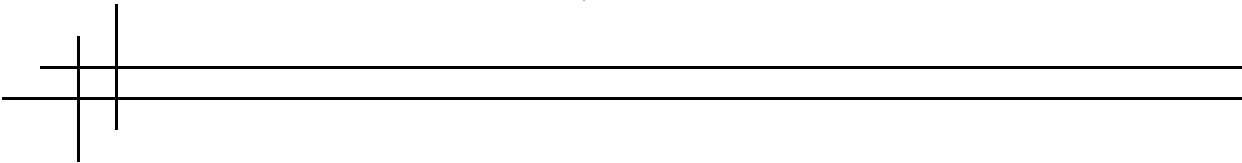


State of New Mexico
Magdalena Municipal Schools

Annual Financial Report
June 30, 2018

De'Aun Willoughby CPA, PC
Certified Public Accountant
Clovis, New Mexico



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State of New Mexico
Magdalena Municipal Schools
Official Roster
June 30, 2018

Board of Education

Sharon Harris	President
Kelby Stephens	Vice-President
Mary L Major	Secretary
Jeremiah Apachito	Member
Linda Montoya	Member

School Officials

Glen Haven	Superintendent
Dorothy Zamora	Business Manager

Independent Auditor's Report

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

Mr. Johnson and Members of the Board

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, and the budgetary comparisons for the general and major special revenue funds of Magdalena Schools (District), as of and for the year ended June 30, 2018, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2018, and the respective changes in financial position and the respective budgetary comparisons for the general and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

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

Other Information

Our audit was conducted for the purpose of forming opinions on the District's financial statements that collectively comprise the District's basic financial statements. The Schedule of Expenditures of Federal Awards as required by Office of Management and Budget *Title 2 U.S. CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and the other schedules presented as other supplemental information related to non-major funds as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards and other schedules presented as other supplemental information related to non-major funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

De'Aun Willoughby, CPA, PC

Clovis, New Mexico

November 6, 2018

Financial Section

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

	Governmental Activities
Assets	
Current Assets	
Cash and Cash Equivalents	\$ 614,747
Taxes Receivable	135,220
Due from Grantor	550,290
Inventory	2,639
Total Current Assets	<u>1,302,896</u>
Noncurrent Assets	
Capital Assets	18,510,916
Less Accumulated Depreciation	<u>(9,077,929)</u>
Total Noncurrent Assets	<u>9,432,987</u>
Total Assets	<u>10,735,883</u>
Deferred Outflows of Resources	
Deferred Outflows Related to Pensions	
Actuarial Experience	22,394
Changes of Assumptions	3,641,659
Changes in Proportion	79,563
Contributions Subsequent to Measurement Date	391,166
Deferred Outflows Related to Other Post Employment Benefits	
Contributions Subsequent to Measurement Date	<u>56,300</u>
Total Deferred Outflows of Resources	<u>4,191,082</u>
Liabilities	
Current Liabilities	
Accounts Payable	21,116
Accrued Interest	10,516
Compensated Absences	146,433
Current Portion Due of Long-Term Debt	175,000
Total Current Liabilities	<u>353,065</u>
Noncurrent Liabilities	
Bonds	1,220,000
Pension Liability	12,474,868
Other Post Employment Benefits Liability	<u>3,386,066</u>
Total Noncurrent Liabilities	<u>17,080,934</u>
Total Liabilities	<u>17,433,999</u>
Deferred Inflows of Resources	
Deferred Inflows Related to Pensions	
Actuarial Experience	192,187
Investment Experience	1,711
Deferred Inflows Related to Other Post Employment Benefits	
Actuarial Experience	129,939
Investment Experience	48,711
Changes of Assumptions	<u>592,011</u>
Total Deferred Inflows of Resources	<u>964,559</u>
Net Position	
Net Investment in Capital Assets	8,037,987
Restricted for	
Capital Projects	103,433
Debt Service	54,659
Unrestricted	<u>(11,667,672)</u>
Total Net Position	<u>\$ (3,471,593)</u>

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

State of New Mexico
Magdalena Municipal Schools
 Government-Wide Statement of Activities
 For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities					
Instruction	\$ 4,217,744	65,296	\$ 687,751	\$ 0	\$ (3,464,697)
Support Services					
Students	634,170	119,268	55,544	0	(459,358)
Instruction	293,833	0	33,675	0	(260,158)
General Administration	306,754	8,643	966	0	(297,145)
School Administration	429,112	0	126,850	0	(302,262)
Central Services	204,179	0	0	0	(204,179)
Operation of Plant	803,095	9,875	69,620	0	(723,600)
Student Transportation	405,344	0	315,850	0	(89,494)
Other	475	0	0	0	(475)
Food Services Operations	309,194	10,577	288,560	0	(10,057)
Community Services	1,994	0	1,594	0	(400)
Interest and Other Charges	47,347	0	0	0	(47,347)
Total Governmental Activities	\$ 7,653,241	\$ 213,659	\$ 1,580,410	\$ 0	(5,859,172)
General Revenues					
Taxes					
					11,066
					60,924
					264,147
Federal and State Aid not Restricted to Specific Purpose					
					3,910,340
					0
Miscellaneous					
					21,042
Total General Revenues					
					<u>4,267,519</u>
Change in Net Position					
					<u>(1,591,653)</u>
Net Position - Beginning					
					2,143,419
Restatement					
					<u>(4,023,359)</u>
Restated Beginning Net Position					
					<u>(1,879,940)</u>
Net Position - Ending					
					<u><u>\$ (3,471,593)</u></u>

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

State of New Mexico
Magdalena Municipal Schools
Governmental Funds
Balance Sheet
June 30, 2018

	General Fund		
	Operational 11000	Teacherage 12000	Transportation 13000
Assets			
Cash and Cash Equivalents	\$ 259,943	\$ 9,424	\$ 9
Receivables			
Property Taxes	5,395	0	0
Due From Grantor	0	0	0
Interfund Balance	547,768	0	0
Inventory	0	0	0
Total Assets	\$ 813,106	\$ 9,424	\$ 9
Liabilities			
Accounts Payable	\$ 18,486	\$ 0	\$ 0
Interfund Balance	0	0	0
Current Amount Due			
Principal	0	0	0
Interest	0	0	0
Total Liabilities	18,486	0	0
Deferred Inflows of Resources			
Unavailable Revenue	5,293	0	0
Total Deferred Inflows of Resources	5,293	0	0
Fund Balances			
Nonspendable-Inventory	0	0	0
Restricted for			
Special Revenue Funds	0	0	0
Capital Improvements	0	0	0
Debt Service	0	0	0
Unassigned	789,327	9,424	9
Total Fund Balances	789,327	9,424	9
Total Liabilities, Deferred Inflow of Resources and Fund Balances	\$ 813,106	\$ 9,424	\$ 9

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

State of New Mexico
Magdalena Municipal Schools
Governmental Funds
Balance Sheet
June 30, 2018

	General Fund	Special Revenue	
	Instructional Materials 14000	Title I 24101	Debt Service 41000
Assets			
Cash and Cash Equivalents	\$ 7,883	\$ 0	\$ 79,807
Receivables			
Property Taxes	0	0	101,212
Due From Grantor	0	186,002	0
Interfund Balance	0	0	0
Inventory	0	0	0
Total Assets	\$ 7,883	\$ 186,002	\$ 181,019
Liabilities			
Accounts Payable	\$ 0	\$ 0	\$ 0
Interfund Balance	0	186,002	0
Current Amount Due			
Principal	0	0	25,000
Interest	0	0	2,770
Total Liabilities	0	186,002	27,770
Deferred Inflows of Resources			
Unavailable Revenue	0	0	98,590
Total Deferred Inflows of Resources	0	0	98,590
Fund Balances			
Nonspendable-Inventory	0	0	0
Restricted for			
Special Revenue Funds	0	0	0
Capital Improvements	0	0	0
Debt Service	0	0	54,659
Unassigned	7,883	0	0
Total Fund Balances	7,883	0	54,659
Total Liabilities, Deferred Inflow of Resources and Fund Balances	\$ 7,883	\$ 186,002	\$ 181,019

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

State of New Mexico
Magdalena Municipal Schools
Governmental Funds
Balance Sheet
June 30, 2018

	Other Governmental Funds	Total Governmental Funds
Assets		
Cash and Cash Equivalents	\$ 257,681	\$ 614,747
Receivables		
Property Taxes	28,613	135,220
Due From Grantor	364,288	550,290
Interfund Balance	0	547,768
Inventory	2,639	2,639
Total Assets	<u>\$ 653,221</u>	<u>\$ 1,850,664</u>
Liabilities		
Accounts Payable	\$ 2,630	\$ 21,116
Interfund Balance	361,766	547,768
Current Amount Due		
Principal	0	25,000
Interest	0	2,770
Total Liabilities	<u>364,396</u>	<u>596,654</u>
Deferred Inflows of Resources		
Unavailable Revenue	<u>28,307</u>	<u>132,190</u>
Total Deferred Inflows of Resources	<u>28,307</u>	<u>132,190</u>
Fund Balances		
Nonspendable-Inventory	2,639	2,639
Restricted for		
Special Revenue Funds	154,446	154,446
Capital Improvements	103,433	103,433
Debt Service	0	54,659
Unassigned	0	806,643
Total Fund Balances	<u>260,518</u>	<u>1,121,820</u>
Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u>\$ 653,221</u>	<u>\$ 1,850,664</u>

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

State of New Mexico
Magdalena Municipal Schools
 Reconciliation of the Governmental Funds Balance Sheet
 to the Statement of Net Position
 June 30, 2018

Total Fund Balance - Governmental Funds \$ 1,121,820

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

Property taxes receivable will be collected after the period of availability, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds. 132,190

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

Capital Assets	\$ 18,510,916	
Accumulated Depreciation	<u>(9,077,929)</u>	9,432,987

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

Deferred Outflows Related to Pensions	4,134,782	
Deferred Outflows Related to OPEB	56,300	
Deferred Inflows Related to Pensions	(193,898)	
Deferred Inflows Related to OPEB	<u>(770,661)</u>	3,226,523

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

Bond Payable	(1,395,000)	
Current Portion of Principal Due	25,000	
Pension Liability	(12,474,868)	
Other Post-Employment Benefits Liability	(3,386,066)	
Accrued Interest	(10,516)	
Current Portion of Interest Due	2,770	
Compensated Absences	<u>(146,433)</u>	<u>(17,385,113)</u>

Total Net Position - Governmental Activities \$ (3,471,593)

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

State of New Mexico
Magdalena Municipal Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes
in Fund Balance
For the Year Ended June 30, 2018

	General Fund		
	Operational 11000	Teacherage 12000	Transportation 13000
Revenues			
Property Taxes	\$ 11,037	\$ 0	\$ 0
Fees	8,643	9,875	0
State and Local Grants	3,396,445	0	304,976
Federal Grants	513,895	0	0
Miscellaneous	8,764	0	12,278
Total Revenues	3,938,784	9,875	317,254
Expenditures			
Current			
Instruction	1,924,001	0	0
Support Services			
Students	400,361	0	0
Instruction	234,169	0	0
General Administration	237,687	0	0
School Administration	177,832	0	0
Central Services	156,505	0	0
Operation of Plant	601,497	938	0
Student Transportation	0	0	297,546
Other	475	0	0
Food Service Operations	15,000	0	0
Community Services	0	0	0
Capital Outlay	40,703	0	18,334
Debt Service			
Principal	0	0	0
Interest	0	0	0
Total Expenditures	3,788,230	938	315,880
Excess (Deficiency) of Revenues Over Expenditures	150,554	8,937	1,374
Fund Balances at Beginning of Year	638,773	487	(1,365)
Restatement	0	0	0
Restated Beginning Fund Balances	638,773	487	(1,365)
Fund Balance End of Year	\$ 789,327	\$ 9,424	\$ 9

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

State of New Mexico
Magdalena Municipal Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes
in Fund Balance
For the Year Ended June 30, 2018

