

STATE OF NEW MEXICO
MAXWELL MUNICIPAL SCHOOLS



ANNUAL FINANCIAL REPORT

JUNE 30, 2017

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INTRODUCTORY SECTION

STATE OF NEW MEXICO
MAXWELL MUNICIPAL SCHOOLS
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STATE OF NEW MEXICO
MAXWELL MUNICIPAL SCHOOLS
OFFICIAL ROSTER
FOR THE YEAR ENDED JUNE 30, 2017

| <u>Name</u> | | <u>Title</u> |
|--------------------|----------------------------------|--------------------------|
| | <u>School Board</u> | |
| Mary Lou Kern | | President |
| Randy Casper | | Vice-President |
| Monica Hoy | | Secretary/Treasurer |
| Clint Kuchan | | Member |
| Frank Taylor | | Member |
| | <u>District Officials</u> | |
| Kristen Forrester | | Superintendent |
| John Ward | | Principal |
| Yolanda Trujillo | | Administrative Assistant |
| Susan Robinson | | Business Manager |

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Timothy Keller, New Mexico State Auditor
The Office of Management and Budget
And the Board of Education of
Maxwell Municipal Schools
Maxwell, NM

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue fund of Maxwell Municipal Schools, (the "District") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control, and accordingly, no such opinion is expressed.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2017, and the respective changes in financial position and where applicable, cash flows thereof and the respective budgetary comparisons for the general fund and the major special revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America requires the Schedules I and II and the notes to the Required Supplementary Information on pages 44 through 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the District's financial statements that collectively comprise the District's basic financial statements. The combining and individual fund financial statements and other supplemental information required by 2.2.2 NMAC, Schedules III through VI are presented for the purposes of additional analysis and are not a required part of the financial statements.

Schedules III through VI on pages 63 through 68 required by 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, Schedules III through VI required by 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section on pages i through iii have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2017 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.

Manning Accounting and Consulting Services, LLC

Manning Accounting and Consulting Services, LLC

Kirtland, New Mexico

October 17, 2017

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BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
MAXWELL MUNICIPAL SCHOOLS
STATEMENT OF NET POSITION
JUNE 30, 2017

Exhibit A-1

| | <u>Primary Government</u> |
|---|--|
| | <u>Governmental</u> <u>Activities</u> |
| ASSETS | |
| <i>Current Assets</i> | |
| Cash and temporary investments | \$ 278,072 |
| Receivables (net of allowance for uncollectibles) | 71,435 |
| Inventory | 4,155 |
| <i>Total current assets</i> | <u>353,662</u> |
| <i>Noncurrent assets</i> | |
| Restricted cash | 4,764 |
| Capital assets (net of accumulated depreciation) | |
| Land and land improvements | 11,818 |
| Buildings and building improvements | 5,571,471 |
| Furniture, fixtures and equipment | 481,064 |
| Less: accumulated depreciation | <u>(3,784,835)</u> |
| <i>Total noncurrent assets</i> | <u>2,284,282</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Pension - change in proportion | 153,010 |
| Pension - change in assumptions | 64,500 |
| Pension - change in investment experience | 189,138 |
| Pension - change in actuarial experience | 13,747 |
| Pension - employer contributions after measurement date | <u>181,634</u> |
| <i>Total deferred outflows</i> | <u>602,029</u> |
| <i>Total assets and deferred outflows of resources</i> | <u>\$ 3,239,973</u> |
| LIABILITIES | |
| <i>Current liabilities</i> | |
| Accounts payable | \$ 2,749 |
| Accrued payroll liabilities | 146,586 |
| Accrued interest payable | 470 |
| Current maturities of: | |
| Lease purchase note payable | 55,856 |
| Compensated absences | <u>13,061</u> |
| <i>Total current liabilities</i> | <u>218,722</u> |
| <i>Noncurrent liabilities:</i> | |
| Lease purchase note payable | 113,529 |
| Net pension liability | <u>3,168,590</u> |
| <i>Total noncurrent liabilities</i> | <u>3,282,119</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Pension - change in actuarial experiences | 30,137 |
| Pension - change in proportion | <u>29,643</u> |
| <i>Total deferred inflows</i> | <u>59,780</u> |
| NET POSITION | |
| Invested in capital assets | 2,110,133 |
| Restricted for: | |
| Debt service | 6,410 |
| Capital projects | 71,357 |
| Other purposes - special revenue | 19,942 |
| Unrestricted | <u>(2,528,490)</u> |
| <i>Total net position</i> | <u>(320,648)</u> |
| <i>Total liabilities, deferred inflows of resources, and net position</i> | <u>\$ 3,239,973</u> |

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

STATE OF NEW MEXICO
 MAXWELL MUNICIPAL SCHOOLS
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2017

Exhibit A-2

| <u>Functions/Programs</u> | <u>Program Revenues</u> | | | | <u>Net (Expenses) Revenues and Changes in Net Position</u> |
|---|-------------------------|--------------------------------|---|---|--|
| | <u>Expenses</u> | <u>Charges for Service</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> | |
| Primary Government | | | | | |
| Governmental activities: | | | | | |
| Instruction | \$ 1,430,630 | \$ 29,225 | \$ 169,710 | \$ - | \$ (1,231,695) |
| Support services: | | | | | |
| Students | 240,177 | - | 83 | - | (240,094) |
| Instruction | 61,930 | - | 33,162 | - | (28,768) |
| General administration | 224,977 | - | - | - | (224,977) |
| School administration | 142,241 | - | - | - | (142,241) |
| Other | - | - | - | - | - |
| Central services | 110,222 | - | - | - | (110,222) |
| Operation & maintenance of plant | 288,955 | 8,508 | - | (23,660) | (304,107) |
| Student transportation | 69,974 | - | 60,959 | - | (9,015) |
| Food services operations | 86,893 | 2,799 | 51,738 | - | (32,356) |
| Community services | - | - | - | - | - |
| Interest on long-term debt | 1,897 | - | - | - | (1,897) |
| Facilities materials, supplies, & other services | 224,034 | - | - | 29,714 | (194,320) |
| Depreciation - unallocated | - | - | - | - | - |
| Total Primary Government | <u>\$ 2,881,930</u> | <u>\$ 40,532</u> | <u>\$ 315,652</u> | <u>\$ 6,054</u> | <u>(2,519,692)</u> |
| | | | | | |
| | | | General Revenues: | | |
| | | | Property taxes: | | |
| | | | Levied for general purposes | 8,830 | |
| | | | Levied for debt service | 61,014 | |
| | | | Levied for capital projects | 40,741 | |
| | | | State Equalization Guarantee | 1,618,955 | |
| | | | Emergency supplemental | 420,779 | |
| | | | Unrestricted Federal grants | 758 | |
| | | | Unrestricted investment earnings | 293 | |
| | | | Gain on disposal of fixed assets | 1,000 | |
| | | | Miscellaneous | 10,873 | |
| | | | | <u>2,163,243</u> | |
| | | | Total general revenues | | |
| | | | | | <u>(356,449)</u> |
| | | | Change in net position | | |
| | | | Net position - beginning of year | 330,108 | |
| | | | Prior period adjustment | | <u>(294,307)</u> |
| | | | Net position - beginning of year, restated | 35,801 | |
| | | | Net position - end of year | <u>\$ (320,648)</u> | |

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

STATE OF NEW MEXICO
 MAXWELL MUNICIPAL SCHOOLS
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 JUNE 30, 2017

| | General Fund | | | |
|--|----------------------|-------------------------|-------------------------|-------------------------------------|
| | Operational 11000 | Transportation 12000 | Transportation 13000 | Instructional Materials 14000 |
| ASSETS | | | | |
| <i>Current assets:</i> | | | | |
| Cash and temporary investments | \$ 166,389 | \$ 23,775 | \$ - | \$ 2,151 |
| Accounts receivable | | | | |
| Taxes | 534 | - | - | - |
| Due from other governments | - | - | - | - |
| Interfund receivables | 63,333 | - | - | - |
| Inventory | - | - | - | - |
| <i>Total assets</i> | <u>230,256</u> | <u>23,775</u> | <u>-</u> | <u>2,151</u> |
| LIABILITIES | | | | |
| <i>Current liabilities:</i> | | | | |
| Accounts payable | 1,688 | - | - | - |
| Accrued payroll liabilities | 146,586 | - | - | - |
| Interfund payables | - | - | - | - |
| <i>Total liabilities</i> | <u>148,274</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unavailable revenues - property taxes | 352 | - | - | - |
| <i>Total deferred inflows of resources</i> | <u>352</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| FUND BALANCES | | | | |
| Nonspendable | - | - | - | - |
| Restricted for: | | | | |
| Transportation | - | - | - | - |
| Instructional materials | - | - | - | 1,750 |
| Grant mandates | - | - | - | - |
| Capital projects | - | - | - | - |
| Debt service | - | - | - | - |
| Assigned | 70,796 | 23,775 | - | 401 |
| Unassigned | 10,834 | - | - | - |
| <i>Total fund balances</i> | <u>81,630</u> | <u>23,775</u> | <u>-</u> | <u>2,151</u> |
| <i>Total liabilities, deferred inflows of resources, and fund balances</i> | <u>\$ 230,256</u> | <u>\$ 23,775</u> | <u>\$ -</u> | <u>\$ 2,151</u> |

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

STATE OF NEW MEXICO
 MAXWELL MUNICIPAL SCHOOLS
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 JUNE 30, 2017

| | <u>Special Revenue</u> | <u>Capital Projects</u> | | |
|--|--------------------------------------|---|--------------------------------|--------------------------------|
| | New Mexico Reads to Lead 27114 | Educational Technology Equipment Act 31900 | Other Governmental Funds | Total Primary Government |
| ASSETS | | | | |
| <i>Current assets:</i> | | | | |
| Cash and temporary investments | \$ - | \$ 52,046 | \$ 38,475 | \$ 282,836 |
| Accounts receivable | | | | |
| Taxes | - | - | 5,127 | 5,661 |
| Due from other governments | 34,534 | - | 31,240 | 65,774 |
| Interfund receivables | - | - | - | 63,333 |
| Inventory | - | - | 4,155 | 4,155 |
| | <u>-</u> | <u>-</u> | <u>4,155</u> | <u>4,155</u> |
| <i>Total assets</i> | <u>34,534</u> | <u>52,046</u> | <u>78,997</u> | <u>421,759</u> |
| LIABILITIES | | | | |
| <i>Current liabilities:</i> | | | | |
| Accounts payable | - | - | 1,061 | 2,749 |
| Accrued payroll liabilities | - | - | - | 146,586 |
| Interfund payables | 34,534 | - | 28,799 | 63,333 |
| | <u>34,534</u> | <u>-</u> | <u>29,860</u> | <u>212,668</u> |
| <i>Total liabilities</i> | <u>34,534</u> | <u>-</u> | <u>29,860</u> | <u>212,668</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unavailable revenues - property taxes | - | - | 2,378 | 2,730 |
| <i>Total deferred inflows of resources</i> | <u>-</u> | <u>-</u> | <u>2,378</u> | <u>2,730</u> |
| FUND BALANCES | | | | |
| Nonspendable | - | - | 4,155 | 4,155 |
| Restricted for: | | | | |
| Transportation | - | - | - | - |
| Instructional materials | - | - | - | 1,750 |
| Grant mandates | - | - | 9,965 | 9,965 |
| Capital projects | - | 52,046 | 16,933 | 68,979 |
| Debt service | - | - | 3,541 | 3,541 |
| Assigned | - | - | 13,226 | 108,198 |
| Unassigned | - | - | (1,061) | 9,773 |
| | <u>-</u> | <u>52,046</u> | <u>46,759</u> | <u>206,361</u> |
| <i>Total fund balances</i> | <u>-</u> | <u>52,046</u> | <u>46,759</u> | <u>206,361</u> |
| <i>Total liabilities, deferred inflows of resources, and fund balances</i> | <u>\$ 34,534</u> | <u>\$ 52,046</u> | <u>\$ 78,997</u> | <u>\$ 421,759</u> |

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

STATE OF NEW MEXICO
MAXWELL MUNICIPAL SCHOOLS
GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2017

Exhibit B-2

| | <u>Governmental Funds</u> |
|--|-------------------------------|
| Amounts reported for governmental activities in the Statement of Net Position are different because: | |
| Total fund balances - governmental funds | \$ 206,361 |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | |
| The cost of capital assets is | 6,064,353 |
| Accumulated depreciation is | (3,784,835) |
| Contributions to the pension plan are expensed in the governmental funds but are deferred outflows for government-wide statements. | 181,634 |
| Revenues not collected within sixty days after year-end are considered "available" revenues and are shown as deferred revenues on the balance sheet. | |
| Delinquent property taxes | 2,730 |
| Deferred outflows and inflows of resources related to pensions are applicable to future periods and therefore, are not reported in governmental funds. | |
| Deferred outflows of resources related to change in proportion | 153,010 |
| Deferred outflows of resources related to change in assumptions | 64,500 |
| Deferred outflows of resources related to investment experience | 189,138 |
| Deferred outflows of resources related to actuarial experience | 13,747 |
| Deferred inflows of resources related to actuarial experience | (30,137) |
| Deferred inflows of resources related to change in proportion | (29,643) |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in governmental funds. Long-term and other liabilities at year-end consist of: | |
| Accrued interest payable | (470) |
| Lease purchase note payable | (169,385) |
| Accrued compensated absences | (13,061) |
| Net pension liability | <u>(3,168,590)</u> |
| Total net position - governmental activities | <u>\$ (320,648)</u> |

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

STATE OF NEW MEXICO
MAXWELL MUNICIPAL SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

Exhibit B-3

| | General Fund | | | |
|--|----------------------|---------------------|-------------------------|-------------------------------------|
| | Operational 11000 | Teacherage 12000 | Transportation 13000 | Instructional Materials 14000 |
| <i>Revenues:</i> | | | | |
| Property taxes | \$ 8,478 | \$ - | \$ - | \$ - |
| State grants | 2,039,734 | - | 60,959 | 1,752 |
| Federal grants | 758 | - | - | - |
| Miscellaneous | 11,873 | - | - | - |
| Charges for services | 1,290 | 8,400 | - | - |
| Investment income | 26 | - | - | - |
| <i>Total revenues</i> | <u>2,062,159</u> | <u>8,400</u> | <u>60,959</u> | <u>1,752</u> |
| <i>Expenditures:</i> | | | | |
| Current: | | | | |
| Instruction | 1,083,285 | - | - | 1,790 |
| Support services | | | | |
| Students | 207,092 | - | - | - |
| Instruction | 49,719 | - | - | - |
| General administration | 202,563 | - | - | - |
| School administration | 121,805 | - | - | - |
| Central services | 98,615 | - | - | - |
| Operation & maintenance of plant | 272,698 | 3,615 | - | - |
| Student transportation | - | - | 60,959 | - |
| Other support services | - | - | - | - |
| Food services operations | 33,118 | - | - | - |
| Community services | - | - | - | - |
| Capital outlay | - | - | - | - |
| Debt service | | | | |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| <i>Total expenditures</i> | <u>2,068,895</u> | <u>3,615</u> | <u>60,959</u> | <u>1,790</u> |
| <i>Excess (deficiency) of revenues over (under) expenditures</i> | <u>(6,736)</u> | <u>4,785</u> | <u>-</u> | <u>(38)</u> |
| <i>Other financing sources (uses):</i> | | | | |
| Operating transfers | - | - | - | - |
| <i>Total other financing sources (uses)</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Net changes in fund balances</i> | (6,736) | 4,785 | - | (38) |
| <i>Fund balances - beginning of year</i> | <u>88,366</u> | <u>18,990</u> | <u>-</u> | <u>2,189</u> |
| <i>Fund balances - end of year</i> | <u>\$ 81,630</u> | <u>\$ 23,775</u> | <u>\$ -</u> | <u>\$ 2,151</u> |

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

STATE OF NEW MEXICO
MAXWELL MUNICIPAL SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

Exhibit B-3

| | <u>Special Revenue</u> | <u>Capital Projects</u> | | |
|--|--------------------------------------|---|--------------------------------|--------------------------------|
| | New Mexico Reads to Lead 27114 | Educational Technology Equipment Act 31900 | Other Governmental Funds | Total Primary Government |
| <i>Revenues:</i> | | | | |
| Property taxes | \$ - | \$ - | \$ 99,377 | \$ 107,855 |
| State grants | 80,203 | - | 26,404 | 2,209,052 |
| Federal grants | - | - | 152,388 | 153,146 |
| Miscellaneous | - | - | - | 11,873 |
| Charges for services | - | - | 30,842 | 40,532 |
| Investment income | - | 264 | 3 | 293 |
| <i>Total revenues</i> | <u>80,203</u> | <u>264</u> | <u>309,014</u> | <u>2,522,751</u> |
| <i>Expenditures:</i> | | | | |
| Current: | | | | |
| Instruction | 80,203 | - | 131,407 | 1,296,685 |
| Support services | | | | |
| Students | - | - | 14,487 | 221,579 |
| Instruction | - | - | 3,907 | 53,626 |
| General administration | - | - | 974 | 203,537 |
| School administration | - | - | - | 121,805 |
| Central services | - | - | - | 98,615 |
| Operation & maintenance of plant | - | - | - | 276,313 |
| Student transportation | - | - | - | 60,959 |
| Other support services | - | - | - | - |
| Food services operations | - | - | 49,961 | 83,079 |
| Community services | - | - | - | - |
| Capital outlay | - | 19,049 | 65,922 | 84,971 |
| Debt service | | | | |
| Principal | - | - | 55,451.00 | 55,451 |
| Interest | - | - | 1,897 | 1,897 |
| <i>Total expenditures</i> | <u>80,203</u> | <u>19,049</u> | <u>324,006</u> | <u>2,558,517</u> |
| <i>Excess (deficiency) of revenues over (under) expenditures</i> | <u>-</u> | <u>(18,785)</u> | <u>(14,992)</u> | <u>(35,766)</u> |
| <i>Other financing sources (uses):</i> | | | | |
| Operating transfers | - | - | - | - |
| <i>Total other financing sources (uses)</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Net changes in fund balances</i> | - | (18,785) | (14,992) | (35,766) |
| <i>Fund balances - beginning of year</i> | - | 70,831 | 61,751 | 242,127 |
| <i>Fund balances - end of year</i> | <u>\$ -</u> | <u>\$ 52,046</u> | <u>\$ 46,759</u> | <u>\$ 206,361</u> |

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

STATE OF NEW MEXICO

Exhibit B-4

MAXWELL MUNICIPAL SCHOOLS

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

| | <u>Governmental Funds</u> |
|--|-------------------------------|
| Amounts reported for governmental activities in the Statement of Activities are different because: | |
| Net change in fund balances - total governmental funds | \$ (35,766) |
| 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. This is the amount by which depreciation exceeds capital outlays for the period. | |
| Depreciation expense | (170,054) |
| Revenues not collected within 60 days after the fiscal year-end are not considered available revenues in the governmental funds. They are considered revenues in the Statement of Activities. The increase (decrease) in revenues receivable for the year end were: | |
| Unavailable revenue related to the property taxes receivable | 2,730 |
| In the Statement of Activities, certain operating expenses - compensated absences and interest expense - are measured by the amounts incurred during the year. In the fund financial statements, however, expenditures are measured by the amount of financial resources used (essentially the amounts actually paid). The (increases) decreases in the liabilities for the year were: | |
| Accrued interest payable | (470) |
| Accrued compensated absences | 6,615 |
| Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. | |
| Lease principle payments | 55,451 |
| Governmental funds report district pension contributions as expenditures. However, in the Statement of Activities, the pension benefits earned net of employee contributions is reported as pension expense. | |
| Pension contributions - current year | 181,634 |
| Pension expense | <u>(396,589)</u> |
| Change in net position - total governmental activities | <u>\$ (356,449)</u> |

