
Facilities acquisition and construction	-	-	-	-
Debt service	-	-	-	-
<i>Total expenditures</i>	1,124,201	1,379,471	1,363,315	16,156
<i>Excess (deficiency) of revenues over expenditures</i>	-	(1,144)	15,012	16,156
<i>Other financing sources (uses):</i>				
Designated cash balance (budgeted increase in cash)	-	-	-	-
Reversion to PED	-	1,144	(2,289)	(3,433)
Transfers in (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	-	1,144	(2,289)	(3,433)
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures</i>	-	-	12,723	12,723
<i>Fund balances - beginning of year</i>	-	-	2,289	2,289
<i>Fund balances - end of year</i>	\$ -	\$ -	\$ 15,012	\$ 15,012
<i>Reconciliation to GAAP basis:</i>				
Change in fund balance - GAAP Basis			\$ 12,723	
Change in fund balance - budgetary basis			\$ 12,723	

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

STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS
INSTRUCTIONAL MATERIALS - GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Taxes - property	\$ -	\$ -	\$ -	\$ -
Local grants	-	-	-	-
State flowthrough	-	115,215	115,215	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	-	115,215	115,215	-
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	115,215	225,607	58,826	166,781
Support services - students	-	-	-	-
Support services - instruction	-	-	-	-
Student transportation	-	-	-	-
Facilities acquisition and construction	-	-	-	-
Debt service	-	-	-	-
<i>Total expenditures</i>	115,215	225,607	58,826	166,781
<i>Excess (deficiency) of revenues over expenditures</i>	(115,215)	(110,392)	56,389	166,781
<i>Other financing sources (uses):</i>				
Designated cash balance (budgeted increase in cash)	115,215	110,392	-	(110,392)
<i>Total other financing sources (uses)</i>	115,215	110,392	-	(110,392)
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures</i>	-	-	56,389	56,389
<i>Fund balances - beginning of year</i>	-	-	110,392	110,392
<i>Fund balances - end of year</i>	\$ -	\$ -	\$ 166,781	\$ 166,781
<i>Reconciliation to GAAP basis:</i>				
Change in fund balance - GAAP Basis			\$ 50,612	
Increase (decrease) in accounts payable			5,777	
Change in fund balance - budgetary basis			\$ 56,389	

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

STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS
NONMAJOR FUND DESCRIPTIONS
YEAR ENDED JUNE 30, 2019

SPECIAL REVENUE FUNDS

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

Athletics (22000) – To account for revenue and expenditures associated with the District’s budgeted athletic activities. (NMAC 6.20.2).

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

English Language Acquisition (24153) – To account for revenues and expenditures received from a federal grant provided to develop school-wide programs for limited English proficient students that reform, restructure, and upgrade all relevant programs. The fund was created by the Elementary and Secondary Education Act of 1965, as amended, Title VII, Part A.

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

Student Support & Academic Enrichment (24189) – 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.

Title I Direct Student (24193) – To account for School Improvement Grants (SIGs) provided to state educational agencies (SEAs) that SEAs use to make competitive subgrants to local education agencies that demonstrate the greatest need for the funds and the strongest commitment to use the funds to provide adequate resources in order to substantially raise the achievement of students. The grant is authorized under section 1003(g) of Title I of the Elementary and Secondary Education Act of 1965 (ESEA).

Medicaid (25153) – To account for a program providing school-based screening, diagnostic services and other related health services and administrative activities in conformance with the approved Medicaid State Plan in order to improve health and development outcomes for children. The fund was created by the authority of federal grant provisions. (Title XIX Social Security Act).

Chevron School Grant (26205) – Award from Chevron STEM projects within the District. The fund was created under NM PED provisions.

Dual Credit Instructional Materials (27103) - To account for revenues to support the purchase of instructional materials for high school students to enroll in college-level courses offered by a postsecondary institution to earn credit toward high school graduation and a postsecondary degree or certificate. The fund is created by the authority of SB 943 (Laws 2007, 227).

STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS
NONMAJOR FUND DESCRIPTIONS
YEAR ENDED JUNE 30, 2019

SPECIAL REVENUE FUNDS (continued)

Reads to Lead (27114) – The purpose of this fund is to purchase core reading program materials for K-5 in alignment with Common Core State Standards. Authority for creation of this fund is New Mexico Public Education Department.

Excellence in Teaching (27125) – State appropriated funding for the 2018 Excellence in Teaching Awards by the State of NM for FY19. The funding agency is the NM Public Education Department, Special Appropriation Fund.

Truancy Initiative PED (27141) - FY19 Attendance Success Initiative (FKA Truancy). Awarded by NMPED, Special Appropriation Fund. Provides funding for up to two years for Attendance Coach salaries and benefits.

Breakfast for Elementary Students (27155) – The purpose of this program is to provide funding to make up the difference in reimbursement that schools stand to lose from serving paid and reduced students free breakfasts. The program is based upon an understanding of the crucial role that nutrition, and in particular breakfast, plays in academic performance. The General Appropriations Acts of 2005 and 2006 for the State of New Mexico provided funding for this program. Authority for creation of this fund is authorization of the New Mexico Public Education Department.

K-3 Plus (27166) - 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.

K 4-5 Plus (27198) - Provides for additional. Educational time for students in Kindergarten through third grade with at least 25 instructional days, beginning up to two months earlier than the regular school year. The award is funded by state legislation and approved through the Literacy and Early Childhood Bureau of the PED. Authority for creation of this fund is the authority of the New Mexico Public Education Department.

Early Intervention CYFD (28108) - 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 (28189) – 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.

STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS
NONMAJOR FUND DESCRIPTIONS
YEAR ENDED JUNE 30, 2019

SPECIAL REVENUE FUNDS (continued)

GRADS Instruction (28190) – The purpose of this program is to provide funds to be used for the salary and fringe benefits of a childcare worker for the children of student parents. Authority for creation of this fund is the Social Security Act, Title IV, Part A, as amended; Personal Responsibility and Work Opportunity Reconciliation Act of 1996, Public Law 104-193; Balanced Budget Act of 1997, Public Law 105-33.