	General Fund	Special Revenue	
	Instructional Materials 14000	Title I 24101	Debt Service 41000
Revenues			
Property Taxes	\$ 0	\$ 0	\$ 261,142
Fees	0	0	0
State and Local Grants	9,970	0	0
Federal Grants	0	306,179	0
Miscellaneous	0	0	0
Total Revenues	<u>9,970</u>	<u>306,179</u>	<u>261,142</u>
Expenditures			
Current			
Instruction	9,476	242,752	0
Support Services			
Students	0	0	0
Instruction	0	0	0
General Administration	0	0	2,638
School Administration	0	63,053	0
Central Services	0	0	0
Operation of Plant	0	0	0
Student Transportation	0	0	0
Other	0	0	0
Food Service Operations	0	0	0
Community Services	0	374	0
Capital Outlay	0	0	0
Debt Service			
Principal	0	0	195,000
Interest	0	0	48,425
Total Expenditures	<u>9,476</u>	<u>306,179</u>	<u>246,063</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>494</u>	<u>0</u>	<u>15,079</u>
Fund Balances at Beginning of Year	7,389	0	39,580
Restatement	0	0	0
Restated Beginning Fund Balances	<u>7,389</u>	<u>0</u>	<u>39,580</u>
Fund Balance End of Year	<u>\$ 7,883</u>	<u>\$ 0</u>	<u>\$ 54,659</u>

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

State of New Mexico
Magdalena Municipal Schools
 Governmental Funds
 Statement of Revenues, Expenditures and Changes
 in Fund Balance
 For the Year Ended June 30, 2018

	Other Governmental Funds	Total Governmental Funds
Revenues		
Property Taxes	\$ 60,971	\$ 333,150
Fees	166,534	185,052
State and Local Grants	340,309	4,051,700
Federal Grants	647,583	1,467,657
Miscellaneous	0	21,042
Total Revenues	<u>1,215,397</u>	<u>6,058,601</u>
Expenditures		
Current		
Instruction	556,051	2,732,280
Support Services		
Students	138,017	538,378
Instruction	7,585	241,754
General Administration	9,021	249,346
School Administration	70,058	310,943
Central Services	0	156,505
Operation of Plant	91,212	693,647
Student Transportation	10,874	308,420
Other	0	475
Food Service Operations	243,335	258,335
Community Services	1,620	1,994
Capital Outlay	0	59,037
Debt Service		
Principal	0	195,000
Interest	0	48,425
Total Expenditures	<u>1,127,773</u>	<u>5,794,539</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>87,624</u>	<u>264,062</u>
Fund Balances at Beginning of Year	174,140	859,004
Restatement	(1,246)	(1,246)
Restated Beginning Fund Balances	<u>172,894</u>	<u>857,758</u>
Fund Balance End of Year	<u>\$ 260,518</u>	<u>\$ 1,121,820</u>

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

State of New Mexico

Magdalena Municipal Schools

Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balance
to the Statement of Activities
June 30, 2018

Excess (Deficiency) of Revenues Over Expenditures	\$	264,062
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Amounts reported for governmental activities in the Statement of Activities are different because:

Some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered "available" revenues in the governmental funds, and are instead reported as deferred revenues. They are however, recorded as revenues in the Statement of Activities.

Property Taxes Receivable, June 30, 2017	\$ (129,203)	
Property Taxes Receivable, June 30, 2018	<u>132,190</u>	2,987

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.

Depreciation expense	(533,314)	
Capital Outlays	<u>59,037</u>	(474,277)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

Principal Paid	215,000	
Current Amount Due, June 30, 2017	(45,000)	
Current Amount Due, June 30, 2018	<u>25,000</u>	195,000

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The difference in the current amount due and the accrued interest each year is:

Accrued Interest, June 30, 2017	11,826	
Current Amount Due, June 30, 2017	(3,002)	
Accrued Interest, June 30, 2018	(10,516)	
Current Amount Due, June 30, 2018	<u>2,770</u>	1,078

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

Compensated Absences, June 30, 2017	146,296	
Compensated Absences, June 30, 2018	<u>(146,433)</u>	(137)

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

Pension Contributions	391,166	
OPEB Contributions	56,300	
Pension Expense	(1,893,217)	
OPEB Expense	<u>(134,615)</u>	<u>(1,580,366)</u>

Changes in Net Position of Governmental Activities	\$	<u><u>(1,591,653)</u></u>
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The notes to the financial statements are an integral part of this statement.

State of New Mexico
Magdalena Municipal Schools
 General Fund-Operational-11000
 Statement of Revenues, Expenditures, and Changes in Cash Balance -
 Budget and Actual (Budgetary Basis)
 For the Year Ended June 30, 2018

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Property Taxes	\$ 10,576	\$ 10,576	\$ 11,150	\$ 574
Fees	0	0	8,643	8,643
State Grant	3,459,109	3,514,103	3,396,445	(117,658)
Federal Grant	356,589	406,758	513,895	107,137
Miscellaneous	35,000	35,000	8,764	(26,236)
Total Revenues	<u>3,861,274</u>	<u>3,966,437</u>	<u>3,938,897</u>	<u>(27,540)</u>
Expenditures				
Instruction				
Personnel Services	1,435,798	1,478,092	1,376,841	101,251
Employee Benefits	558,945	534,475	437,910	96,565
Professional & Tech Services	7,500	9,019	5,995	3,024
Purchased Services	26,842	41,568	20,536	21,032
Supplies	91,662	248,817	83,967	164,850
Supply Assets	0	30,000	0	30,000
Total Instruction	<u>2,120,747</u>	<u>2,341,971</u>	<u>1,925,249</u>	<u>416,722</u>
Support Services				
Students				
Personnel Services	144,001	90,379	85,031	5,348
Employee Benefits	53,215	54,886	34,881	20,005
Professional & Tech Services	312,950	320,563	252,245	68,318
Purchased Services	9,300	25,177	19,716	5,461
Supplies	8,450	10,510	7,498	3,012
Total Students	<u>527,916</u>	<u>501,515</u>	<u>399,371</u>	<u>102,144</u>
Instruction				
Personnel Services	112,776	143,567	142,850	717
Employee Benefits	58,232	62,781	60,140	2,641
Professional & Tech Services	1,200	1,200	999	201
Purchased Services	9,200	6,700	445	6,255
Supplies	39,750	35,750	28,816	6,934
Supply Assets	0	919	919	0
Total Instruction	<u>\$ 221,158</u>	<u>\$ 250,917</u>	<u>\$ 234,169</u>	<u>\$ 16,748</u>

State of New Mexico

Magdalena Municipal Schools

General Fund-Operational-11000

Statement of Revenues, Expenditures, and Changes in Cash Balance -

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2018

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
General Administration				
Personnel Services	\$ 145,699	\$ 137,045	\$ 111,114	\$ 25,931
Employee Benefits	57,978	55,566	39,068	16,498
Professional & Tech Services	65,500	58,738	47,789	10,949
Purchased Property Services	25,000	25,000	19,416	5,584
Purchased Services	20,700	24,706	16,643	8,063
Supplies	14,000	12,762	8,683	4,079
Supply Assets	0	1,723	1,723	0
Total General Administration	<u>328,877</u>	<u>315,540</u>	<u>244,436</u>	<u>71,104</u>
School Administration				
Personnel Services	112,696	127,081	126,584	497
Employee Benefits	47,563	51,114	47,920	3,194
Professional & Tech Services	1,000	1,750	1,647	103
Purchased Services	1,500	2,350	1,669	681
Supplies	12,000	12,500	5,343	7,157
Supply Assets	0	374	0	374
Total School Administration	<u>174,759</u>	<u>195,169</u>	<u>183,163</u>	<u>12,006</u>
Central Services				
Personnel Services	112,400	101,324	101,323	1
Employee Benefits	45,833	42,160	40,139	2,021
Professional & Tech Services	2,500	2,500	2,013	487
Purchased Services	9,418	8,518	2,855	5,663
Supplies	19,582	19,582	13,251	6,331
Supply Assets	7,500	7,000	747	6,253
Total Central Services	<u>197,233</u>	<u>181,084</u>	<u>160,328</u>	<u>20,756</u>
Operation of Plant				
Personnel Services	163,748	175,860	158,598	17,262
Employee Benefits	70,130	60,330	44,311	16,019
Professional & Tech Services	3,600	3,600	400	3,200
Purchased Property Services	346,500	351,000	255,005	95,995
Purchased Services	121,827	123,550	118,480	5,070
Supplies	28,000	28,000	23,090	4,910
Supply Assets	0	5,000	3,610	1,390
Total Operation of Plant	<u>733,805</u>	<u>747,340</u>	<u>603,494</u>	<u>143,846</u>
Student Transportation				
Fixed Assets	0	52,343	40,703	11,640
Total Student Transportation	<u>\$ 0</u>	<u>\$ 52,343</u>	<u>\$ 40,703</u>	<u>\$ 11,640</u>

State of New Mexico
Magdalena Municipal Schools
 General Fund-Operational-11000
 Statement of Revenues, Expenditures, and Changes in Cash Balance -
 Budget and Actual (Budgetary Basis)
 For the Year Ended June 30, 2018

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Other Support Service				
Other Support Services	\$ 14,933	\$ 14,933	\$ 475	\$ 14,458
Total Other Support Service	<u>14,933</u>	<u>14,933</u>	<u>475</u>	<u>14,458</u>
Total Support Services	<u>2,198,681</u>	<u>2,258,841</u>	<u>1,866,139</u>	<u>392,702</u>
Food Service Operations				
Supplies	0	15,000	15,000	0
Total Food Service Operations	<u>0</u>	<u>15,000</u>	<u>15,000</u>	<u>0</u>
Total Expenditures	<u>4,319,428</u>	<u>4,615,812</u>	<u>3,806,388</u>	<u>809,424</u>
Excess (Deficiency) of Revenues Over Expenditures	(458,154)	(649,375)	132,509	781,884
Cash Balance Beginning of Year	<u>675,202</u>	<u>675,202</u>	<u>675,202</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 217,048</u>	<u>\$ 25,827</u>	<u>\$ 807,711</u>	<u>\$ 781,884</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 132,509	
Net Change in Taxes Receivable			(84)	
Net Change in Accounts Payable			(7,669)	
Net Change in Accrued Salaries & Benefits			25,827	
Net Change in Unavailable Revenue			(29)	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 150,554</u>	

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

State of New Mexico
Magdalena Municipal Schools
 General Fund-Teacherage-12000
 Statement of Revenues, Expenditures, and Changes in Cash Balance -
 Budget and Actual (Budgetary Basis)
 For the Year Ended June 30, 2018

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
State Grant	\$ 0	8,500	\$ 9,875	\$ 1,375
Total Revenues	<u>0</u>	<u>8,500</u>	<u>9,875</u>	<u>1,375</u>
Expenditures				
Support Services				
Operation of Plant				
Supplies	487	8,987	938	8,049
Total Operation of Plant	<u>487</u>	<u>8,987</u>	<u>938</u>	<u>8,049</u>
Total Support Services	<u>487</u>	<u>8,987</u>	<u>938</u>	<u>8,049</u>
Total Expenditures	<u>487</u>	<u>8,987</u>	<u>938</u>	<u>8,049</u>
Excess (Deficiency) of Revenues Over Expenditures	(487)	(487)	8,937	9,424
Cash Balance Beginning of Year	<u>487</u>	<u>487</u>	<u>487</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 9,424</u>	<u>\$ 9,424</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures			\$ 8,937	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 8,937</u>	

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

State of New Mexico
Magdalena Municipal Schools
 General Fund-Transportation-13000
 Statement of Revenues, Expenditures, and Changes in Cash Balance -
 Budget and Actual (Budgetary Basis)
 For the Year Ended June 30, 2018

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
State Grant	\$ 304,976	\$ 304,976	\$ 304,976	\$ 0
Insurance Claim	0	12,278	12,278	0
Total Revenues	<u>304,976</u>	<u>317,254</u>	<u>317,254</u>	<u>0</u>
Expenditures				
Support Services				
Student Transportation				
Personnel Services	136,274	117,004	117,004	0
Employee Benefits	40,602	36,729	36,729	0
Purchased Property Services	29,087	25,407	25,407	0
Purchased Services	44,380	36,637	36,635	2
Supplies	54,633	54,147	54,147	0
Fixed Assets	0	18,334	18,334	0
Supply Assets	0	28,996	28,998	(2)
Total Student Transportation	<u>304,976</u>	<u>317,254</u>	<u>317,254</u>	<u>0</u>
Total Support Services	<u>304,976</u>	<u>317,254</u>	<u>317,254</u>	<u>0</u>
Total Expenditures	<u>304,976</u>	<u>317,254</u>	<u>317,254</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	0	0
Cash Balance Beginning of Year	<u>9</u>	<u>9</u>	<u>9</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 9</u>	<u>\$ 9</u>	<u>\$ 9</u>	<u>\$ 0</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 0	
Net Change in Accrued Salaries & Benefits			1,374	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 1,374</u>	