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

STATE OF NEW MEXICO
MAXWELL MUNICIPAL SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
OPERATIONAL FUND (11000)
FOR THE YEAR ENDING JUNE 30, 2017

| | Budgeted Amounts | | | |
|--|------------------|------------------|-------------------|-------------------|
| | Original Budget | Final Budget | Actual | Variance |
| <i>Revenues:</i> | | | | |
| Property taxes | \$ 8,231 | \$ 8,231 | \$ 8,338 | \$ 107 |
| State grants | 1,994,385 | 1,999,313 | 2,039,734 | 40,421 |
| Federal grants | 1,075 | 1,075 | 758 | (317) |
| Miscellaneous | - | 10,873 | 11,873 | 1,000 |
| Charges for services | - | - | 1,290 | 1,290 |
| Interest | 24 | 24 | 26 | 2 |
| <i>Total revenues</i> | <u>2,003,715</u> | <u>2,019,516</u> | <u>2,062,019</u> | <u>42,503</u> |
| <i>Expenditures:</i> | | | | |
| <i>Current:</i> | | | | |
| Instruction | 1,124,429 | 1,087,176 | 936,837 | 150,339 |
| Support services | | | | |
| Students | 202,829 | 224,046 | 207,092 | 16,954 |
| Instruction | 39,328 | 52,232 | 49,719 | 2,513 |
| General administration | 190,546 | 202,610 | 202,563 | 47 |
| School administration | 122,103 | 122,403 | 121,805 | 598 |
| Central services | 91,039 | 100,418 | 98,615 | 1,803 |
| Operation & maintenance of plant | 251,158 | 286,198 | 273,777 | 12,421 |
| Student transportation | - | - | - | - |
| Other support services | 1,696 | 1,696 | - | 1,696 |
| Food services operations | 33,966 | 33,966 | 33,118 | 848 |
| Community services | - | - | - | - |
| Capital outlay | - | - | - | - |
| Debt service | | | | |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| <i>Total expenditures</i> | <u>2,057,094</u> | <u>2,110,745</u> | <u>1,923,526</u> | <u>187,219</u> |
| <i>Excess (deficiency) of revenues over (under) expenditures</i> | <u>(53,379)</u> | <u>(91,229)</u> | <u>138,493</u> | <u>229,722</u> |
| <i>Other financing sources (uses):</i> | | | | |
| Designated cash | 53,379 | 91,229 | - | (91,229) |
| Operating transfers | - | - | - | - |
| Proceeds from bond issues | - | - | - | - |
| <i>Total other financing sources (uses)</i> | <u>53,379</u> | <u>91,229</u> | <u>-</u> | <u>(91,229)</u> |
| <i>Net change in fund balance</i> | <u>-</u> | <u>-</u> | <u>138,493</u> | <u>138,493</u> |
| <i>Cash or fund balance - beginning of year</i> | <u>-</u> | <u>-</u> | <u>91,229</u> | <u>91,229</u> |
| Prior period adjustments | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Adjusted cash or fund balance - beginning of year</i> | <u>-</u> | <u>-</u> | <u>91,229</u> | <u>91,229</u> |
| <i>Cash or fund balance - end of year</i> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 229,722</u> | <u>\$ 229,722</u> |
| <i>Reconciliation to GAAP basis:</i> | | | | |
| Net change in fund balance (cash basis) | | | \$ 138,493 | |
| Adjustments to revenues | | | 141 | |
| Adjustments to expenditures | | | (145,370) | |
| Net change in fund balance (GAAP basis) | | | <u>\$ (6,736)</u> | |

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

STATE OF NEW MEXICO
MAXWELL MUNICIPAL SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
TEACHERAGE FUND (12000)
FOR THE YEAR ENDING JUNE 30, 2017

| | Budgeted Amounts | | | |
|--|------------------|-----------------|------------------|------------------|
| | Original Budget | Final Budget | Actual | Variance |
| <i>Revenues:</i> | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - |
| State grants | - | - | - | - |
| Federal grants | - | - | - | - |
| Miscellaneous | - | - | - | - |
| Charges for services | 8,400 | 8,400 | 8,400 | - |
| Interest | - | - | - | - |
| <i>Total revenues</i> | <u>8,400</u> | <u>8,400</u> | <u>8,400</u> | <u>-</u> |
| <i>Expenditures:</i> | | | | |
| <i>Current:</i> | | | | |
| Instruction | - | - | - | - |
| Support services | | | | |
| Students | - | - | - | - |
| Instruction | - | - | - | - |
| General administration | - | - | - | - |
| School administration | - | - | - | - |
| Central services | - | - | - | - |
| Operation & maintenance of plant | 5,650 | 5,650 | 3,615 | 2,035 |
| Student transportation | - | - | - | - |
| Other support services | - | - | - | - |
| Food services operations | - | - | - | - |
| Community services | - | - | - | - |
| Capital outlay | 21,354 | 21,354 | - | 21,354 |
| Debt service | | | | |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| <i>Total expenditures</i> | <u>27,004</u> | <u>27,004</u> | <u>3,615</u> | <u>23,389</u> |
| <i>Excess (deficiency) of revenues over (under) expenditures</i> | <u>(18,604)</u> | <u>(18,604)</u> | <u>4,785</u> | <u>23,389</u> |
| <i>Other financing sources (uses):</i> | | | | |
| Designated cash | 18,604 | 18,604 | - | (18,604) |
| Operating transfers | - | - | - | - |
| Proceeds from bond issues | - | - | - | - |
| <i>Total other financing sources (uses)</i> | <u>18,604</u> | <u>18,604</u> | <u>-</u> | <u>(18,604)</u> |
| <i>Net change in fund balance</i> | <u>-</u> | <u>-</u> | <u>4,785</u> | <u>4,785</u> |
| <i>Cash or fund balance - beginning of year</i> | - | - | 18,990 | 18,990 |
| Prior period adjustments | - | - | - | - |
| <i>Adjusted cash or fund balance - beginning of year</i> | <u>-</u> | <u>-</u> | <u>18,990</u> | <u>18,990</u> |
| <i>Cash or fund balance - end of year</i> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 23,775</u> | <u>\$ 23,775</u> |
| <i>Reconciliation to GAAP basis:</i> | | | | |
| Net change in fund balance (cash basis) | | | \$ 4,785 | |
| Adjustments to revenues | | | - | |
| Adjustments to expenditures | | | - | |
| Net change in fund balance (GAAP basis) | | | <u>\$ 4,785</u> | |

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

STATE OF NEW MEXICO
MAXWELL MUNICIPAL SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
TRANSPORTATION FUND (13000)
FOR THE YEAR ENDING JUNE 30, 2017

| | Budgeted Amounts | | | |
|--|------------------|---------------|---------------|-------------|
| | Original Budget | Final Budget | Actual | Variance |
| <i>Revenues:</i> | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - |
| State grants | 64,249 | 60,959 | 60,959 | - |
| Federal grants | - | - | - | - |
| Miscellaneous | - | - | - | - |
| Charges for services | - | - | - | - |
| Interest | - | - | - | - |
| <i>Total revenues</i> | <u>64,249</u> | <u>60,959</u> | <u>60,959</u> | <u>-</u> |
| <i>Expenditures:</i> | | | | |
| <i>Current:</i> | | | | |
| Instruction | - | - | - | - |
| Support services | | | | |
| Students | - | - | - | - |
| Instruction | - | - | - | - |
| General administration | - | - | - | - |
| School administration | - | - | - | - |
| Central services | - | - | - | - |
| Operation & maintenance of plant | - | - | - | - |
| Student transportation | 64,249 | 60,959 | 60,959 | - |
| Other support services | - | - | - | - |
| Food services operations | - | - | - | - |
| Community services | - | - | - | - |
| Capital outlay | - | - | - | - |
| Debt service | | | | |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| <i>Total expenditures</i> | <u>64,249</u> | <u>60,959</u> | <u>60,959</u> | <u>-</u> |
| <i>Excess (deficiency) of revenues over (under) expenditures</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Other financing sources (uses):</i> | | | | |
| Designated cash | - | - | - | - |
| Operating transfers | - | - | - | - |
| Proceeds from bond issues | - | - | - | - |
| <i>Total other financing sources (uses)</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Net change in fund balance</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Cash or fund balance - beginning of year</i> | - | - | - | - |
| Prior period adjustments | - | - | - | - |
| <i>Adjusted cash or fund balance - beginning of year</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Cash or fund balance - end of year</i> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| <i>Reconciliation to GAAP basis:</i> | | | | |
| Net change in fund balance (cash basis) | | | \$ - | |
| Adjustments to revenues | | | - | |
| Adjustments to expenditures | | | - | |
| Net change in fund balance (GAAP basis) | | | <u>\$ -</u> | |

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

STATE OF NEW MEXICO
MAXWELL MUNICIPAL SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
INSTRUCTIONAL MATERIALS FUND (14000)
FOR THE YEAR ENDING JUNE 30, 2017

| | Budgeted Amounts | | Actual | Variance |
|--|------------------|----------------|-----------------|-----------------|
| | Original Budget | Final Budget | | |
| <i>Revenues:</i> | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - |
| State grants | 5,962 | 2 | 1,752 | 1,750 |
| Federal grants | - | - | - | - |
| Miscellaneous | - | - | - | - |
| Charges for services | - | - | - | - |
| Interest | - | - | - | - |
| <i>Total revenues</i> | <u>5,962</u> | <u>2</u> | <u>1,752</u> | <u>1,750</u> |
| <i>Expenditures:</i> | | | | |
| <i>Current:</i> | | | | |
| Instruction | 8,151 | 2,191 | 1,790 | 401 |
| Support services | | | | |
| Students | - | - | - | - |
| Instruction | - | - | - | - |
| General administration | - | - | - | - |
| School administration | - | - | - | - |
| Central services | - | - | - | - |
| Operation & maintenance of plant | - | - | - | - |
| Student transportation | - | - | - | - |
| Other support services | - | - | - | - |
| Food services operations | - | - | - | - |
| Community services | - | - | - | - |
| Capital outlay | - | - | - | - |
| Debt service | | | | |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| <i>Total expenditures</i> | <u>8,151</u> | <u>2,191</u> | <u>1,790</u> | <u>401</u> |
| <i>Excess (deficiency) of revenues over (under) expenditures</i> | <u>(2,189)</u> | <u>(2,189)</u> | <u>(38)</u> | <u>2,151</u> |
| <i>Other financing sources (uses):</i> | | | | |
| Designated cash | 2,189 | 2,189 | - | (2,189) |
| Operating transfers | - | - | - | - |
| Proceeds from bond issues | - | - | - | - |
| <i>Total other financing sources (uses)</i> | <u>2,189</u> | <u>2,189</u> | <u>-</u> | <u>(2,189)</u> |
| <i>Net change in fund balance</i> | <u>-</u> | <u>-</u> | <u>(38)</u> | <u>(38)</u> |
| <i>Cash or fund balance - beginning of year</i> | - | - | 2,189 | 2,189 |
| Prior period adjustments | - | - | - | - |
| <i>Adjusted cash or fund balance - beginning of year</i> | <u>-</u> | <u>-</u> | <u>2,189</u> | <u>2,189</u> |
| <i>Cash or fund balance - end of year</i> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,151</u> | <u>\$ 2,151</u> |
| <i>Reconciliation to GAAP basis:</i> | | | | |
| Net change in fund balance (cash basis) | | | \$ (38) | |
| Adjustments to revenues | | | - | |
| Adjustments to expenditures | | | - | |
| Net change in fund balance (GAAP basis) | | | <u>\$ (38)</u> | |

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

STATE OF NEW MEXICO
MAXWELL MUNICIPAL SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
NEW MEXICO READS TO LEAD SPECIAL REVENUE FUND (27114)
FOR THE YEAR ENDING JUNE 30, 2017

| | Budgeted Amounts | | | |
|--|------------------|---------------|--------------------|--------------------|
| | Original Budget | Final Budget | Actual | Variance |
| <i>Revenues:</i> | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - |
| State grants | 85,830 | 91,530 | 72,601 | (18,929) |
| Federal grants | - | - | - | - |
| Miscellaneous | - | - | - | - |
| Charges for services | - | - | - | - |
| Interest | - | - | - | - |
| <i>Total revenues</i> | <u>85,830</u> | <u>91,530</u> | <u>72,601</u> | <u>(18,929)</u> |
| <i>Expenditures:</i> | | | | |
| <i>Current:</i> | | | | |
| Instruction | 85,830 | 91,530 | 80,203 | 11,327 |
| Support services | | | | |
| Students | - | - | - | - |
| Instruction | - | - | - | - |
| General administration | - | - | - | - |
| School administration | - | - | - | - |
| Central services | - | - | - | - |
| Operation & maintenance of plant | - | - | - | - |
| Student transportation | - | - | - | - |
| Other support services | - | - | - | - |
| Food services operations | - | - | - | - |
| Community services | - | - | - | - |
| Capital outlay | - | - | - | - |
| Debt service | | | | |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| <i>Total expenditures</i> | <u>85,830</u> | <u>91,530</u> | <u>80,203</u> | <u>11,327</u> |
| <i>Excess (deficiency) of revenues over (under) expenditures</i> | <u>-</u> | <u>-</u> | <u>(7,602)</u> | <u>(7,602)</u> |
| <i>Other financing sources (uses):</i> | | | | |
| Designated cash | - | - | - | - |
| Operating transfers | - | - | - | - |
| Proceeds from bond issues | - | - | - | - |
| <i>Total other financing sources (uses)</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Net change in fund balance</i> | <u>-</u> | <u>-</u> | <u>(7,602)</u> | <u>(7,602)</u> |
| <i>Cash or fund balance - beginning of year</i> | <u>-</u> | <u>-</u> | <u>(26,932)</u> | <u>(26,932)</u> |
| Prior period adjustments | - | - | - | - |
| <i>Adjusted cash or fund balance - beginning of year</i> | <u>-</u> | <u>-</u> | <u>(26,932)</u> | <u>(26,932)</u> |
| <i>Cash or fund balance - end of year</i> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (34,534)</u> | <u>\$ (34,534)</u> |
| <i>Reconciliation to GAAP basis:</i> | | | | |
| Net change in fund balance (cash basis) | | | \$ (7,602) | |
| Adjustments to revenues | | | 7,602 | |
| Adjustments to expenditures | | | - | |
| Net change in fund balance (GAAP basis) | | | <u>\$ -</u> | |

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

STATE OF NEW MEXICO
MAXWELL MUNICIPAL SCHOOLS
AGENCY FUNDS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2017

Exhibit D-1

| | <u>Agency Funds</u> |
|-----------------------------------|-------------------------|
| ASSETS | |
| <i>Current Assets</i> | |
| Cash | <u>19,736</u> |
| <i>Total assets</i> | <u><u>19,736</u></u> |
| LIABILITIES | |
| <i>Current Liabilities</i> | |
| Deposits held in trust for others | <u>19,736</u> |
| <i>Total liabilities</i> | <u><u>\$ 19,736</u></u> |

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

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STATE OF NEW MEXICO
Maxwell Municipal Schools
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 **Summary of Significant Accounting Policies**

Maxwell Municipal Schools, (the “District”) is a public school District governed by an elected five-member Board of Education created under the provision of Chapter 22 Article 5, Paragraph 4, New Mexico Statutes 1978 to provide public education for the children within the District boundaries. The Board of Education is the basic level of government, which has oversight responsibility and control over all activities related to public elementary and secondary school education within its jurisdiction. The District receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities.

This summary of significant accounting policies of the District is presented to assist in the understanding of the District’s financial statements. The financial statements and notes are the representation of the District’s management that is responsible for the financial statements. The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting financial reporting principles. The financial statements have incorporated all applicable GASB pronouncements.

During the year ended June 30, 2017, the District adopted GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, GASB Statement No. 77, *Tax Abatement Disclosures*, GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, GASB Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*, and GASB Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*. The provisions of GASB No. 73 established requirements for defined benefit pensions that are not within the scope of Statement No. 68. The provisions of GASB No. 74 improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The provisions of GASB No. 77 are intended, among other things, to assist these users of financial statements in assessing (1) whether a government’s current-year revenues were sufficient to pay for current-year services (known as inter-period equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government’s financial resources come from and how it uses them, and (4) a government’s financial position and economic condition and how they have changed over time. The provisions of GASB No. 78 address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The provisions of GASB No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. These pronouncement are not expected to have a material effect on the District.

The more significant accounting policies of the District are described below.

A. *Financial Reporting Entity*

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statements No. 14 and No. 39. GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. Blended component units, although legally separate entities, are in substance part of the government’s operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

STATE OF NEW MEXICO
Maxwell Municipal Schools
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 **Summary of Significant Accounting Policies (Continued)**

A. Financial Reporting Entity (Continued)

The basis, but not the only criterion for including a potential component unit within the reporting entity, is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criteria used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity. Based upon the application of these criteria, the District does not have a component unit and is not a component unit of another government agency.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities and changes in net position) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

The District reports all direct expenses by function in the statement of activities. Direct expenses are those that are clearly identifiable with a function. The District does not currently employ indirect cost allocation systems. Depreciation expense is specifically identified by function and is included in the direct expense of each function, except for that portion of depreciation that is identified as unallocated on the statement of activities.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the fiduciary fund financial statement. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the period for which the taxes are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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NOTE 1 **Summary of Significant Accounting Policies (Continued)**

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

GASB No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB No. 65, *Items Previously Reported as Assets and Liabilities*, amend GASB No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis for State and Local Governments*, to incorporate deferred outflows of resources and deferred inflows of resources in the financial reporting model.

Deferred Outflows of Resources – a consumption of net position by the government that is applicable to a future reporting period. It has a positive effect on net position, similar to assets; therefore, it is not recognized as an outflow of resources (expense) until then.

Deferred Inflows of Resources – an acquisition of net position by the government that is applicable to a future reporting period. It has a negative effect on net position, similar to liabilities; therefore, it is not recognized as an inflow of resources (revenue) until that time.

Net Position – the residual of the net effects of assets, deferred outflows of resources, liabilities, and deferred inflows of resources.

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales and use taxes are classified as derived tax revenues and are recognized as revenue when the underlying exchange takes place and the revenues are measurable and available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Ad valorem taxes (property taxes), and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been 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. All other revenue items are considered to be measurable and available only when cash is received by the government.

The *agency funds* are custodial in nature (assets equal liabilities) and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that the District holds for others in an agency capacity.

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 general fixed assets, and the servicing of general long-term debt. Governmental funds include:

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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 1 **Summary of Significant Accounting Policies (Continued)**

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

The *General Fund* is the primary operating fund of the District, and accounts for all financial resources of the general government, except those required to be accounted for in other funds. The General Fund includes the Operational, Teacherage, Transportation, and Instructional Materials Funds.

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

The *Debt Service Funds* account for the services of general long-term debt not being financed by proprietary or nonexpendable trust funds.

The *Capital Projects Funds* account for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

Under the requirements of GASB Statement No. 34, the District is required to present some of its governmental funds as major funds based upon certain criteria. The major funds presented in the fund financial statements include the following:

The *Operational Fund* (11000) accounts for the primary revenues and expenditures of the District, including, but not limited to, student instruction, student support, instructional support, general administration, school administration, central services, and operations and maintenance of plant. Revenues come from district tax levy, state equalization, and other local, state, and federal sources. This fund is considered by PED to be a sub-fund of the General Fund.

The *Teacherage Fund* (12000) accounts for revenues and expenditures associated with district owned multi-bedroom housing units rented to District employed teachers or other employees. Funding authorized by NMAC 6.20.2 of the New Mexico Department of Education. This fund is considered by PED to be a sub-fund of the General Fund.

The *Transportation Fund* (13000) accounts for state equalization funds authorized by Section 22-8-26, NMSA, 1978 designated for the costs of transporting school-age children who are students within the District. This fund is considered by PED to be a sub-fund of the General Fund.

The *Instructional Materials Fund* (14000) accounts for funding designated for instructional materials purchases as authorized by Sections 22-15-1 through 22-15-14, NMSA, 1978 for the purposes of purchasing instructional materials (books, manuals, periodicals, etc.) used in the education of students. This is considered by PED to be a sub-fund of the General Fund.

New Mexico Reads to Lead K-3 Reading Initiative (27114) The purpose of this grant is to provide funding for reading initiative activities for grades K-3. Funds accounted for in this fund are received from the State of New Mexico. The authority for creation of this fund is the School Board and the New Mexico Public Education Department. No minimum balance required according to legislation.

Educational Technology Equipment Act (31900) accounts for State funding to promote the comprehensive integration of advanced technologies in education settings, through the conduct of technical assistance, professional development, information and resource dissemination, and collaboration activities.