GRADS Plus (28203) – 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 (29102) – To account for private donations. Authority for creation of this fund is the New Mexico Public Education Department.

CAPITAL PROJECTS FUNDS

Bond Building (31100) - To account for the costs of capital improvements, such as erecting, modeling, 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 (31400) – To account for special appropriations monies received from the State of New Mexico under Chapter 4, Laws of 1996 for the purpose of upgrading buildings.

Capital Improvements SB-9 State (31700) – To separate school district/charter schools SB-9 state match and local ad-valorem taxes. Authority for creation of this fund is the authority of the New Mexico Public Education Department.

DEBT SERVICE FUND

Education Technology Debt Service (43000) – 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.

**STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2019**

	Special Revenue Funds				
	Food Service	Athletics	IDEA B Preschool	English Language Acquisition	Teacher/Principal Training & Recruiting
ASSETS					
<i>Current Assets</i>					
Cash and cash equivalents	\$ 504,565	\$ 239,104	\$ -	\$ -	\$ -
Investments	-	-	-	-	-
Accounts receivable					
Taxes	-	-	-	-	-
Due from other government:	-	-	27,657	-	38,310
Interfund receivables	-	-	-	-	-
Prepaid assets	-	-	-	-	-
Inventory	18,562	-	-	-	-
<i>Total assets</i>	<u>\$ 523,127</u>	<u>\$ 239,104</u>	<u>\$ 27,657</u>	<u>\$ -</u>	<u>\$ 38,310</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
<i>Current Liabilities:</i>					
Accounts payable	\$ 4,218	\$ 22,150	\$ -	\$ -	\$ 23,651
Accrued expenses	-	-	-	-	-
Interfund payable	-	-	27,657	-	38,310
<i>Total liabilities</i>	<u>4,218</u>	<u>22,150</u>	<u>27,657</u>	<u>-</u>	<u>61,961</u>
<i>Deferred Inflows of Resources:</i>					
Unavailable revenue - federal or state grants	-	-	-	-	-
Unavailable revenue - delinquent property taxes	-	-	-	-	-
<i>Total deferred inflows of resources</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balance:</i>					
Nonspendable					
Inventory	18,562	-	-	-	-
Spendable					
Food services	500,347	-	-	-	-
Education	-	-	-	-	-
Extracurricular activities	-	216,954	-	-	-
Capital acquisitions and improvements	-	-	-	-	-
Debt Service	-	-	-	-	-
Unassigned	-	-	-	-	(23,651)
<i>Total fund balance</i>	<u>518,909</u>	<u>216,954</u>	<u>-</u>	<u>-</u>	<u>(23,651)</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 523,127</u>	<u>\$ 239,104</u>	<u>\$ 27,657</u>	<u>\$ -</u>	<u>\$ 38,310</u>

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

Special Revenue Funds

<u>Student Support</u>	<u>Title I Direct Student</u>	<u>Title XIX Medicaid</u>	<u>Chevron School Grant</u>	<u>Dual Credit Instructional Materials HB-2</u>
\$ -	\$ -	\$ 919,658	\$ 94,011	\$ -
-	-	-	-	-
-	-	-	-	-
4,429	13,289	-	-	1,660
-	-	-	-	-
-	-	-	-	-
<u>4,429</u>	<u>13,289</u>	<u>919,658</u>	<u>94,011</u>	<u>1,660</u>
\$ -	\$ -	\$ 1,220	\$ -	\$ -
-	-	-	-	-
4,429	13,289	-	-	1,660
<u>4,429</u>	<u>13,289</u>	<u>1,220</u>	<u>-</u>	<u>1,660</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	918,438	94,011	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>918,438</u>	<u>94,011</u>	<u>-</u>
\$ <u>4,429</u>	\$ <u>13,289</u>	\$ <u>919,658</u>	\$ <u>94,011</u>	\$ <u>1,660</u>

STATE OF NEW MEXICO
 LOVINGTON MUNICIPAL SCHOOLS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2019

	Special Revenue Funds				
	Reads to Lead K-3	Excellence In Teaching	Truancy Initiative PED	Breakfast for Elementary Students	Kindergarten Three Plus
ASSETS					
<i>Current Assets</i>					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-
Accounts receivable					
Taxes	-	-	-	-	-
Due from other governments	40,228	-	31,227	-	62,956
Interfund receivables	-	-	-	-	-
Prepaid assets	-	-	-	-	-
Inventory	-	-	-	-	-
<i>Total assets</i>	<u>\$ 40,228</u>	<u>\$ -</u>	<u>\$ 31,227</u>	<u>\$ -</u>	<u>\$ 62,956</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
<i>Current Liabilities:</i>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued expenses	-	-	-	-	-
Interfund payable	40,228	-	31,227	-	62,956
<i>Total liabilities</i>	<u>40,228</u>	<u>-</u>	<u>31,227</u>	<u>-</u>	<u>62,956</u>
<i>Deferred Inflows of Resources:</i>					
#					
state grants	-	-	-	-	-
Unavailable revenue - delinquent property taxes	-	-	-	-	-
<i>Total deferred inflows of resources</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balance:</i>					
Nonspendable					
Inventory	-	-	-	-	-
Spendable					
Food services	-	-	-	-	-
Education	-	-	-	-	-
Extracurricular activities	-	-	-	-	-
Capital acquisitions and improvements	-	-	-	-	-
Debt Service	-	-	-	-	-
Unassigned	-	-	-	-	-
<i>Total fund balance</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 40,228</u>	<u>\$ -</u>	<u>\$ 31,227</u>	<u>\$ -</u>	<u>\$ 62,956</u>