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

State of New Mexico
Magdalena Municipal Schools
 General Fund-Instructional Materials-14000
 Statement of Revenues, Expenditures, and Changes in Cash Balance -
 Budget and Actual (Budgetary Basis)
 For the Year Ended June 30, 2018

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
State Grant	\$ 9,476	\$ 9,476	\$ 9,970	\$ 494
Total Revenues	<u>9,476</u>	<u>9,476</u>	<u>9,970</u>	<u>494</u>
Expenditures				
Instruction				
Supplies	9,476	9,476	9,476	0
Total Instruction	<u>9,476</u>	<u>9,476</u>	<u>9,476</u>	<u>0</u>
Total Expenditures	<u>9,476</u>	<u>9,476</u>	<u>9,476</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	494	494
Cash Balance Beginning of Year	<u>7,389</u>	<u>7,389</u>	<u>7,389</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 7,389</u>	<u>\$ 7,389</u>	<u>\$ 7,883</u>	<u>\$ 494</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures			\$ 494	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 494</u>	

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

State of New Mexico
Magdalena Municipal Schools
Special Revenue Fund-Title I-24101
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Federal Grant	\$ 579,418	\$ 534,947	\$ 348,922	\$ (186,025)
Total Revenues	<u>579,418</u>	<u>534,947</u>	<u>348,922</u>	<u>(186,025)</u>
Expenditures				
Instruction				
Personnel Services	164,180	164,187	150,949	13,238
Employee Benefits	86,219	78,566	88,279	(9,713)
Supplies	0	0	3,525	(3,525)
Total Instruction	<u>250,399</u>	<u>242,753</u>	<u>242,753</u>	<u>0</u>
Support Services				
General Administration				
Professional & Tech Services	17,571	0	0	0
Total General Administration	<u>17,571</u>	<u>0</u>	<u>0</u>	<u>0</u>
School Administration				
Personnel Services	63,074	44,446	50,380	(5,934)
Employee Benefits	21,826	20,826	14,869	5,957
Total School Administration	<u>84,900</u>	<u>65,272</u>	<u>65,249</u>	<u>23</u>
Total Support Services	<u>102,471</u>	<u>65,272</u>	<u>65,249</u>	<u>23</u>
Community Services				
Supplies	0	374	374	0
Total Community Services	<u>0</u>	<u>374</u>	<u>374</u>	<u>0</u>
Total Expenditures	<u>352,870</u>	<u>308,399</u>	<u>308,376</u>	<u>23</u>
Excess (Deficiency) of Revenues Over Expenditures	226,548	226,548	40,546	(186,002)
Cash Balance Beginning of Year	<u>(226,548)</u>	<u>(226,548)</u>	<u>(226,548)</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (186,002)</u>	<u>\$ (186,002)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures			\$ 40,546	
Net Change in Due from Grantor			(42,742)	
Net Change in Accrued Salaries & Benefits			2,196	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 0</u>	

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

State of New Mexico
Magdalena Municipal Schools
Statement of Fiduciary Assets and Liabilities-Agency Funds
June 30, 2018

	<u>Agency Funds</u>
Assets	
Cash and Cash Equivalents	\$ <u>136,019</u>
Total Assets	\$ <u><u>136,019</u></u>
Liabilities	
Deposits Held for Others	\$ <u>136,019</u>
Total Liabilities	\$ <u><u>136,019</u></u>

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

Summary of Significant Accounting Policies

The financial statements of the Magdalena Municipal Schools (District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

Financial Reporting Entity

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

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

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

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

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

Governmental Funds

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

General Fund - The General Fund is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds.

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

Capital Projects Fund - The Capital Projects Fund is used to account for all resources for the acquisition of capital facilities by the District.

Debt Service Fund - The Debt Service Fund is used to account for all resources for, and the payment of, principal, interest and related costs.

Fiduciary Fund Type

Fiduciary funds account for assets held by the government in a trustee capacity or as an agent on behalf of outside parties, including other governments, or on behalf of other funds within the District.

The Student Activity Fund, an agency fund, accounts for assets held by the District as an agent for the District organizations. These organizations exist with the explicit approval of and are subject to revocation by the District's Board of Education. This accounting reflects the District's agency relationship with the student activity organizations.

Major Funds

The District reports the following major governmental funds:

General Fund (11000)(12000)(13000)(14000).The General Fund consist of four sub funds. The first is the Operational fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. The Teacherage accounts for rents collected from teachers and related expenditures. The Transportation fund includes a state grant to provide transportation for students in the District. The Instructional Materials fund accounts for a state grant to provide text books for students in the District.

Special Revenue Fund

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

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

Measurement Focus and Basis of Accounting

Government-Wide Financial Statements (GWFS)

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

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

Program Revenues

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

Fund Financial Statements (FFS)

Governmental Funds

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

Revenues

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

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

Revenue Recognition for Grants.

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

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

Entitlement and shared revenues (which include state equalization and state revenue sharing) are recorded as unrestricted grants-in-aid at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met and the susceptible to accrual criteria have been met.

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

Expenditures

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

Other Financing Sources (Uses)

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

Basis of Budgeting

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

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

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

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

7. Legal budget control for expenditures is by function.
8. Appropriations lapse at fiscal year end. Funds unused during the fiscal year may be carried over into the next fiscal year by budgeting those in the subsequent fiscal year's budget. The budget of the District has been amended during the current fiscal year in accordance with these procedures. The budget schedules included in the accompanying financial statements reflect the approved budget and amendments thereto.

Cash and Cash Equivalents

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

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

Investments

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

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

Receivables and Payables

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

Property Taxes

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

Elimination and Reclassifications of Certain Receivables and Payables

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

Inventories and Prepaid Items

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

Capital Assets

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

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

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

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

Capital Leases

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

Short -Term Debt

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

Long-Term Liabilities

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

Restricted Net Position

For the government-wide statement of net position, net positions are reported as restricted when constraints placed use are either:

Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments;

Imposed by law through constitutional provisions or enabling legislation.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available it will first be applied to restricted resources.

Fund Balances of Fund Financial Statements

Nonspendable fund balance indicates that portion of fund equity is not spendable such as inventory.

The restricted fund balance category includes amounts that can be spent only for specific purposes stipulated by constitution, external resources providers, or through enabling legislation.

Committed fund balance is a classification for governmental fund balance reporting that includes amounts that can only be used for specific purposes pursuant to constraints imposed by law and require a formal action of the government's highest level of decision-making authority.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.

Unassigned fund balance is the residual amount that is not restricted or committed.

Interfund Transfers

In governmental funds, transfers should be reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers.

Deferred Outflows of Resources

The District reports deferred revenues on its Statement of Net Position and Fund Balance Sheet. Deferred outflows arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when the District has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and the revenue is recognized. Deferred outflows also occur in the fund financial statements when revenue is earned but is not available. The revenue becomes available if received within 30 days of the fiscal year end.

Deferred Inflows of Resources

In addition to liabilities, the balance sheet reports a separate section for deferred inflows of resources. Deferred Inflows consist of three types. Unearned revenues arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and the revenue is recognized. Outstanding property taxes that are received after 30 days of the year end are shown as Unearned Revenue on the balance sheet. The third type of deferred inflows of resources relate to pension and other post employment benefits.

Compensated Absences

Compensated Absences: All personnel employed by the District shall be entitled to leave as per the following categories and schedules:

Annual Leave: Twelve-month employees shall be entitled to annual leave with full pay computed on the following basis per year:

- 1-5 consecutive years of employment
- 6-10 consecutive years of employment
- 11+ consecutive years of employment

Twelve-month employees who have resigned, retired, or who have been laid off or dismissed, shall be entitled to and shall be paid for a maximum of 40 days of earned and unused annual leave.

Sick Leave: All full-time staff shall earn one day of sick leave per month. Accrued sick leave is payable for employees for have completed five consecutive years of employment within the District. The District will payout unused sick leave at a rate of \$25 per day.

The District's recognition and measurement criteria for compensated absences follow:

GASB Statement No. 16 provides that vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees if both the following conditions are met:

- (a) The employees' right to receive compensation is attributable to services already rendered.
- (b) It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts, if any, are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

Estimates

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

A. Deposits and Investments

The District is required by New Mexico State Statute (Section 6-10-17) to be 50% collateralized. Following is a schedule calculating the requirement and disclosing the pledged securities.

<u>Name of Account</u>	Balance Per Bank 6/30/18	Reconciled Balance	<u>Type</u>
Magdalena Municipal Schools	\$ 860,531	\$ 573,283	Checking-Non-Interest
Magdalena Municipal Schools	511	511	Checking-Interest
Activity Account	179,349	176,972	Checking-Non-Interest
Total Deposited	<u>1,040,391</u>	<u>\$ 750,766</u>	
Less FDIC Coverage	<u>(250,000)</u>		
Uninsured Amount	790,391		
50% collateral requirement	395,196		
Pledged securities	<u>2,546,847</u>		
Over (Under) requirement	<u>\$ 2,151,652</u>		

The difference between the bank balance and the reconciled balance is outstanding deposits, outstanding checks and pending bank adjustments.

The following securities are pledged at **Wells Fargo Bank**:

<u>Description</u>	<u>CUSIP #</u>	<u>Market Value</u>	<u>Maturity Date</u>	<u>Location</u>
FNMA FNMS	3138E7VC5	\$ 256,600	06/01/2042	New York, NY
FNMA FNMS	3138WFAP1	2,151,578	07/01/2030	New York, NY
FNMA FNMS	3140F4JS6	138,669	05/01/2031	New York, NY
		<u>\$ 2,546,847</u>		

Custodial Credit Risk-Deposits

<u>Depository Account</u>	<u>Bank Balance</u>
Insured	\$ 250,511
Collateralized:	
Collateral held by the pledging bank in District's name	789,880
Uninsured and uncollateralized	0
Total Deposits	<u>\$ 1,040,391</u>

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2018 none of the District's balance of \$1,040,391 was exposed to custodial risk.

B. Receivables

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

	<u>General Fund</u>	<u>Debt Service</u>	<u>Other Governmental</u>	<u>Total</u>
Property Tax				
Available	\$ 102	\$ 2,622	\$ 631	\$ 3,355
Unavailable	5,293	98,590	27,982	131,865
Total Property Taxes Receivable	<u>\$ 5,395</u>	<u>\$ 101,212</u>	<u>\$ 28,613</u>	<u>\$ 135,220</u>

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Notes to the Financial Statements
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Amounts due from other agencies and units of government were as follows as of June 30, 2018:

	Title I 24101	Other Governmental	Total
Federal Agencies	\$ 186,002	\$ 192,239	\$ 378,241
State Agencies	0	172,049	172,049
Total	<u>\$ 186,002</u>	<u>\$ 364,288</u>	<u>\$ 550,290</u>

C. Interfund Receivables, Payables and Transfers

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Funds</u>		
	Title I 24101	Other Governmental Funds	Total
Operational Fund	\$ 186,002	\$ 361,766	\$ 547,768

The above interfund balances resulted from reimbursement grants. The shortfalls were covered by the above funds. All transactions will be repaid within one year.

