

STATE OF NEW MEXICO
MAXWELL MUNICIPAL SCHOOLS



ANNUAL FINANCIAL REPORT

JUNE 30, 2018

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INTRODUCTORY SECTION

STATE OF NEW MEXICO
MAXWELL MUNICIPAL SCHOOLS
TABLE OF CONTENTS
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Exhibit</u>	<u>Page</u>
INTRODUCTORY SECTION		
Table of Contents		1
Official Roster		3
 FINANCIAL SECTION		
Independent Auditor’s Report		4
Basic Financial Statements		
Government-wide Financial Statements:		
Statement of Net Position	A-1	6
Statement of Activities	A-2	7
Fund Financial Statements		
Balance Sheet – Governmental Funds	B-1	8
Reconciliation of the Balance Sheet to the Statement of Net Position	B-2	10
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	B-3	11
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	B-4	13
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual		
Operational Fund (11000)	C-1	14
Teacherage Fund (12000)	C-2	15
Transportation Fund (13000)	C-3	16
Instructional Materials Fund (14000)	C-4	17
New Mexico Reads to Lead Special Revenue Fund (27114)	C-5	18
Statement of Fiduciary Assets and Liabilities – Agency Funds	D-1	19
Notes to the Financial Statements		20
 REQUIRED SUPPLEMENTARY INFORMATION		
	<u>Schedule</u>	<u>Page</u>
Schedule of Proportionate Share of the Net Pension Liability	I	50
Schedule of Pension Contributions	II	51
Notes to Required Supplementary Information		52
Schedule of Proportionate Share of Net OPEB Liability	III	53
Schedule of OPEB Contributions	IV	54
 SUPPLEMENTARY INFORMATION		
	<u>Statement</u>	<u>Page</u>
Combining and Individual Fund Statements and Schedules		
Combining Balance Sheet – Nonmajor Governmental Funds	A-1	55
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	A-2	56
Special Revenue Funds Descriptions		57
Combining Balance Sheet – Nonmajor Special Revenue Funds	B-1	59
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Special Revenue Funds	B-2	63

STATE OF NEW MEXICO
MAXWELL MUNICIPAL SCHOOLS
TABLE OF CONTENTS
FOR THE YEAR ENDED JUNE 30, 2018

SUPPLEMENTARY INFORMATION (Continued)	<u>Statement</u>	<u>Page</u>
Capital Projects Funds Descriptions		67
Combining Balance Sheet – Nonmajor Capital Projects Funds	C-1	68
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Capital Projects Funds	C-2	69
Debt Service Funds Descriptions		70
Combining Balance Sheet – Nonmajor Debt Service Funds	D-1	71
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Debt Service Funds	D-2	72
 OTHER SUPPLEMENTAL INFORMATION	 <u>Schedule</u>	 <u>Page</u>
Schedule of Changes in Fiduciary Assets and Liabilities – Agency Funds	V	73
Schedule of Pledged Collateral	VI	74
Schedule of Cash and Temporary Investment Accounts	VII	75
Schedule of Cash Reconciliations	VIII	76
Schedule of Joint Powers Agreements	IX	80
 COMPLIANCE SECTION		
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		81
Schedule of Findings and Responses	X	83
 OTHER DISCLOSURES		92

STATE OF NEW MEXICO
MAXWELL MUNICIPAL SCHOOLS
OFFICIAL ROSTER
FOR THE YEAR ENDED JUNE 30, 2018

<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
Yolanda Trujillo		Administrative Assistant
Susan Robinson		Business Manager

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material 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, 2018, 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 through IV and the notes to the Required Supplementary Information on pages 50 through 54 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 V through VIII are presented for the purposes of additional analysis and are not a required part of the financial statements.

Schedules V through VIII on pages 67 through 72 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 V through VIII 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 1 through 3 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 16, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Manning Accounting and Consulting Services, LLC

Manning Accounting and Consulting Services, LLC
Kirtland, New Mexico
October 16, 2018

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BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
MAXWELL MUNICIPAL SCHOOLS
STATEMENT OF NET POSITION
JUNE 30, 2018

Exhibit A-1

	Primary Government
ASSETS	
<i>Current assets:</i>	
Cash and temporary investments	\$ 437,281
Receivables (net of allowance for uncollectibles)	90,393
Inventory	2,316
<i>Total current assets</i>	529,990
<i>Noncurrent assets:</i>	
Restricted cash	7,533
Capital assets (net of accumulated depreciation):	
Land and land improvements	35,688
Buildings and building improvements	5,524,415
Furniture, fixtures and equipment	390,963
Less: accumulated depreciation	(3,794,633)
<i>Total noncurrent assets</i>	2,163,966
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows - pensions	1,806,162
Deferred outflows - other post-employment benefits	25,578
<i>Total deferred outflows</i>	1,831,740
<i>Total assets and deferred outflows of resources</i>	\$ 4,525,696
LIABILITIES	
<i>Current liabilities:</i>	
Accounts payable	\$ 10,805
Accrued payroll liabilities	269,540
Accrued interest payable	116
Current maturities of:	
Lease purchase note payable	56,409
Compensated absences	13,892
<i>Total current liabilities</i>	350,762
<i>Noncurrent liabilities:</i>	
Lease purchase note payable	57,120
Net pension liability	5,099,971
Net other post-employment benefits liability	1,379,441
<i>Total noncurrent liabilities</i>	6,536,532
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows - pensions	98,209
Deferred inflows - other post-employment benefits	313,958
<i>Total deferred inflows</i>	412,167
NET POSITION	
Invested in capital assets	2,042,904
Restricted for:	
Debt service	12,063
Capital projects	86,332
Other purposes - special revenue	14,439
Unrestricted	(4,929,503)
<i>Total net position</i>	(2,773,765)
<i>Total liabilities, deferred inflows of resources, and net position</i>	\$ 4,525,696