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

Special Revenue Funds

K 4-5 Plus	Early Intervention CYFD	GRADS Child Care CYFD	Grads Instruction	Grads Plus	Private Dir Grants
\$ -	\$ 108,246	\$ 76	\$ -	\$ -	\$ 53,785
-	-	-	-	-	-
-	-	-	-	-	-
9,696	-	-	31	1,700	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$ <u>9,696</u>	\$ <u>108,246</u>	\$ <u>76</u>	\$ <u>31</u>	\$ <u>1,700</u>	\$ <u>53,785</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
9,696	-	-	31	1,700	-
<u>9,696</u>	<u>-</u>	<u>-</u>	<u>31</u>	<u>1,700</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
-	108,246	76	-	-	53,785
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>108,246</u>	<u>76</u>	<u>-</u>	<u>-</u>	<u>53,785</u>
\$ <u>9,696</u>	\$ <u>108,246</u>	\$ <u>76</u>	\$ <u>31</u>	\$ <u>1,700</u>	\$ <u>53,785</u>

STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2019

	Capital Project Funds			Debt Service Fund	Total Nonmajor Government Funds
	Bond Building	Special Capital Outlay - State	Capital Improvement SB-9 - State	Ed. Tech Debt Service	
ASSETS					
<i>Current Assets</i>					
Cash and cash equivalents	\$ 8,140	\$ -	\$ -	\$ 774,829	\$ 2,702,414
Investments	-	-	-	-	-
Accounts receivable					
Taxes	-	-	135,779	103,958	239,737
Due from other governments	-	-	-	-	231,183
Interfund receivables	-	-	-	-	-
Prepaid assets	-	-	-	-	-
Inventory	-	-	-	-	18,562
<i>Total assets</i>	<u>\$ 8,140</u>	<u>\$ -</u>	<u>\$ 135,779</u>	<u>\$ 878,787</u>	<u>\$ 3,191,896</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
<i>Current Liabilities:</i>					
Accounts payable	\$ -	\$ 48,000	\$ 119,290	\$ -	\$ 218,529
Accrued expenses	-	-	-	-	-
Interfund payable	-	-	-	-	231,183
<i>Total liabilities</i>	<u>-</u>	<u>48,000</u>	<u>119,290</u>	<u>-</u>	<u>449,712</u>
<i>Deferred Inflows of Resources:</i>					
#					
state grants	-	-	-	-	-
Unavailable revenue - delinquent property taxes	-	-	34,844	20,565	55,409
<i>Total deferred inflows of resources</i>	<u>-</u>	<u>-</u>	<u>34,844</u>	<u>20,565</u>	<u>55,409</u>
<i>Fund balance:</i>					
Nonspendable					
Inventory	-	-	-	-	18,562
Spendable					
Food services	-	-	-	-	500,347
Education	-	-	-	-	1,174,556
Extracurricular activities	-	-	-	-	216,954
Capital acquisitions and improvements	8,140	-	-	-	8,140
Debt Service	-	-	-	858,222	858,222
Unassigned	-	(48,000)	(18,355)	-	(90,006)
<i>Total fund balance</i>	<u>8,140</u>	<u>(48,000)</u>	<u>(18,355)</u>	<u>858,222</u>	<u>2,686,775</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 8,140</u>	<u>\$ -</u>	<u>\$ 135,779</u>	<u>\$ 878,787</u>	<u>\$ 3,191,896</u>

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

STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019

	Special Revenue Funds				
	Food Service	Athletics	IDEA B Preschool	English Language Acquisition	Teacher/Principal Training & Recruiting
<i>Revenues:</i>					
Taxes - property	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - oil and gas	-	-	-	-	-
Federal flowthrough	1,325,697	-	37,085	-	133,658
Federal direct	-	-	-	-	-
Local grants	-	-	-	-	-
State flowthrough	-	-	-	-	-
State direct	-	-	-	-	-
Transportation distribution	-	-	-	-	-
Charges for services	236,953	105,549	-	-	-
Investment income	473	1,778	-	-	-
Miscellaneous	-	-	-	-	-
<i>Total revenues</i>	<u>1,563,123</u>	<u>107,327</u>	<u>37,085</u>	<u>-</u>	<u>133,658</u>
<i>Expenditures:</i>					
<i>Current:</i>					
Instruction	-	129,693	36,029	-	148,322
Support services - students	-	-	-	-	-
Support services - instructor	-	-	-	-	-
Support services - general admin.	-	-	1,056	-	4,431
Support services - school admin.	-	-	-	-	4,556
Central services	-	-	-	-	-
Operation and maintenance of plant	-	-	-	-	-
Student transportation	-	-	-	-	-
Food service operations	1,456,225	-	-	-	-
Community service operations	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-
<i>Total expenditures</i>	<u>1,456,225</u>	<u>129,693</u>	<u>37,085</u>	<u>-</u>	<u>157,309</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>106,898</u>	<u>(22,366)</u>	<u>-</u>	<u>-</u>	<u>(23,651)</u>
<i>Other financing sources (uses)</i>					
Permanent transfers to PED	-	-	-	-	-
Transfers in (out)	-	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net changes in fund balances</i>	106,898	(22,366)	-	-	(23,651)
<i>Fund balances - beginning of year</i>	412,011	239,320	-	(81,163)	2,935
<i>Prior period restatement (Note 16)</i>	-	-	-	81,163	(2,935)
<i>Fund balances-beg of year, as restated</i>	<u>412,011</u>	<u>239,320</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances - end of year</i>	<u>\$ 518,909</u>	<u>\$ 216,954</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (23,651)</u>