D. Capital Assets

Capital assets balances and activity for the year ended June 30, 2018, is as follows:

	Balance 6/30/17	Additions	Deletions	Balance 6/30/18
Governmental Activities				
Capital Assets not being Depreciated				
Land improvements	\$ 69,672	\$ 0	\$ 0	\$ 69,672
Total Capital Assets not being Depreciated	<u>69,672</u>	<u>0</u>	<u>0</u>	<u>69,672</u>
Capital Assets, being Depreciated				
Buildings & Improvements	16,898,097	0	0	16,898,097
Equipment, Vehicles, Information Technology Equipment, Software & Library Books	1,484,110	59,037	0	1,543,147
Total Capital Assets, being Depreciated	<u>18,382,207</u>	<u>59,037</u>	<u>0</u>	<u>18,441,244</u>
Total Capital Assets	<u>18,451,879</u>	<u>59,037</u>	<u>0</u>	<u>18,510,916</u>
Less Accumulated Depreciation				
Buildings & Improvements	7,612,045	461,342	0	8,073,387
Equipment, Vehicles, Information Technology Equipment, Software & Library Books	932,570	71,972	0	1,004,542
Total Accumulated Depreciation	<u>8,544,615</u>	<u>533,314</u>	<u>0</u>	<u>9,077,929</u>
Capital Assets, net	<u>\$ 9,907,264</u>	<u>\$ (474,277)</u>	<u>\$ 0</u>	<u>\$ 9,432,987</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 468,747
Support Services	
Operation & Maintenance of Plant	19,603
Student Transportation	38,063
Food Services Operations	6,901
Total Depreciation Expense	<u>\$ 533,314</u>

E. Long-Term Debt and Other Liabilities

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

	Balance 6/30/17	Additions	Reductions	Balance 6/30/18	Amounts Due Within One Year
Governmental Activities					
Bonds and Notes Payable					
General Obligation					
Bonds	\$ 1,610,000	\$ 0	\$ 215,000	\$ 1,395,000	\$ 175,000
Total Bonds	<u>\$ 1,610,000</u>	<u>\$ 0</u>	<u>\$ 215,000</u>	<u>\$ 1,395,000</u>	<u>\$ 175,000</u>
Other Liabilities					
Compensated					
Absences	\$ 146,296	\$ 75,337	\$ 75,200	\$ 146,433	\$ 146,296
Total Other Liabilities	<u>\$ 146,296</u>	<u>\$ 75,337</u>	<u>\$ 75,200</u>	<u>\$ 146,433</u>	<u>\$ 146,296</u>

Payments on the general obligation bonds are made by the Debt Service Funds. The compensated absences liability will ultimately be liquidated by several of the District's governmental funds, with most being paid by the General Fund.

General Obligation Bonds.

The following bonds were issued for the purpose of erecting, furnishing, remodeling and making additions to District buildings and improving District grounds. A tax is annually assessed, levied and collected upon all taxable property within the District for the purpose of providing the necessary funds to meet the interest and principal payments as they become due.

Series	Date of Issue	Original Amount	Interest Rate	Balance
2003	10/15/03	200,000	7.500%	\$ 0
2011	5/15/11	1,200,000	3.900%	880,000
2012	1/15/12	195,000	3.991%	70,000
2015	1/23/15	520,000	0.075%	445,000
				<u>\$ 1,395,000</u>

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 175,000	\$ 43,285	\$ 218,285
2020	210,000	38,096	248,096
2021	210,000	31,379	241,379
2022	180,000	23,142	203,142
2023	185,000	15,087	200,087
2024-2028	<u>435,000</u>	<u>9,889</u>	<u>444,889</u>
Total	<u>\$ 1,395,000</u>	<u>\$ 160,878</u>	<u>\$ 1,555,878</u>

F. Commitments

The District has no construction projects on June 30, 2018.

G. Retirement Plan

Summary of Significant Accounting Policies

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

General Information about the Pension Plan

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

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

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

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

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

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

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

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

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

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

These members must meet one of the following requirements:

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

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

Benefit Options. The Plan has three benefit options available.

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

Option B. Joint 100% Survivor Benefit. The single life annuity monthly benefit is reduced to provide for a 100% survivor's benefit. The reduced benefit is payable during the life of the member, with the provision that, upon death, the same benefit is paid to the beneficiary for his or her lifetime. If the beneficiary predeceases the member, the member's monthly benefit is increased to the amount the member would have received under Option A Straight Life benefit. The member's increased monthly benefit commences in the month following the beneficiary's death.

Option C. Joint 50% Survivor Benefit. The single life annuity monthly benefit is reduced to provide for a 50% survivor's benefit. The reduced benefit is payable during the life of the member, with the provision that, upon death, the reduced 50% benefit is paid to the beneficiary for his or her lifetime. If the beneficiary predeceases the member, the member's monthly benefit is increased to the amount the member would have received under Option A. The member's increased monthly benefit commences in the month following the beneficiary's death.

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

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

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

As of July 1, 2013, for current and future retirees the COLA is immediately reduced until the Plan is 100% funded. The COLA reduction is based on the median retirement benefit of all retirees excluding disability retirements. Retirees with benefits at or below the median and with 25 or more years of service credit will have a 10% COLA reduction; their average COLA will be 1.5%. Once the funding is greater than 90%, the COLA reductions will decrease. The retirees with benefits at or below the median and with 25 or more years of service credit will have a 5% COLA reduction; their average COLA will be 1.7%.

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

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

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

<u>Fiscal Year</u>	<u>Date Range</u>	<u>Wage Category</u>	<u>Member's Rate</u>	<u>Employer's Rate</u>	<u>Combined Rate</u>
2018	7-1-16 to 6-30-17	Over \$20K	10.70%	13.90%	24.60%
2018	7-1-16 to 6-30-17	\$20K or less	7.90%	13.90%	21.80%

There was no change in the rates from the previous year.

The contribution requirements are established in statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the New Mexico Legislature. For the fiscal years ended June 30, 2018 and 2017, the District paid employee and employer contributions of \$683,671 and \$777,707, which equal the amount of the required contributions for each fiscal year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2018, the District reported a liability of \$12,474,868 for their proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2017 using generally accepted actuarial principles. The roll-forward incorporates the impact of the new assumptions adopted by the Board on April 21, 2017. There were no other significant events of changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2017. Therefore, the District's portion was established as of the measurement date of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating educational institutions, actuarially determined. At June 30, 2017, the District's proportion was 0.11225%, which was an increase of 0.00015% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$1,893,217. At the June 30, 2018, the District reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 22,394	\$ 192,187
Net difference between projected and actual earnings on pension plan investments	0	1,711
Changes of assumptions	3,641,659	0
Changes in proportion and differences between the District's contributions and proportionate share of contributions	79,563	0
District's contributions subsequent to the measurement date	391,166	0
	<u>\$ 4,134,782</u>	<u>\$ 193,898</u>

\$391,166 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June		
2019	\$	1,376,073
2020		1,427,346
2021		849,020
2022		(102,721)
Total	\$	<u>3,549,718</u>

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

Inflation	2.50%				
Salary Increases	3.25% composed of 2.50% inflation, plus a 0.75% productivity increase rate, plus a step-rate promotional increase for members with less than 10 years of service.				
Investment Rate of Return	7.25% compounded annually, net of expenses. This is made up of a 2.50% inflation rate and a 4.75 real rate of return.				
Average Expected Remaining Service Lives	Fiscal year	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
	Service Life in Years	3.35	3.77	3.92	3.88
Mortality	<p>Healthy males: Based on the RP-2000 Combined Mortality Table with White Collar adjustments, generational mortality improvements with Scale BB.</p> <p>Healthy females: Based on GRS Southwest Region Teacher Mortality Table, set back one year, generational mortality improvements in accordance with Scale BB from the table's base year of 2012.</p> <p>Disabled males: RP-2000 Disabled Mortality Table for males, set back three years, projected to 2016 with Scale BB.</p> <p>Disabled females: RP-2000 Disabled Mortality Table for females, no set back, projected to 2016 with Scale BB.</p> <p>Active members: RP-2000 Employee Mortality Tables, with males set back two years and scaled at 80%, and females set back five years and scaled at 70%. Static mortality improvement from the table's base year of 2000 to the year 2016 in accordance with Scale BB. No future improvement was assumed for preretirement mortality.</p>				
Retirement Age	Experience-based table rates based on age and service, adopted by the Board on June 12, 2015 in conjunction with the six-year experience study for the period ending June 30, 2014.				
Cost-of-living Increases	1.90% per year, compounded annually.				
Payroll Growth	3.00% per year (with no allowance for membership growth).				
Contribution Accumulation	The accumulated member account balance with interest is estimated at the valuation date by assuming that member contributions increased 5.50% per year for all years prior to the valuation date. Contributions are credited with 4.00% interest, compounded annually, applicable to the account balances in the past as well as the future.				
Disability Incidence	Approved rates are applied to eligible members with at least 10 years of service.				

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

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

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

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

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

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

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

	<u>1% Decrease (4.9%)</u>	<u>Current Discount Rate (5.9%)</u>	<u>1% Increase (6.9%)</u>
The Districts' proportionate share of the net pension liability	\$ <u>16,239,176</u>	\$ <u>12,474,868</u>	\$ <u>9,397,853</u>

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

H. Other Post Employment Benefits (OPEB)

Retiree Health Care Plan

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

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

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

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

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

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

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

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

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

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

Benefits Provided

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

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

Dependent Benefits: Same as retirees.

Dependent Coverage: Same as retirees.

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

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

Retired Before 2020 or in Public Safety Pension Plan			
Years of Service	Percent of full subsidy based on service	Years of Service	Percent of full subsidy based on service
5	6.25%	13	56.25%
6	12.50%	14	62.50%
7	18.75%	15	58.75%
8	25.00%	16	75.00%
9	31.25%	17	81.25%
10	37.50%	18	87.50%
11	43.75%	19	93.75%
12	50.00%	20+	100.00%

Retired After 2019 and Not in Public Safety Pension Plan			
Years of Service	Percent of full subsidy based on service	Years of Service	Percent of full subsidy based on service
5	4.76%	16	57.14%
6	9.52%	17	61.90%
7	14.29%	18	66.67%
8	19.05%	19	71.43%
9	23.81%	20	76.19%
10	28.57%	21	80.95%
11	33.33%	22	85.71%
12	38.10%	23	90.48%
13	42.86%	24	95.24%
14	47.62%	25+	100.00%
15	52.38%		

Actuarial Valuation

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

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

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

Rate of Return

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

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

Discount Rate

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

Sensitivity of the Net OPEB Liability

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

	1% Decrease (2.81%)	Current Discount Rate (3.81%)	1% Increase (4.81%)
The Districts' proportionate share of the net OPEB liability	\$ 4,107,245	\$ 3,386,066	\$ 2,820,236

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

	1% Decrease	Current Trend Rates	1% Increase
The Districts' proportionate share of the net OPEB liability	\$ 2,880,082	\$ 3,386,066	\$ 3,780,608

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

At June 30, 2018, the District reported a liability of \$3,386,066 for their proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2016. The total OPEB liability was rolled-forward from the valuation date to the plan year ending June 30, 2017 using generally accepted actuarial principles. Therefore, the employer's portion as established as of the measurement date of June 30, 2017. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2017. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating institutions, actuarially determined. At June 30, 2017, the District's proportion was 0.07472%, which was an increase of 0% from their proportion measured as of June 30, 2016.

State of New Mexico
Magdalena Municipal Schools
Notes to the Financial Statements
June 30, 2018

For the year ended June 30, 2018, the District recognized OPEB expense of \$134,615. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows or resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 0	\$ 129,939
Net difference between projected and actual earnings on OPEB investments	0	48,711
Changes in assumptions	0	592,011
Changes in proportion and differences between the District's contributions and proportionate share of contributions	0	0
District's contributions subsequent to the measurement date	56,300	0
	<u>\$ 56,300</u>	<u>\$ 770,661</u>

\$56,300 reported as deferred outflows of resources related to OPEB resulting from District's contributions subsequent to the measurement date June 30, 2017 will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ended June</u>	
2019	\$ (163,848)
2020	(163,848)
2021	(163,848)
2022	(163,848)
2023	(115,269)
Total	<u>\$ (770,661)</u>

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

I. Reconciliation of Budgetary Basis to GAAP Basis Statements

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - all Governmental Fund Types is presented on the budgetary basis to provide a comparison of actual results with the budget. The major differences between the budget basis and GAAP (Generally Accepted Accounting Principles) basis are that:

- A. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- B. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

The adjustments necessary to convert the results of operations for the year from GAAP basis to the budget basis for the governmental funds are presented on each individual Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget and Actual (Budgetary Basis).

The reconciliation of budgetary basis to GAAP basis statements are located at the bottom of each budget actual.

J. Contingent Liabilities

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

K. Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; error and omissions; and injuries to employees; and natural disasters. The District, as a New Mexico Public School, is insured through the New Mexico Public Schools Insurance Authority (NMPSIA). Annual premiums are paid by the District to NMPSIA for coverage provided in the following areas:

- Property and Automobile Liability and Physical Damage
- Liability and Civil Rights and Personal Injury
- Contract School Bus Coverage; and
- Crime

The officials and certain employees of the District are covered by a surety bond as required by Section 12-6-7, NMSA, 1978 Compilation.

L. Joint Powers Agreements

The District entered into a joint powers agreement with other school districts to establish the Central Regional Cooperative (CREC) dated July 1, 1990. Under this agreement, the participating school districts establish and maintain a cooperative program of supplementary special education and other services funded by each school district and the CREC. CREC is not a component unit of the District. CREC issues a separate publicly available audited financial report. The audited financial report for CREC may be obtained by writing to P.O. Box 37440, Albuquerque, NM 87176.