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, 2018

Exhibit A-2

<u>Functions/Programs</u>	Program Revenues				Net (Expenses) Revenues and Changes in Net Position
	Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government					
Governmental activities:					
Instruction	\$ 1,767,610	\$ 36,145	\$ 204,197	\$ -	\$ (1,527,268)
Support services:					
Students	289,127	-	4,599	-	(284,528)
Instruction	72,599	-	23,893	-	(48,706)
General administration	292,369	-	-	-	(292,369)
School administration	183,685	-	-	-	(183,685)
Other	-	-	-	-	-
Central services	138,895	-	-	-	(138,895)
Operation & maintenance of plant	249,970	8,350	-	26,678	(214,942)
Student transportation	85,478	-	55,536	-	(29,942)
Food services operations	103,890	50,808	23,211	-	(29,871)
Community services	-	-	-	-	-
Interest on long-term debt	1,410	-	-	-	(1,410)
Facilities materials, supplies, & other services	197,063	-	10,862	-	(186,201)
Depreciation - unallocated	-	-	-	-	-
Total Primary Government	<u>\$ 3,382,096</u>	<u>\$ 95,303</u>	<u>\$ 322,298</u>	<u>\$ 26,678</u>	<u>(2,937,817)</u>
General Revenues:					
Property taxes:					
					9,046
					63,525
					40,397
					1,673,041
					343,000
					2,930
					601
					(9,349)
					746
					(680)
					2,123,257
					(814,560)
					(320,648)
					(1,638,557)
					(1,959,205)
					\$ (2,773,765)

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

STATE OF NEW MEXICO
MAXWELL MUNICIPAL SCHOOLS
BALANCE SHEET
GOVERNMENTAL
JUNE 30, 2018

Exhibit B-1

	General Fund			
	Operational 11000	Teacherage 12000	Transportation 13000	Instructional Materials 14000
ASSETS				
<i>Current assets:</i>				
Cash and temporary investments	\$ 276,295	\$ 30,435	\$ 11,305	\$ 3,442
Accounts receivable				
Taxes	533	-	-	-
Due from other governments	-	-	-	-
Interfund receivables	62,796	-	-	-
Inventory	-	-	-	-
<i>Total assets</i>	<u>339,624</u>	<u>30,435</u>	<u>11,305</u>	<u>3,442</u>
LIABILITIES				
<i>Current liabilities:</i>				
Accounts payable	3,041	800	-	-
Accrued payroll liabilities	239,050	-	11,305	-
Interfund payables	-	-	-	-
<i>Total liabilities</i>	<u>242,091</u>	<u>800</u>	<u>11,305</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues - property taxes	414	-	-	-
<i>Total deferred inflows of resources</i>	<u>414</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted for:				
Transportation	-	-	-	-
Instructional materials	-	-	-	20
Grant mandates	-	-	-	-
Capital projects	-	-	-	-
Debt service	-	-	-	-
Assigned	61,739	29,635	-	3,422
Unassigned	35,380	-	-	-
<i>Total fund balances</i>	<u>97,119</u>	<u>29,635</u>	<u>-</u>	<u>3,442</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 339,624</u>	<u>\$ 30,435</u>	<u>\$ 11,305</u>	<u>\$ 3,442</u>

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

STATE OF NEW MEXICO
MAXWELL MUNICIPAL SCHOOLS
BALANCE SHEET
GOVERNMENTAL
JUNE 30, 2018

Exhibit B-1

	<u>Special Revenue</u>		
	<u>New Mexico Reads to Lead 27114</u>	<u>Other Governmental Funds</u>	<u>Total Primary Government</u>
ASSETS			
<i>Current assets:</i>			
Cash and temporary investments	\$ -	\$ 123,337	\$ 444,814
Accounts receivable			
Taxes	-	7,879	8,412
Due from other governments	43,516	37,730	81,246
Interfund receivables	-	-	62,796
Inventory	-	2,316	2,316
	<u>43,516</u>	<u>171,262</u>	<u>599,584</u>
LIABILITIES			
<i>Current liabilities:</i>			
Accounts payable	-	6,964	10,805
Accrued payroll liabilities	4,364	14,821	269,540
Interfund payables	39,152	22,909	62,061
	<u>43,516</u>	<u>44,694</u>	<u>342,406</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues - property taxes	-	6,111	6,525
	<u>-</u>	<u>6,111</u>	<u>6,525</u>
FUND BALANCES			
Nonspendable	-	2,316	2,316
Restricted for:			
Transportation	-		-
Instructional materials	-		20
Grant mandates	-	16,561	16,561
Capital projects	-	83,725	83,725
Debt service	-	5,690	5,690
Assigned	-	13,226	108,022
Unassigned	-	(1,061)	34,319
	<u>-</u>	<u>120,457</u>	<u>250,653</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 43,516</u>	<u>\$ 171,262</u>	<u>\$ 599,584</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, 2018