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

Special Revenue Funds

Student Support	Title I Direct Student	Title XIX Medicaid	Chevron School Grant	Dual Credit Instructional Materials HB-2
\$ -	\$ -	\$ -	\$ -	\$ -
6,742	-	-	-	-
-	61,134	507,350	-	-
-	-	-	52,400	-
-	-	-	-	8,061
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>6,742</u>	<u>61,134</u>	<u>507,350</u>	<u>52,400</u>	<u>8,061</u>
6,518	-	-	8,389	8,061
-	59,106	361,731	-	-
-	-	-	-	-
224	2,028	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>6,742</u>	<u>61,134</u>	<u>361,731</u>	<u>8,389</u>	<u>8,061</u>
-	-	145,619	44,011	-
-	-	-	-	-
-	-	-	-	-
-	-	145,619	44,011	-
-	-	772,819	50,000	-
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>772,819</u>	<u>50,000</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 918,438</u>	<u>\$ 94,011</u>	<u>\$ -</u>

STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019

	Special Revenue Funds				
	Reads to Lead K-3	Excellence In Teaching	Truancy Initiative PED	Breakfast for Elementary Students	Kindergarten Three Plus
<i>Revenues:</i>					
Taxes - property	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - oil and gas	-	-	-	-	-
Federal flowthrough	-	-	-	-	-
Federal direct	-	-	-	-	-
Local grants	-	-	-	-	-
State flowthrough	182,833	102,268	53,693	99,036	152,731
State direct	-	-	-	-	-
Transportation distribution	-	-	-	-	-
Charges for services	-	-	-	-	-
Investment income	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<i>Total revenues</i>	<u>182,833</u>	<u>102,268</u>	<u>53,693</u>	<u>99,036</u>	<u>152,731</u>
<i>Expenditures:</i>					
Current:					
Instruction	-	102,268	-	-	112,512
Support services - students	-	-	53,693	-	-
Support services - instructor	176,770	-	-	-	-
Support services - general admin.	6,063	-	-	-	-
Support services - school admin.	-	-	-	-	-
Central services	-	-	-	-	-
Operation and maintenance of plant	-	-	-	-	-
Student transportation	-	-	-	-	40,219
Food service operations	-	-	-	99,036	-
Community service operations	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-
<i>Total expenditures</i>	<u>182,833</u>	<u>102,268</u>	<u>53,693</u>	<u>99,036</u>	<u>152,731</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>					
Permanent transfers to PED	-	-	-	-	-
Transfers in (out)	-	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net changes in fund balances</i>	-	-	-	-	-
<i>Fund balances - beginning of year</i>	-	-	-	-	-
<i>Prior period restatement (Note 16)</i>	-	-	-	-	-
<i>Fund balances-beg of year, as restated</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Special Revenue Funds					
K 4-5 Plus	Early Intervention CYFD	GRADS Child Care CYFD	GRADS Instruction	GRADS Plus	Private Dir Grants
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
9,696	-	-	-	-	-
-	4,636	1,168	1,842	12,081	13,060
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>9,696</u>	<u>4,636</u>	<u>1,168</u>	<u>1,842</u>	<u>12,081</u>	<u>13,060</u>
9,696	4,638	1,850	1,842	12,081	65,124
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>9,696</u>	<u>4,638</u>	<u>1,850</u>	<u>1,842</u>	<u>12,081</u>	<u>65,124</u>
-	(2)	(682)	-	-	(52,064)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	(2)	(682)	-	-	(52,064)
-	108,248	-	(43,401)	(1,085)	105,849
-	-	758	43,401	1,085	-
-	<u>108,248</u>	<u>758</u>	-	-	<u>105,849</u>
\$ <u>-</u>	\$ <u>108,246</u>	\$ <u>76</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>53,785</u>

STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019

	Capital Project Funds				Total Nonmajor Government Funds
	Bond Building	Special Capital Outlay - State	Capital Improvement SB-9 - State	Ed Tech Debt Service	
<i>Revenues:</i>					
Taxes - property	\$ -	\$ -	\$ 19,660	\$ 543,884	\$ 563,544
Taxes - oil and gas	-	-	81,275	259,763	341,038
Federal flowthrough	-	-	-	-	1,503,182
Federal direct	-	-	-	-	568,484
Local grants	-	-	-	-	52,400
State flowthrough	-	-	-	-	608,318
State direct	-	-	-	-	32,787
Transportation distribution	-	-	-	-	-
Charges for services	-	-	-	-	342,502
Investment income	-	-	-	-	2,251
Miscellaneous	-	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>100,935</u>	<u>803,647</u>	<u>4,014,506</u>
<i>Expenditures:</i>					
Current:					
Instruction	-	-	-	-	647,023
Support services - students	-	-	-	-	474,530
Support services - instruction	-	-	-	-	176,770
Support services - general admin.	-	-	-	5,140	18,942
Support services - school admin.	-	-	-	-	4,556
Central services	-	-	-	-	-
Operation and maintenance of plant	-	-	-	-	-
Student transportation	-	-	-	-	40,219
Food service operations	-	-	-	-	1,555,261
Community service operations	-	-	-	-	-
Facilities acquisition and construction	80,856	48,000	119,290	-	248,146
<i>Total expenditures</i>	<u>80,856</u>	<u>48,000</u>	<u>119,290</u>	<u>5,140</u>	<u>3,165,447</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(80,856)</u>	<u>(48,000)</u>	<u>(18,355)</u>	<u>798,507</u>	<u>849,059</u>
<i>Other financing sources (uses)</i>					
Permanent transfers to PED	-	-	-	-	-
Transfers in (out)	-	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net changes in fund balances</i>	<u>(80,856)</u>	<u>(48,000)</u>	<u>(18,355)</u>	<u>798,507</u>	<u>849,059</u>
<i>Fund balances - beginning of year</i>	88,996	-	-	59,715	1,714,244
<i>Prior period restatement (Note 16)</i>	-	-	-	-	123,472
<i>Fund balances-beg of year, as restated</i>	<u>88,996</u>	<u>-</u>	<u>-</u>	<u>59,715</u>	<u>1,837,716</u>
<i>Fund balances - end of year</i>	<u>\$ 8,140</u>	<u>\$ (48,000)</u>	<u>\$ (18,355)</u>	<u>\$ 858,222</u>	<u>\$ 2,686,775</u>

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

**STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS**

FIDUCIARY FUNDS

Agency funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds.