M. 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.

N. Subsequent Events

Subsequent events were evaluated through November 6, 2018, which is the date the financial statements were available to be issued.

O. Restatements

The fund balance was restated \$(1,246) for fund 28203. The net position was restated for the restatement to the fund balance and \$(4,022,112) to add the OPEB liability for a total restatement of \$(4,023,359).

P. Foundation

The District has a foundation managed by Wells Fargo that is a 501 (c) 3 and files a federal form 990 tax return. The purpose of the foundation is to invest and distribute money to graduates of the District for the use of higher education. The funds originated from a federal grant, Gear Up. The foundation is not material to the District and are not included in the District's financial statements.

Required Supplemental Information

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

Schedule of the District's Proportionate Share of the Net Pension Liability
Last 10 Fiscal Years*

	Fiscal	2015	2016	2017	2018
	Year Measurement Date	2014	2015	2016	2017
District's proportion of the net pension liability		0.10867%	0.11069%	0.11210%	0.11225%
District's proportionate share of the net pension liability	\$	6,200,409	\$ 7,169,686	\$ 8,067,202	\$ 12,474,868
District's covered-employee payroll	\$	3,150,302	\$ 3,022,192	\$ 3,196,744	\$ 2,814,987
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll		196.82%	237.23%	252.36%	443.16%
Plan fiduciary net position as a percentage of the total pension liability		66.54%	63.97%	61.58%	52.95%

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

Schedule of District's Contributions
Last 10 Fiscal Years*

	June 30,			
	2015	2016	2017	2018
Contractually required contribution	\$ 437,892	\$ 420,085	\$ 444,327	\$ 391,166
Contributions in relation to the contractually required	437,892	420,085	444,327	391,166
Contribution deficiency (excess)	\$ 0	\$ 0	\$ 0	\$ 0
District's covered-employee payroll	\$ 3,150,302	\$ 3,022,192	\$ 3,196,744	\$ 2,814,987
Contributions as a percentage of covered-employee payroll	13.90%	13.90%	13.90%	13.90%

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

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

Notes to Required Supplementary Information
Changes of benefit terms and assumptions.

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

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

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

Magdalena Municipal Schools

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

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

Last 10 Fiscal Years*

	Fiscal Year Measurement Date	2018 2017
District's proportion of the net OPEB liability		0.07472%
District's proportionate share of the net OPEB liability	\$	3,386,066
District's covered-employee payroll	\$	2,814,987
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll		120.29%
Plan fiduciary net OPEB as a percentage of the total OPEB liability		11.34%

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

Schedule of District's Contributions

Last 10 Fiscal Years*

	June 30, 2018
Contractually required contribution	\$ 56,300
Contributions in relation to the contractually required contribution	56,300
Contribution deficiency (excess)	\$ 0
District's covered-employee payroll	2,814,987
Contributions as a percentage of covered-employee payroll	2.00%

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

Notes to Required Supplementary Information

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

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

**Supplemental Information Related to
Nonmajor Funds**

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

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

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

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

IDEA B Early Intervention (24112). To account for a sub-award from IDEA-B Basic grant (24106) to develop and implement coordinated early intervening educational services. The services are designed to directly benefit nondisabled children who need additional academic and behavioral support to succeed in the general education environment. 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.

Fresh Fruit and Vegetables (24118). To account for a Federal grant to provide a variety of free fresh fruits and vegetables to children to help create a healthier school environment. Funding is authorized by the Agriculture, Rural Development, Food and Drug Administration and Related Agencies Act, signed in November 2005, Public Law 109-97. This fund was created by the authority of federal grant provisions.

IDEA B Results Plan (24132). This fund is to support the individual school site's Educational Plan for Student Success, or areas in need of improvement as identified through an instructional audit. This is a pilot program for the New Mexico Real Results program required by US Dept. of Education of Special Education Programs. Authority for creation of this fund is the New Mexico Public Education Department. The fund was created by the authority of New Mexico Public Education Department.

Teacher/Principal Training and Recruiting (24154). This fund provide grants to LEAs 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. Elementary and Secondary Education Act of 1965, as amended, Title II, Part A (PL 107-110). The grant was created by the authority of federal grant provisions.

Rural & Low Income (24160). To provide financial assistance to rural districts to carry out activities to help improve the quality of teaching and learning in their schools. Elementary and Secondary Education Act, Title VI, Part B.

Academic Enrichment Program (24189). To account for a federal grant to provide student support and provide an academic enrichment program. The rant was created by the authority of federal grant provisions.

Johnson O'Malley (25131). To account for revenues and expenditures funded by the Department of Interior, Bureau of Indian Affairs, through the Navajo Tribe provided to supplement programs in special education and other special needs for New Mexico public schools where eligible Indian children are enrolled. The fund was created by the authority of federal grant provisions. (PL 103-382)

Impact-Aid Special Education (25145). To account for funding of a Federal program to provide financial assistance to local educational agencies (LEA's) where enrollments or availability of revenue are adversely affected by Federal activities, i. e. where the tax base of a district is reduced through the Federal acquisition of real property (Section 2), or where there are a significant number of children who reside on Federal (including Indian) lands and /or children whose parents are employed on Federal property or in the Uniformed Services (Section 3(a) and 3(b) where there is a significant decrease (Section 3(c)) or a sudden and substantial increase (Section 4) in school enrollment as the result of Federal activities; to provide disaster assistances for reduced or increased operating costs (Section 7(a)), for replacing or repairing damaged or destroyed supplies, equipment, and books, and for repairing minor damage to facilities, Funding authorized by Public Law 81-874.

Impact-Aid Indian Education (25147). To account for funding of a Federal program to provide financial assistance to local educational agencies (LEA's) where enrollments or availability of revenue are adversely affected by Federal activities, i. e. where the tax base of a district is reduced through the Federal acquisition of real property (Section 2), or where there are a significant number of children who reside on Federal (including Indian) lands and /or children whose parents are employed on Federal property or in the Uniformed Services (Section 3(a) and 3(b) where there is a significant decrease (Section 3(c)) or a sudden and substantial increase (Section 4) in school enrollment as the result of Federal activities; to provide disaster assistances for reduced or increased operating costs (Section 7(a)), for replacing or repairing damaged or destroyed supplies, equipment, and books, and for repairing minor damage to facilities, Funding authorized by Public Law 81-874.

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

Indian Education Formula (25184). To account for a program funded by a Federal grant to develop and carry out supplementary elementary and secondary school programs designed to meet the special educational and culturally related academic needs of Indian children, for example to : 1) Improve academic performance, 2) Reduce school dropout rates and improve attendance, and 3) Integrate the value of cultural education into the school curriculum for Indian children. Funding authorized by Indian Education Act of 1988, Title V, Part C, Subpart 1, as amended, Public Law 100-297 and 93-638, 25 U. S. C. 2601-2606.

Indian Education-Special Programs (25194). To encourage eligible entities to provide or maintain a guarantee to eligible low-income students who obtain a secondary diploma, of the financial assistance necessary to permit the student to attend an institution of higher education; and provide additional support services to students who are at risk of dropping out of school. Funding authority by the Higher Education act, Title IV, Part A, Subpart 2, Chapter 2, Public Law 105-244.

Farm to School Planning Grant (25208). The purpose of the USDA Farm to School Grant Program is to assist eligible entities in implementing farm to school programs that improve access to local foods in eligible schools. The fund was created by federal grant provisions.

Dual Credit Instructional Materials (27103). To provide financial assistance to purchased instructional materials for the college classes offered to students who are taking them for dual credits. The fund was created by the authority of state grant provisions.

GO Student Library (27107). To account for revenues and expenditures from a state grant to provide for public school and juvenile detention libraries. The funding made available to update and expand library collections in order to circulate and provide access of materials to students and teachers. Funding provided by a general obligation bond. The fund was created by the State of New Mexico.

NM Reads to Lead (27114). To account for revenue and expenditures received from a state grant for the purpose of improving skills of young students in the area of reading. The fund was created by the authority of state grant provisions.

Truancy Prevention (27141). This grant is divided into two sections; School Based Law Enforcement and School Based Family Center. The purpose was to provide staff training in truancy prevention and strategies to deal with students to improve school attendance. Resources were also available to assist families in developing strategies to improve their children's school attendance. Funding was provided by the School Health Unit of the State of New Mexico.

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

Indian Education Act (27150). To account for funds to be used for the to implement the Culture Base Education Program for American Indian students. The fund was created by state grant provisions.

Breakfast for Elementary (27155). To account for revenues and expenditures from a state grant for the purpose of providing a free breakfast to elementary students. The fund was created by state grant provisions.

College Counselor Initiative (27189). To account for funds provided by the New Mexico Public Education Department to support College Counselors in public schools. The fund was created by the authority of state grant provisions.

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

Grads Plus Teenage Parents (28190). To account for a program funded by the Public Education Department for the purpose to establish and maintain an in-school, family and consumer science instruction and intervention program for pregnant and parenting students, which focuses on knowledge and skills related to positive self, pregnancy, parenting and economic independence. Authority for the creation of this fund is the New Mexico GRADS System.

Grads Plus (28203). The purpose of this fund is to support a shared case management model between the High School GRADS program and school and community partners. Authority for the creation of this fund is the New Mexico GRADS System.

Farm to Table (29102). The account for a grant to purchase fresh fruit and vegetables. The fund was created by grant provisions.

Capital Projects Funds

Senate Bill-Nine-State (31700). The revenues are derived state funding. Expenditures are restricted to capital improvements, maintenance of the facilities and supplies.

Senate Bill-Nine-Local (31701). The revenues are derived from local ad-valorem taxes. Expenditures are restricted to capital improvements, furniture and equipment associated with the capital improvement, purchasing and improving school grounds, maintenance of the facilities, purchase of activity vehicles, the purchase of computers and software for the newly purchased computers, and payments for leasing equipment with the option to purchase said equipment at the end of the lease.

State of New Mexico
Magdalena Municipal Schools
 Nonmajor Funds
 Combining Balance Sheet
 June 30, 2018

	Special Revenue Fund		
	Food Service 21000	Athletics 22000	IDEA B Entitlement 24106
Assets			
Cash and Cash Equivalents	\$ 4,431	\$ 41,464	\$ 0
Receivables			
Property Taxes	0	0	0
Due From Grantor	0	0	57,696
Inventory	2,639	0	0
Total Assets	<u>\$ 7,070</u>	<u>\$ 41,464</u>	<u>\$ 57,696</u>
Liabilities			
Accounts Payable	\$ 0	\$ 0	\$ 0
Interfund Balance	0	0	57,696
Total Liabilities	<u>0</u>	<u>0</u>	<u>57,696</u>
Deferred Inflows of Resources			
Unavailable Revenue	0	0	0
Total Deferred Inflows of Resources	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances			
Nonspendable-Inventory	2,639	0	0
Restricted for			
Special Revenue	4,431	41,464	0
Capital Projects	0	0	0
Unassigned	0	0	0
Total Fund Balances	<u>7,070</u>	<u>41,464</u>	<u>0</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 7,070</u>	<u>\$ 41,464</u>	<u>\$ 57,696</u>

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

State of New Mexico
Magdalena Municipal Schools
 Nonmajor Funds
 Combining Balance Sheet
 June 30, 2018

	Special Revenue Fund		
	IDEA Preschool 24109	IDEA B Early Intervention 24112	Fresh Fruit and Vegetables 24118
Assets			
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 0
Receivables			
Property Taxes	0	0	0
Due From Grantor	8,521	4,974	4,800
Inventory	0	0	0
Total Assets	\$ 8,521	\$ 4,974	\$ 4,800
Liabilities			
Accounts Payable	\$ 0	\$ 0	\$ 0
Interfund Balance	8,521	4,974	4,800
Total Liabilities	8,521	4,974	4,800
Deferred Inflows of Resources			
Unavailable Revenue	0	0	0
Total Deferred Inflows of Resources	0	0	0
Fund Balances			
Nonspendable-Inventory	0	0	0
Restricted for			
Special Revenue	0	0	0
Capital Projects	0	0	0
Unassigned	0	0	0
Total Fund Balances	0	0	0
Total Liabilities, Deferred Inflows and Fund Balances	\$ 8,521	\$ 4,974	\$ 4,800