Exhibit B-2

		Governmental Funds
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Total fund balances - governmental funds	\$	250,653
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
The cost of capital assets is		5,951,066
Accumulated depreciation is		(3,794,633)
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		6,525
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 - pensions		1,806,162
Deferred outflows of resources - other post-employment benefits		25,578
Deferred inflows of resources - pensions		(98,209)
Deferred inflows of resources - other post-employment benefits		(313,958)
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		(116)
Lease purchase note payable		(113,529)
Accrued compensated absences		(13,892)
Net pension liability		(5,099,971)
Net other post-employment benefits liability		(1,379,441)
		(2,773,765)
Total net position - governmental activities	\$	(2,773,765)

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, 2018

Exhibit B-3

	General Fund			
	Operational 11000	Teacherage 12000	Transportation 13000	Instructional Materials 14000
<i>Revenues:</i>				
Property taxes	\$ 8,984	\$ -	\$ -	\$ -
State grants	2,016,041	-	55,536	3,576
Federal grants	3,476	-	-	-
Miscellaneous	746	-	-	19
Charges for services	3,790	8,350	-	-
Investment income	27	-	-	-
<i>Total revenues</i>	<u>2,033,064</u>	<u>8,350</u>	<u>55,536</u>	<u>3,595</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	1,057,857	-	-	2,304
Support services				
Students	209,161	-	-	-
Instruction	46,475	-	-	-
General administration	208,151	-	-	-
School administration	122,153	-	-	-
Central services	99,995	-	-	-
Operation & maintenance of plant	233,656	2,490	-	-
Student transportation	5,288	-	55,536	-
Other support services	-	-	-	-
Food services operations	34,839	-	-	-
Community services	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>2,017,575</u>	<u>2,490</u>	<u>55,536</u>	<u>2,304</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>15,489</u>	<u>5,860</u>	<u>-</u>	<u>1,291</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>	15,489	5,860	-	1,291
<i>Fund balances - beginning of year</i>	<u>81,630</u>	<u>23,775</u>	<u>-</u>	<u>2,151</u>
<i>Fund balances - end of year</i>	<u>\$ 97,119</u>	<u>\$ 29,635</u>	<u>\$ -</u>	<u>\$ 3,442</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, 2018

	<u>Special Revenue</u>		
	New Mexico Reads to Lead 27114	Other Governmental Funds	Total Primary Government
<i>Revenues:</i>			
Property taxes	\$ -	\$ 100,189	\$ 109,173
State grants	107,180	57,972	2,240,305
Federal grants	-	172,533	176,009
Miscellaneous	-	-	765
Charges for services	-	34,777	46,917
Investment income	-	574	601
<i>Total revenues</i>	<u>107,180</u>	<u>366,045</u>	<u>2,573,770</u>
<i>Expenditures:</i>			
<i>Current:</i>			
Instruction	107,180	137,490	1,304,831
Support services			
Students	-	11,774	220,935
Instruction	-	3,893	50,368
General administration	-	2,835	210,986
School administration	-	365	122,518
Central services	-	-	99,995
Operation & maintenance of plant	-	-	236,146
Student transportation	-	-	60,824
Other support services	-	-	-
Food services operations	-	66,963	101,802
Community services	-	-	-
Capital outlay	-	63,127	63,127
Debt service			
Principal	-	55,856.00	55,856
Interest	-	1,410	1,410
<i>Total expenditures</i>	<u>107,180</u>	<u>343,713</u>	<u>2,528,798</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>22,332</u>	<u>44,972</u>
<i>Other financing sources (uses):</i>			
Operating transfers	-	(680)	(680)
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>(680)</u>	<u>(680)</u>
<i>Net changes in fund balances</i>	-	21,652	44,292
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>98,805</u>	<u>206,361</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ 120,457</u>	<u>\$ 250,653</u>

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

STATE OF NEW MEXICO
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, 2018

Exhibit B-4

	Governmental Funds
Amounts reported for governmental activities in the Statement of Activities are different because:	
Net change in fund balances - total governmental funds	\$ 44,292
<p>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.</p>	
Depreciation expense	(164,774)
Capital outlays	51,038
Loss on disposal of capital assets	(9,349.00)
<p>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:</p>	
Unavailable revenue related to the property taxes receivable	3,795
<p>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:</p>	
Accrued interest payable	354
Accrued compensated absences	(831)
<p>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.</p>	
Lease principle payments	55,856
<p>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.</p>	
Pension contributions - current year	177,761
Pension expense	(943,438)
Other post-employment benefits contributions - current year	25,578
Other post-employment benefits expense	(54,842)
Change in net position - total governmental activities	\$ (814,560)