STATE OF NEW MEXICO
Maxwell Municipal Schools
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 **Summary of Significant Accounting Policies (Continued)**

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

The *Debt Service Fund* (41000) is used to account for the accumulation of resources for the payment of general long-term debt principal and interest.

Additionally, the government reports the following fund types:

The fiduciary funds account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. The fiduciary funds are for student activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity

Cash and Temporary Investments: The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. State statutes authorize the District to invest in certificates of deposit, obligations of the U.S. Government, and the State Treasurer's Investment Pool. Investments for the District are reported at fair value. The State Treasurer's Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

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

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

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

Restricted Assets: The Debt Service Fund is used to report resources set aside as restricted to make up potential future deficiencies in the revenue bond current debt service account.

Receivables and Payables: Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

The District receives monthly income from a tax levy in Colfax County. The funds are collected by the County Treasurer and are remitted to the District the following month. Under the modified accrual method of accounting, the amount remitted by the Colfax County Treasurer in July and August 2017 is considered 'measurable and available' and, accordingly, is recorded as revenue during the year ended June 30, 2017.

STATE OF NEW MEXICO
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NOTE 1 **Summary of Significant Accounting Policies (Continued)**

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (Continued)

Certain Special Revenue Funds are administered on a reimbursement method of funding, other funds are operated on a cash advance method of funding. The funds incurred the cost and submitted the necessary request for reimbursement or advance, respectively.

Prepaid Items: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Inventory: The District accounts for its inventories under the consumption method, reporting inventories purchased as an asset. The recognition of the expenditures is deferred until the period in which the inventories are actually consumed. Inventory in the Food Services Fund consists of U.S.D.A. commodities and other purchased food and non-food supplies. The cost of purchased food is recorded as an expenditure at the time individual inventory items are consumed.

Capital Assets: Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Information technology equipment, including software, is being capitalized and included in furniture and equipment in accordance with NMAC 2.20.1.9 C (5). Capital expenditures made by the New Mexico Public Schools Facilities Authority are appropriately included in the District's capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. The District expenses the cost of library books when purchased because their estimated useful life is less than one year.

Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest was included as part of the cost of capital assets under construction during the year ended June 30, 2017.

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

| | |
|---------------------------------|------------|
| Buildings/building improvements | 5-50 years |
| Furniture and equipment | 5-20 years |

Deferred Outflows of Resources – Pensions: The government-wide financial statements report pension related expenses and liabilities for the cost-sharing plan one year in arrears, i.e. expenses and liabilities as of June 30, 2016. Contributions of \$181,634 made by the District in the current fiscal year are thus applicable to a future reporting period where they will then be expensed. As such, they are presented in the Statement of Net Position as a deferred outflow of resources in the current period. The District may also have four other deferred outflows which arise due to the implementation of GASB 68; change in proportion \$153,010; change in assumptions \$64,500; investment experience \$189,138; and actuarial experience \$13,747.

Unearned revenues: The District recognizes grant revenue at the time the related expense is made if the expenditure of funds is the prime factor for determining eligibility for reimbursement; therefore, amounts received and not expended in the Special Revenue Funds are shown as unearned revenues. At June 30, 2017, the District had no unearned revenues.

STATE OF NEW MEXICO
Maxwell Municipal Schools
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 **Summary of Significant Accounting Policies (Continued)**

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (Continued)

Compensated Absences: Qualified employees are entitled to accumulate annual leave up to 20 days per fiscal year. All earned vacation must be taken within one year after it is earned. Upon termination, employees will be paid for up to 20 days of accrued annual leave. Sick pay does not vest and is recorded as an expenditure when it is paid.

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the district-wide statement of net position.

Long-term Obligations: In the government-wide fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. For bonds issued after the fiscal year ended June 30, 2004, bond premiums and discounts, will be deferred and amortized over the life of the bonds using the effective interest method and are reported net of the applicable bond premium or discount. Bond insurance issuance costs will be reported as deferred charges and amortized over the term of the related debt. Lease purchase notes payable to the New Mexico Finance Authority of \$169,385 are outstanding at June 30, 2017.

In the fund financial statements, governmental fund types recognized 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 debt proceeds received, are reported as debt service expenditures.

Net Pension Liability: The District records its proportionate share of the difference between the value of total pension liabilities and plan assets for the State of New Mexico's Employee Retirement Board pension plan. For the year ended June 30, 2017, net pension liability totaled \$3,168,590.

Deferred Inflows of Resources – Unavailable Revenues: Governmental funds report unavailable revenues in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Revenues not received within sixty (60) days of year-end are not considered available; therefore, a receivable is recorded for the amount due and a corresponding deferred revenue, is recorded as well. Total unavailable revenues of \$2,730 for property taxes were recorded at June 30, 2017.

Deferred Inflows of Resources – Pensions: Changes in actuarial experience \$30,137 and change in proportion \$29,643 for the District are applicable to a future reporting period and will be expensed over a five-year period beginning in the next fiscal year. As such, these amounts are presented in the Statement of Net Position as deferred inflows of resources in the current period.

Net Position or Fund Equity: Governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

In the government-wide financial statements, fund equity is classified as net position and is displayed in three components:

Net investment in capital assets: Consists of capital assets including restricted capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are components of net position.

STATE OF NEW MEXICO
Maxwell Municipal Schools
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June 30, 2017

NOTE 1 **Summary of Significant Accounting Policies (Continued)**

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (Continued)

Restricted Net Position: Consists of net position with constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (b) law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. The restricted component consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted Net Position: All other net position that does not meet the definition of “restricted” or “invested in capital assets.”

Fund Balance: In the fund financial statements, governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Some governments may not have policies or procedures that are comparable to those policies that underlie the classifications and therefore would not report amounts in all possible fund balance classifications. In the governmental financial statements, fund balance is classified and is displayed in five components:

Nonspendable: Consists of amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts.

Restricted: Consists of amounts that are restricted to specific purposes as a result of a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

Committed: Consist of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action (for example, legislation, resolution, ordinance) it employed to previously commit those amounts.

Assigned: Consist of amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed by (a) the governing body itself or (b) a body (a budget or finance committee, for example) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.

Unassigned: Represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

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

STATE OF NEW MEXICO
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NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 **Summary of Significant Accounting Policies (Continued)**

E. Revenues

Reclassifications: Certain amounts included in the financial statements have been reclassified to conform to the current year presentation.

Interfund Transactions: Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund from expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates affecting the District's financials include management's estimate of the useful lives of capital assets.

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

A school district's program costs are determined through the use of various formulas using 'program units' which take into consideration 1) early childhood education; 2) basic education; 3) special education; 4) bilingual-multicultural education; 5) size, etc. Payment is made from the public school fund under the authority of the Director of Public School Finance. The District received \$2,039,734 in state equalization guarantee and emergency supplemental distributions during the year ended June 30, 2017.

Tax Revenues: The District receives mill levy and ad-valorem tax revenues primarily for debt service and capital outlay purposes. Property taxes are assessed on January 1 of each year and are payable in two equal installments, on November 10th of the year in which the tax bill is prepared and April 10th of the following year with the levies becoming delinquent 30 days (one month) thereafter. In the government-wide financial statements, the District recognizes property tax revenues in the period for which they are levied, net of estimated refunds and uncollectible amounts. The District records only the portion of the taxes considered to be 'measurable' and 'available' in the government fund financial statements, which is within 60 days of year-end. Descriptions of the individual debt service and capital outlay funds contained in these financial statements include information regarding the authority for the collection and use of these taxes.

In the financial statements, the mill levy and ad-valorem taxes are broken out into two types: property taxes – residential and commercial and property taxes – oil and gas. Amounts collected from residential and commercial property taxes at June 30, 2017 were \$107,855. The District did not collect any revenues from oil and gas taxes.

Transportation Distribution: School districts in the State of New Mexico receive student transportation distributions. The transportation distribution is allocated to each school district in accordance with formulas developed by the State Transportation Director and the Director of Public School Finance. The funds shall be used only for the purpose of making payments to each school district for the to-and-from school transportation costs of students in grades K through twelve attending public school within the school district. The District received \$60,959 in transportation distributions during the year ended June 30, 2017.

STATE OF NEW MEXICO
Maxwell Municipal Schools
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 1 **Summary of Significant Accounting Policies (Continued)**

E. Revenues (Continued)

Instructional Materials: The New Mexico Public Education Department (PED) receives federal material leasing funds from which it makes annual allocations to the various school districts for the purchase of educational materials. Of each allocation, fifty percent is restricted to the requisition of materials listed in the State Board of Education “State Adopted Instructional Material” list, while fifty percent of each allocation is available for purchases directly from vendors. Allocations received from the State for the year ended June 30, 2017 totaled \$1,752.

SB-9 State Match: The Director shall distribute to any school district that has imposed a tax under the Public School Capital Improvements Act (22-25-1 to 22-25-10 NMSA 1978) an amount from the public school capital improvements fund that is equal to the amount by which the revenue estimated to be received from the imposed tax as specified in Subsection B of Section 22-25-3 NMSA 1978, assuming a one hundred percent collection rate, is less than an amount calculated by multiplying the product obtained by the rate imposed in the District under the Public School Capital Improvements Act. The distribution shall be made by December 1, of each year that the tax is imposed in accordance with Section 22-25-3 NMSA 1978. Provided, however, in the event that sufficient funds are not available in the public school capital improvement funds to make the state distribution provided for in this section, the dollar per program unit figure shall be reduced as necessary. The District received \$6,054 in state SB-9 matching during the year ended June 30, 2017.

Public School Capital Outlay: Under the provisions of Chapter 22, Article 24, NMSA 1978. The money in the fund may be used only for capital expenditures deemed by the public school capital outlay council necessary for an adequate educational program per Section 22-24-4(B); core administrative functions of the public school facilities authority and for project management expenses upon approval of the council per Section 22-24-4(G); and for the purpose of demolishing abandoned school district facilities, upon application by a school district to the council, per Section 22-24-4(L).

Money in the fund shall be disbursed by warrant of the Department of Finance and Administration on vouchers signed by the Secretary of Finance and Administration following certification by the council that the application has been approved. During the year ended June 30, 2017, the District received no special capital outlay funds.

Federal Grants: The District receives revenues from various Federal departments (both direct and indirect), which are legally restricted to expenditures for specific purposes. These programs are reported as Special Revenue Funds. Each program operated under its own budget, which has been approved by the federal department or the flowthrough agency (usually the New Mexico Public Education Department). The various budgets are approved by the Local School Board and the New Mexico Public Education Department.

The District also receives reimbursement under the National School Lunch and Breakfast Programs for its food services operations, and the distributions of commodities through the New Mexico Human Services Department.

NOTE 2 **Stewardship, Compliance and Accountability**

Budgetary Information

Budgets for the General, Special Revenue, Capital Projects, and Debt Service Funds are prepared by management and are approved by the local Board of Education and the School Budget and Planning Unit of the Public Education Department. Auxiliary student activity accounts are not budgeted. Public School Capital Outlay Council expenditures in the Public School Capital Outlay fund are not budgeted at the District level, so there is no budgetary comparison presented.

STATE OF NEW MEXICO
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NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE 2 Stewardship, Compliance and Accountability (Continued)

Budgetary Information (Continued)

These budgets are prepared on the non-GAAP cash basis, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year. The budget process in the State of New Mexico requires that the ending cash balance be appropriated in the budget of the subsequent fiscal year.

Actual expenditures may not exceed the budget at the function level, the level of budgetary control for districts. Budgets may be amended in two ways. If a budget transfer is necessary within a major category called a 'series,' this may be accomplished with only local board of education approval. If a transfer between 'series' or a budget increase is required, approval must also be obtained from Public School Finance Division.

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

1. In April or May, the local school board submits to the District Budget Planning Unit (DBPU) of the New Mexico Public Education Department (PED) (100%) a proposed operating budget for the ensuing fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them. All budgets are submitted to the State of New Mexico PED.
2. In May or June of each year, the proposed "operating" budget will be reviewed and approved by the DBPU and certified and approved by the local school board at a public hearing of which notice has been published by the local school board which fixes the estimated budget for the school district for the ensuing fiscal year.
3. The school board meeting, while not intended for the general public, is open for the general public unless a closed meeting has been called.
4. The "operating" budget will be used by the District until they have been notified that the budget has been approved by the DBPU and the local school board. The budget shall be integrated formally into the accounting system. Encumbrances shall be used as an element of control and shall be integrated into the budget system.
5. 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 DBPU.
6. The superintendent is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the school board and the State of New Mexico Public Education Department.
7. Budget change requests are processed in accordance with Supplement 1 (Budget Preparation and Maintenance) of the Manual of Procedures Public School Accounting and Budgeting. Such changes are initiated by the school district and approved by the DBPU.
8. Legal budget control for expenditures is by function.
9. 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 schedules included in the accompanying financial statements reflect the approved budget and amendments thereto.

STATE OF NEW MEXICO
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NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE 2 Stewardship, Compliance and Accountability (Continued)

Budgetary Information (Continued)

10. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Projects Funds.

The board of education may approve amendments to the appropriated budget, which are required when a change is made affecting budgeted ending fund balance. New Mexico state law prohibits a governmental agency from exceeding an individual line item.

The accompanying Statements of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual present comparisons of the legally adopted budget with actual data on a budgetary basis.

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of resultant basis, perspective, equity, and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2017, is presented on each funds' Statement of Revenue, Expenditures, and Changes in Fund Balance – Budget (non-GAAP Budgetary Basis) and Actual.

NOTE 3 Cash and Temporary Investments

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

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the District. Deposits may be made to the extent that they are insured by an agency of the United States or by collateralized as required by the statute.

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

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

The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico.

According to the Federal Deposit Insurance Corporation, public unit deposits are funds owned by the public unit. Time deposits, savings deposits and interest bearing NOW accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution.

Deposits

New Mexico state statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the District for at least one half of the amount on deposit with the institution in excess of federal deposit insurance. The schedule listed below will meet the State of New Mexico Office of the State Auditor's requirements in reporting the insured portion of the deposits.

STATE OF NEW MEXICO
Maxwell Municipal Schools
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE 3 Cash and Temporary Investments (Continued)

| | Wells Fargo Bank |
|--|---------------------|
| Total amounts of deposits | \$ 332,001 |
| FDIC coverage | 250,000 |
| Total uninsured public funds | 82,001 |
| Collateral requirement (50% of uninsured public funds) | 41,001 |
| Pledged security | 66,928 |
| Total over (under) collateralized | \$ 25,927 |

The funds are maintained in interest bearing accounts at Wells Fargo Bank and Bank of Albuquerque.

The types of collateral allowed are limited by the section 6-10-16, NMSA 1978.

Custodial Credit Risk – Deposits. 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, other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978).

Deposits – The risk exists when a portion of the District’s deposits are not covered by depository insurance and are:

1. Uncollateralized;
2. Collateralized with securities held by the pledging financial institution; or
3. Collateralized with securities held by the pledging financial institution’s trust department or agent but not in the depositor’s (District’s) name.

At June 30, 2017, \$134,245 of the District’s bank balance of \$384,245 was exposed to custodial credit risk as it was uninsured and the collateral was not held in the District’s name.

Reconciliation of Cash to the Financial Statements

The carrying amount of deposits and investments shown above are included in the District’s Statement of Net Position as follows:

| Reconciliation to Statement of Net Position | |
|--|------------|
| Governmental Funds - Balance Sheet | |
| Cash and cash equivalents per Exhibit A-1 | \$ 282,836 |
| Statement of Fiduciary Net Position - cash per Exhibit D-1 | 19,736 |
| Total per financial statements | 302,572 |
| Less petty cash | (150) |
| Less funds held in trust investments | (52,244) |
| Add outstanding checks and other reconciling items | 81,823 |
| Bank balance of deposits | \$ 332,001 |

STATE OF NEW MEXICO
Maxwell Municipal Schools
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE 3 Cash and Temporary Investments (Continued)

The District utilized pooled accounts for their programs and funds. Negative cash balances in individual funds that were part of the pooled accounts should be reclassified as due to/due from accounts in the combining balance sheets at June 30, 2017. Funds in the 24000's are federal funds, 27000's are non-federal funds. The following individual funds had negative cash balances as of June 30, 2017:

| Fund# | Special Revenue Funds: | | |
|--------------|---|-----------|---------------|
| 24101 | Title I IASA | \$ | 2,558 |
| 24106 | IDEA-B Entitlement | | 7,443 |
| 24132 | IDEA-B Results Plan | | 9,425 |
| 24154 | Teacher/Principal Training & Recruiting | | 192 |
| 27107 | 2012 GO Bonds Student Library Fund (SB66) | | 3,907 |
| 27114 | New Mexico Reads to Lead K-3 Reading Initiative | | 34,534 |
| 27166 | Kindergarten - Three Plus | | 5,274 |
| | Total | <u>\$</u> | <u>63,333</u> |

Temporary Investments

At June 30, 2017, the District had \$52,244 held in trust by the Bank of Albuquerque. Those funds are held in a U.S. Treasury Money Market Fund. The District does not have the legal authority to move these funds from the trust institution. Information regarding the fund is as follows:

| <u>Fund</u> | <u>CUSIP</u> | <u>WAM</u> | <u>Ratings</u> | | <u>Net Assets</u> |
|-------------------------|--------------|------------|----------------|----------------|-------------------|
| | | | <u>S&P</u> | <u>Moody's</u> | |
| Premier U.S. Government | | | | | |
| Money Portfolio | 00142W843 | 22 days | AAAm | Aaa-mf | \$5.63 Billion |

Interest Rate Risk for Investments. The District does not have a written policy for limiting interest rate risk. However, the average maturity of certificates of deposit is twelve months or less, which is an effective limit of interest rate risk.

Credit Risk. State law limits investments to bonds or negotiable securities of the U.S. Government, the State, municipalities, or school district securities issued by the U.S. Government (or its agencies, either direct obligations or backed and guaranteed by the U.S. Government) and repurchase agreements with banks, savings and loan associations or credit unions. The District has no investment policy that would further limit its investment choices.

Concentration of Credit. The District places no limit on the amount the District may invest in any one issuer. Investments which are over 5% of total investments are the amounts invested in the Lipper Institutional U.S. Treasury Money Market Funds which are invested by the trust institution Bank of Albuquerque.

STATE OF NEW MEXICO
Maxwell Municipal Schools
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE 4 Receivables

Receivables as of June 30, 2017 are as follows:

| | Major Funds | | | Total Governmental Funds |
|----------------------------|----------------------|------------------------------|--------------------------------|--------------------------------|
| | Operational 11000 | NM Reads to Lead 27114 | Other Governmental Funds | |
| | \$ | \$ | \$ | |
| Property taxes | 534 | - | 5,127 | 5,661 |
| Due from other governments | - | 34,534 | 31,240 | 65,774 |
| Total receivables | \$ 534 | \$ 34,534 | \$ 36,367 | \$ 71,435 |

The above receivables are deemed 100% collectible. In accordance with GASB No. 33, property tax revenues in the amount of \$2,730 were not collected within the period of availability.

NOTE 5 Interfund Receivables, Payables, and Transfers

“Interfund balances” have primarily been recorded when funds overdraw their share of pooled cash when the District is waiting for grant reimbursements. The composition of interfund balances at June 30, 2017 is as follows:

| Governmental Activities | Interfund Receivables | Interfund Payables |
|--|--------------------------|-----------------------|
| Major Funds: | | |
| Operational (11000) | \$ 63,333 | \$ - |
| New Mexico Reads to Lead (27114) | - | 34,534 |
| Non-Major Funds: | | |
| Title II ASA (24101) | - | 2,558 |
| IDEA-B Entitlement (24106) | - | 7,443 |
| IDEA-B Results Plan (24132) | - | 9,425 |
| Teacher/Principal Training & Recruitment (24154) | - | 192 |
| 2012 GO Bond Student Library Fund SB66 (27107) | - | 3,907 |
| Kindergarten Three Plus (27166) | - | 5,274 |
| Totals | \$ 63,333 | \$ 63,333 |

All interfund balances are expected to be repaid or closed out within one year.

During the year ended June 30, 2017, the District had no interfund transfers.