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

State of New Mexico
Magdalena Municipal Schools
 Nonmajor Funds
 Combining Balance Sheet
 June 30, 2018

	Special Revenue Fund		
	IDEA B Results Plan 24132	Teacher Principal Training 24154	Rural & Low Income 24160
Assets			
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 0
Receivables			
Property Taxes	0	0	0
Due From Grantor	16,977	20,043	5,551
Inventory	0	0	0
Total Assets	\$ 16,977	\$ 20,043	\$ 5,551
Liabilities			
Accounts Payable	\$ 0	\$ 0	\$ 0
Interfund Balance	16,977	20,043	5,551
Total Liabilities	16,977	20,043	5,551
Deferred Inflows of Resources			
Unavailable Revenue	0	0	0
Total Deferred Inflows of Resources	0	0	0
Fund Balances			
Nonspendable-Inventory	0	0	0
Restricted for			
Special Revenue	0	0	0
Capital Projects	0	0	0
Unassigned	0	0	0
Total Fund Balances	0	0	0
Total Liabilities, Deferred Inflows and Fund Balances	\$ 16,977	\$ 20,043	\$ 5,551

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

State of New Mexico
Magdalena Municipal Schools
 Nonmajor Funds
 Combining Balance Sheet
 June 30, 2018

	Special Revenue Fund		
	Academic Enrichment Program 24189	Johnson O'Malley 25131	Impact-Aid Special Education 25145
Assets			
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 4,347
Receivables			
Property Taxes	0	0	0
Due From Grantor	15,442	7,348	0
Inventory	0	0	0
Total Assets	\$ 15,442	\$ 7,348	\$ 4,347
Liabilities			
Accounts Payable	\$ 0	\$ 0	\$ 0
Interfund Balance	15,442	7,348	0
Total Liabilities	15,442	7,348	0
Deferred Inflows of Resources			
Unavailable Revenue	0	0	0
Total Deferred Inflows of Resources	0	0	0
Fund Balances			
Nonspendable-Inventory	0	0	0
Restricted for			
Special Revenue	0	0	4,347
Capital Projects	0	0	0
Unassigned	0	0	0
Total Fund Balances	0	0	4,347
Total Liabilities, Deferred Inflows and Fund Balances	\$ 15,442	\$ 7,348	\$ 4,347

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

State of New Mexico
Magdalena Municipal Schools
 Nonmajor Funds
 Combining Balance Sheet
 June 30, 2018

	Special Revenue Fund		
	Impact-Aid Indian Education 25147	Medicaid 25153	Indian Education Formula 25184
Assets			
Cash and Cash Equivalents	\$ 1,724	\$ 102,588	\$ 325
Receivables			
Property Taxes	0	0	0
Due From Grantor	0	0	0
Inventory	0	0	0
Total Assets	\$ 1,724	\$ 102,588	\$ 325
Liabilities			
Accounts Payable	\$ 108	\$ 0	\$ 0
Interfund Balance	0	0	0
Total Liabilities	108	0	0
Deferred Inflows of Resources			
Unavailable Revenue	0	0	325
Total Deferred Inflows of Resources	0	0	325
Fund Balances			
Nonspendable-Inventory	0	0	0
Restricted for			
Special Revenue	1,616	102,588	0
Capital Projects	0	0	0
Unassigned	0	0	0
Total Fund Balances	1,616	102,588	0
Total Liabilities, Deferred Inflows and Fund Balances	\$ 1,724	\$ 102,588	\$ 325

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

State of New Mexico
Magdalena Municipal Schools
 Nonmajor Funds
 Combining Balance Sheet
 June 30, 2018

	Special Revenue Fund		
	Indian Education Special- Projects 25194	Farm to School 25208	Duel Credit Instructional Materials 27103
Assets			
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 0
Receivables			
Property Taxes	0	0	0
Due From Grantor	0	50,887	358
Inventory	0	0	0
Total Assets	\$ 0	\$ 50,887	\$ 358
Liabilities			
Accounts Payable	\$ 0	\$ 2,522	\$ 0
Interfund Balance	0	48,365	358
Total Liabilities	0	50,887	358
Deferred Inflows of Resources			
Unavailable Revenue	0	0	0
Total Deferred Inflows of Resources	0	0	0
Fund Balances			
Nonspendable-Inventory	0	0	0
Restricted for			
Special Revenue	0	0	0
Capital Projects	0	0	0
Unassigned	0	0	0
Total Fund Balances	0	0	0
Total Liabilities, Deferred Inflows and Fund Balances	\$ 0	\$ 50,887	\$ 358

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

State of New Mexico
Magdalena Municipal Schools
 Nonmajor Funds
 Combining Balance Sheet
 June 30, 2018

	Special Revenue Fund		
	GO Student Library 27107	NM Reads to Lead 27114	Truancy Prevention 27141
Assets			
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 0
Receivables			
Property Taxes	0	0	0
Due From Grantor	118	9,712	28,227
Inventory	0	0	0
Total Assets	\$ 118	\$ 9,712	\$ 28,227
Liabilities			
Accounts Payable	\$ 0	\$ 0	\$ 0
Interfund Balance	118	9,712	28,227
Total Liabilities	118	9,712	28,227
Deferred Inflows of Resources			
Unavailable Revenue	0	0	0
Total Deferred Inflows of Resources	0	0	0
Fund Balances			
Nonspendable-Inventory	0	0	0
Restricted for			
Special Revenue	0	0	0
Capital Projects	0	0	0
Unassigned	0	0	0
Total Fund Balances	0	0	0
Total Liabilities, Deferred Inflows and Fund Balances	\$ 118	\$ 9,712	\$ 28,227

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

State of New Mexico
Magdalena Municipal Schools
 Nonmajor Funds
 Combining Balance Sheet
 June 30, 2018

	Special Revenue Fund		
	Pre-K Initiative 27149	Indian Education Act 27150	Breakfast for Elementary 27155
Assets			
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 0
Receivables			
Property Taxes	0	0	0
Due From Grantor	25,262	22,978	0
Inventory	0	0	0
Total Assets	<u>\$ 25,262</u>	<u>\$ 22,978</u>	<u>\$ 0</u>
Liabilities			
Accounts Payable	\$ 0	\$ 0	\$ 0
Interfund Balance	25,262	22,978	0
Total Liabilities	<u>25,262</u>	<u>22,978</u>	<u>0</u>
Deferred Inflows of Resources			
Unavailable Revenue	0	0	0
Total Deferred Inflows of Resources	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances			
Nonspendable-Inventory	0	0	0
Restricted for			
Special Revenue	0	0	0
Capital Projects	0	0	0
Unassigned	0	0	0
Total Fund Balances	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 25,262</u>	<u>\$ 22,978</u>	<u>\$ 0</u>

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

State of New Mexico
Magdalena Municipal Schools
 Nonmajor Funds
 Combining Balance Sheet
 June 30, 2018

	Special Revenue Fund		
	College Counselor Initiative 27189	Hard to Staff STEM 27195	Grads Plus Teenage Parents 28190
Assets			
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 0
Receivables			
Property Taxes	0	0	0
Due From Grantor	5,489	10,811	0
Inventory	0	0	0
Total Assets	<u>\$ 5,489</u>	<u>\$ 10,811</u>	<u>\$ 0</u>
Liabilities			
Accounts Payable	\$ 0	\$ 0	\$ 0
Interfund Balance	5,489	10,811	0
Total Liabilities	<u>5,489</u>	<u>10,811</u>	<u>0</u>
Deferred Inflows of Resources			
Unavailable Revenue	0	0	0
Total Deferred Inflows of Resources	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances			
Nonspendable-Inventory	0	0	0
Restricted for			
Special Revenue	0	0	0
Capital Projects	0	0	0
Unassigned	0	0	0
Total Fund Balances	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 5,489</u>	<u>\$ 10,811</u>	<u>\$ 0</u>

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

State of New Mexico
Magdalena Municipal Schools
 Nonmajor Funds
 Combining Balance Sheet
 June 30, 2018

	<u>Special Revenue Fund</u>		<u>Capital Projects Fund</u>
	<u>Grads Plus 28203</u>	<u>Farm to Table 29102</u>	<u>Senate Bill Nine-State 31700</u>
Assets			
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 0
Receivables			
Property Taxes	0	0	0
Due From Grantor	0	18,623	50,471
Inventory	0	0	0
Total Assets	\$ 0	\$ 18,623	\$ 50,471
Liabilities			
Accounts Payable	\$ 0	\$ 0	\$ 0
Interfund Balance	0	18,623	50,471
Total Liabilities	0	18,623	50,471
Deferred Inflows of Resources			
Unavailable Revenue	0	0	0
Total Deferred Inflows of Resources	0	0	0
Fund Balances			
Nonspendable-Inventory	0	0	0
Restricted for			
Special Revenue	0	0	0
Capital Projects	0	0	0
Unassigned	0	0	0
Total Fund Balances	0	0	0
Total Liabilities, Deferred Inflows and Fund Balances	\$ 0	\$ 18,623	\$ 50,471

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

State of New Mexico
Magdalena Municipal Schools
 Nonmajor Funds
 Combining Balance Sheet
 June 30, 2018

	<u>Capital Projects Fund</u>	
	<u>Senate Bill Nine-Local 31701</u>	<u>Total</u>
Assets		
Cash and Cash Equivalents	\$ 102,802	\$ 257,681
Receivables		
Property Taxes	28,613	28,613
Due From Grantor	0	364,288
Inventory	0	2,639
Total Assets	<u>\$ 131,415</u>	<u>\$ 653,221</u>
Liabilities		
Accounts Payable	\$ 0	\$ 2,630
Interfund Balance	0	361,766
Total Liabilities	<u>0</u>	<u>364,396</u>
Deferred Inflows of Resources		
Unavailable Revenue	<u>27,982</u>	<u>28,307</u>
Total Deferred Inflows of Resources	<u>27,982</u>	<u>28,307</u>
Fund Balances		
Nonspendable-Inventory	0	2,639
Restricted for		
Special Revenue	0	154,446
Capital Projects	103,433	103,433
Unassigned	0	0
Total Fund Balances	<u>103,433</u>	<u>260,518</u>
 Total Liabilities, Deferred Inflows and Fund Balances	 <u>\$ 131,415</u>	 <u>\$ 653,221</u>

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

State of New Mexico
Magdalena Municipal Schools
 Nonmajor Funds
 Combining Statement of Revenues, Expenditures and
 Changes in Fund Balance
 For the Year Ended June 30, 2018

	Special Revenue Fund		
	Food Service 21000	Athletics 22000	IDEA B Entitlement 24106
Revenues			
Property Taxes	\$ 0	\$ 0	\$ 0
Fees	10,577	36,689	0
State and Local Grants	0	0	0
Federal Grants	208,341	0	99,114
Total Revenues	<u>218,918</u>	<u>36,689</u>	<u>99,114</u>
Expenditures			
Current			
Instruction	0	40,390	68,287
Support Services			
Students	0	0	23,414
Instruction	0	0	7,413
General Administration	0	0	0
School Administration	0	0	0
Operation of Plant	0	0	0
Student Transportation	0	0	0
Food Service Operations	218,092	0	0
Community Service	0	0	0
Total Expenditures	<u>218,092</u>	<u>40,390</u>	<u>99,114</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>826</u>	<u>(3,701)</u>	<u>0</u>
Fund Balances at Beginning of Year	6,244	45,165	0
Restatement	0	0	0
Restated Beginning Fund Balances	<u>6,244</u>	<u>45,165</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 7,070</u>	<u>\$ 41,464</u>	<u>\$ 0</u>

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

State of New Mexico
Magdalena Municipal Schools
 Nonmajor Funds
 Combining Statement of Revenues, Expenditures and
 Changes in Fund Balance
 For the Year Ended June 30, 2018

	Special Revenue Fund		
	IDEA Preschool 24109	IDEA B Early Intervention 24112	Fresh Fruit and Vegetables 24118
Revenues			
Property Taxes	\$ 0	\$ 0	\$ 0
Fees	0	0	0
State and Local Grants	0	0	0
Federal Grants	9,444	4,974	7,521
Total Revenues	<u>9,444</u>	<u>4,974</u>	<u>7,521</u>
Expenditures			
Current			
Instruction	9,444	4,974	0
Support Services			
Students	0	0	0
Instruction	0	0	0
General Administration	0	0	0
School Administration	0	0	0
Operation of Plant	0	0	0
Student Transportation	0	0	0
Food Service Operations	0	0	7,521
Community Service	0	0	0
Total Expenditures	<u>9,444</u>	<u>4,974</u>	<u>7,521</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances at Beginning of Year	0	0	0
Restatement	0	0	0
Restated Beginning Fund Balances	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