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, 2018

Exhibit C-1

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
<i>Revenues:</i>				
Property taxes	\$ 8,476	\$ 8,476	\$ 9,047	\$ 571
State grants	2,007,606	2,020,153	2,016,041	(4,112)
Federal grants	1,758	2,026	3,476	1,450
Miscellaneous	8,015	8,015	746	(7,269)
Charges for services	-	-	3,790	3,790
Interest	24	24	27	3
<i>Total revenues</i>	2,025,879	2,038,694	2,033,127	(5,567)
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	1,134,596	1,134,864	965,625	169,239
Support services				
Students	224,240	209,240	209,161	79
Instruction	39,631	50,306	46,475	3,831
General administration	194,566	209,672	208,151	1,521
School administration	122,394	123,394	122,153	1,241
Central services	97,258	102,058	99,995	2,063
Operation & maintenance of plant	247,231	237,231	232,071	5,160
Student transportation	-	5,316	5,288	28
Other support services	2,386	2,386	-	2,386
Food services operations	34,373	35,023	34,839	184
Community services	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	2,096,675	2,109,490	1,923,758	185,732
<i>Excess (deficiency) of revenues over (under) expenditures</i>	(70,796)	(70,796)	109,369	180,165
<i>Other financing sources (uses):</i>				
Designated cash	70,796	70,796	-	(70,796)
Operating transfers	-	-	-	-
Proceeds from bond issues	-	-	-	-
<i>Total other financing sources (uses)</i>	70,796	70,796	-	(70,796)
<i>Net change in fund balance</i>	-	-	109,369	109,369
<i>Cash or fund balance - beginning of year</i>	-	-	229,722	229,722
Prior period adjustments	-	-	-	-
<i>Adjusted cash or fund balance - beginning of year</i>	-	-	229,722	229,722
<i>Cash or fund balance - end of year</i>	\$ -	\$ -	\$ 339,091	\$ 339,091
<i>Reconciliation to GAAP basis:</i>				
Net change in fund balance (cash basis)			\$ 109,369	
Adjustments to revenues			(63)	
Adjustments to expenditures			(93,817)	
Net change in fund balance (GAAP basis)			\$ 15,489	

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, 2018

Exhibit C-2

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
<i>Revenues:</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	-	-	-	-
Federal grants	-	-	-	-
Miscellaneous	-	-	-	-
Charges for services	8,400	8,400	8,350	(50)
Interest	-	-	-	-
<i>Total revenues</i>	<u>8,400</u>	<u>8,400</u>	<u>8,350</u>	<u>(50)</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	1,690	3,960
Student transportation	-	-	-	-
Other support services	-	-	-	-
Food services operations	-	-	-	-
Community services	-	-	-	-
Capital outlay	27,308	26,525	-	26,525
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>32,958</u>	<u>32,175</u>	<u>1,690</u>	<u>30,485</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(24,558)</u>	<u>(23,775)</u>	<u>6,660</u>	<u>30,435</u>
<i>Other financing sources (uses):</i>				
Designated cash	24,558	23,775	-	(23,775)
Operating transfers	-	-	-	-
Proceeds from bond issues	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>24,558</u>	<u>23,775</u>	<u>-</u>	<u>(23,775)</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>6,660</u>	<u>6,660</u>
<i>Cash or fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>23,775</u>	<u>23,775</u>
Prior period adjustments	-	-	-	-
<i>Adjusted cash or fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>23,775</u>	<u>23,775</u>
<i>Cash or fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,435</u>	<u>\$ 30,435</u>
<i>Reconciliation to GAAP basis:</i>				
Net change in fund balance (cash basis)			\$ 6,660	
Adjustments to revenues			-	
Adjustments to expenditures			(800)	
Net change in fund balance (GAAP basis)			<u>\$ 5,860</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, 2018

Exhibit C-3

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
<i>Revenues:</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	55,536	55,536	55,536	-
Federal grants	-	-	-	-
Miscellaneous	-	-	-	-
Charges for services	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>55,536</u>	<u>55,536</u>	<u>55,536</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	55,536	55,536	44,231	11,305
Other support services	-	-	-	-
Food services operations	-	-	-	-
Community services	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>55,536</u>	<u>55,536</u>	<u>44,231</u>	<u>11,305</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>-</u>	<u>11,305</u>	<u>11,305</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>11,305</u>	<u>11,305</u>
<i>Cash or fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</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>-</u>	<u>-</u>
<i>Cash or fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,305</u>	<u>\$ 11,305</u>
<i>Reconciliation to GAAP basis:</i>				
Net change in fund balance (cash basis)			\$ 11,305	
Adjustments to revenues			-	
Adjustments to expenditures			(11,305)	
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, 2018

Exhibit C-4

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
<i>Revenues:</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	3,250	3,576	3,576	-
Federal grants	-	-	-	-
Miscellaneous	-	-	19	19
Charges for services	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>3,250</u>	<u>3,576</u>	<u>3,595</u>	<u>19</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	3,651	5,727	2,304	3,423
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>3,651</u>	<u>5,727</u>	<u>2,304</u>	<u>3,423</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(401)</u>	<u>(2,151)</u>	<u>1,291</u>	<u>3,442</u>
<i>Other financing sources (uses):</i>				
Designated cash	401	2,151	-	(2,151)
Operating transfers	-	-	-	-
Proceeds from bond issues	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>401</u>	<u>2,151</u>	<u>-</u>	<u>(2,151)</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>1,291</u>	<u>1,291</u>
<i>Cash or fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>2,151</u>	<u>2,151</u>
Prior period adjustments	-	-	-	-
<i>Adjusted cash or fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>2,151</u>	<u>2,151</u>
<i>Cash or fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,442</u>	<u>\$ 3,442</u>
<i>Reconciliation to GAAP basis:</i>				
Net change in fund balance (cash basis)			\$ 1,291	
Adjustments to revenues			-	
Adjustments to expenditures			-	
Net change in fund balance (GAAP basis)			<u>\$ 1,291</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, 2018