STATE OF NEW MEXICO
Maxwell Municipal Schools
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE 6 Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2017 follows. Land and construction in progress is not subject to depreciation.

| | Balance June 30, 2016 | Additions | Deletions | Adjustments | Balance June 30, 2017 |
|---|--------------------------|---------------------|-------------|---------------------|--------------------------|
| Capital assets used in governmental activities: | | | | | |
| Capital assets not being depreciated: | | | | | |
| Land | \$ 307,309 | \$ - | \$ - | \$ (295,491) | \$ 11,818 |
| Capital assets being depreciated: | | | | | |
| Buildings and building improvements | 5,571,471 | - | - | - | 5,571,471 |
| Furniture, fixtures, and equipment | 481,239 | - | - | (175) | 481,064 |
| Total capital assets being depreciated | <u>6,052,710</u> | <u>-</u> | <u>-</u> | <u>(175)</u> | <u>6,052,535</u> |
| Less accumulated depreciation: | | | | | |
| Land improvements | (135,775) | - | - | 135,775 | - |
| Buildings and building improvements | 3,135,976 | 139,884 | - | 140,094 | 3,415,954 |
| Furniture, fixtures, and equipment | 615,939 | 30,170 | - | (277,228) | 368,881 |
| Total accumulated depreciation | <u>3,616,140</u> | <u>170,054</u> | <u>-</u> | <u>(1,359)</u> | <u>3,784,835</u> |
| Total capital assets, net of depreciation | <u>\$ 2,743,879</u> | <u>\$ (170,054)</u> | <u>\$ -</u> | <u>\$ (294,307)</u> | <u>\$ 2,279,518</u> |

Depreciation expense for the year ended June 30, 2017 was charged to the governmental activities as follows:

| | |
|---|-------------------|
| Governmental activities: | |
| Instruction | \$ 10,203 |
| Support services - students | 2,551 |
| Support services - instruction | 2,551 |
| Support services - general administration | 1,701 |
| School administration | 5,612 |
| Central services | 1,701 |
| Operation and maintenance of plant | 3,401 |
| Student transportation | 3,401 |
| Food services | 340 |
| Capital outlay | 138,593 |
| Total depreciation | <u>\$ 170,054</u> |

Adjustments were made to land and furniture, fixtures and equipment to bring them down to actual cost detail maintained by the District which results in a reduction of \$295,666. Additionally, adjustments were made to accumulated depreciation to match District records which required a reduction of accumulated depreciation of \$1,359. The net change to capital assets is a reduction of \$294,307.

Construction Commitments: At June 30, 2017, there are no outstanding construction commitments:

The Schedule of Capital Assets Used by Source, and the Schedule of Changes in Capital Assets by Function and Activity have not been prepared because the detailed information is unavailable.

STATE OF NEW MEXICO
Maxwell Municipal Schools
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE 7 Long-Term Debt

During the year ended June 30, 2017 the following changes occurred in the liabilities reported in the government-wide statement of net position:

| | Balance at 06/30/16 | Additions | Deletions | Balance at 06/30/17 | Due Within One Year |
|------------------------|------------------------|-----------------|------------------|------------------------|------------------------|
| NMFA Loans Outstanding | \$ 224,836 | \$ - | \$ 55,451 | \$ 169,385 | \$ 55,856 |
| Compensated Absences | 19,676 | 7,845 | 14,460 | 13,061 | 13,061 |
| Total | \$ 244,512 | \$ 7,845 | \$ 69,911 | \$ 182,446 | \$ 68,917 |

General Obligations Bonds

General obligation bonds are direct obligations and pledge the full faith and credit of the District. The District has no outstanding general obligation bond as of June 30, 2017.

| Issue Date | 2015 A NMFA - 2015 Note #1 | 2015 B NMFA - 2015 Note #2 |
|--------------------|-------------------------------|-------------------------------|
| | 5/1/2015 | 5/1/2015 |
| Original Issue | \$205,000 | \$75,000 |
| Maturity Date | 5/1/2019 | 5/1/2020 |
| Principal | 1-May | 1-May |
| Interest Rate | 0.05977% to 1.59770% | 0.100% |
| Principal/Interest | 1-May | 1-May |
| Interest | 1-Nov | 1-Nov |

The annual requirements to amortize the NMFA loans as of June 30, 2017, including interest payments are as follows:

| Fiscal Year Ending June 30, | Total NMFA Loans | | Total Debt Service |
|--------------------------------|-------------------|-----------------|-----------------------|
| | Principal | Interest | |
| 2018 | \$ 55,856 | \$ 1,410 | \$ 57,266 |
| 2019 | 56,409 | 691 | 57,100 |
| 2020 | 57,120 | 57 | 57,177 |
| Totals | \$ 169,385 | \$ 2,158 | \$ 171,543 |

In prior years, the general fund was typically used to liquidate long-term liabilities other than debt.

Compensated Absences – Administrative employees of the District are able to accrue a limited amount of vacation and other compensatory time during the year. During fiscal year June 30, 2017, compensated absences decreased \$6,615 over the prior year accrual. See Note 1 for more details.

Operating Leases – The District has no leases at this time.

STATE OF NEW MEXICO
Maxwell Municipal Schools
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE 8 Unearned Revenues

In accordance with the terms of the various grant agreements within the Special Revenue Funds, revenues received in excess of expenditures carry over to the subsequent years, unless such excess revenues are requested to be returned to the grantor. The District had no unearned revenues at June 30, 2017.

NOTE 9 Risk Management

The District is a member of the New Mexico Public Schools Insurance Authority (NMPSIA). The Authority was created to provide comprehensive core insurance programs by expanding the pool of subscribers to maximize cost containment opportunities for required insurance coverage. The District pays an annual premium to the NMPSIA based on claim experience and the status of the pool. The Risk Management Program includes workers compensation, general and automobile liability, automobile physical damage, and property and crime coverage. Also included under the risk management program are boiler, machinery and student accident insurance.

The NMPSIA provides coverage for up to a maximum of \$500,000,000 for each property damage claim with a \$750 deductible for each building. General liability coverage is afforded to all employees, volunteers and school board members and the limit is subject to the NMSA Tort Claims Act on a per occurrence basis. The automobile and property liability limit is subject to the provisions of the Tort Claims Act. The crime limit is \$250,000 per occurrence for Faithful Performance. A limit of \$250,000 applies to depositor's forgery, credit card forgery and money orders. A limit of \$100,000 applies to Money and Security, which includes a \$750 deductible.

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

NOTE 10 Other Required Individual Fund Disclosures

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

A. Deficit fund balance of individual funds. The following funds reported a deficit fund balance at June 30, 2017:

| Fund # | Fund Description | Amount |
|---------------|-------------------------------------|---------------|
| 24132 | IDEA-B Results Plan | \$ 496 |
| 25233 | Rural Education Achievement Program | 565 |
| | Total | \$ 1,061 |

B. Excess of expenditures over appropriations. No funds exceeded their approved budgetary authority for the year ended June 30, 2017.

C. Cash appropriations in excess of available cash balance. For the year ended June 30, 2017, the District had one fund with cash appropriations in excess of available cash balance. Capital Improvements SB-9 had a cash budget of \$43,646 but only \$13,066 of actual cash balance at the prior year-end for a difference of \$30,580. See the schedule of findings and responses for additional information.

STATE OF NEW MEXICO
Maxwell Municipal Schools
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE 11. General Information on the Pension Plan – Educational Retirement Board

Plan Description. The New Mexico Educational Retirement Act (ERA) was enacted in 1957. The act created the Educational Employees Retirement Plan (Plan) and, to administer it, the New Mexico Educational Retirement Board (NMERB). The Plan is included in NMERB's comprehensive annual financial report. The report can be found on NMERB's web site at https://www.nmerb.org/Annual_report.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 agencies providing educational programs. Additional tenets of the ERA can be found in Section 22-11-1 through 22-11-52, NMSA 1978, as amended.

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

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

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

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

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

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 that July 1, 2010 is as follows:

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

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

STATE OF NEW MEXICO
Maxwell Municipal Schools
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE 11 **General Information on the Pension Plan – Educational Retirement Board (Continued)**

- 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 not continuing benefit due to a beneficiary or estate, except the balance, if any, of member contributions plus interest less benefits paid prior to the member's death.
- **Option B – Joint 100% Survivor Benefit** – The single life annuity monthly benefit is reduced to provide for a 100% survivor's benefit. The reduced benefit is payable during the life of the member, with the provision that, upon death, the same benefit is paid to the beneficiary for his or her lifetime. If the beneficiary predeceases the member, the member's monthly benefit is increased to the amount the member would have received under Option A Straight Life Benefit. The member's increased monthly benefit commences in the month following the beneficiary's death.
- **Option C – Joint 50% Survivor Benefit** – The single life annuity monthly benefit is reduced to provide for a 50% survivor's benefit. The reduced benefit is payable during the life of the member, with the provision that, upon death, the reduced 50% benefit is paid to the beneficiary for his or her lifetime. If the beneficiary predeceases the member, the member's monthly benefit is increased to the amount the member would have received under Option A Straight Life Benefit. The member's increased monthly benefit commences in the month following the beneficiary's death.

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

Cost of Living Adjustment (COLA). All retired members and beneficiaries receiving benefits receive an automatic adjustment in their benefit on July 1 following the later of 1) the year a member retires, or 2) the year the 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 was immediately reduced until the plan is 100% funded. The COLA reduction is based on the median retirement benefit of all retirees excluding disability retirements. Retirees with benefits at or below the median and with 25 or more years of service credit will have a 10% COLA reduction; their average COLA will be 1.8%. Once the funding is greater than 90%, the COLA reductions will decrease. The retirees with benefits at or below the median and with 25 or more years of service credit will have a 5% COLA reduction; their average COLA will be 1.9%.

STATE OF NEW MEXICO
Maxwell Municipal Schools
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE 11 **General Information on the Pension Plan – Educational Retirement Board (Continued)**

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

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

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

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

The contribution requirements of defined benefit plan members and the District are established in state statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the New Mexico legislature. For the fiscal years ended June 30, 2017 and 2016, the District paid employee and employer contributions of \$321,222 and \$308,497 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: The total ERB pension liability, net pension liability, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2015. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2016 using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date June 30, 2016. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2016. At June 30, 2017 the District’s reported a liability of \$3,168,590 for its proportionate share of the net pension liability. The District’s proportion of the net pension liability is based on the employer contributing entity’s long-term share of contributions to the pension plan relative to the projected contributions of all participating educational institutions, actuarially determined. At June 30, 2016, the District’s proportion was 0.04403% percent, which was a decrease of 0.00063% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$396,589. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

STATE OF NEW MEXICO
Maxwell Municipal Schools
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE 11 **General Information on the Pension Plan – Educational Retirement Board (Continued)**

| | Deferred Outflows of Resources | Deferred Inflows of Resources | Net (Inflows) Outflows |
|--|---|--|---------------------------------------|
| Differences between expected and actual experience | \$ 13,747 | \$ (30,137) | \$ (16,390) |
| Changes of assumptions | 64,500 | - | 64,500 |
| Net difference between projected and actual earnings on pension plan investments | 189,138 | - | 189,138 |
| Changes in proportion and differences between Maxwell Municipal Schools contributions and proportionate share of contributions | 153,010 | (29,643) | 123,367 |
| Maxwell Municipal Schools contributions subsequent to the measurement date | 181,634 | - | 181,634 |
| Total | \$ 602,029 | \$ (59,780) | \$ 542,249 |

Deferred outflows of resources of \$181,634 related to pensions resulting from the District's contributions subsequent to the measurement date of June 30, 2016 will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended June 30, | |
|----------------------------|------------|
| 2018 | \$ 147,754 |
| 2019 | 85,422 |
| 2020 | 81,315 |
| 2021 | 46,124 |
| Thereafter | - |
| Total | \$ 360,615 |

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

| | | |
|------------------|---|--|
| Inflation | 3.0% | |
| Salary Increases | Composition: 3% inflation, plus 0.75% productivity increase rate, plus step rate promotional increases for members with less than 10 years of service | |

STATE OF NEW MEXICO
Maxwell Municipal Schools
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE 11 General Information on the Pension Plan – Educational Retirement Board (Continued)

| | |
|---|--|
| Investment Rate of Return | 7.75% compounded annually, net of expenses. This is made up of a 3.00% inflation rate and a 4.75 real rate of return. The long-term expected rate of return on pension plan investments is determined annually using a building-block approach that includes the following: 1) rate of return projections are the sum of current yield plus projected changes in price (valuation, defaults, etc.), 2) application of key economic projections (inflation, real growth, dividends, etc.), and 3) structural themes (supply and demand imbalances, capital flows, etc.) developed for each major asset class. |
| Average of Expected Remaining Service Lives | 3.77 years |
| Mortality | <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. 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 | 2% per year, compounded annually. |
| Payroll Growth | 3.5% per year (with no allowance for membership growth). |
| Contribution Accumulation | 5% increase per year for all years prior to the valuation date. (Contributions are credited with 4.0% interest, compounded annually, applicable to the account balance in the past as well as the future). |
| Disability Incidence | Approved rates applied to eligible members with at least 10 years of service. |

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

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

STATE OF NEW MEXICO
Maxwell Municipal Schools
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE 11 **General Information on the Pension Plan – Educational Retirement Board (Continued)**

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

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

The projection of cash flows used to determine this single discount rate assumed that Plan contributions will be made at the current statutory levels.

Additionally, contributions received through the Alternative Retirement Plan (ARP) are included in the projection of cash flows. ARP contributions are assumed to remain at a level percentage of ERB payroll where the percentage of payroll is based on the most recent five year contribution history.

Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate. The following table presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.75%, 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 one percentage point lower (6.75%) or one percentage point higher (8.75%) than the current rate.

| | 1% Decrease (6.75%) | Current Discount Rate (7.75%) | 1% Increase (8.75%) |
|---|--------------------------------|--|--------------------------------|
| Maxwell Municipal School's proportionate share of the net pension liability | \$ 4,196,723 | \$ 3,168,590 | \$ 2,315,529 |

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

Payables to the pension plan. The District remits the legally required employer and employee contributions on a monthly basis to ERB. The ERB requires that the contributions be remitted by the 15th day of the month following the month for which contributions are withheld. At June 30, 2017 the contributions due and payable by the District were \$69,334 which were paid on July 7, 2017.

STATE OF NEW MEXICO
Maxwell Municipal Schools
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE 12 **Post-Employment Benefits – State Retiree Health Care Plan**

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

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

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

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

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2017, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2017, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The District's contributions to the RHCA for the years ended June 30, 2017, 2016, and 2015 were \$39,202, \$37,723, and \$38,085 respectively, which equal the required contributions for each year.

STATE OF NEW MEXICO
Maxwell Municipal Schools
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE 13 Unavailable Revenues

The District did not receive any funds subsequent to year-end which were outside the period of availability, more than 60 days after year-end for grants. The District did have \$2,730 of uncollected taxes at year-end.

NOTE 14 Concentrations

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

NOTE 15 Contingent Liabilities

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

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

NOTE 16 Subsequent Accounting Standard Pronouncements

In June 2015, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was issued. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. This Statement is effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged. The District is still evaluating how this standard will affect the District.

In March 2016, GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, was issued. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Earlier application is encouraged. The District is still evaluating how this standard will affect the District.

In November 2016, GASB Statement No. 83, *Certain Asset Retirement Obligations*, was issued. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. The District is still evaluating how this standard will affect the District.

STATE OF NEW MEXICO
Maxwell Municipal Schools
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE 16 **Subsequent Accounting Standard Pronouncements (Continued)**

In January 2017, GASB Statement No. 84 *Fiduciary Activities*, was issued. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The District is still evaluating how this standard will affect the District.

In March 2017, GASB Statement No. 85 *Omnibus 2017*, was issued. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged. The District is still evaluating how this standard will affect the District.

In May 2017, GASB Statement No. 86 *Certain Debt Extinguishment Issues*, was issued. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged. The District is still evaluating how this standard will affect the District.

In June 2017, GASB Statement No. 87 *Leases*, was issued. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The District is still evaluating how this standard will affect the District.

NOTE 17 **Prior Period Adjustment**

During the year ended June 30, 2017, there was a prior period adjustment to the District's capital assets resulting in a decrease in net position in the amount of \$294,307. During review of the District's capital assets, it was determined that some items had been misclassified between categories and land had not been valued at its historical cost.

NOTE 18 **Subsequent Events**

A review of subsequent events through October 17, 2017, which is the date the financial statements were available to be issued, indicated nothing of audit significance.

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REQUIRED SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
MAXWELL MUNICIPAL SCHOOLS
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
EDUCATIONAL RETIREMENT BOARD (ERB) PLAN
LAST 10 FISCAL YEARS*
JUNE 30, 2017

Schedule I

| | June 30 | | | |
|---|--------------------|--------------|--------------|-------------|
| | Fiscal Year | 2017 | 2016 | 2015 |
| Measurement Date | 2016 | 2015 | 2014 | |
| Maxwell Municipal School's proportion of the net pension liability | 0.04403% | 0.04466% | 0.04192% | |
| Maxwell Municipal School's proportionate share of the net pension liability | \$ 3,168,590 | 3,081,808 | 2,391,833 | |
| Maxwell Municipal School's covered-employee payroll | \$ 1,257,410 | \$ 1,152,432 | \$ 1,155,598 | |
| Maxwell Municipal School's proportionate share of the net pension liability as a percentage of covered-employee payroll | 251.99% | 267.42% | 206.98% | |
| Plan fiduciary net position as a percentage of total pension liability | 61.58% | 63.97% | 66.54% | |

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

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

STATE OF NEW MEXICO
MAXWELL MUNICIPAL SCHOOLS
SCHEDULE OF PENSION CONTRIBUTIONS
EDUCATIONAL RETIREMENT BOARD (ERB) PLAN
LAST 10 FISCAL YEARS*
JUNE 30, 2017

Schedule II

| | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|-------------|--------------|--------------|
| Contractually required contribution | 181,634 | \$ 174,780 | 176,931 |
| Contributions in relation to the contractually required contribution | 181,634 | 174,780 | 176,931 |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Maxwell Municipal Schools' covered- employee payroll | 1,306,720 | \$ 1,257,410 | \$ 1,152,432 |
| Contributions as a percentage of covered-employee payroll | 13.90% | 13.90% | 15.35% |

* 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 Maxwell Municipal Schools is not available prior to fiscal year 2015, the year the statement's requirements became effective.