State of New Mexico
Magdalena Municipal Schools
 Nonmajor Funds
 Combining Statement of Revenues, Expenditures and
 Changes in Fund Balance
 For the Year Ended June 30, 2018

	Special Revenue Fund		
	IDEA B Results Plan 24132	Teacher Principal Training 24154	Rural & Low Income 24160
Revenues			
Property Taxes	\$ 0	\$ 0	\$ 0
Fees	0	0	0
State and Local Grants	0	0	0
Federal Grants	34,688	20,043	5,551
Total Revenues	<u>34,688</u>	<u>20,043</u>	<u>5,551</u>
Expenditures			
Current			
Instruction	34,688	19,711	5,551
Support Services			
Students	0	0	0
Instruction	0	0	0
General Administration	0	332	0
School Administration	0	0	0
Operation of Plant	0	0	0
Student Transportation	0	0	0
Food Service Operations	0	0	0
Community Service	0	0	0
Total Expenditures	<u>34,688</u>	<u>20,043</u>	<u>5,551</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances at Beginning of Year	0	0	0
Restatement	0	0	0
Restated Beginning Fund Balances	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

State of New Mexico
Magdalena Municipal Schools
 Nonmajor Funds
 Combining Statement of Revenues, Expenditures and
 Changes in Fund Balance
 For the Year Ended June 30, 2018

	Special Revenue Fund		
	Academic Enrichment Program 24189	Johnson O'Malley 25131	Impact-Aid Special Education 25145
Revenues			
Property Taxes	\$ 0	\$ 0	\$ 0
Fees	0	0	0
State and Local Grants	0	0	0
Federal Grants	15,442	12,259	32,130
Total Revenues	<u>15,442</u>	<u>12,259</u>	<u>32,130</u>
Expenditures			
Current			
Instruction	15,442	10,405	3,362
Support Services			
Students	0	0	25,599
Instruction	0	0	0
General Administration	0	634	1,389
School Administration	0	0	664
Operation of Plant	0	0	0
Student Transportation	0	0	0
Food Service Operations	0	0	0
Community Service	0	1,220	0
Total Expenditures	<u>15,442</u>	<u>12,259</u>	<u>31,014</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>0</u>	<u>0</u>	<u>1,116</u>
Fund Balances at Beginning of Year	0	0	3,231
Restatement	0	0	0
Restated Beginning Fund Balances	<u>0</u>	<u>0</u>	<u>3,231</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 4,347</u>

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

State of New Mexico
Magdalena Municipal Schools
 Nonmajor Funds
 Combining Statement of Revenues, Expenditures and
 Changes in Fund Balance
 For the Year Ended June 30, 2018

	Special Revenue Fund		
	Impact-Aid Indian Education 25147	Medicaid 25153	Indian Education Formula 25184
Revenues			
Property Taxes	\$ 0	\$ 0	\$ 0
Fees	0	119,268	0
State and Local Grants	0	0	0
Federal Grants	115,994	0	28,607
Total Revenues	<u>115,994</u>	<u>119,268</u>	<u>28,607</u>
Expenditures			
Current			
Instruction	56,922	0	28,607
Support Services			
Students	10,364	52,550	0
Instruction	0	0	0
General Administration	52	3,393	0
School Administration	63,422	0	0
Operation of Plant	0	0	0
Student Transportation	0	0	0
Food Service Operations	0	0	0
Community Service	400	0	0
Total Expenditures	<u>131,160</u>	<u>55,943</u>	<u>28,607</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(15,166)</u>	<u>63,325</u>	<u>0</u>
Fund Balances at Beginning of Year	16,782	39,263	0
Restatement	0	0	0
Restated Beginning Fund Balances	<u>16,782</u>	<u>39,263</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 1,616</u>	<u>\$ 102,588</u>	<u>\$ 0</u>

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

State of New Mexico
Magdalena Municipal Schools
 Nonmajor Funds
 Combining Statement of Revenues, Expenditures and
 Changes in Fund Balance
 For the Year Ended June 30, 2018

	Special Revenue Fund		
	Indian Education Special- Projects 25194	Farm to School 25208	Duel Credit Instructional Materials 27103
Revenues			
Property Taxes	\$ 0	\$ 0	\$ 0
Fees	0	0	0
State and Local Grants	0	0	1,409
Federal Grants	0	53,475	0
Total Revenues	<u>0</u>	<u>53,475</u>	<u>1,409</u>
Expenditures			
Current			
Instruction	0	43,938	1,409
Support Services			
Students	0	0	0
Instruction	0	0	0
General Administration	0	2,605	0
School Administration	0	5,972	0
Operation of Plant	0	0	0
Student Transportation	0	0	0
Food Service Operations	0	960	0
Community Service	0	0	0
Total Expenditures	<u>0</u>	<u>53,475</u>	<u>1,409</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances at Beginning of Year	0	0	0
Restatement	0	0	0
Restated Beginning Fund Balances	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

State of New Mexico
Magdalena Municipal Schools
 Nonmajor Funds
 Combining Statement of Revenues, Expenditures and
 Changes in Fund Balance
 For the Year Ended June 30, 2018

	Special Revenue Fund		
	GO Student Library 27107	NM Reads to Lead 27114	Truancy Prevention 27141
Revenues			
Property Taxes	\$ 0	\$ 0	\$ 0
Fees	0	0	0
State and Local Grants	172	20,620	44,852
Federal Grants	0	0	0
Total Revenues	<u>172</u>	<u>20,620</u>	<u>44,852</u>
Expenditures			
Current			
Instruction	0	20,620	44,852
Support Services			
Students	0	0	0
Instruction	172	0	0
General Administration	0	0	0
School Administration	0	0	0
Operation of Plant	0	0	0
Student Transportation	0	0	0
Food Service Operations	0	0	0
Community Service	0	0	0
Total Expenditures	<u>172</u>	<u>20,620</u>	<u>44,852</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances at Beginning of Year	0	0	0
Restatement	0	0	0
Restated Beginning Fund Balances	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

State of New Mexico
Magdalena Municipal Schools
 Nonmajor Funds
 Combining Statement of Revenues, Expenditures and
 Changes in Fund Balance
 For the Year Ended June 30, 2018

	Special Revenue Fund		
	Pre-K Initiative 27149	Indian Education Act 27150	Breakfast for Elementary 27155
Revenues			
Property Taxes	\$ 0	\$ 0	\$ 0
Fees	0	0	0
State and Local Grants	52,132	41,264	581
Federal Grants	0	0	0
Total Revenues	<u>52,132</u>	<u>41,264</u>	<u>581</u>
Expenditures			
Current			
Instruction	41,258	41,264	0
Support Services			
Students	0	0	0
Instruction	0	0	0
General Administration	0	0	0
School Administration	0	0	0
Operation of Plant	0	0	0
Student Transportation	10,874	0	0
Food Service Operations	0	0	581
Community Service	0	0	0
Total Expenditures	<u>52,132</u>	<u>41,264</u>	<u>581</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances at Beginning of Year	0	0	0
Restatement	0	0	0
Restated Beginning Fund Balances	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

State of New Mexico
Magdalena Municipal Schools
 Nonmajor Funds
 Combining Statement of Revenues, Expenditures and
 Changes in Fund Balance
 For the Year Ended June 30, 2018

	Special Revenue Fund		
	College Counselor Initiative 27189	Hard to Staff STEM 27195	Grads Plus Teenage Parents 28190
Revenues			
Property Taxes	\$ 0	\$ 0	\$ 0
Fees	0	0	0
State and Local Grants	26,090	21,263	1,000
Federal Grants	0	0	0
Total Revenues	<u>26,090</u>	<u>21,263</u>	<u>1,000</u>
Expenditures			
Current			
Instruction	0	21,263	1,000
Support Services			
Students	26,090	0	0
Instruction	0	0	0
General Administration	0	0	0
School Administration	0	0	0
Operation of Plant	0	0	0
Student Transportation	0	0	0
Food Service Operations	0	0	0
Community Service	0	0	0
Total Expenditures	<u>26,090</u>	<u>21,263</u>	<u>1,000</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances at Beginning of Year	0	0	0
Restatement	0	0	0
Restated Beginning Fund Balances	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

State of New Mexico
Magdalena Municipal Schools
 Nonmajor Funds
 Combining Statement of Revenues, Expenditures and
 Changes in Fund Balance
 For the Year Ended June 30, 2018

	Special Revenue Fund		Capital Projects Fund
	Grads Plus 28203	Farm to Table 29102	Senate Bill Nine-State 31700
Revenues			
Property Taxes	\$ 0	\$ 0	\$ 0
Fees	0	0	0
State and Local Grants	0	18,642	112,284
Federal Grants	0	0	0
Total Revenues	<u>0</u>	<u>18,642</u>	<u>112,284</u>
Expenditures			
Current			
Instruction	0	0	42,664
Support Services			
Students	0	0	0
Instruction	0	0	0
General Administration	0	0	0
School Administration	0	0	0
Operation of Plant	0	0	69,620
Student Transportation	0	0	0
Food Service Operations	0	16,181	0
Community Service	0	0	0
Total Expenditures	<u>0</u>	<u>16,181</u>	<u>112,284</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>0</u>	<u>2,461</u>	<u>0</u>
Fund Balances at Beginning of Year	1,246	(2,461)	0
Restatement	(1,246)	0	0
Restated Beginning Fund Balances	<u>0</u>	<u>(2,461)</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

State of New Mexico
Magdalena Municipal Schools
 Nonmajor Funds
 Combining Statement of Revenues, Expenditures and
 Changes in Fund Balance
 For the Year Ended June 30, 2018

	<u>Capital Projects Fund</u>	
	<u>Senate Bill Nine-Local 31701</u>	<u>Total</u>
Revenues		
Property Taxes	\$ 60,971	\$ 60,971
Fees	0	166,534
State and Local Grants	0	340,309
Federal Grants	0	647,583
Total Revenues	<u>60,971</u>	<u>1,215,397</u>
Expenditures		
Current		
Instruction	0	556,051
Support Services		
Students	0	138,017
Instruction	0	7,585
General Administration	616	9,021
School Administration	0	70,058
Operation of Plant	21,592	91,212
Student Transportation	0	10,874
Food Service Operations	0	243,335
Community Service	0	1,620
Total Expenditures	<u>22,208</u>	<u>1,127,773</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>38,763</u>	<u>87,624</u>
Fund Balances at Beginning of Year	64,670	174,140
Restatement	0	(1,246)
Restated Beginning Fund Balances	<u>64,670</u>	<u>172,894</u>
Fund Balance End of Year	<u>\$ 103,433</u>	<u>\$ 260,518</u>

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

Other Supplemental Information

Fiduciary Fund

Activity Trust Fund

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

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

	Balance 6/30/17	Additions	Deductions	Balance 6/30/18
Assets				
9000 Administration	\$ 0	\$ 9,748	\$ 7,453	\$ 2,295
9001 Yearbook	2,365	2,225	1,443	3,146
9002 Elementary	3,761	4,546	3,088	5,220
9003 FFA	25	6,752	6,416	360
9004 Football	1,777	6,591	6,454	1,913
9005 Library	3,555	2,205	2,565	3,195
9006 Flower Fund	404	350	555	199
9007 National Honor Society	354	189	39	504
9008 Native American Club-High School	46	48	68	25
9009 Native American Club-Middle School	639	0	0	639
9010 Native American Club-Elementary	229	197	144	281
9011 SPED	1,016	2,072	2,056	1,032
9012 Class of 2022	983	1,080	974	1,089
9013 Volleyball	3,315	10,194	7,778	5,731
9014 Class of 2023	575	60	75	560
9015 High School Student Council	690	601	1,041	250
9016 Class of 2021	245	1,576	300	1,521
9017 Concessions	18,634	47,139	33,513	32,261
9018 Boys Basketball	0	18,059	15,864	2,195
9019 Magdalena Alumni Scholarship	0	510	0	510
9020 Class of 2018	1,362	1,279	2,430	211
9021 Class of 2019	2,857	588	1,433	2,012
9022 Class of 2020	931	1,458	982	1,407
9023 Parent Advisory Council	474	3,819	2,155	2,138
9024 Class of 2012	805	2,881	2,656	1,030
9025 MESA	29	0	0	29
9026 MMS Scholarship	4,467	1,250	2,500	3,217
9027 Girls Basketball	552	6,212	4,908	1,857
9028 Renaissance Program-High School	7,129	95	4,995	2,229
9029 Renaissance Program-Elementary	1,156	0	562	594
9030 Educators Scholarship	3,010	3,540	1,800	4,750
9031 Close Up	1,069	0	0	1,069
9032 Clint Benjamin Memorial	536	3,134	1,500	2,170
9033 Robo Club	1,368	1,976	1,408	1,936
9034 Cheerleaders	2,900	892	1,336	2,456
9035 High School Account	2,626	979	1,352	2,253
9036 Auto Shop	18,748	42,926	48,294	13,380
9037 Board of Education Scholarship	1,386	0	0	1,386
9038 Class of 2024	0	6	0	6
9040 Incentives	2,450	0	762	1,688
9042 SAP	659	0	0	659
9043 Rodeo Club	\$ 267	\$ 465	\$ 250	\$ 482