Exhibit C-5

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
<i>Revenues:</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	107,180	107,180	98,198	(8,982)
Federal grants	-	-	-	-
Miscellaneous	-	-	-	-
Charges for services	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>107,180</u>	<u>107,180</u>	<u>98,198</u>	<u>(8,982)</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	107,180	107,180	102,816	4,364
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>107,180</u>	<u>107,180</u>	<u>102,816</u>	<u>4,364</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>-</u>	<u>(4,618)</u>	<u>(4,618)</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>(4,618)</u>	<u>(4,618)</u>
<i>Cash or fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>(34,534)</u>	<u>(34,534)</u>
Prior period adjustments	-	-	-	-
<i>Adjusted cash or fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>(34,534)</u>	<u>(34,534)</u>
<i>Cash or fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (39,152)</u>	<u>\$ (39,152)</u>
<i>Reconciliation to GAAP basis:</i>				
Net change in fund balance (cash basis)			\$ (4,618)	
Adjustments to revenues			8,982	
Adjustments to expenditures			(4,364)	
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, 2018

Exhibit D-1

	<u>Agency Funds</u>
ASSETS	
<i>Current Assets</i>	
Cash	\$ 22,713
<i>Total assets</i>	<u>\$ 22,713</u>
 LIABILITIES	
<i>Current Liabilities</i>	
Due to Operational Fund	\$ 735
Deposits held in trust for others	<u>21,978</u>
<i>Total liabilities</i>	<u>\$ 22,713</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, 2018

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, 2018, the District adopted the following GASB statements.

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for post-employment benefits other than pensions (other post-employment 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.
- GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. 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.
- GASB Statement No. 85 *Omnibus 2017*. 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 post-employment benefits (pensions and other post-employment benefits [OPEB]). The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.
- GASB Statement No. 86 *Certain Debt Extinguishment Issues*. 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.

These pronouncements are not expected to have a material effect on the District except for GASB No. 75. The more significant accounting policies of the District are described below.

STATE OF NEW MEXICO
MAXWELL MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 Summary of Significant Accounting Policies (Continued)

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.

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.

STATE OF NEW MEXICO
MAXWELL MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 Summary of Significant Accounting Policies (Continued)

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

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.

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.

STATE OF NEW MEXICO
MAXWELL MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 Summary of Significant Accounting Policies (Continued)

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

Governmental 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:

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.

STATE OF NEW MEXICO
MAXWELL MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 Summary of Significant Accounting Policies (Continued)

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

Additionally, the government reports the following fund types:

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 2018 is considered 'measurable and available' and, accordingly, is recorded as revenue during the year ended June 30, 2018.

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.

**STATE OF NEW MEXICO
MAXWELL MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018**

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)

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, 2018.

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, 2017. Contributions of \$177,761 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 has three other deferred outflows which arise due to the implementation of GASB 68; change in proportion \$130,464; change in assumptions \$1,488,782; and actuarial experience \$9,155.

Deferred Outflows of Resources – OPEB: The government-wide financial statements report other post-employment benefits related expenses and liabilities for the cost-sharing plan one year in arrears, i.e. expenses and liabilities as of June 30, 2017. Contributions of \$25,578 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 75; change in proportion; change in assumptions; investment experience; and actuarial experiences which have no balances in the current year.

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, 2018, the District had no unearned revenues.

STATE OF NEW MEXICO
MAXWELL MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

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. Total compensated absences were \$13,892 at June 30, 2018.

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 \$113,529 are outstanding at June 30, 2018.

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, 2018, net pension liability totaled \$5,099,971.

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 \$6,525 for property taxes were recorded at June 30, 2018.

Deferred Inflows of Resources – Pensions: Changes in actuarial experience \$78,570, change in investment experience \$700, and change in proportion \$18,939 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.

Deferred Inflows of Resources – OPEB: Changes in actuarial experience \$52,936, change in assumptions \$241,178, and change in investment experience \$19,844 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.

STATE OF NEW MEXICO
MAXWELL MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

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)

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.

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 Plan (ERP) and additions to/deductions from ERP's fiduciary net position have been determined on the same basis as they are reported by ERP. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

STATE OF NEW MEXICO
MAXWELL MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

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)

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

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 \$2,016,041 in state equalization guarantee and emergency supplemental distributions during the year ended June 30, 2018.

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, 2018 were \$109,173. The District did not collect any revenues from oil and gas taxes.

STATE OF NEW MEXICO
MAXWELL MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 Summary of Significant Accounting Policies (Continued)

E. Revenues (Continued)

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 \$55,536 in transportation distributions during the year ended June 30, 2018.

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, 2018 totaled \$3,576.

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 \$26,678 in state SB-9 matching during the year ended June 30, 2018.

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, 2018, 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.

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. 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

STATE OF NEW MEXICO
MAXWELL MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

NOTE 2 Stewardship, Compliance and Accountability

Budgetary Information

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.
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.

**STATE OF NEW MEXICO
MAXWELL MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018**

NOTE 2 Stewardship, Compliance and Accountability (Continued)

Budgetary Information (Continued)

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, 2018, 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, 2018. Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the District. Deposits may be made to the extent that they are insured by an agency of the United States or by 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.