Lovington Municipal School District has two separate funds classified as Agency Funds as follows:

Student Activity - To account for Elementary, Junior High, and Senior High assets held by the District until distributed to various organizations and clubs at the schools.

Other Funds - To account for assets held by the District until distributed to the other organizations.

STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOL DISTRICT
Schedule of Changes in Assets and Liabilities
Activity Trust Fund
For the Year Ended June 30, 2019

	Balance June 30, 2018	Transfers	Additions	Deductions	Balance June 30, 2019	
23901	High School Yearbook	1,641	\$ -	100	1,115	626
23904	7th Grade Choir	1,509	-	1,748	2,850	407
23905	Key Club	1,758	-	-	-	1,758
23907	Cheerleaders-High School	4	-	-	4	-
23908	Cheerleaders-Jr. High	14	-	-	-	14
23909	Geo Group Scholarship	8,000	-	3,000	1,000	10,000
23910	Communication	1,860	-	599	638	1,821
23912	Teaching Cadet Class	-	-	687	269	418
23913	Llano Activity Fund	5,462	-	11,528	12,068	4,922
23914	FFA	22,925	-	33,368	33,782	22,511
23915	LHS FCCLA	4,663	-	1,451	5,039	1,075
23917	Scholarship Activity	4,749	-	-	-	4,749
23918	High School Computer Lab-NMJC	373	-	-	-	373
23923	TMS Activity Account	4,647	-	12,927	11,174	6,400
23924	6th Grade Activity Account	10,580	-	30,919	30,139	11,360
23925	Junior Class	5,904	-	180	135	5,949
23926	Lost Textbooks	1,834	-	270	1,360	744
23927	Miscellaneous	5,207	-	11,009	11,481	4,735
23928	NOW/Account/Interest Earned	2,430	-	-	1,480	950
23929	Senior Class	1,772	-	10,597	3,858	8,511
23930	Sophomore Class	351	-	-	150	201
23931	Choir Activity	5,610	-	190	3,425	2,375
23932	Special Education Fund	25,300	-	3,108	15,134	13,274
23933	TMS Honor Society	1,040	-	648	864	824
23934	Student Council-High School	18,406	-	14,334	20,705	12,035
23935	Student Council-Jr. High	918	-	-	-	918
23,936	6th Grade Honor Society	5,710	-	3,350	5,583	3,477
23937	Summer School	22,162	-	5,550	22,367	5,345
23938	Volleyball - High School	1,464	-	63	1,254	273
23,939	9th Grade Home Economics	693	-	1,906	623	1,976
23940	A.K. Head Scholarship	2,186	-	120	-	2,306
23941	H. Clardy Scholarship	2,269	-	190	-	2,459
23942	Crouse Memorial Scholarship	6,552	-	1,901	525	7,928
23,945	9th Media Class	1,371	-	-	1,371	-
23946	Ben Alexander Activity	4,286	-	14,077	11,523	6,840
23948	LHS Brick Account	2,812	-	-	-	2,812
23949	National Honor Society	2,730	-	1,207	1,056	2,881
23950	TMS Library/M. Gutierrez	2,803	-	-	-	2,803
23951	Jr. High Library	1,062	-	-	426	636
23952	Jefferson Activity Fund	5,787	-	23,142	24,900	4,029
23954	Miles and Smiles	357	-	952	1,140	169
23955	After Grads	27,893	-	12,350	16,124	24,119
23956	High School Library	3,867	-	892	767	3,992
23959	Culinary Arts Lab Fee	2,201	-	3,122	1,602	3,721
23960	High School Principals Coke Acct.	5,327	-	4,223	3,374	6,176
23965	Yarbro Library	6,451	-	14,149	14,059	6,541
23966	Jefferson Library	13,305	-	8,129	10,338	11,096
23967	Ben A. Library	7,047	-	6,350	8,267	5,130
23968	Lea Library	2,162	-	6,057	7,190	1,029
23969	Llano Library	4,477	-	1,383	1,444	4,416
23971	Freshman Academy Volleyball	63	-	-	63	-
23972	Elementary Fine Arts - Belinda	4,254	-	1,080	321	5,013
23973	High School Art Club	295	-	-	-	295

See accompanying independent auditors' report

STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOL DISTRICT
Schedule of Changes in Assets and Liabilities
Activity Trust Fund
For the Year Ended June 30, 2019

	Balance June 30, 2018	Transfers	Additions	Deductions	Balance June 30, 2019	
23974	Freshman Class Account	7,763	-	-	5,838	1,925
23975	Brian Urlacher Scholarship	1,125	-	-	-	1,125
23976	David Templeman Memorial	6,180	-	-	-	6,180
23977	Wildcat Tale	380	-	-	380	-
23978	FCA/AK Lovejoy	428	-	-	-	428
23979	TMS Band	2,077	-	6,335	3,876	4,536
23980	LEA Activity Fund	5,547	-	18,286	23,344	489
23982	Yarbro Activity Account	10,160	-	24,442	25,073	9,529
23985	Science Activity Fund	1,961	-	9,258	8,193	3,026
23987	Jr. High Lounge Cokes	1,377	-	6	64	1,319
23988	HS - PSAT Testing	613	-	-	-	613
23991	NHHS Activity	1,300	-	50	-	1,350
23,992	9th Grade Cheerleader Fund	1	-	-	1	-
23994	Aaron Austin Scholarship	10	-	-	-	10
23996	High School Band	251	-	-	1,052	555
23999	Urlacher Royalties	1	-	-	-	1
	Total Activity Funds	<u>\$ 315,717</u>	<u>\$ -</u>	<u>\$ 306,285</u>	<u>\$ 358,311</u>	<u>263,691</u>
				Total fiduciary assets per Statement of Fiduciary Assets and Liabilities		<u>\$ 263,691</u>
				Total fiduciary liabilities per Statement of Fiduciary Assets and Liabilities		<u>\$ 263,691</u>

STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS
SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY
FOR PUBLIC FUNDS
JUNE 30, 2019

Name of Depository	Description of Pledged Collateral	Maturity	CUSIP Number	Fair Market Value June 30, 2019	Location of Safekeeper
Western Commerce Bank					
	GNMA #80362	1/20/2030		17,355	Federal Home Loan Bank, Dallas, TX
	GNMA #80170	2/20/2028		18,522	Federal Home Loan Bank, Dallas, TX
	GNMA #8146	2/20/2023		13,703	Federal Home Loan Bank, Dallas, TX
	FNMA # 654159	10/1/2032		47,019	Federal Home Loan Bank, Dallas, TX
	FHLMC # A84288	1/1/2039		43,035	Federal Home Loan Bank, Dallas, TX
	GNMA # 714730	6/15/2039		213,453	Federal Home Loan Bank, Dallas, TX
	FNMA # MA0602	12/1/2030		308,944	Federal Home Loan Bank, Dallas, TX
	FNMA #AJ4035	10/1/2041		471,136	Federal Home Loan Bank, Dallas, TX
	FNMA #704407	5/1/2033		26,651	Federal Home Loan Bank, Dallas, TX
	FHLMC #G08534	6/1/2043		591,501	Federal Home Loan Bank, Dallas, TX
	FNMA #AC4792	10/1/2039		224,002	Federal Home Loan Bank, Dallas, TX
	FNMA #888990	1/1/2037		73,245	Federal Home Loan Bank, Dallas, TX
	SBAP 2008-20H	8/1/2028		265,692	Federal Home Loan Bank, Dallas, TX
	FHLMC #G08473	1/1/2042		319,208	Federal Home Loan Bank, Dallas, TX
	FNMA #AQ8653	12/1/2042		1,179,246	Federal Home Loan Bank, Dallas, TX
	FHLMC #G16549	2/1/2032		915,549	Federal Home Loan Bank, Dallas, TX
	Total Western Commerce Bank			4,728,262	
Wells Fargo Bank					
	FNMA FNMS 3.500%	7/1/2030	3138EKFN0	5,850	Bank of New York Mellon, New York, NY
	FNMA FNMS 3.500%	3/1/2043	3140FE5Q3	634,823	Bank of New York Mellon, New York, NY
	FNMA FNMS 2.500%	8/1/2031	31410KS86	610,555	Bank of New York Mellon, New York, NY
	FNMA FNMS 3.000%	1/1/2043	31418BRH1	2,803,929	Bank of New York Mellon, New York, NY
	Total Wells Fargo Bank			4,055,157	
Lea County State Bank					
	Clovis NM ISD 3%	8/1/2022		200,000	Lea County State Bank, Hobbs, NM
	Alamagordo NM 4%	8/1/2022		595,000	Lea County State Bank, Hobbs, NM
	Total Lea County State Bank			795,000	
	Total Pledged Collateral			\$ 9,578,419	

See accompanying independent auditors' report

STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS
SCHEDULE OF CASH AND TEMPORARY INVESTMENTS BY DEPOSITORY
June 30, 2019

Deposit or Investment Account Type	Lea County State Bank	Wells Fargo Bank	Western Commerce Bank	LGIP	Totals
Checking	\$ 401,788	\$ 5,104,628	\$ 7,513,612	\$ -	\$ 13,020,028
Checking	-	1,901,367	504,565	-	2,405,932
Money Market	-	257,439	-	-	257,439
Money Market	-	772,317	-	-	772,317
CD	-	-	87,174	-	87,174
CD	-	-	20,662	-	20,662
CD	-	-	5,872	-	5,872
CD	-	-	9,317	-	9,317
LGIP	-	-	-	4,413	4,413
LGIP	-	-	-	546,363	546,363
LGIP	-	-	-	584,618	584,618
Total on deposit	401,788	8,035,751	8,141,202	1,135,394	17,714,135
Reconciling Items	-	(18,396)	(2,412,112)	-	(2,430,508)
Reconciled Balance at June 30, 2019	<u>\$ 401,788</u>	<u>\$ 8,017,355</u>	<u>\$ 5,729,090</u>	<u>\$ 1,135,394</u>	<u>15,283,627</u>
					Less: investments per government-wide balance sheet (2,165,150)
					Less: agency cash per fiduciary balance sheet (263,691)
					<u>Cash and cash equivalents per government-wide balance sheet \$ 12,854,786</u>

See accompanying independent auditors' reports.

STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS
CASH RECONCILIATION
June 30, 2019

	Operational 11000	Teacherage 12000	Transportation 13000	Instructional Materials 14000	Food Services 21000
Audited Cash					
Cash, June 30, 2018	\$ 3,327,448	\$ -	\$ 2,289	\$ 110,392	\$ 391,727
Add / Less:					
Due from other funds	814,511	-	-	-	-
Due to other funds	0	-	-	-	-
Total cash, June 30, 2018	<u>4,141,959</u>	<u>-</u>	<u>2,289</u>	<u>110,392</u>	<u>391,727</u>
Add:					
2018-2019 Receipts	32,575,456	12,195	1,378,327	115,215	1,458,806
Prior year warrants voided	174	-	-	-	-
Total cash available	<u>36,717,589</u>	<u>12,195</u>	<u>1,380,616</u>	<u>225,607</u>	<u>1,850,533</u>
Less:					
2018-2019 expenditures	(32,074,742)	-	(1,363,316)	(58,826)	(1,345,968)
Change in clearing accounts	(125,972)	-	-	-	-
Cash transfers	-	-	(1,145)	-	-
Adjustments	-	-	-	-	-
Cash per PED	<u>3,758,756</u>	<u>12,195</u>	<u>16,155</u>	<u>166,781</u>	<u>504,565</u>
Add / Less:					
Cash not reported through OBMS	(1,732)	-	-	-	-
	<u>(1,732)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash per financial statement	<u>\$ 3,757,024</u>	<u>\$ 12,195</u>	<u>\$ 16,155</u>	<u>\$ 166,781</u>	<u>\$ 504,565</u>