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

	Balance 6/30/17	Additions	Deductions	Balance 6/30/18
9060 Benefits	\$ 219	\$	\$ 219	\$ 0
9062 Garden Club	406	1,007	0	1,413
9063 Astronomy Club	0	348	167	181
9064 Auto Shop Scholarship	13,398	0	0	13,398
9066 PBS	950	797	1,177	570
9067 Mid/High Science Club	249	755	1,004	0
9068 Letterman's Club	512	0	0	512
9069 Spanish Club	1,101	0	45	1,056
9072 Rocket Club	2,338	2,084	3,056	1,365
9073 Baseball	3,497	3,692	3,661	3,528
9074 Box Tops for Education	2,202	114	898	1,418
9075 NRAO Science Donation	479	500	778	200
9076 Track	919	2,637	3,203	353
9077 Meteorology Club	0	443	311	132
9078 Class of 2017	98	1,544	0	1,642
9098 District 3-AA	8,246	13,487	21,733	0
9099 Gaming Account	203	6,014	5,851	366
Total Assets	<u>\$ 128,209</u>	<u>\$ 219,062</u>	<u>\$ 211,252</u>	<u>\$ 136,019</u>
 Liabilities				
Deposits Held for Others	<u>\$ 128,209</u>	<u>\$ 219,062</u>	<u>\$ 211,252</u>	<u>\$ 136,019</u>
Total Liabilities	<u>\$ 128,209</u>	<u>\$ 219,062</u>	<u>\$ 211,252</u>	<u>\$ 136,019</u>

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

State of New Mexico
Magdalena Municipal Schools
Cash Reconciliation-All Funds
For the Year Ended June 30, 2018

		Beginning Cash 6/30/17	Revenue	Expenditures	Ending Cash 6/30/18
Operational	11000	\$ 675,202	\$ 3,938,897	\$ 3,806,388	\$ 807,711
Teacherage	12000	487	9,875	938	9,424
Transportation	13000	9	317,254	317,254	9
Instructional Materials	14000	7,389	9,970	9,476	7,883
Food Services	21000	3,550	204,490	203,609	4,431
Athletics	22000	45,165	36,689	40,390	41,464
Agency Funds	23000	128,208	219,062	211,252	136,018
Federal Flow through	24000	(332,799)	519,853	507,059	(320,005)
Federal Direct	25000	58,879	305,275	310,881	53,273
State Flow through	27000	(90,345)	195,768	208,382	(102,959)
State Direct	28000	(1,585)	2,585	1,000	0
State & Local Grants	29000	(12,296)	12,316	18,642	(18,622)
Senate Bill Nine-State	31700	(9,989)	71,803	112,284	(50,470)
Senate Bill Nine-Local	31701	63,514	61,610	22,322	102,802
Debt Service	41000	82,343	263,758	266,294	79,807
		<u>\$ 617,732</u>	<u>\$ 6,169,205</u>	<u>\$ 6,036,172</u>	<u>\$ 750,766</u>

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

Federal Compliance

State of New Mexico
Magdalena Municipal Schools
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2018

Federal Agency/Pass Through Grantor/Program Title	Federal CFDA Number	State ID Number	Total Federal Awards Expended
<u>U. S. Department of Agriculture</u>			
Pass-through State Public Education Department:			
Child Nutrition Cluster			
School Breakfast Program	10.553	21000	\$ 62,944
National School Lunch Program	10.555	21000	122,786
Pass-through Children, Youth and Families Department:			
National School Lunch Program	10.555	21000	8,182
Pass-through State Department of Human Services:			
Commodity Supplemental Food Program	10.565	21000	(1) 14,429
			<u>208,341</u>
Pass-through State Public Education Department:			
Fresh Fruits and Vegetables	10.582	24118	7,521
Direct Program			
Rural Development, Forestry, and Communities	10.672	11000	50,170
Farm to School	10.575	25208	53,475
Total U. S. Department of Agriculture			<u>319,507</u>
<u>U. S. Department of Education</u>			
Pass-through State Public Education Department:			
Special Education Cluster			
IDEA B Entitlement	84.027	24106	99,114
IDEA B Early Intervention	84.027	24112	4,974
IDEA B Results Plan	84.027	24132	34,688
IDEA Preschool	84.173	24109	9,444
			<u>148,220</u>
Title I			
Supporting Effective Instruction	84.010	24101	306,179
Rural & Low Income	84.367	24154	20,043
Academic Enrichment Program	84.358	24160	5,551
Academic Enrichment Program	84.424	24189	15,442
Direct Program			
Impact Aid	84.041	11000	463,725
Impact Aid-Special Education	84.041	25145	32,130
Impact Aid-Indian Education	84.041	25147	115,994
Indian Education Formula Grant	84.060	25184	28,607
Total U. S. Department of Education			<u>1,135,891</u>
<u>U. S. Department of Interior</u>			
Pass-through State Public Education Department:			
Johnson O'Malley	15.130	25131	12,259
Total Federal Assistance			<u>\$ 1,467,657</u>

(1) Non-cash assistance

See accompanying notes to the Schedule of Expenditures of Federal Awards

State of New Mexico

Magdalena Municipal Schools

Notes to the Schedule of Expenditures of Federal Awards

June 30, 2018

Note 1: Significant Accounting Policies used in preparing the Schedule of Expenditure of Federal Awards

The modified accrual basis was used to prepare the Schedule of Expenditures of Federal Awards

Note 2: Insurance Requirements

There are no insurance requirements on the federal awards disclosed on the Schedule of Expenditures of Federal Awards

Note 3: Loans or Loan Guarantees

There were no loans or loan guarantees outstanding at year end.

Note 4: De Minimis Indirect Rate

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

Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed
In Accordance with *Government Auditing Standards*

Independent Auditor's Report

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

Mr. Johnson and Members of the Board

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general and major special revenue funds, of the Magdalena Municipal Schools (District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 6, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs, that we consider to be significant deficiencies. 2018-002

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 are described in the accompanying Schedule of Findings and Questioned Costs as item 2018-001, 2018-002, 2018-003

District's Responses to Findings

The District's responses to the findings identified in our audit as described in the accompanying Schedule of Findings and Questioned Cost. 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 results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

De'Aun Willoughby, CPA, PC

Clovis, New Mexico
November 6, 2018

Report on Compliance With Requirements
Applicable To Each Major Program and Internal Control
Over Compliance in Accordance With OMB Uniform Guidance

Independent Auditor's Report

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

Mr. Johnson and Members of the Board

Report on Compliance for Each Major Federal Program

We have audited Magdalena Municipal Schools (District) compliance with the types of compliance requirements described in the Title 2 U.S. CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2018. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements. 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 in the 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 that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB 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.

De'Aun Willoughby, CPA, PC

Clovis, New Mexico
November 6, 2018

A. Summary of Audit Results

Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting

* Material weaknesses identified? No

* Significant deficiencies identified? Yes

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

* Material weaknesses identified? No

* Significant deficiencies identified? 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 Uniform Guidance No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program of Cluster</u>
84.041	Impact Aid

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

Audited qualified as low risk Auditee Yes

	Federal Compliance Findings	
Prior Year Audit Findings		None
Current Year Audit Findings		None

	Financial Statements Findings	<u>Status</u>
Prior Year Audit Findings		
2017-001 Pledged Collateral		Resolved

Current Year Audit Findings
2018-001 PED Cash - Other Non-Compliance

Condition
 The District's submitted PED Cash Report at year end did not properly reflect the June 30, 2018 reconciled cash balances. The PED cash balance report was over stated by \$286.31.

Criteria
 6.20.2.11 (B) (6) NMAC and Regulation SBE-6 the reports sent to the New Mexico Public Education Department (PED) must agree to the District's general ledger and must be submitted quarterly and annually by July 31.

Cause
 PED is requiring the Business Manager to use the rounded cash balance from the audited balance sheets plus the accounts payable amount reported as a liability. This is not an audited cash balance. The cash reconciliation schedule on page 86 is the correct cash balances. We are required by 2.2.2.12 C.(3)(b) "The audit report of each school district shall include a cash reconciliation schedule which reconciles the cash balance as of the end of the previous fiscal year to the cash balance as of the end of the current fiscal year." This schedule also has to agree to the cash reported on the financial statements. In some cases if the auditor determines expenditures were made after the end of the fiscal year but dated June 30th, the cash may be restored and the payables shown as liabilities. If this occurs, the cash reconciliation schedule must include the payables as a reconciling item.

Effect
 The District is not in compliance with NMAC 6.20.2.11 (b) (6) and Regulation SBE-6. Noncompliance may result in poor decision making by the District's governing board.

Recommendation
 The Business Manager should always report the reconciled cash balances to PED.

Response
 The District is required to submit cash reports according to PED requirements. We will continue to work with our budget analyst regarding this issue.

Responsible Party and Timeline
 The Business Manager will work on this issue during the fiscal year.

2018-002 Prepaying for Services not Rendered-Compliance and Internal Control-Significant Deficiency Condition

Twelve month employees are receiving a paycheck on July 1st, the first day of their contracts before they have earned the compensation. Estimated amount of amount prepaid totaled \$29,953.

Criteria

The New Mexico Criminal Code makes it a fourth-degree felony for a public official to pay public money for services that have not been rendered. "Paying or receiving public money for services not rendered consists of knowingly making or receiving payment or causing payment to be made from public funds where such payment purports to be for wages, salary or remuneration for personal services [services] which have not in fact been rendered." NMSA 1978, § 30-23-2.

Cause

The business manager has been taught that all contracts must be paid out as of June 30th each year. In an effort to pay the 26th installment before the year end, that payment occurs in the middle of June. To accommodate the twelve month employees, the first installment on the next year's contracts is paid on July 1st. Employees are being paid days before wages are earned.

Effect

Paying wages before earned is a violation of NMSA 1978 30-23-2. If an employee terminates, the District may not recover the unearned wages the employee has received and the employee will have received payment for services they have not rendered.

Recommendation

Although this auditor agrees that it would be a hardship to correct the paydays to match the pay periods, statute requires such adjustment to be made. It is a very serious issue to continue in this manner and it could potentially subject District personnel to criminal implications.

Response

The district will work on correcting our payroll calendar so that no services are paid out before rendered.

Responsible Party and Timeline

Business Manager, along with the Superintendent will implement a new pay schedule effective July 1, 2019.

2018-003 Official Transcripts - Other Non-Compliance

Condition

3 of the 20 employees that are required to have official transcripts had unofficial copies in their personnel files.

Criteria

As per school policy G-1650 © GBJ Personnel Records and Files-Professional employees are required to supply the District office with current and complete official transcripts of all college credits.

Cause

District personnel consider copies of official transcripts to be official.

Effect

The District is in violation of their own policy.

Recommendation

We recommend that personnel files are reviewed and obtain official transcripts for all professional employees.

Response

The District will ensure that official transcripts are received.

Responsible Party and Timeline

The HR director will work on this issue and will have it resolved by the end of the fiscal year.

Financial Statement Preparation

The financial statements were prepared by De'Aun Willoughby CPA. However, they are the responsibility of management.

Exit Conference

An exit conference was held on November 6, 2018. Those present were Dr. Glenn Haven-Superintendent, Kelby Stephens-Board Member, Keri James-Audit Committee Member, Dorothy Zamora-Business Manager and De'Aun Willoughby, CPA.