	Wells Fargo Bank
Total amounts of deposits	\$ 428,829
FDIC coverage	250,000
Total uninsured public funds	178,829
Collateral requirement (50% of uninsured public funds)	89,415
Pledged security	107,374
Total over (under) collateralized	\$ 17,959

**STATE OF NEW MEXICO
MAXWELL MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018**

NOTE 3 Cash and Temporary Investments (Continued)

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, 2018, \$178,829 of the District’s bank balance of \$428,829 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	\$ 444,814
Statement of Fiduciary Net Position - cash per Exhibit D-1	22,713
Total per financial statements	467,527
Less petty cash	(150)
Less funds held in trust investments	(41,781)
Add outstanding checks and other reconciling items	3,233
Bank balance of deposits	\$ 428,829

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, 2018. Funds in the 24000’s and 25000’s are federal funds, and funds 26000’s through 29000’s are non-federal funds. The following individual funds had negative cash balances as of June 30, 2018:

**STATE OF NEW MEXICO
MAXWELL MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018**

NOTE 3 Cash and Temporary Investments (Continued)

Fund #	Major Funds	
27114	New Mexico Reads to Lead	\$ 39,152
Fund # Special Revenue Funds:		
24101	Title I IASA	4,769
24106	IDEA-B Entitlement	2,297
24109	IDEA-B Preschool	438
24132	IDEA-B Results Plan	1,853
24154	Teacher/Principal Training & Recruiting	3,501
25233	Rural Education Achievement Program	4,173
27107	2012 GO Bonds Student Library Fund (SB66)	915
27155	Breakfast for Elementary Students	122
27166	Kindergarten - Three Plus	4,841
	Total	<u>\$ 62,061</u>

Temporary Investments

At June 30, 2017, the District had \$41,781 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:

Fund	CUSIP	WAM	Ratings		Net Assets
			S&P	Moody's	
Premier U.S. Government Money Portfolio	00142W843	20 days	AAAm	Aaa-mf	\$6.14 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, 2018**

NOTE 4 Receivables

Receivables as of June 30, 2018 are as follows:

	Major Funds			Total Governmental Funds
	Operational 11000	Title I IASA 27114	Other Governmental Funds	
	\$	\$	\$	
Property taxes	533	-	7,879	8,412
Due from other governments	-	43,516	37,730	81,246
Total receivables	\$ 533	\$ 43,516	\$ 45,609	\$ 89,658

The above receivables are deemed 100% collectible. In accordance with GASB No. 33, property taxes due in the amount of \$6,525 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, 2018 is as follows:

Governmental Activities	Interfund Receivables	Interfund Payables
Major Funds:		
Operational (11000)	\$ 62,796	\$ -
New Mexico Reads to Lead (27114)	-	39,152
Non-Major Funds:		
Title I IASA (24101)	-	4,769
IDEA-B Entitlement (24106)	-	2,297
IDEA-B Preschool (24109)	-	438
IDEA-B Results Plan (24132)	-	1,853
Teacher/Principal Training & Recruitment (24154)	-	3,501
Rual Education Achievement Program (25233)	-	4,173
2012 GO Bond Student Library Fund SB66 (27107)	-	915
Breakfast for Elemetary Students (27155)	-	122
Kindergarten - Three Plus	-	4,841
Agency Funds:		
Student Activity Funds	-	735
Totals	\$ 62,796	\$ 62,796

All interfund balances are expected to be repaid or closed out within one year. During the year ended June 30, 2018, the District had no interfund transfers.

**STATE OF NEW MEXICO
MAXWELL MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018**

NOTE 6 Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2018 follows. Land and construction in progress is not subject to depreciation.

Capital assets used in governmental activities:	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
Capital assets not being depreciated:				
Land	\$ 11,818	\$ -	\$ -	\$ 11,818
Capital assets being depreciated:				
Land improvements	-	23,870	-	23,870
Buildings and building improvements	5,571,471	-	(47,056)	5,524,415
Furniture, fixtures, and equipment	481,064	27,168	(117,269)	390,963
Total capital assets being depreciated	<u>6,052,535</u>	<u>51,038</u>	<u>(164,325)</u>	<u>5,939,248</u>
Less accumulated depreciation:				
Buildings and building improvements	3,415,954	139,884	(42,324)	3,513,514
Furniture, fixtures, and equipment	368,881	23,299	(112,652)	279,528
Total accumulated depreciation	<u>3,784,835</u>	<u>164,774</u>	<u>(154,976)</u>	<u>3,794,633</u>
Total capital assets, net of depreciation	<u>\$ 2,279,518</u>	<u>\$ (113,736)</u>	<u>\$ (9,349)</u>	<u>\$ 2,156,433</u>

Depreciation expense for the year ended June 30, 2018 was charged to the governmental activities as follows:

Governmental activities:	
Instruction	\$ 9,886
Support services - students	2,472
Support services - instruction	2,472
Support services - general administration	1,648
School administration	5,438
Central services	1,648
Operation and maintenance of plant	3,295
Student transportation	3,295
Food services	330
Capital outlay	134,290
Total depreciation	<u>\$ 164,774</u>

Construction Commitments: At June 30, 2018, 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, 2018**

NOTE 7 Long-Term Debt

During the year ended June 30, 2018 the following changes occurred in the liabilities reported in the government- wide statement of net position:

	Balance at 06/30/17	Additions	Deletions	Balance at 06/30/18	Due Within One Year
NMFA Loans Outstanding	\$ 169,385	\$ -	\$ 55,856	\$ 113,529	\$ 56,409
Compensated Absences	13,061	15,311	14,480	13,892	13,892
Total	<u>\$ 182,446</u>	<u>\$ 15,311</u>	<u>\$ 70,336</u>	<u>\$ 127,421</u>	<u>\$ 70,301</u>

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, 2018.