See accompanying independent auditors' report

Athletics 22000	Non-Instructional Support 23000	Federal Flowthrough 24000	Federal Direct 25000	Local/State Grants 26000
\$ 239,320	\$ 315,721	\$ -	\$ 772,819	\$ 50,000
-	-	-	-	-
-	0	(678,896)	-	-
<u>239,320</u>	<u>315,721</u>	<u>(678,896)</u>	<u>772,819</u>	<u>50,000</u>
107,328	306,287	1,518,284	507,350	52,400
-	-	6,437	-	-
<u>346,648</u>	<u>622,008</u>	<u>845,825</u>	<u>1,280,169</u>	<u>102,400</u>
(107,544)	(358,317)	(1,524,998)	(360,511)	(8,389)
-	-	-	-	-
-	-	(15,679)	-	-
-	-	82,500	-	-
<u>239,104</u>	<u>263,691</u>	<u>-</u>	<u>919,658</u>	<u>94,011</u>
-	-	-	-	-
-	-	-	-	-
<u>\$ 239,104</u>	<u>\$ 263,691</u>	<u>\$ -</u>	<u>\$ 919,658</u>	<u>\$ 94,011</u>

STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS
CASH RECONCILIATION
June 30, 2019

	State Flowthrough 27000	State Direct 28000	Local/State Fund 29000	Bond Building 31100	Capital Improvements HB-33 31600
Audited Cash					
Cash, June 30, 2018	\$ -	\$ 65,604	\$ 105,849	\$ 88,996	\$ 1,635,421
Add / Less:					
Due from other funds	-	-	-	-	-
Due to other funds	(89,950)	-	-	-	-
Total cash, June 30, 2018	<u>(89,950)</u>	<u>65,604</u>	<u>105,849</u>	<u>88,996</u>	<u>1,635,421</u>
Add:					
2018-2019 Receipts	552,412	17,997	13,060	-	1,434,275
Prior year warrants voided	89	-	-	-	-
Total cash available	<u>462,551</u>	<u>83,601</u>	<u>118,909</u>	<u>88,996</u>	<u>3,069,696</u>
Less:					
2018-2019 expenditures	(608,318)	(20,412)	(65,124)	(80,856)	(1,352,741)
Change in clearing accounts	-	-	-	-	-
Cash transfers	-	-	-	-	-
Adjustments	-	43,401	-	-	-
Cash per PED	<u>-</u>	<u>106,590</u>	<u>53,785</u>	<u>8,140</u>	<u>1,716,955</u>
Add / Less:					
Cash not reported through OBMS	-	1,732	-	-	-
	<u>-</u>	<u>1,732</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash per financial statement	<u>\$ -</u>	<u>\$ 108,322</u>	<u>\$ 53,785</u>	<u>\$ 8,140</u>	<u>\$ 1,716,955</u>

See accompanying independent auditors' report

Capital Improvements SB-9- State 31700	Capital Improvements SB-9- Local 31701	Debt Service 41000	ED Tech Debt Service 43000	Total
\$ -	\$ 1,398,188	\$ 4,858,166	\$ 59,715	\$ 13,421,655
-	-	-	-	814,511
(604,157)	-	-	-	(1,373,003)
<u>(604,157)</u>	<u>1,398,188</u>	<u>4,858,166</u>	<u>59,715</u>	<u>12,803,448</u>
604,157	1,454,364	4,397,627	720,255	47,225,795
-	-	-	-	6,700
<u>-</u>	<u>2,852,552</u>	<u>9,255,793</u>	<u>779,970</u>	<u>60,095,658</u>
-	(1,306,256)	(4,153,677)	(5,141)	(44,795,136)
-	-	-	-	(125,972)
-	-	-	-	(16,824)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>125,901</u>
-	1,546,296	5,102,116	774,829	15,283,627
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$ <u>-</u>	\$ <u>1,546,296</u>	\$ <u>5,102,116</u>	\$ <u>774,829</u>	\$ <u>15,283,627</u>
Less: agency cash				<u>(263,691)</u>
Reconciled cash and investments				\$ <u>15,019,936</u>
Investments				2,165,150
Cash per government-wide financial statements				<u>12,854,786</u>
				\$ <u>15,019,936</u>

COMPLIANCE SECTION



JOHNSON, MILLER & CO., CPA'S PC

Certified Public Accountants

A Professional Corporation

An Independent Member of BDO Alliance USA

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

INDEPENDENT AUDITORS' REPORT

Brian S. Colón, Esq.
New Mexico State Auditor
The Office of Management and Budget and
The 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, the aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue funds, of the Lovington Municipal Schools (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and the combining and individual funds of the District, presented as supplemental information, and have issued our report thereon dated November 4, 2019.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which is described in the accompanying schedule of findings and questioned costs as items: FS 2019-001.

The District's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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 with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Johnson, Miller & Co., CPA's

Hobbs, New Mexico
November 4, 2019

FEDERAL FINANCIAL ASSISTANCE



JOHNSON, MILLER & CO., CPA'S PC

Certified Public Accountants

A Professional Corporation

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY UNIFORM GUIDANCE

Brian S. Colón, Esq.
New Mexico State Auditor
The Office of Management and Budget and
The Board of Education
Lovington Municipal Schools
Lovington, New Mexico

Report on Compliance for Each Major Federal Program

We have audited 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, 2019. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' 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 with those requirements.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the 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, 2019.