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

STATE OF NEW MEXICO
MAXWELL MUNICIPAL SCHOOLS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
EDUCATIONAL RETIREMENT BOARD (ERB) PLAN
JUNE 30, 2017

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

See also the ***Actuarial Assumptions*** subsection of the financial statement note disclosure ***General Information on the Pension Plan - Educational Retirement Board, General Information on the Pension Plan***

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

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SUPPLEMENTARY INFORMATION

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NONMAJOR GOVERNMENTAL FUNDS

STATE OF NEW MEXICO
MAXWELL MUNICIPAL SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017

Statement A-1

| | SPECIAL REVENUE | CAPITAL PROJECTS | DEBT SERVICE | TOTAL |
|--|--------------------|---------------------|-----------------|------------------|
| ASSETS | | | | |
| <i>Current assets:</i> | | | | |
| Cash and temporary investments | \$ 20,322 | \$ 13,389 | \$ 4,764 | \$ 38,475 |
| Accounts receivable | | | | |
| Taxes | - | 3,481 | 1,646 | 5,127 |
| Due from other governments | 28,799 | 2,441 | - | 31,240 |
| Interfund receivables | - | - | - | - |
| Other | - | - | - | - |
| Inventory | 4,155 | - | - | 4,155 |
| | <u>4,155</u> | <u>-</u> | <u>-</u> | <u>4,155</u> |
| <i>Total assets</i> | <u>53,276</u> | <u>19,311</u> | <u>6,410</u> | <u>78,997</u> |
| LIABILITIES | | | | |
| <i>Current liabilities:</i> | | | | |
| Accounts payable | 1,061 | - | - | 1,061 |
| Accrued payroll liabilities | - | - | - | - |
| Interfund payables | 28,799 | - | - | 28,799 |
| Unearned revenue | - | - | - | - |
| | <u>29,860</u> | <u>-</u> | <u>-</u> | <u>29,860</u> |
| <i>Total liabilities</i> | <u>29,860</u> | <u>-</u> | <u>-</u> | <u>29,860</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unavailable revenues - property taxes | - | 2,378 | - | 2,378 |
| Unavailable revenues - other | - | - | - | - |
| | <u>-</u> | <u>2,378</u> | <u>-</u> | <u>2,378</u> |
| <i>Total deferred inflows of resources</i> | <u>-</u> | <u>2,378</u> | <u>-</u> | <u>2,378</u> |
| FUND BALANCES | | | | |
| Nonspendable | 4,155 | - | - | 4,155 |
| Restricted for: | | | | |
| Grant mandates | 9,965 | - | - | 9,965 |
| Capital projects | - | 16,933 | - | 16,933 |
| Debt service | - | - | 3,541 | 3,541 |
| Assigned | 10,357 | - | 2,869 | 13,226 |
| Unassigned | (1,061) | - | - | (1,061) |
| | <u>23,416</u> | <u>16,933</u> | <u>6,410</u> | <u>46,759</u> |
| <i>Total fund balances</i> | <u>23,416</u> | <u>16,933</u> | <u>6,410</u> | <u>46,759</u> |
| | | | | |
| <i>Total liabilities, deferred inflows of resources, and fund balances</i> | <u>\$ 53,276</u> | <u>\$ 19,311</u> | <u>\$ 6,410</u> | <u>\$ 78,997</u> |

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

STATE OF NEW MEXICO
MAXWELL MUNICIPAL SCHOOLS
COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

Statement A-2

| | SPECIAL REVENUE | CAPITAL PROJECTS | DEBT SERVICE | TOTAL |
|--|--------------------|---------------------|-----------------|------------------|
| <i>Revenues:</i> | | | | |
| Property taxes | \$ - | \$ 38,363 | \$ 61,014 | \$ 99,377 |
| State grants | 20,350 | 6,054 | - | 26,404 |
| Federal grants | 152,388 | - | - | 152,388 |
| Miscellaneous | - | - | - | - |
| Charges for services | 30,842 | - | - | 30,842 |
| Investment income | 3 | - | - | 3 |
| <i>Total revenues</i> | <u>203,583</u> | <u>44,417</u> | <u>61,014</u> | <u>309,014</u> |
| <i>Expenditures:</i> | | | | |
| Current: | | | | |
| Instruction | 131,407 | - | - | 131,407 |
| Support services | | | | |
| Students | 14,487 | - | - | 14,487 |
| Instruction | 3,907 | - | - | 3,907 |
| General administration | - | 376 | 598 | 974 |
| School administration | - | - | - | - |
| Central services | - | - | - | - |
| Operation & maintenance of plant | - | - | - | - |
| Student transportation | - | - | - | - |
| Other support services | - | - | - | - |
| Food services operations | 49,961 | - | - | 49,961 |
| Community services | - | - | - | - |
| Capital outlay | - | 65,922 | - | 65,922 |
| Debt service | | | | |
| Principal | - | - | 55,451 | 55,451 |
| Interest | - | - | 1,897 | 1,897 |
| <i>Total expenditures</i> | <u>199,762</u> | <u>66,298</u> | <u>57,946</u> | <u>324,006</u> |
| <i>Excess (deficiency) of revenues over (under) expenditures</i> | <u>3,821</u> | <u>(21,881)</u> | <u>3,068</u> | <u>(14,992)</u> |
| <i>Other financing sources (uses):</i> | | | | |
| Operating transfers | - | - | - | - |
| <i>Total other financing sources (uses)</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Net changes in fund balances</i> | 3,821 | (21,881) | 3,068 | (14,992) |
| <i>Fund balances - beginning of year</i> | <u>19,595</u> | <u>38,814</u> | <u>3,342</u> | <u>61,751</u> |
| <i>Fund balances - end of year</i> | <u>\$ 23,416</u> | <u>\$ 16,933</u> | <u>\$ 6,410</u> | <u>\$ 46,759</u> |

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

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SPECIAL REVENUE FUNDS

SPECIAL REVENUE FUNDS DESCRIPTIONS

The Special Revenue Funds are used to account for Federal, State and Local funded grants. These grants are awarded to the District with the purpose of accomplishing specific educational tasks. Special Revenue Funds include:

Food Services (21000) - This fund is utilized to account for Federal and Local sources of income relating to the food service programs. The Food Service Fund is segregated into two categories, one being the Federal funds and the other being Non-Federal funds. Federal funds consist of National School Lunch Program, which is administered by the State of New Mexico for the purpose of making breakfast and lunch available to all school children and to encourage the domestic consumption of agricultural commodities and other food components. Authority for the creation of this fund is NMSA 22-13-13. No minimum balance required according to legislation.

Athletics (22000) – This fund is used to account for fees generated at athletic activities throughout the School District. The gate receipts are obtained from the general public and are expended in this fund. The authority for creation of this fund is 6.20.2 NMAC. No minimum balance required according to legislation.

Title I IASA (24101) This fund is used to account for the major objectives of the Title I programs are to provide supplemental educational opportunity for academically disadvantaged children in the area of residing. Campuses are identified for program participation by the percentage of students on free or reduced price lunches. Any school with a free and reduced price lunch percentage that is equal to or greater than the total district percentage becomes eligible for program participation. Any student whose test scores fall below District established criteria and who is attending a Title I campus is eligible to receive Title I services. Poverty is the criteria that identify a campus; educational need determines the students to be served. Federal revenues accounted for in this fund are allocated to the District through the New Mexico Department of Education. Authority for creation of this fund is Part A of Chapter I of Title I of Elementary and Secondary Education Act (ESEA) of 1965, as amended, Public Law 103-383. No minimum balance required according to legislation.

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 Individuals with Disabilities Education Act, Part B, Section 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. No minimum balance required according to legislation.

IDEA-B Preschool (24109) – The objective of the Assistance to States for the Education of Handicapped Children Program is to assist in providing free, appropriate public education to all handicapped children from age three to five. Federal revenues accounted for in this fund are allocated to the District through the New Mexico Department of Children, Youth and Families. Authority for creation of this fund is Public Law 105-17. No minimum balance required according to legislation.

IDEA-B Results Plan (24132) – This account is to support the individual school site's Education 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 NMPED. No minimum balance required according to legislation.

Teacher/Principal Training & Recruiting (24154) – To improve the skills of teachers and the quality of instruction in mathematics and science, and also to increase the accessibility of such instruction to all students. No minimum balance required according to legislation.

Title XIX Medicaid 3/21 Years (25153) – To provide 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. (P.L. 105-33) No minimum balance required according to legislation.

Rural Education Achievement Program (25233) – To account for funds received under the Small Rural Achievement program to enhance education.

Dual Credit Instructional Materials (27103) – To purchase college textbooks for students who dual enroll in college credited courses while still attending high school. No minimum balance required according to legislation.

2012 G.O. Bond Student Library Fund (SB66) (27107) – Funds used to purchase library books and library supplies for all school sites. Program is authorized by state statute. No minimum balance required according to legislation.

Kindergarten - Three Plus (27166) – The funding is part of a pilot project for Kindergarten through third grade students at both Ann Parish Elementary and Desert View Elementary. Funds used for teachers, educational assistants, nurses, an academic coach, and PE coach at both schools.

NM Grown Fresh Fruits and Vegetables (27183) – To account for funds provided by New Mexico Public Education Department to purchase New Mexico locally grown fresh fruits and vegetables for school meal programs. No minimum balance required according to legislation.

Private Direct Grants (29102) – To account for local grants awarded to provide additional funding for specific projects. No minimum balance required according to legislation.

STATE OF NEW MEXICO
 MAXWELL MUNICIPAL SCHOOLS
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2017

| | Food Services 21000 | Athletics 22000 | Title I IASA 24101 | IDEA-B Entitlement 24106 | IDEA-B Preschool 24109 |
|--|---------------------------|--------------------|--------------------------|--------------------------------|------------------------------|
| ASSETS | | | | | |
| <i>Current assets:</i> | | | | | |
| Cash and temporary investments | \$ 11,346 | \$ 4,414 | \$ - | \$ - | \$ - |
| Accounts receivable | | | | | |
| Taxes | - | - | - | - | - |
| Due from other governments | - | - | 2,558 | 7,443 | - |
| Interfund receivables | - | - | - | - | - |
| Other | - | - | - | - | - |
| Inventory | 4,155 | - | - | - | - |
| <i>Total assets</i> | <u>15,501</u> | <u>4,414</u> | <u>2,558</u> | <u>7,443</u> | <u>-</u> |
| LIABILITIES | | | | | |
| <i>Current liabilities:</i> | | | | | |
| Accounts payable | - | - | - | - | - |
| Accrued payroll liabilities | - | - | - | - | - |
| Interfund payables | - | - | 2,558 | 7,443 | - |
| Unearned revenue | - | - | - | - | - |
| <i>Total liabilities</i> | <u>-</u> | <u>-</u> | <u>2,558</u> | <u>7,443</u> | <u>-</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Unavailable revenues - property taxes | - | - | - | - | - |
| Unavailable revenues - other | - | - | - | - | - |
| <i>Total deferred inflows of resources</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| FUND BALANCES | | | | | |
| Nonspendable | 4,155 | - | - | - | - |
| Restricted for: | | | | | |
| Grant mandates | 2,864 | 2,539 | - | - | - |
| Capital projects | - | - | - | - | - |
| Debt service | - | - | - | - | - |
| Assigned | 8,482 | 1,875 | - | - | - |
| Unassigned | - | - | - | - | - |
| <i>Total fund balances</i> | <u>15,501</u> | <u>4,414</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Total liabilities, deferred inflows of resources, and fund balances</i> | <u>\$ 15,501</u> | <u>\$ 4,414</u> | <u>\$ 2,558</u> | <u>\$ 7,443</u> | <u>\$ -</u> |

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

STATE OF NEW MEXICO
MAXWELL MUNICIPAL SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2017

| | IDEA-B Results Plan 24132 | Teacher/Principal Training & Recruiting 24154 | Title XIX Medicaid 3/21 Years 25153 | Rural Education Achievement Program 25233 | Dual Credit Instructional Materials 27103 |
|--|------------------------------------|--|--|--|--|
| ASSETS | | | | | |
| <i>Current assets:</i> | | | | | |
| Cash and temporary investments | \$ - | \$ - | \$ - | \$ - | \$ - |
| Accounts receivable | | | | | |
| Taxes | - | - | - | - | - |
| Due from other governments | 9,425 | 192 | - | - | - |
| Interfund receivables | - | - | - | - | - |
| Other | - | - | - | - | - |
| Inventory | - | - | - | - | - |
| <i>Total assets</i> | <u>9,425</u> | <u>192</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| LIABILITIES | | | | | |
| <i>Current liabilities:</i> | | | | | |
| Accounts payable | 496 | - | - | 565 | - |
| Accrued payroll liabilities | - | - | - | - | - |
| Interfund payables | 9,425 | 192 | - | - | - |
| Unearned revenue | - | - | - | - | - |
| <i>Total liabilities</i> | <u>9,921</u> | <u>192</u> | <u>-</u> | <u>565</u> | <u>-</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Unavailable revenues - property taxes | - | - | - | - | - |
| Unavailable revenues - other | - | - | - | - | - |
| <i>Total deferred inflows of resources</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| FUND BALANCES | | | | | |
| Nonspendable | - | - | - | - | - |
| Restricted for: | | | | | |
| Grant mandates | - | - | - | - | - |
| Capital projects | - | - | - | - | - |
| Debt service | - | - | - | - | - |
| Assigned | - | - | - | - | - |
| Unassigned | (496) | - | - | (565) | - |
| <i>Total fund balances</i> | <u>(496)</u> | <u>-</u> | <u>-</u> | <u>(565)</u> | <u>-</u> |
| <i>Total liabilities, deferred inflows of resources, and fund balances</i> | <u>\$ 9,425</u> | <u>\$ 192</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

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

STATE OF NEW MEXICO
 MAXWELL MUNICIPAL SCHOOLS
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2017

| | 2012 GO Bond Student Library Fund (SB66) 27107 | Kindergarten - Three Plus 27166 | NM Grown Fresh Fruits and Vegetables 27183 | Private Direct Grants 29102 | Total |
|--|---|---------------------------------------|---|--------------------------------------|------------------|
| ASSETS | | | | | |
| <i>Current assets:</i> | | | | | |
| Cash and temporary investments | \$ - | \$ - | \$ - | \$ 4,562 | \$ 20,322 |
| Accounts receivable | - | - | - | - | - |
| Taxes | - | - | - | - | - |
| Due from other governments | 3,907 | 5,274 | - | - | 28,799 |
| Interfund receivables | - | - | - | - | - |
| Other | - | - | - | - | - |
| Inventory | - | - | - | - | 4,155 |
| <i>Total assets</i> | <u>3,907</u> | <u>5,274</u> | <u>-</u> | <u>4,562</u> | <u>53,276</u> |
| LIABILITIES | | | | | |
| <i>Current liabilities:</i> | | | | | |
| Accounts payable | - | - | - | - | 1,061 |
| Accrued payroll liabilities | - | - | - | - | - |
| Interfund payables | 3,907 | 5,274 | - | - | 28,799 |
| Unearned revenue | - | - | - | - | - |
| <i>Total liabilities</i> | <u>3,907</u> | <u>5,274</u> | <u>-</u> | <u>-</u> | <u>29,860</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Unavailable revenues - property taxes | - | - | - | - | - |
| Unavailable revenues - other | - | - | - | - | - |
| <i>Total deferred inflows of resources</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| FUND BALANCES | | | | | |
| Nonspendable | - | - | - | - | 4,155 |
| Restricted for: | | | | | |
| Grant mandates | - | - | - | 4,562 | 9,965 |
| Capital projects | - | - | - | - | - |
| Debt service | - | - | - | - | - |
| Assigned | - | - | - | - | 10,357 |
| Unassigned | - | - | - | - | (1,061) |
| <i>Total fund balances</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>4,562</u> | <u>23,416</u> |
| <i>Total liabilities, deferred inflows of resources, and fund balances</i> | <u>\$ 3,907</u> | <u>\$ 5,274</u> | <u>\$ -</u> | <u>\$ 4,562</u> | <u>\$ 53,276</u> |

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

STATE OF NEW MEXICO
MAXWELL MUNICIPAL SCHOOLS
COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

Statement B-2

| | Food Services 21000 | Athletics 22000 | Title I IASA 24101 | IDEA-B Entitlement 24106 | IDEA-B Preschool 24109 |
|--|---------------------------|--------------------|--------------------------|--------------------------------|------------------------------|
| <i>Revenues:</i> | | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - | \$ - |
| State grants | - | - | - | - | - |
| Federal grants | 51,206 | - | 18,937 | 38,100 | 1,265 |
| Miscellaneous | - | - | - | - | - |
| Charges for services | 2,799 | 28,043 | - | - | - |
| Investment income | 1 | 2 | - | - | - |
| <i>Total revenues</i> | <u>54,006</u> | <u>28,045</u> | <u>18,937</u> | <u>38,100</u> | <u>1,265</u> |
| <i>Expenditures:</i> | | | | | |
| Current: | | | | | |
| Instruction | - | 27,740 | 18,937 | 24,961 | - |
| Support services | | | | | |
| Students | - | - | - | 13,139 | 1,265 |
| Instruction | - | - | - | - | - |
| General administration | - | - | - | - | - |
| School administration | - | - | - | - | - |
| Central services | - | - | - | - | - |
| Operation & maintenance of plant | - | - | - | - | - |
| Student transportation | - | - | - | - | - |
| Other support services | - | - | - | - | - |
| Food services operations | 49,429 | - | - | - | - |
| Community services | - | - | - | - | - |
| Capital outlay | - | - | - | - | - |
| Debt service | | | | | |
| Principal | - | - | - | - | - |
| Interest | - | - | - | - | - |
| <i>Total expenditures</i> | <u>49,429</u> | <u>27,740</u> | <u>18,937</u> | <u>38,100</u> | <u>1,265</u> |
| <i>Excess (deficiency) of revenues over (under) expenditures</i> | <u>4,577</u> | <u>305</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Other financing sources (uses):</i> | | | | | |
| Operating transfers | - | - | - | - | - |
| <i>Total other financing sources (uses)</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Net changes in fund balances</i> | 4,577 | 305 | - | - | - |
| <i>Fund balances - beginning of year</i> | <u>10,924</u> | <u>4,109</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Fund balances - end of year</i> | <u>\$ 15,501</u> | <u>\$ 4,414</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

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

STATE OF NEW MEXICO
 MAXWELL MUNICIPAL SCHOOLS
 COMBINING STATEMENT OF REVENUES,
 EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017

Statement B-2

| | IDEA-B Results Plan 24132 | Teacher/Principal Training & Recruiting 24154 | Title XIX Medicaid 3/21 Years 25153 | Rural Education Achievement Program 25233 | Dual Credit Instructional Materials 27103 |
|--|---------------------------------|--|--|--|--|
| <i>Revenues:</i> | | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - | \$ - |
| State grants | - | - | - | - | 129 |
| Federal grants | 29,255 | 2,270 | 83 | 11,272 | - |
| Miscellaneous | - | - | - | - | - |
| Charges for services | - | - | - | - | - |
| Investment income | - | - | - | - | - |
| <i>Total revenues</i> | <u>29,255</u> | <u>2,270</u> | <u>83</u> | <u>11,272</u> | <u>129</u> |
| <i>Expenditures:</i> | | | | | |
| Current: | | | | | |
| Instruction | 29,751 | 2,270 | - | 11,837 | 129 |
| Support services | | | | | |
| Students | - | - | 83 | - | - |
| Instruction | - | - | - | - | - |
| General administration | - | - | - | - | - |
| School administration | - | - | - | - | - |
| Central services | - | - | - | - | - |
| Operation & maintenance of plant | - | - | - | - | - |
| Student transportation | - | - | - | - | - |
| Other support services | - | - | - | - | - |
| Food services operations | - | - | - | - | - |
| Community services | - | - | - | - | - |
| Capital outlay | - | - | - | - | - |
| Debt service | | | | | |
| Principal | - | - | - | - | - |
| Interest | - | - | - | - | - |
| <i>Total expenditures</i> | <u>29,751</u> | <u>2,270</u> | <u>83</u> | <u>11,837</u> | <u>129</u> |
| <i>Excess (deficiency) of revenues over (under) expenditures</i> | <u>(496)</u> | <u>-</u> | <u>-</u> | <u>(565)</u> | <u>-</u> |
| <i>Other financing sources (uses):</i> | | | | | |
| Operating transfers | - | - | - | - | - |
| <i>Total other financing sources (uses)</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Net changes in fund balances</i> | <u>(496)</u> | <u>-</u> | <u>-</u> | <u>(565)</u> | <u>-</u> |
| <i>Fund balances - beginning of year</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Fund balances - end of year</i> | <u>\$ (496)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (565)</u> | <u>\$ -</u> |

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

STATE OF NEW MEXICO
MAXWELL MUNICIPAL SCHOOLS
COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

Statement B-2

| | 2012 GO Bond Student Library Fund (SB66) 27107 | Kindergarten - Three Plus 27166 | NM Grown Fresh Fruits and Vegetables 27183 | Private Direct Grants 29102 | Total |
|--|---|---------------------------------------|---|--------------------------------------|------------------|
| <i>Revenues:</i> | | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - | \$ - |
| State grants | 3,907 | 15,782 | 532 | - | 20,350 |
| Federal grants | - | - | - | - | 152,388 |
| Miscellaneous | - | - | - | - | - |
| Charges for services | - | - | - | - | 30,842 |
| Investment income | - | - | - | - | 3 |
| <i>Total revenues</i> | <u>3,907</u> | <u>15,782</u> | <u>532</u> | <u>-</u> | <u>203,583</u> |
| <i>Expenditures:</i> | | | | | |
| Current: | | | | | |
| Instruction | - | 15,782 | - | - | 131,407 |
| Support services | | | | | |
| Students | - | - | - | - | 14,487 |
| Instruction | 3,907 | - | - | - | 3,907 |
| General administration | - | - | - | - | - |
| School administration | - | - | - | - | - |
| Central services | - | - | - | - | - |
| Operation & maintenance of plant | - | - | - | - | - |
| Student transportation | - | - | - | - | - |
| Other support services | - | - | - | - | - |
| Food services operations | - | - | 532 | - | 49,961 |
| Community services | - | - | - | - | - |
| Capital outlay | - | - | - | - | - |
| Debt service | | | | | |
| Principal | - | - | - | - | - |
| Interest | - | - | - | - | - |
| <i>Total expenditures</i> | <u>3,907</u> | <u>15,782</u> | <u>532</u> | <u>-</u> | <u>199,762</u> |
| <i>Excess (deficiency) of revenues over (under) expenditures</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>3,821</u> |
| <i>Other financing sources (uses):</i> | | | | | |
| Operating transfers | - | - | - | - | - |
| <i>Total other financing sources (uses)</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Net changes in fund balances</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>3,821</u> |
| <i>Fund balances - beginning of year</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>4,562</u> | <u>19,595</u> |
| <i>Fund balances - end of year</i> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 4,562</u> | <u>\$ 23,416</u> |

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

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CAPITAL PROJECTS FUNDS

CAPITAL PROJECTS FUNDS DESCRIPTIONS

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

Capital Improvements SB-9 (31700) – The purpose of this fund is to account for erecting, remodeling, making additions to and furnishing of school buildings, or purchasing or improving school grounds or any combination thereof as identified by the local school board. Financing is provided by the State of New Mexico’s State Equalization Matching and a special tax levy as authorized by the Public School District Capital Improvements Act (22-25-1 to 22-25-10 NMSA 1978). No minimum balance required according to legislation.