	2015 A NMFA - 2015 Note #1 5/1/2015	2015 B NMFA - 2015 Note #2 5/1/2015
Issue Date		
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, 2018, including interest payments are as follows:

Fiscal Year Ending June 30,	Total NMFA Loans		Total Debt Service
	Principal	Interest	
2019	\$ 56,409	\$ 691	\$ 57,100
2020	57,120	57	57,177
Totals	<u>\$ 113,529</u>	<u>\$ 748</u>	<u>\$ 114,277</u>

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, 2018, compensated absences increased \$831 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, 2018**

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, 2018.

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, 2018, 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, 2018:

Fund #	Fund Description	Amount
25233	Rural Education Achievement Program	2,475
	Total	\$ 2,475

B. Excess of expenditures over appropriations. No funds exceeded their approved budgetary authority for the year ended June 30, 2018.

C. Cash appropriations in excess of available cash balance. For the year ended June 30, 2018, the District had one fund with cash appropriations in excess of available cash balance. Title XIX Medicaid 3/21 years had a cash budget of \$12,326 but the District did not have any cash available. See the schedule of findings and responses for additional information.

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

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

**STATE OF NEW MEXICO
MAXWELL MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018**

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

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.

- 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.

**STATE OF NEW MEXICO
MAXWELL MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018**

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

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%.

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

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

**STATE OF NEW MEXICO
MAXWELL MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018**

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

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

Fiscal Year	Date Range	Wage Category	Member Rate	Employer Rate	Combined Rate	Increase Over Prior Year
2018	7-1-17 to 6-30-18	Over \$20K	10.70%	13.90%	24.60%	0.00%
2018	7-1-17 to 6-30-18	\$20K or less	7.90%	13.90%	21.80%	0.00%
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%

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, 2018 and 2017, the District paid employee and employer contributions of \$314,391 and \$321,222 which equal the amount of the required contributions for each fiscal year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At June 30, 2018, the District reported a liability of \$5,099,971 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2017, using generally accepted actuarial principles. The roll-forward incorporates the impact of the new assumptions adopted by the Board on April 21, 2017. There were no other significant events of changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2017. Therefore, the employer’s portion was established as of the measurement date of June 30, 2017. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating educational institutions, actuarially determined. June 30, 2017, the District’s proportion was 0.04589%, which was an increase of 0.00186% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$765,677. At June 30, 2018, 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, 2018**

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

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net (Inflows) Outflows
Differences between expected and actual experience	\$ 9,155	\$ (78,570)	\$ (69,415)
Changes of assumptions	1,488,782	-	1,488,782
Net difference between projected and actual earnings on pension plan investments	-	(700)	(700)
Changes in proportion and differences between contributions and proportionate share of contributions	130,464	(18,939)	111,525
District's contributions subsequent to the measurement date	177,761	-	177,761
Total	<u>\$ 1,806,162</u>	<u>\$ (98,209)</u>	<u>\$ 1,707,953</u>

Deferred outflows of resources of \$177,761 related to pensions resulting from the District's contributions subsequent to the measurement date of June 30, 2017 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,

2019	\$ 603,219
2020	600,554
2021	368,414
2022	(41,995)
2023	-
Thereafter	-
Total	<u>\$ 1,530,192</u>

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

Inflation	2.5%				
Salary Increases	3.25% composed of 2.50% inflation, plus a 0.75% productivity increase rate, plus a step-rate promotional increase for members with less than 10 years of service.				
Investment Rate of Return	7.25% compounded annually, net of expenses. This is made up of a 2.50% inflation rate and a 4.75 real rate of return.				
Average of Expected Remaining Service Lives	Fiscal Year	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
	Service life in years	3.35	3.77	3.92	3.88

**STATE OF NEW MEXICO
MAXWELL MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018**

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

Mortality	<p>Healthy males: Based on the RP-2000 Combined Mortality Table with White Collar adjustments, not set back. Generational mortality improvements with Scale BB from the table's base year of 2000.</p> <p>Healthy females: Based on GRS Southwest Region Teacher Mortality Table, set back one year, generational mortality improvements in accordance with Scale BB from the table's base year of 2012.</p> <p>Disabled males: RP-2000 Disabled Mortality Table for males, set back three years, projected to 2016 with Scale BB.</p> <p>Disabled females: RP-2000 Disabled Mortality Table for females, no set back, projected to 2016 with Scale BB.</p> <p>Active members: RP-2000 Employee Mortality Tables, with males set back two years and scaled at 80%, and females set back five years and scaled at 70%. Static mortality improvement from the table's base year of 2000 to the year 2016 in accordance with Scale BB. No future improvement was assumed for preretirement mortality.</p>
Retirement Age	Experience-based table rates based on age and service, adopted by the Board on June 12, 2015 in conjunction with the six-year experience study for the period ending June 30, 2014.
Cost-of-Living Increases	1.90% per year, compounded annually.
Payroll Growth	3.00% per year (with no allowance for membership growth).
Contribution Accumulation	The accumulated member account balance with interest is estimated at the valuation date by assuming that member contributions increased 5.50% per year for all years prior to the valuation date. Contributions are credited with 4.00% interest, compounded annually, applicable to the account balance in the past as well as 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 April 21, 2017 in conjunction with the six-year actuarial experience study period ending June 30, 2016. At that time, the Board adopted several economic assumption changes, including a decrease in the inflation assumption from 3.00% to 2.50%. The 0.50% decrease in the inflation assumption also led to decreases in the nominal investment return assumption from 7.75% to 7.25%, the assumed annual wage inflation rate from 3.75% to 3.25%, the payroll growth assumption from 3.50% to 3.00%, and the annual assumed COLA from 2.00% to 1.90%.