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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 a 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.

This report is intended solely for the information and use of the audit committee, management, others within the organization, the New Mexico Public Education Department, the State Auditor, the New Mexico Legislature, and applicable federal grantors, and is not intended to be and should not be used by anyone other than these specified parties.

Johnson, Miller & Co., CPA's



Hobbs, New Mexico
November 4, 2019

STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2019

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Disbursements/ Expenditures
U.S. Department of Agriculture			
<i>Passthrough - New Mexico Public Education Department</i>			
Child Nutrition Cluster:			
National School Lunch Program	10.555	21000	* \$ 710,000
National School Breakfast Program	10.553	21000	* 511,380
<i>Passthrough - New Mexico Human Services Department</i>			
National School Lunch Program - Commodities	10.555	21000	* 104,317
Total U.S. Department of Agriculture			<u>1,325,697</u>
U.S. Department of Education			
<i>Passthrough - New Mexico Public Education Department</i>			
Special Education Cluster:			
IDEA, Part B, Entitlement	84.027	24106	719,654
IDEA, Preschool	84.173	24109	37,085
Total Special Education Cluster			<u>756,739</u>
Title I Grants to Local Educational Agencies:			
Title I - IASA	84.010	24101	566,726
Title I - Direct Student Services	84.010	24193	61,134
Total Title I Grants to Local Educational Agencies			<u>627,860</u>
ESEA Student Supp Academic Achievement	84.424	24189	6,741
Title IIA -Teacher/Principal Training and Recruiting	84.367	24154	133,658
<i>Passthrough - Utah State University</i>			
NM Extended School Year K-3 Validation Study	84.396B		-
Total U.S. Department of Education			<u>140,399</u>
U.S. Department of Health and Human Services			
Teen Dating Violence Prevention and Awareness	93.500	24184	-
Total Federal Financial Assistance			<u>\$ 2,850,695</u>
* Major program			

STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2019

NOTE 1 - Basis of Presentation of Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Lovington Municipal Schools and is presented on the modified accrual basis of accounting. The information in the schedule is presented in accordance with the 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). Therefore, some amounts presented in, or used in the preparation of the governmental fund financial statements may not be consistent with amounts used in the Schedule of Expenditures of Federal Awards.

NOTE 2 - Non-Cash Federal Assistance

The District receives USDA Commodities for use in sponsoring the National School Lunch and Breakfast programs. The value of commodities received for the year ended June 30, 2019 was \$104,317 and is reported in the Schedule of Expenditures of Federal Awards under the Department of Agriculture Commodities program, CFDA number 10.555.

NOTE 3 - 10% de minimus Indirect Cost Rate

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

NOTE 4 - Loans

The District did not expend federal awards related to loans or loan guarantees during the year.

STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2019

A. SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes x No

Significant deficiency(ies) identified that are not considered to be material weakness(es): _____ Yes x No

Noncompliance material to financial statements noted? _____ Yes x No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ Yes x No

Significant deficiency(ies) identified that are not considered to be material weakness(es): _____ Yes x No

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

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? _____ Yes x No

Identification of major programs:

CFDA Number(s)
10.553 and 10.555

Name of Federal Program or Cluster
Child Nutrition Cluster

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

Auditee qualified as low-risk auditee? x Yes _____ No

STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2019

B. FINDINGS – FINANCIAL STATEMENT AUDIT

2019-001 (2018-002) – Outstanding bonded debt exceeds bonding capacity – Other Matter

Condition

During testwork on the limits of indebtedness as required by the NM State Audit Rule, the District's bonded debt continues to be over the bonded capacity allowable. This is a repeat finding. Management has implemented prior year's corrective action plan and continues to closely monitor property valuations and has not issued new bonds.

Criteria

Article 9, Section 11, NM Constitution states that "No school district shall ever become indebted in an amount exceeding 6% of the assessed valuation of the taxable property within the school district."

Cause

Outstanding bonds held by the school district exceed 6% of the assessed valuation of the taxable property within the District.

Effect

The District is in violation of the New Mexico State Constitution. Additionally, 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

We recommend that the District not seek additional bonds. Additionally, management should monitor the property tax assessments versus debt payment obligations closely to ensure the District has the funds to make its debt obligations.

Agency Response

Property valuations were sufficient when bonds were issued. Due to the down-turn in the oil and gas industry, a lower assessed value resulted.

Property Valuations will be closely monitored, and the District and Board of Education will not issue any new bonds. There is adequate cash in the debt service fund to make all bond payments.

STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2019

C. PRIOR YEAR AUDIT FINDINGS

2017-002	Receipting of funds – Significant deficiency and compliance	Resolved
2018-001	Overspent budget line item – Significant deficiency	Resolved
2018-002	Outstanding bonded debt exceeds bonding capacity – Other matter	Repeated

STATE OF NEW MEXICO
LOVINGTON MUNICIPAL SCHOOLS
OTHER DISCLOSURES
Year Ended June 30, 2019

AUDITOR PREPARED FINANCIAL STATEMENTS

Although it would be preferred and desirable for the District to prepare its own GAAP-basis financial statements, it is felt that the District's personnel did not have the time to prepare them. Therefore, the outside auditor prepared the GAAP-basis financial statements and footnotes for inclusion in the annual audit report from the original books and records provided to them by the management of the District. Management of the District has reviewed and approved these financial statements and related notes and believes they are adequately supported by the books and records of the government.

EXIT CONFERENCE

The contents of this report and its schedules were discussed on November 4, 2019.
The following persons were in attendance:

Lovington Municipal School District

Dymorie Maker, Board President
Greg Maxie, Board Member
Mark Roddenberry, Community Member
LeAnne Gandy, Superintendent
Tanya Hutchins, Business Manager

Johnson, Miller & Co., CPA's

Mary Hinds, CPA
Jennifer Burrola, CPA