STATE OF NEW MEXICO
 MAXWELL MUNICIPAL SCHOOLS
 COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECTS FUNDS
 JUNE 30, 2017

| | Capital Improvements SB-9 31700 |
|--|--|
| ASSETS | |
| <i>Current assets:</i> | |
| Cash and temporary investments | \$ 13,389 |
| Accounts receivable | |
| Taxes | 3,481 |
| Due from other governments | 2,441 |
| Interfund receivables | - |
| Other | - |
| Inventory | - |
| | <hr/> |
| <i>Total assets</i> | 19,311 |
| | <hr/> <hr/> |
| LIABILITIES | |
| <i>Current liabilities:</i> | |
| Accounts payable | - |
| Accrued payroll liabilities | - |
| Interfund payables | - |
| Unearned revenue | - |
| | <hr/> |
| <i>Total liabilities</i> | - |
| | <hr/> <hr/> |
| DEFERRED INFLOWS OF RESOURCES | |
| Unavailable revenues - property taxes | 2,378 |
| Unavailable revenues - other | - |
| | <hr/> |
| <i>Total deferred inflows of resources</i> | 2,378 |
| | <hr/> <hr/> |
| FUND BALANCES | |
| Nonspendable | - |
| Restricted for: | |
| Grant mandates | - |
| Capital projects | 16,933 |
| Debt service | - |
| Assigned | - |
| Unassigned | - |
| | <hr/> |
| <i>Total fund balances</i> | 16,933 |
| | <hr/> <hr/> |
| <i>Total liabilities, deferred inflows of resources, and fund balances</i> | \$ 19,311 |
| | <hr/> <hr/> |

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

STATE OF NEW MEXICO
MAXWELL MUNICIPAL SCHOOLS
COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECT FUNDS
FOR THE YEAR ENDING JUNE 30, 2017

Statement C-2

| | Capital Improvements SB-9 31700 |
|--|--|
| | <hr/> |
| <i>Revenues:</i> | |
| Property taxes | \$ 38,363 |
| State grants | 6,054 |
| Federal grants | - |
| Miscellaneous | - |
| Charges for services | - |
| Investment income | - |
| <i>Total revenues</i> | <hr/> <hr/> 44,417 |
| <i>Expenditures:</i> | |
| Current: | |
| Instruction | - |
| Support services | |
| Students | - |
| Instruction | - |
| General administration | 376 |
| School administration | - |
| Central services | - |
| Operation & maintenance of plant | - |
| Student transportation | - |
| Other support services | - |
| Food services operations | - |
| Community services | - |
| Capital outlay | 65,922 |
| Debt service | |
| Principal | - |
| Interest | - |
| <i>Total expenditures</i> | <hr/> 66,298 |
| <i>Excess (deficiency) of revenues over (under) expenditures</i> | <hr/> <hr/> (21,881) |
| <i>Other financing sources (uses):</i> | |
| Operating transfers | - |
| <i>Total other financing sources (uses)</i> | <hr/> <hr/> - |
| <i>Net changes in fund balances</i> | (21,881) |
| <i>Fund balances - beginning of year</i> | <hr/> 38,814 |
| <i>Fund balances - end of year</i> | <hr/> <hr/> \$ 16,933 |

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

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DEBT SERVICE FUNDS

DEBT SERVICE FUNDS DESCRIPTIONS

Debt Service Funds account for the services of general long-term debt not being financed by proprietary or nonexpendable trust funds.

Debt Service Fund (41000) – The fund is used to account for the accumulation of resources for the payment of general long-term debt principal and interest.

Education Technology Debt Service Fund (43000) – The fund is to account for the debt repayments of the debt incurred through the Education Technology Equipment Act (Capital Projects Fund) (Section 6-15A-1 to 6-15A-16 NMSA 1978). No minimum balance required according to legislation.

STATE OF NEW MEXICO
MAXWELL MUNICIPAL SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
JUNE 30, 2017

| | Debt Service 41000 | Education Technology Debt Service 43000 | Total |
|--|--------------------------|--|-----------------|
| ASSETS | | | |
| <i>Current assets:</i> | | | |
| Cash and temporary investments | \$ 108 | \$ 4,656 | \$ 4,764 |
| Accounts receivable | | | |
| Taxes | - | 1,646 | 1,646 |
| Due from other governments | - | - | - |
| Interfund receivables | - | - | - |
| Other | - | - | - |
| Inventory | - | - | - |
| | <u>108</u> | <u>6,302</u> | <u>6,410</u> |
| <i>Total assets</i> | <u>108</u> | <u>6,302</u> | <u>6,410</u> |
| LIABILITIES | | | |
| <i>Current Liabilities:</i> | | | |
| Accounts payable | - | - | - |
| Accrued payroll liabilities | - | - | - |
| Interfund payables | - | - | - |
| Unearned revenue | - | - | - |
| | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Total liabilities</i> | <u>-</u> | <u>-</u> | <u>-</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unavailable revenues - property taxes | - | - | - |
| Unavailable revenues - other | - | - | - |
| | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Total deferred inflows of resources</i> | <u>-</u> | <u>-</u> | <u>-</u> |
| FUND BALANCES | | | |
| Nonspendable | - | - | - |
| Restricted for: | | | |
| Grant mandates | - | - | - |
| Capital projects | - | - | - |
| Debt service | - | 3,541 | 3,541 |
| Assigned | 108 | 2,761 | 2,869 |
| Unassigned | - | - | - |
| | <u>108</u> | <u>6,302</u> | <u>6,410</u> |
| <i>Total fund balances</i> | <u>108</u> | <u>6,302</u> | <u>6,410</u> |
| <i>Total liabilities, deferred inflows of resources, and fund balances</i> | <u>\$ 108</u> | <u>\$ 6,302</u> | <u>\$ 6,410</u> |

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

STATE OF NEW MEXICO
MAXWELL MUNICIPAL SCHOOLS
COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

Statement D-2

| | Education Technology Debt Service 41000 | Education Technology Debt Service 43000 | Total |
|--|--|--|-----------------|
| <i>Revenues:</i> | | | |
| Property taxes | \$ - | \$ 61,014 | \$ 61,014 |
| State grants | - | - | - |
| Federal grants | - | - | - |
| Miscellaneous | - | - | - |
| Charges for services | - | - | - |
| Investment income | - | - | - |
| <i>Total revenues</i> | <u>-</u> | <u>61,014</u> | <u>61,014</u> |
| <i>Expenditures:</i> | | | |
| Current: | | | |
| Instruction | - | - | - |
| Support services | | | |
| Students | - | - | - |
| Instruction | - | - | - |
| General administration | - | 598 | 598 |
| School administration | - | - | - |
| Central services | - | - | - |
| Operation & maintenance of plant | - | - | - |
| Student transportation | - | - | - |
| Other support services | - | - | - |
| Food services operations | - | - | - |
| Community services | - | - | - |
| Capital outlay | - | - | - |
| Debt service | | | |
| Principal | - | 55,451 | 55,451 |
| Interest | - | 1,897 | 1,897 |
| <i>Total expenditures</i> | <u>-</u> | <u>57,946</u> | <u>57,946</u> |
| <i>Excess (deficiency) of revenues over (under) expenditures</i> | <u>-</u> | <u>3,068</u> | <u>3,068</u> |
| <i>Other financing sources (uses):</i> | | | |
| Operating transfers | - | - | - |
| <i>Total other financing sources (uses)</i> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Net changes in fund balances</i> | - | 3,068 | 3,068 |
| <i>Fund balances - beginning of year</i> | <u>108</u> | <u>3,234</u> | <u>3,342</u> |
| <i>Fund balances - end of year</i> | <u>\$ 108</u> | <u>\$ 6,302</u> | <u>\$ 6,410</u> |

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

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OTHER SUPPLEMENTAL INFORMATION

STATE OF NEW MEXICO
MAXWELL MUNICIPAL SCHOOLS
AGENCY FUNDS
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
FOR THE YEAR ENDING JUNE 30, 2017

Schedule III

| Activity Fund | Description | Balance June 30, 2016 | Additions | Deletions | Adjustments | Balance June 30, 2017 |
|------------------|----------------------------|--------------------------|------------------|------------------|-------------|--------------------------|
| 110 | General | \$ 13 | \$ 417 | \$ 414 | \$ - | \$ 16 |
| 111 | LUDI Scholarship Account | 2,500 | - | 1,250 | - | 1,250 |
| 112 | Parent Advisory Committee | - | 1,235 | 655 | - | 580 |
| 113 | Senior | 664 | 342 | 965 | - | 41 |
| 114 | Junior | 1,106 | 1,255 | 755 | - | 1,606 |
| 115 | Sophomore | 1,168 | 4,325 | 2,671 | - | 2,822 |
| 116 | Freshman | - | 3,004 | 1,426 | - | 1,578 |
| 119 | Student Council | 650 | - | 478 | - | 172 |
| 121 | Booster Club | 654 | 3,648 | 3,773 | - | 529 |
| 123 | Pee Wee Sports | 4,264 | 8,190 | 5,290 | - | 7,164 |
| 125 | Cheerleaders - Pee Wee | 259 | 330 | 452 | - | 137 |
| 126 | FFA | 3,680 | 1,603 | 4,813 | - | 470 |
| 127 | Library | 212 | 345 | 323 | - | 234 |
| 141 | Activity Bank Account | 4 | - | 4 | - | - |
| 147 | Vocational | 59 | - | 59 | - | - |
| 149 | FCCLA | 21 | 22,191 | 20,788 | - | 1,424 |
| 150 | Annual | 60 | 340 | - | - | 400 |
| 155 | Drama | - | 175 | 160 | - | 15 |
| 159 | Sixth Grade Fieldtrip | - | 619 | 619 | - | - |
| 162 | School Mall | 715 | 12 | 194 | - | 533 |
| 178 | Teachers Association | 455 | - | - | - | 455 |
| 179 | Maxwell Community Fund | 175 | - | - | - | 175 |
| 180 | Perfecta Printing Services | 135 | - | - | - | 135 |
| | | <u>\$ 16,794</u> | <u>\$ 48,031</u> | <u>\$ 45,089</u> | <u>\$ -</u> | <u>\$ 19,736</u> |

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

STATE OF NEW MEXICO
MAXWELL MUNICIPAL SCHOOLS
SCHEDULE OF PLEDGED COLLATERAL
FOR THE YEAR ENDED JUNE 30, 2017

Schedule IV

| <u>Name of Depository</u> | <u>Description of Pledged Collateral</u> | <u>Maturity Date</u> | <u>CUSIP Number</u> | <u>Fair Market Value June 30, 2017</u> |
|---------------------------|--|--------------------------|-------------------------|--|
| Wells Fargo Bank | | | | |
| | FMAC FGPC | 9/1/2045 | 3132QSUG1 | \$ 66,928 |
| Total Wells Fargo Bank | | | | <u>\$ 66,928</u> |

The securities are held, not in the District's name, at:
 BYN Mellon
 One Wall Street
 Fourth Floor
 New York, NY 10286

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

STATE OF NEW MEXICO
MAXWELL MUNICIPAL SCHOOLS
SCHEDULE OF CASH AND TEMPORARY INVESTMENT ACCOUNTS
JUNE 30, 2017

Schedule V

| Bank Name/Account Type | Account Type | Bank Balance | Deposits in Transit | Outstanding Checks | Other Adjustments | Book Balance |
|---|--------------|-------------------|---------------------|---------------------|-------------------|-------------------|
| Wells Fargo Bank | | | | | | |
| Operational | Checking | \$ 296,302 | \$ - | \$ (228,055) | \$ 146,586 | \$ 214,833 |
| Lunch Account | Checking | 11,397 | - | (51) | - | 11,346 |
| Activity Account | Checking | 24,302 | - | (303) | - | 23,999 |
| Total Wells Fargo Bank | | <u>\$ 332,001</u> | <u>\$ -</u> | <u>\$ (228,409)</u> | <u>\$ 146,586</u> | <u>\$ 250,178</u> |
| | | | | | | |
| Bank Name/Account Type | Account Type | Bank Balance | Deposits in Transit | Outstanding Checks | Other Adjustments | Book Balance |
| Bank of Albuquerque | | | | | | |
| Ed Tech Custodial Account | Trust | \$ 52,244 | \$ - | \$ - | \$ - | \$ 52,244 |
| Total in Financial Institutions | | <u>\$ 384,245</u> | <u>\$ -</u> | <u>\$ (228,409)</u> | <u>\$ 146,586</u> | <u>302,422</u> |
| Cash on Hand | | | | | | <u>\$ 150</u> |
| Total | | | | | | <u>\$ 302,572</u> |
| Cash per financial statements | | | | | | |
| Cash and cash equivalents - Government Activities Exhibit A-1 | | | | | | 282,836 |
| Fiduciary funds - Exhibit D-1 | | | | | | 19,736 |
| | | | | | | <u>\$ 302,572</u> |

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

STATE OF NEW MEXICO
MAXWELL MUNICIPAL SCHOOLS
SCHEDULE OF CASH RECONCILIATIONS
JUNE 30, 2017

Primary Government

| | Operational 11000 | Teachergage 12000 | Transportation 13000 | Instructional Materials 14000 | Food Services 21000 |
|---------------------------|----------------------|----------------------|-------------------------|-------------------------------------|------------------------|
| Cash, June 30, 2016 | \$ 91,228 | \$ 18,990 | \$ - | \$ 2,189 | \$ 5,866 |
| Add: | | | | | |
| Current year revenues | 2,062,019 | 8,400 | 60,959 | 1,752 | 45,755 |
| Permanent cash transfers | - | - | - | - | - |
| Prior period adjustment | - | - | - | - | - |
| Loans from other funds | - | - | - | - | - |
| Total cash available | 2,153,247 | 27,390 | 60,959 | 3,941 | 51,621 |
| Less: | | | | | |
| Current year expenditures | (1,923,525) | (3,615) | (60,959) | (1,790) | (40,275) |
| Permanent cash transfers | - | - | - | - | - |
| Prior period adjustment | - | - | - | - | - |
| Loans to other funds | (63,333) | - | - | - | - |
| Cash, June 30, 2017 | <u>\$ 166,389</u> | <u>\$ 23,775</u> | <u>\$ -</u> | <u>\$ 2,151</u> | <u>\$ 11,346</u> |

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
MAXWELL MUNICIPAL SCHOOLS
SCHEDULE OF CASH RECONCILIATIONS
JUNE 30, 2017

Primary Government

| | Athletics 22000 | Federal Flowthrough 24000 | Federal Direct 25000 | State Flowthrough 27000 | Local / State 29000 |
|---------------------------|--------------------|---------------------------------|----------------------------|-------------------------------|---------------------------|
| Cash, June 30, 2016 | \$ 4,109 | \$ (38,291) | \$ - | \$ (42,481) | \$ 4,562 |
| Add: | | | | | |
| Current year revenues | 28,045 | 108,500 | 11,355 | 99,319 | - |
| Permanent cash transfers | - | - | - | - | - |
| Prior period adjustment | - | - | - | - | - |
| Loans from other funds | - | 19,618 | - | 43,715 | - |
| Total cash available | 32,154 | 89,827 | 11,355 | 100,553 | 4,562 |
| Less: | | | | | |
| Current year expenditures | (27,740) | (89,827) | (11,355) | (100,553) | - |
| Permanent cash transfers | - | - | - | - | - |
| Prior period adjustment | - | - | - | - | - |
| Loans to other funds | - | - | - | - | - |
| Cash, June 30, 2017 | <u>\$ 4,414</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 4,562</u> |

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
MAXWELL MUNICIPAL SCHOOLS
SCHEDULE OF CASH RECONCILIATIONS
JUNE 30, 2017

| Primary Government | Capital Improvements SB-9 31700 | Educational Tech Equip 31900 | Debt Service 41000 | Education Technology Debt Service 43000 | Total |
|---------------------------|--|---|-------------------------------|--|-------------------|
| Cash, June 30, 2016 | \$ 13,066 | \$ 70,831 | \$ 108 | \$ 2,764 | \$ 132,941 |
| Add: | | | | | |
| Current year revenues | 67,284 | 264 | - | 59,838 | 2,553,490 |
| Permanent cash transfers | - | - | - | - | - |
| Prior period adjustment | - | - | - | - | - |
| Loans from other funds | - | - | - | - | 63,333 |
| Total cash available | 80,350 | 71,095 | 108 | 62,602 | 2,749,764 |
| Less: | | | | | |
| Current year expenditures | (66,961) | (19,049) | - | (57,946) | (2,403,595) |
| Permanent cash transfers | - | - | - | - | - |
| Prior period adjustment | - | - | - | - | - |
| Loans to other funds | - | - | - | - | (63,333) |
| Cash, June 30, 2017 | <u>\$ 13,389</u> | <u>\$ 52,046</u> | <u>\$ 108</u> | <u>\$ 4,656</u> | <u>\$ 282,836</u> |

The accompanying notes are an integral part of these financial statements

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COMPLIANCE SECTION



Manning Accounting and Consulting Services, LLC

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

Timothy Keller
New Mexico State Auditor
The Office of Management and Budget
And the Board of Education of
Maxwell Municipal Schools
Maxwell, NM

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, the budgetary comparisons of the General Fund and major special revenue fund of the Maxwell Municipal Schools (the "District"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 17, 2017.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. (FS 2017-001 and FS 2017-003)

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency. (FS 2017-002)

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 instances 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 responses as items NM 2017-001, NM 2017-002, NM 2017-003, NM 2017-004, NM 2017-005, NM 2017-006, NM 2017-007, and NM 2017-008.

Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Manning Accounting and Consulting Services, LLC

Manning Accounting and Consulting Services, LLC

Kirtland, New Mexico

October 17, 2017

STATE OF NEW MEXICO
MAXWELL MUNICIPAL SCHOOLS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2017

Schedule VII

Section I – Summary of Audit Results

Financial Statements:

- | | |
|---|------------|
| 1. Type of auditor's report issued | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weakness identified? | Yes |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes |
| c. Control deficiencies identified not considered to be significant deficiencies? | No |

Section II – Financial Statement Findings

FS 2017-001 – Improper Recording of Journal Entries (Material Weakness)

Criteria: According to **6-5-2 NMSA 1978:**

C. State agencies shall implement internal accounting controls designed to prevent accounting errors and violations of state and federal law and rules related to financial matters. In addition, state agencies shall implement controls to prevent the submission of processing documents to the division that contain errors or that are for a purpose not authorized by law.

6-5-2.1 NMSA 1978:

A. coordinate all procedures for financial administration and financial control and integrate them into an adequate and unified system, including the devising, prescribing and installing of processing documents, records and procedures for state agencies;

B. collect and maintain the necessary information to produce ledgers, journals, registers and other supporting records and analyses;

Good accounting procedures require that all manual journal entries should have proper supporting documentation and be reviewed by at least two individuals who should sign and date the journal entry. This should be performed in order to detect errors and to prevent improper movement of funds. This provides an internal deterrent to errors, fraud, and misappropriation of assets.

Condition: During our review of manual journal entries, we noted the following instances where proper procedures were not followed:

- There is no supporting documentation to support the reason for the journal entry in any of the entries reviewed
- There is no secondary review of any journal entry

Cause: The District did not previously consider the need for supporting documentation of journal entries and was unaware that a secondary signature is needed.

Effect: District personnel have not followed state guidelines or internal procedures in the recording of journal entries. The accounting records may be modified, changed, or deleted through journal entries. The modification of the records may circumvent all internal control procedures and produce incorrect financial records and reports and may allow personnel to hide illegal or improper acts.

Auditor's Recommendation: We recommend that management record all journal entries properly and ensure that all journal entries are reviewed, signed, and dated by a second individual indicating the review has taken place and when that review was performed.

Responsible Official's View:

- Specific corrective action plan for finding: **The district will setup additional approvals within the Infinite Visions Accounting Software requiring the Superintendent to approval all manual journal entries with appropriate documentation supporting the entry.**
- Timeline for completion of corrective action plan: **Setup and training with Tyler Technologies is scheduled for July 31, 2017.**
- Employee position(s) responsible for meeting the timeline: **Business Manager and Superintendent**

Section II – Financial Statement Findings (Continued)

FS 2017–002 – Failure to Follow Proper Internal Controls Related to Payroll (Significant Deficiency)

Criteria: 6.20.2.11 NMAC 1978: INTERNAL CONTROL STRUCTURE STANDARDS:

A. Every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safe-guarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP, and that state and federal programs are managed in compliance with applicable laws and regulations. The internal control structure shall include written administrative controls (rules, procedures and practices, and policies that affect the organization) and accounting controls (activity cycles, financial statement captions, accounting applications including computer systems) that are in accordance with GAAP.

B. **Each school district shall develop, establish and maintain a structure of internal accounting controls and written procedures to provide for segregation of duties, a system of authorization and recording procedures, and sound accounting practices in performance of duties and functions. The duties to be segregated are the authorization to execute a transaction, recording the transaction, and custody of assets involved in the transaction.**

(1) School district management must ensure that protection of the public trust is a major focus when granting the authorization to execute business of the school district.

(2) Employees handling significant amounts of cash must be adequately bonded. Access to assets is permitted only in accordance with school district authorization.

(3) Receipts, checks or warrants, purchase orders, and vouchers shall be sequentially pre-numbered.

(4) School districts shall have proper safeguards to protect unused checks and other pre-numbered forms, undeposited cash and other receipts, and facsimile signature plates.

(5) Transactions are to be recorded as necessary to permit preparation of financial statements in conformity with GAAP. In addition, school districts shall establish any other criteria applicable to such statements to maintain accountability for assets.

(6) **School districts shall conduct independent checks on performance and proper valuation of recorded amounts, such as clerical checks, reconciliations, comparison of assets with recorded accountability, computer-programmed controls, management review of reports that summarize the detail of account balances, and user review of computer generated reports.**

Condition: During our review of payroll we identified the following instances in which proper procedures were not followed:

- The Superintendent is not signing off on any payroll reports and no report is even run for review
- The business manager has the authority to set up a new employee in the system, generate a contract, and process a payroll for them without any oversight.

Cause: There is not a proper segregation of duties or another control procedure in place which allows for proper review when the business manager has the ability to do all payroll functions.

Effect: The business manager has the ability to input new employee information and create payroll checks and contracts without oversight or involvement of other individuals. This could lead to an incidence of fraud as there is no internal control to prevent the creation of a non-existent employee or the modification of payroll for an individual

Auditor's Recommendation: We recommend that the District have the Superintendent sign off on a detail payroll report which lists payees and amounts as a secondary control on payroll disbursements. The Superintendent should review the individual employee report with actual pay amounts to ensure there are no instances of fraudulent employees or improper amounts included on the payroll.

STATE OF NEW MEXICO
MAXWELL MUNICIPAL SCHOOLS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2017

Schedule VII

Section II – Financial Statement Findings (Continued)

FS 2017-002 – Failure to Follow Proper Internal Controls Related to Payroll (Significant Deficiency) (Continued)

Responsible Official's View:

- Specific corrective action plan for finding: **The district will have the Superintendent sign off on the detailed payroll reports, which includes all employees and the amounts being paid. The Superintendent will review the individual employee report with actual amount paid to ensure there are no instances of fraudulent employees or improper amounts included on the payroll.**
- Timeline for completion of corrective action plan: **Beginning with the first payroll in July 2017.**
- Employee position(s) responsible for meeting the timeline: **Business Manager and Superintendent**

STATE OF NEW MEXICO
MAXWELL MUNICIPAL SCHOOLS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2017

Schedule VII

Section II – Financial Statement Findings (Continued)

FS 2017-003 – Improper Recording and Maintenance of Fixed Assets Records (Material Weakness)

Criteria: 2.20.1.8 NMAC 1978 FIXED ASSET ACCOUNTING SYSTEM:

- A. **Agencies should implement systematic and well-documented methods for accounting for their fixed assets.** A computerized system is recommended, with appropriate controls on access and authorization of transactions.
- B. The information to be recorded and maintained on its fixed assets, must include at a minimum the following:
1. agency name or commonly used initials used to identify the agency;
 2. fixed asset number or fixed asset number plus component number;
 3. a description using words meaningful for identification;
 4. location, specifically a building and room number. If the asset is movable, the name and location of the fixed asset coordinator should be used;
 5. manufacturer name (NOT the vendor's name, unless vendor is the manufacturer);
 6. model number or model name;
 7. serial number, or vehicle identification number (VIN) for vehicles in agency's use & possession. If the fixed asset has no serial number, e.g., a custom-built asset, absence should be acknowledged by coding this as "none";
 8. estimated useful life or units expected to be produced;
 9. date acquired (month and year)
 - 10. cost (according to the valuation methods described in section 10 [now 2.20.1.10 NMAC];**
 11. fund and organization that purchased the asset, or to which it was transferred.
- C. The system must be capable of generating lists of fixed assets in sequences useful for managing them. It must track all transactions including acquisitions, depreciation (if needed), betterments and dispositions. It must generate all necessary accounting entries to the agency's general ledger.

Condition: During our review of fixed asset detail we noted that the District's financial statements from the prior year do not agree to the Districts detail records by a material amount. We identified the following instances in which proper procedures were not followed:

- The District's prior year audited financial statements maintained a negative balance in the depreciation account for land improvements in the amount of \$135,775. This amount was not properly adjusted when adjustments to the fixed assets occurred in the prior year. Additionally, the amounts of accumulated depreciation by category in the prior year's financial statements do not match to the detail records of the District. Those amounts are being adjusted to match the District's detail records in the current year. The net change in the depreciation categories amounts to a reduction of \$1,359.
- The District has maintained a balance for land in prior year's financial statements of \$307,309. However the detail provided by the District shows the value of the land with a value of \$11,818, an overvaluation of \$295,491. The District obtained a significant amount of its land in the 1920's to 1950's. They have obtained additional lots in the 1970's through 1990's. The valuation of these purchases ranged between \$1.25 and \$7,500.00. An adjustment to the land valuation has been proposed.

Cause: The District has not previously verified that amounts in the financial statements adequately represented the detail records of the District with regards to assets and depreciation. The District is unaware of how the valuation of the land had been inflated to the amount in prior audits, and the detail provided in the current year does appear reasonable considering the size of the lots and when the land was purchased.

Effect: Fixed assets are materially misstated in previous financial statements and not all assets classifications with regards to accumulated depreciation are properly reported in the prior financial statements.

STATE OF NEW MEXICO
MAXWELL MUNICIPAL SCHOOLS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2017

Schedule VII

Section II – Financial Statement Findings (Continued)

FS 2017-003 – Improper Recording and Maintenance of Fixed Assets Records (Material Weakness)
(Continued)

Auditors' Recommendation: We recommend that the District ensure compliance with the above statutes by implementing internal control processes that will safeguard and record all fixed asset inventory and ensure that the classifications are proper and accurate.

Responsible official's view:

- Specific corrective action plan for finding: **Management of the districts fixed assets has been transferred to the Business Manager, who is in the process of going through asset inventory. Inventory sheets will be sent out each year for each location to go thru and account for items. The Business Manager will complete a physical inventory at the end of every year.**

- Timeline for completion of corrective action plan: **The reconciliation of fixed assets and inventory items has been done and will continue to be reconciled each year.**

- Employee position(s) responsible for meeting the timeline: **Business Manager**

STATE OF NEW MEXICO
MAXWELL MUNICIPAL SCHOOLS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2017

Schedule VII

Section III – Section 12-6-5 NMSA 1978 Findings

NM 2017-001 – Purchase Orders and Payment Authorization (Compliance and Other Matters)

Criteria: Per the New Mexico Manual of Procedures for Public School Accounting and Budgeting, Supplement 13 – Purchasing, “the preparation and execution of a duly authorized purchase order must precede the placement of any order for goods, services, or construction.....**For each individual purchase contract, a receiving document or other recording instrument (i.e., electronic) shall be present at the delivery site to record the delivery of items or service. Upon verifying and recording the receipt of all the items or services ordered, the receiving document or recording instrument shall be manually or electronically signed by authorized receiving personnel** and processed for payment according to procedures established by school district or charter school boards’ of education local procedures.”

13-1-157 NMSA 1978 Receipt; inspection; acceptance or rejection of deliveries.

The using agency is responsible for inspecting and accepting or rejecting deliveries. The using agency shall determine whether the quantity is as specified in the purchase order or contract and whether the quality conforms to the specifications referred to or included in the purchase order or contract. If inspection reveals that the delivery does not conform to the quantity or quality specified in the purchase order or contract, the using agency shall immediately notify the central purchasing office. The central purchasing office shall notify the vendor that the delivery has been rejected and shall order the vendor to promptly make a satisfactory replacement or supplementary delivery. In case the vendor fails to comply, the central purchasing office shall have no obligation to pay for the nonconforming items of tangible personal property. If the delivery does conform to the quantity and quality specified in the purchase order or contract, the using agency shall certify to the central purchasing office that delivery has been completed and is satisfactory.

Additionally, [13-1-158 NMSA 1978](#) states:

“No warrant, check or other negotiable instrument shall be issued in payment for any purchase of services, construction or items of tangible personal property unless the central purchasing office or the using agency certifies that the services, construction or items of tangible personal property have been received and meet specifications or unless prepayment is permitted under [Section 13-1-98](#) NMSA 1978 by exclusion of the purchase from the Procurement Code [[13-1-28](#) NMSA 1978].”

Condition: During our review of disbursements we noted the following instances in which proper procedures were not followed:

- In 14 of 25 items tested there was no receiving document to verify the goods and or services were received by the District. The value of these disbursements ranged from \$17.90 to \$21,211.26
- In 1 of 25 items tested the amount of the goods and or services purchased were greater than the approved purchase order. The cost of the good was \$199.08 but the purchase order was only approved for \$60.00

During our review of individually significant items we noted the following instances in which proper procedures were not followed:

- In 9 of 18 items tested there was no receiving documentation to verify the goods and or services were received. The value of these goods and or services ranged from \$5,644.80 to \$44,294.00.
- District policy requires 3 written quotes for purchases greater than \$5,000. A purchase for \$7,750 was made with only 1 written quote in the file.

STATE OF NEW MEXICO
MAXWELL MUNICIPAL SCHOOLS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2017

Schedule VII

Section III – Section 12-6-5 NMSA 1978 Findings (Continued)

NM 2017-001 – Purchase Orders and Payment Authorization (Compliance and Other Matters) (Continued)

During our review of activity disbursements we noted the following instances in which proper procedures were not followed:

- In 5 of 14 items tested there was no receiving documentation to verify the goods and or services were received. The value of these goods and or services ranged from \$50.00 to \$1,687.55.
- In 1 of 14 items tested the value of goods and or services purchased was greater than the approved purchase order. The cost of goods was \$1,687.55 but the purchase order was only approved for \$1,000.00
- In 1 of 14 items tested the goods and or service was purchased prior to the creation of an approved purchase order. The cost of the goods and or services was \$1,335.00

Cause: District personnel have not followed state guidelines or internal procedures in the payment of services. Policy clearly states that the District must have a signed purchase order in place prior to receiving goods and or services and that there is a receiving document to verify goods and services are received.

Effect: Internal control over expenditures and the ability of responsible parties to appropriately monitor budgets for which they bear responsibility may be compromised. Not being in compliance with these requirements places the District and the Board at risk for fraud or misuse of public funds

Auditor's Recommendation: We recommend that all personnel be reminded of, or trained in, District and state policy in regards to payment of goods, services, or construction. All District personnel need to be aware that a purchase order must be approved prior to the purchase of goods and services and that all goods and services should be signed for indicating when items were received and by whom.

Responsible official's view:

- Specific corrective action plan for finding: **The District will continue to train all staff that generate requisitions for purchase orders, that purchasing before approval of a purchase order is not allowed and can be subject to consequences by the Superintendent. The receiving clerk will be trained on the proper procedures for verifying and documenting receipt of purchased goods. Invoices for services will be approved for payment by the individual who requested the service.**
- Timeline for completion of corrective action plan: **The training process will begin immediately and will be ongoing. The payment approval process will begin July 2017.**
- Employee position(s) responsible for meeting the timeline: **Business Manager and Superintendent**

STATE OF NEW MEXICO
MAXWELL MUNICIPAL SCHOOLS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2017

Schedule VII

Section III – Section 12-6-5 NMSA 1978 Findings (Continued)

NM 2017-002 – Improper Cash Receiving and Depositing (Non-Compliance and Other Matters)

Criteria: NMAC 6.20.2.14 1978:

A. School districts shall establish and maintain a cash management program to safeguard cash and provide prompt and accurate reporting that adheres to cash management requirements of the office of management and budget (OMB) Circular A-102, and applicable state and federal laws and regulations.

B. The school district shall issue a factory pre-numbered receipt for all money received. Pre-numbered receipts are to be controlled and secured. If a receipt is voided, all copies shall be marked "VOID" and retained in the receipt book.

C. **Money received and receipted shall be deposited in the bank within twenty-four (24) hours or one banking day. If the distance to the bank is considerable, or the cash collection is limited to small amounts and/or low volume and it is impractical to meet the twenty-four hour/one banking day requirement, the local board may request approval from the department for an alternative plan. The bank deposit slip shall have the numbers from applicable receipts entered on it or attached as a reference.**

D. A cash receipts journal is to be used for each fiscal year beginning July 1 and ending June 30, and is to be presented to the school district's auditor during the annual audit.

Condition: During our review of cash receipts we noted the following instances where proper procedures were not followed.

- In 1 of 25 items reviewed the money received was not deposited within 24 hours or one banking day of receipt. \$20.00 was received on 4/19/17 and was deposited on 4/21/17.

During our review of activity account cash receipts we noted the following instances where proper procedures were not followed:

- No cash receipts were written for 12 of 14 activity account deposits. The deposits ranged from \$100.00 to \$856.00.

Cause: The staff of the District did not deposit the funds within 24 hours after receipt. Proper procedures relating to cash receipts were not followed. While procedures for operational accounts appear to be adequately followed, the same care has not been taken with activity receipts and deposits of the students.

Effect: Non-adherence to state statutes places the District in noncompliance and lack of timeliness of deposits and proper receipt documentation could subject the District to a possible occurrence of fraud.

Auditors' Recommendations: We recommend that the District emphasize the importance of timely deposits of receipts. The District should cross-train employees so that more than one individual is able to make deposits to ensure timely deposits are possible. Additionally, those individuals who supervise fundraising activities for the students should be trained in the procedures which are required to follow state and District policies.

Responsible Official's View:

- Specific corrective action plan for finding: **The district has an outdated letter allowing for deposits to be made within 48 hours since there is not a local bank. The district will work with PED to have the letter updated on an annual basis. Until this happens, the district will ensure that deposits are taken to the bank daily.**
- Timeline for completion of corrective action plan: **Immediately**
- Employee position(s) responsible for meeting the timeline: **Administrative Assistant, Business Manager and Superintendent.**

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Schedule VII

Section III – Section 12-6-5 NMSA 1978 Findings (Continued)

NM 2017–003 – Background Checks (Non-Compliance)

Criteria: According to 22-10A-5 NMSA 1978

C. Local school boards and regional education cooperatives shall develop policies and procedure to **require background checks on an applicant who has been offered employment, a contractor or a contractor's employee with unsupervised access to students at a public school.**

D. An applicant for employment who has been initially licensed within twenty-four months of applying for employment with a local school board, regional education cooperative or a charter school shall not be required to submit to another background check **if the department has copies of the applicant's federal bureau of investigation records on file.** An applicant who has been offered employment, a contractor or a contractor's employee with unsupervised access to students at a public school shall provide two fingerprint cards or the equivalent electronic fingerprints to the local school board, regional education cooperative or charter school to **obtain the applicant's federal bureau of investigation record.** The applicant, contractor or contractor's employee who has been offered employment by a regional education cooperative or at a public school may be required to pay for the cost of obtaining a background check. **At the request of a local school board, regional education cooperative or charter school, the department is authorized to release copies of federal bureau of investigation records that are on file with the department and that are not more than twenty-four months old.** Convictions of felonies or misdemeanors contained in the federal bureau of investigation record shall be used in accordance with the Criminal Offender Employment Act; provided that other information contained in the federal bureau of investigation record, if supported by independent evidence, may form the basis for the employment decisions for good and just cause. Records and related information shall be privileged and shall not be disclosed to a person not directly involved in the employment decision affecting the specific applicant who has been offered employment, contractor or contractor's employee with unsupervised access to students at a public school.

Condition: During our review of personnel files we noted the following instance where required documentation was not found in the employees personnel file.

- In 1 of the 10 files reviewed there was no copy of the FBI background check in the file.

Cause: The District has not followed state guidelines in regards to documentation of background checks. The FBI background check on one employee tested was not in the personnel file.

Effect: The School's failure to maintain a background check report in the employee file is a violation of state statute and puts the District and School at additional risk of liability for any actions that may arise regarding employees.

Auditor's Recommendation: We recommend that the District establish a policy regarding background checks and ensuring they are properly maintained within the employee personnel file.

Responsible Official's View:

- Specific corrective action plan for finding: **All regular, substitute and casual employee files will be audited for background check documentation. If no documentation is found in the employee's file, the employee will receive a letter requiring them to have their background check processed.**
- Timeline for completion of corrective action plan: **Employees with no background check documentation will be required to submit one for processing by October 2017.**
- Employee position(s) responsible for meeting the timeline: **Administrative Assistant**

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FOR THE YEAR ENDED JUNE 30, 2017

Schedule VII

Section III – Section 12-6-5 NMSA 1978 Findings (Continued)

NM 2017- 004 – Late Payment of Employer Contributions for Retiree Healthcare (Non-Compliance)

Criteria: 10-7C-15-D NMSA 1978 Retiree Health Care Fund Contributions:

D. Except for contributions made pursuant to Subsection C of this section, a participating employer that fails to remit before the tenth day after the last day of the month all employer and employee deposits required by the Retiree Health Care Act to be remitted by the employer for the month shall pay to the fund, in addition to the deposits, interest on the unpaid amounts at the rate of six percent per year compounded monthly.

Condition: During our review of RHC contributions we noted the following instances in which proper procedures were not followed.

- In 1 of 3 months reviewed the District did not submit its employer contributions before the 10th of the month.

Cause: The District has not followed state guidelines in regards to contribution timelines. The District had believed that contributions were to be paid by the 15th of the month instead of the 10th of the month.

Effect: The District's late payment subjects the school to possible late fees and puts them in non-compliance with state guidelines.

Auditor's Recommendation: We recommend that the District ensure that RHC contributions are transmitted by the 10th of the month in which the payment is due.

Responsible Official's View:

- Specific corrective action plan for finding: **Monthly reminders have been established to ensure returns are submitted by the 10th of the month.**
- Timeline for completion of corrective action plan: **Immediately**
- Employee position(s) responsible for meeting the timeline: **Business Manager**

Section III – Section 12-6-5 NMSA 1978 Findings (Continued)

NM 2017-005 – Failure to Follow Bid-RFP Procedures (Compliance and Other Matters)

Criteria: 1.4.1.15 NMAC 1978 **COMPETITIVE SEALED BIDS REQUIRED:** All procurement shall be achieved by competitive sealed bids except procurement achieved pursuant to the following methods:

- A. competitive sealed proposals;
- B. small purchases;
- C. sole source procurement;
- D. emergency procurement;
- E. procurement under existing contracts; and
- F. purchases from anti-poverty program businesses.

1.4.1.25 NMAC 1978 **STATUTORY PREFERENCES:** Statutory preferences to be applied in determining low bidder or low offeror. New Mexico law provides certain statutory preferences to resident businesses, resident veteran businesses, resident contractors and resident veteran contractors as well as for recycled content goods (13-1-21 and 13-1-22 NMSA 1978). **These preferences must be applied in regard to invitations for bids and requests for proposals in accordance with statute in determining the lowest bidder or offeror.**

1.4.1.31 NMAC 1978 **REQUEST FOR PROPOSALS ("RFP"):**

A. Initiation. The request for proposals ("RFP") is used to initiate a competitive sealed proposal procurement. All state agencies shall follow published guidelines and procedures issued by the state purchasing agent from development stage through award of RFP-based procurements. **At a minimum the RFP shall include the following:**

- (1) the specifications for the services or items of tangible personal property to be procured;
- (2) all contractual terms and conditions applicable to the procurement;
- (3) instructions concerning the submission and response to questions;
- (4) the term of the contract and conditions of renewal or extension, if any;
- (5) instructions and information to offerors, including the location where proposals are to be received and the date, time and place where proposals are to be received and reviewed;
- (6) all of the evaluation factors, and the relative weights to be given to the factors in evaluating proposals;
- (7) a statement that discussions may be conducted with offerors who submit proposals determined to be reasonably susceptible of being selected for award, but that proposals may be accepted without such discussions;
- (8) a notice that the RFP may be canceled and that any and all proposals may be rejected in whole or in part when it is in the best interest of the state of New Mexico; and
- (9) a statement of how proposed costs should be submitted;
- (10) a notice that reads substantially as follows: The Procurement Code, 13-1-28 through 13-1-199 NMSA 1978, imposes civil, misdemeanor and felony criminal penalties for its violation. In addition, the New Mexico criminal statutes impose felony penalties for bribes, gratuities and kick-backs.

B. Incorporation by reference. The RFP may incorporate documents by reference, provided that the RFP specifies where such documents can be obtained.

C. Form of proposal. The manner in which proposals are to be submitted, including any forms for that purpose, should be designated in the RFP.

D. Proposal preparation time. 30 calendar days between the date of issue and the proposal due date is the recommended minimum proposal preparation time. A longer preparation time may be required for complex procurements or for procurements that require substantial offeror resources to prepare an acceptable proposal.

Section III – Section 12-6-5 NMSA 1978 Findings (Continued)

NM 2017-005 – Failure to Follow Bid-RFP Procedures (Compliance and Other Matters) (Continued)

1.4.1.37 NMAC 1978 RECEIPT AND OPENING OF PROPOSALS:

A. **Receipt. Proposals and modifications shall be time-stamped upon receipt and held in a secure place until the established due date.** (See 1.4.1.35 of this rule for the definition of "established due date.")

B. **Opening.** Proposals shall not be opened publicly and shall not be open to public inspection until after award of a contract. An offeror may request in writing nondisclosure of confidential data. Such data shall accompany the proposal and shall be readily separable from the proposal in order to facilitate eventual public inspection of the nonconfidential portion of the proposal.

1.4.1.45 NMAC 1978 PUBLIC INSPECTION:

A. **General. After award, any written determinations made pursuant to these rules, the evaluation committee report and each proposal, except those portions for which the offeror has made a written request for confidentiality, shall be open to public inspection.** Confidential data is normally restricted to confidential financial information concerning the offeror's organization and data that qualifies as a trade secret in accordance with the

Condition: During our testing of bid's and RFP's we identified the following instances in which proper procedures were not followed in one RFP:

- The District did not provide any specifications as to the terms and conditions of the contract in their RFP.
- District personnel did not date and time stamp the receipt of the proposals and keep that documentation as part of the public record or procurement file.
- The scoring did not include statutory preference points for resident and resident veteran businesses. The final score sheets were also not maintained.

Cause: The District has not followed State guidelines for requests for proposals. The District performs very few bids and RFPs and was not completely familiar with all the requirements of the State for these procedures.

Effect: The District is not in compliance with State Purchasing Guidelines and could have their bidding procedures challenged.

Auditor's Recommendation: We recommend that the District ensure that all personnel are sufficiently aware and trained in the proper procedures for handling bid's and RFP's. Additionally we encourage the District to ensure that all pertinent records related to any bid or RFP be maintained as part of the procurement file.

Responsible official's view:

- Specific corrective action plan for finding: **The District will ensure that pertinent personnel are trained in the proper procedures for handling bid's and RFP's. Additionally the District will ensure that all pertinent records related to any bid or RFP be maintained as part of the procurement file.**
- Timeline for completion of corrective action plan: **Immediately**
- Employee position(s) responsible for meeting the timeline: **Administrative Assistant, Business Manager and Superintendent**

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FOR THE YEAR ENDED JUNE 30, 2017

Schedule VII

Section III – Section 12-6-5 NMSA 1978 Findings (Continued)

NM 2017-006 – Improper Reimbursement of Travel Expense (Compliance and Other Matters)

Criteria: According to 2.42.2.9 NMAC 1978 REIMBURSEMENT OF ACTUAL EXPENSES IN LIEU OF PER DIEM RATES:

A. **Applicability:** Upon written request of a public officer or an employee, agency heads may grant written approval for a public officer or employee of that agency or local public body to be reimbursed actual expenses in lieu of the per diem rate where overnight travel is required.

B. **Overnight travel:** For overnight travel for state officers and employees where overnight lodging is required, the public officer or employee will be reimbursed as follows:

(1) **Actual reimbursement for lodging:** A public officer or an employee may elect to be reimbursed actual expenses for lodging not exceeding the single occupancy room charge (including tax) in lieu of the per diem rate set forth in this Section. Whenever possible, public officers and employees should stay in hotels which offer government rates. Agencies, public officers or employees who incur lodging expenses in excess of \$215.00 per night must obtain the signature of the agency head or chairperson of the governing board on the travel voucher prior to requesting reimbursement and on the encumbering document at the time of encumbering the expenditure.

(2) **Actual reimbursement for meals: Actual expenses for meals are limited by Section 10-8-4(K)(2) NMSA 1978 (1995 Repl. Pamp.) to a maximum of \$30.00 for in-state travel and \$45.00 for out-of-state travel for a 24-hour period.**

(3) **Receipts required:** The public officer or employee must submit receipts for the actual meal and lodging expenses incurred. Under circumstances where the loss of receipts would create a hardship, an affidavit from the officer or employee attesting to the expenses may be substituted for actual receipts. The affidavit must accompany the travel voucher and include the signature of the agency head or governing board. See Appendix B for a sample affidavit.

C. **Return from overnight travel: On the last day of travel when overnight lodging is no longer required, partial day reimbursement shall be made.** To calculate the number of hours in the partial day, begin with the time the traveler initially departed on the travel. Divide the total number of hours traveled by 24. The hours remaining constitute the partial day which shall be reimbursed as follows:

- (1) for less than 2 hours, none;
- (2) for 2 hours but less than 6 hours, \$12.00;
- (3) for 6 hours or more, but less than 12 hours, \$20.00;
- (4) for 12 hours or more, \$30.00;
- (5) no reimbursement for actual expenses will be granted in lieu of partial day per diem rates.

2.42.2.11 MILEAGE-PRIVATE CONVEYANCE:

A. **Applicability:** Mileage accrued in the use of a private conveyance shall be paid only in accordance with the provisions of this section.

B. **Rate:** Public officers and employees of state agencies shall be reimbursed for mileage accrued in the use of a private automobile or aircraft in the discharge of official duties as follows:

(1) unless the secretary has reduced the rates set for mileage for any class of public officials and for employees of state agencies pursuant to Section 10-8-5 (D) NMSA 1978, 80% of the internal revenue service standard mileage rate set January 1 of the previous year for each mile traveled in a privately owned vehicle;

(2) privately owned airplane, eighty-eight cents (\$0.88) per nautical mile.

C. **Local public bodies:** Public officers and employees of local public bodies may be reimbursed for mileage accrued in the use of a private conveyance in the discharge of official duties, at the statutory rates unless such rates have been reduced by the governing bodies of the local public body pursuant to Section 10-8-5 (D) NMSA 1978.

Section III – Section 12-6-5 NMSA 1978 Findings (Continued)

NM 2017-006 – Improper Reimbursement of Travel Expense (Compliance and Other Matters) (Continued)

D. **Privately owned automobile:** For conveyance in the discharge of official duties by privately owned automobile, mileage accrued shall be reimbursed at the rate set forth in this section as follows:

(1) pursuant to the **mileage chart of the official state map published by the state highway and transportation department for distances in New Mexico** and the most recent edition of the Rand-McNally road atlas for distances outside of New Mexico; or

(2) **pursuant to actual mileage if the beginning and ending odometer reading is certified as true and correct by the traveler;** and

(a) the destination is not included on the official state map or on the Rand McNally road atlas, or,

(b) at the destination(s) of the public officer or employee, the public officer or employee was required to use the private conveyance in performance of official duties.

2.42.2.12 NMAC 1978 REIMBURSEMENT FOR OTHER EXPENSES: Public officers and employees may be reimbursed for certain actual expenses in addition to per diem rates.

A. **Receipts not required: Public officers and employees may be reimbursed without receipts for the following expenses in an amount of \$6.00 per day not to exceed a total of \$30.00 per trip:**

(1) taxi or other transportation fares at the destination of the traveler;

(2) gratuities as allowed by the agency head or designee; and

(3) parking fees

(4) **If more than \$6.00 per day or \$30.00 per trip is claimed, the entire amount of the reimbursement claim must be accompanied by receipts.**

B. **Receipts required:** Public officers and employees may be reimbursed for the following expenses provided that receipts for all such expenses are attached to the reimbursement voucher:

(1) actual costs for travel by common carrier, provided such travel is accomplished in the most economical manner practical;

(2) rental cars or charter aircraft, provided less expensive public transportation is not available or appropriate;

(3) registration fees for educational programs or conferences, provided, if the fee includes lodging or meals, then no per diem rates shall be paid and only actual expenses paid by the officer or employee and not included in the fee shall be reimbursed within the limits of 2.42.2.9 NMAC; and

(4) professional fees or dues that are beneficial to the agency's operations or mission.

(5) Under circumstances where the loss of receipts would deny reimbursement and create a hardship, an affidavit from the officer or employee attesting to the expenses may be substituted for actual receipts. The affidavit must accompany the travel voucher and include the signature of the agency head or governing board. See Appendix B for a sample affidavit.

C. **Local public bodies:** Local public bodies may adopt regulations governing the reimbursement of actual expenses incurred in addition to per diem rates and mileage.

Condition: During our testing of travel and per-diem expenses we noted the following instances in which proper procedures were not followed:

- In 1 of 13 items tested more than \$6.00 in tips was reimbursed without proper documentation being provided. Tip documentation requires tip amounts to be processed by the restaurant and then a new receipt printed which electronically includes the tip amount. Hand written tips are considered undocumented.
- In 2 of 13 items tested the employees were reimbursed for 38 and 8 miles, respectively, more than the District's approved mileage chart.
- In 1 of 13 items tested the District reimbursed more than \$30.00 in meals, the maximum amount allowed. The employee was reimbursed \$35.02 on the first day of travel.
- In 1 of 13 items tested the District did not reimburse the employee for their partial day per-diem.

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Section III – Section 12-6-5 NMSA 1978 Findings (Continued)

NM 2017-006 – Improper Reimbursement of Travel Expense (Compliance and Other Matters) (Continued)

Cause: The District has not followed proper State and District guidelines for reimbursement of travel and per-diem expenses.

Effect: The District is not in compliance with State and District statutes and policies.

Auditor's Recommendation: We recommend that management ensure that they are reimbursing employees properly for qualified expenses and ensure that policies are consistent for all employees.

Responsible Official's View:

- Specific corrective action plan for finding: **The district will provide additional training on the Travel and Per Diem Act.**
- Timeline for completion of corrective action plan: **Immediately and ongoing**
- Employee position(s) responsible for meeting the timeline: **Business Manager**

Section III – Section 12-6-5 NMSA 1978 Findings (Continued)

NM 2017-007 – Failure to Notify State Auditor of Disposition of Assets (Non-Compliance or Other Matter)

Criteria: 13-6-1 NMSA 1978 Disposition of obsolete, worn-out or unusable tangible personal property:

A. The governing authority of each state agency, local public body, school district and state educational institution may dispose of any item of tangible personal property belonging to that authority and delete the item from its public inventory upon a specific finding by the authority that the item of property is:

- (1) **of a current resale value of five thousand dollars (\$5,000) or less; and**
- (2) **worn out, unusable or obsolete to the extent that the item is no longer economical or safe for continued use by the body.**

B. The governing authority shall, as a prerequisite to the disposition of any items of tangible personal property:

- (1) **designate a committee of at least three officials of the governing authority to approve and oversee the disposition; and**

(2) **give notification at least thirty days prior to its action making the deletion by sending a copy of its official finding and the proposed disposition of the property to the state auditor and the appropriate approval authority designated in Section 13-6-2 NMSA 1978, duly sworn and subscribed under oath by each member of the authority approving the action.**

C. **A copy of the official finding and proposed disposition of the property sought to be disposed of shall be made a permanent part of the official minutes of the governing authority and maintained as a public record subject to the Inspection of Public Records Act.**

D. The governing authority shall dispose of the tangible personal property by negotiated sale to any governmental unit of an Indian nation, tribe or pueblo in New Mexico or by negotiated sale or donation to other state agencies, local public bodies, school districts, state educational institutions or municipalities or through the central purchasing office of the governing authority by means of competitive sealed bid or public auction or, if a state agency, through the surplus property bureau of the transportation services division of the general services department.

E. A state agency shall give the surplus property bureau of the transportation services division of the general services department the right of first refusal when disposing of obsolete, worn-out or unusable tangible personal property of the state agency.

F. If the governing authority is unable to dispose of the tangible personal property pursuant to Subsection D or E of this section, the governing authority may sell or, if the property has no value, donate the property to any organization described in Section 501(c)(3) of the Internal Revenue Code of 1986.

G. If the governing authority is unable to dispose of the tangible personal property pursuant to Subsection D, E or F of this section, it may order that the property be destroyed or otherwise permanently disposed of in accordance with applicable laws.

H. If the governing authority determines that the tangible personal property is hazardous or contains hazardous materials and may not be used safely under any circumstances, the property shall be destroyed and disposed of pursuant to Subsection G of this section.

I. No tangible personal property shall be donated to an employee or relative of an employee of a state agency, local public body, school district or state educational institution; provided that nothing in this subsection precludes an employee from participating and bidding for public property at a public auction.

Condition: The District disposed of assets during the school year and failed to notify the State Auditor or any other governing authority at the State level. The District did not follow the appropriate steps prior to the disposal of obsolete or worn out tangible personal property.

Cause: District personnel did not follow proper disposition of assets procedures established by the State. District personnel were unaware of the requirements for disposal of assets with a value less than \$5,000. District personnel believed that assets less than \$5,000 and worn-out and obsolete assets only required Board approval for disposition.

Effect: The District was not in compliance with the guidelines of the State for disposition of assets. The disposal of assets without proper controls can lead to the misappropriation of assets in the extreme and can lead to maintaining improper asset records at a minimum.

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MAXWELL MUNICIPAL SCHOOLS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2017

Schedule VII

Section III – Section 12-6-5 NMSA 1978 Findings (Continued)

NM 2017-007 – Failure to Notify State Auditor of Disposition of Assets (Non-Compliance or Other Matter) (Continued)

Auditors' Recommendations: We recommend that the District emphasize the importance of adherence to State guidelines in regards to asset dispositions and ensure that assets are not disposed without proper documentation and approval. Additionally, District personnel who dispose of assets should be trained in the importance of following State and District procedures for the proper disposal of assets.

Responsible Official's View:

- Specific corrective action plan for finding: **The District will adhere to all State guidelines in regards to asset dispositions and ensure that assets are not disposed without proper documentation and approval. District personnel will be trained on the proper procedures for the proper disposal of assets.**
- Timeline for completion of corrective action plan: **Immediate and ongoing training will be provided.**
- Employee position(s) responsible for meeting the timeline: **Business Manager and Superintendent**

STATE OF NEW MEXICO
 MAXWELL MUNICIPAL SCHOOLS
 SCHEDULE OF FINDINGS AND RESPONSES
 FOR THE YEAR ENDED JUNE 30, 2017

Section III – Section 12-6-5 NMSA 1978 Findings (Continued)

NM 2017-008 – Cash Appropriations in Excess of Available Cash Balances (Compliance and Other Matters)

Criteria: 2.2.2.10 NMAC 1978 GENERAL CRITERIA:

Q. Budgetary presentation:

(2) The differences between the budgetary basis and GAAP basis revenues and expenditures shall be reconciled. If the required budgetary comparison information is included in the basic financial statements, the reconciliation shall be included on the statement itself or in the notes to the financial statements. If the required budgetary comparison is presented as RSI, the reconciliation to GAAP basis shall appear in either a separate schedule or in the notes to the RSI (AAG-SLV 11.14). **The notes to the financial statements shall disclose the legal level of budgetary control for the entity and any excess of expenditures over appropriations at the legal level of budgetary control. The legal level of budgetary control for local governments is at the fund level. The legal level of budgetary control for school districts is at the function level.**

R. Appropriations:

(1) Budget related findings:

(a) If actual expenditures exceed budgeted expenditures at the legal level of budgetary control, that fact shall be reported in a finding and disclosed in the notes to the financial statements.

(b) If budgeted expenditures exceed budgeted revenues (after prior-year cash balance and any applicable federal receivables used to balance the budget), that fact shall be reported in a finding. This type of finding shall be confirmed with the agency’s budget oversight entity (if applicable).

All District funds, with the exception of agency funds, are to be budgeted by the local governing body and submitted to the Public Education Department for approval. Cash balances re-budgeted to make up for deficit budgeted revenues that do not cover the budgeted expenditures cannot exceed the actual cash balance available at the end of the prior year.

Condition: The District re-budgeted “cash balance” in excess of available cash balances in the following fund:

| | | Original | Actual | |
|-------|---------------------------|--------------------|---------------|-------------------|
| | | Cash Budget | Cash | Difference |
| 31700 | Capital Improvements SB-9 | \$ 43,646 | \$ 13,066 | \$ (30,580) |

Effect: The District has budgeted a cash balance that does not exist. If the District expends all budgeted expenditures it will overdraw its existing funds.

Cause: Modifying the cash balance of Fund 31700 was missed by District personnel.

Auditor’s Recommendation: Budget for future years should be reviewed to ensure all funds have adequate budget authority for budgeted expenditures. Greater attention should be given to the budget monitoring process end-of-the-year cash balance estimates. Adjustments should be made to cash balances after actual amounts are determined.

Responsible Official’s Plan:

- Specific corrective action plan for finding: **The district will prepare budget adjustments for actual cash balances once the financial audit has been reviewed and completed.**
- Timeline for completion of corrective action plan: **Immediately**
- Employee position(s) responsible for meeting the timeline: **Business Manager**

**STATE OF NEW MEXICO
MAXWELL MUNICIPAL SCHOOLS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2017**

Schedule VII

Section IV – Prior Year Audit Findings

Financial Section Findings

None

Section 12-6-5 NMSA 1978 Findings

None

STATE OF NEW MEXICO
MAXWELL MUNICIPAL SCHOOLS
OTHER DISCLOSURES
FOR THE YEAR ENDED JUNE 30, 2017

Section V – Other Disclosures

Auditor Prepared Financials

Manning Accounting and Consulting Services, LLC assisted in the preparation of the financial statements presented in this report. The District's management has reviewed and approved the financial statements and related notes and they believe that their records adequately support the financial statements.

Exit Conference

The contents of this report were discussed on October 17, 2017. The following individuals were in attendance.

Maxwell Municipal Schools

Mary Lou Kern, Board President
Randy Casper, Board Vice President
Monica Hoy, Board Secretary
Kristen Forrester, Superintendent
Susan Robinson, Business Manager

Manning Accounting and Consulting Services, LLC

Byron Manning, CPA, Managing Partner
Chris Manning, Staff