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

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

**STATE OF NEW MEXICO
MAXWELL MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018**

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

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

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

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

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

<u>1% Decrease (4.90%)</u>	<u>Current Discount Rate (5.90%)</u>	<u>1% Increase (6.90%)</u>
\$ 6,638,893	\$ 5,099,971	\$ 3,842,026

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, 2018 the District had \$68,372 due to the fund which was paid on July 11, 2018.

NOTE 12 Other Post-Employment Benefits (OPEB) – State Retiree Health Care Act (RHCA)

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

**STATE OF NEW MEXICO
MAXWELL MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018**

NOTE 12 Other Post-Employment Benefits (OPEB) – State Retiree Health Care Act (RHCA) (Continued)

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

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

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

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

Contributions - Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee’s salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer’s participation in the Fund. Contributions to the Fund from the District were \$38,369 for the year ended June 30, 2018.

At June 30, 2018, the District reported a liability of \$1,379,441 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District’s proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2017, the District’s proportion was 0.03044%.

For the year ended June 30, 2018, the District recognized OPEB expense of \$29,264. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

**STATE OF NEW MEXICO
MAXWELL MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018**

NOTE 12 Other Post-Employment Benefits (OPEB) – State Retiree Health Care Act (RHCA) (Continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Net (Inflows) Outflows</u>
Differences between expected and actual experience	\$ -	\$ (52,936)	\$ (52,936)
Changes of assumptions	-	(241,178)	(241,178)
Net difference between projected and actual earnings on pension plan investments	-	(19,844)	(19,844)
District's contributions subsequent to the measurement date	<u>25,578</u>	<u>-</u>	<u>25,578</u>
Total	<u>\$ 25,578</u>	<u>\$ (313,958)</u>	<u>\$ (288,380)</u>

Deferred outflows of resources totaling \$25,578 represent the District's contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ended June 30,	
2019	\$ (66,750)
2020	(66,750)
2021	(66,750)
2022	(66,750)
2023	(46,958)
Thereafter	-
Total	<u>\$ (313,958)</u>

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

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

**STATE OF NEW MEXICO
MAXWELL MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018**

NOTE 12 Other Post-Employment Benefits (OPEB) – State Retiree Health Care Act (RHCA) (Continued)

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

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

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

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

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

1% Decrease (2.81%)	Current Discount Rate (3.81%)	1% Increase (4.81%)
\$ 1,673,241	\$ 1,379,441	\$ 1,148,929

**STATE OF NEW MEXICO
MAXWELL MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018**

NOTE 12 Other Post-Employment Benefits (OPEB) – State Retiree Health Care Act (RHCA) (Continued)

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

1% Decrease	Current Trend Rates	1% Increase
\$ 1,173,310	\$ 1,379,441	\$ 1,540,173

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

Payable changes in the net OPEB liability: At June 30, 2018, the District reported a payable of \$8,348 for outstanding contributions due to NMRHCA for the year ended June 30, 2018 and was paid July 10, 2018.

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 \$6,525 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 Tax Abatement Disclosures

GASB Statement No. 77 requires government agencies to identify any tax abatement agreements that affect the government agency and disclose the amount of tax which was abated. There are no reported tax abatements affecting the District.

STATE OF NEW MEXICO
MAXWELL MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

NOTE 17 **Subsequent Accounting Standard Pronouncements**

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.

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 post-employment 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 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.

In April 2018, GASB Statement No. 88 *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements* was issued. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. 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.

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

NOTE 17 Subsequent Accounting Standard Pronouncements

In August 2018, GASB Statement No. 90 *Majority Equity Interests – An Amendment of GASB Statement No. 14 and No. 61*, was issued. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit. 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.

NOTE 18 Restatement – Change in Accounting Principle

During the year ended June 30, 2018, there was a restatement in the District's financial statements due to the implementation of GASB 75 resulting in a reduction in net position in the amount of \$1,638,557. This includes the District's proportionate share of the beginning net OPEB liability of \$1,664,692 less the 2017 contributions to the pension plan in the amount of \$26,135.

NOTE 19 Subsequent Events

A review of subsequent events through October 16, 2018, 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, 2018

Schedule I

Fiscal Year Ended June 30,	Measurement Date - Year Ended June 30,	District's Proportion of the Net Pension Liability (NPL)	District's Proportionate Share of the NPL	District's Covered- Employee Payroll	District's Proportionate Share of the NPL as a Percentage of its Covered- Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2018	2017	0.04589%	\$ 5,099,971	\$ 1,306,720	390.29%	52.95%
2017	2016	0.04403%	\$ 3,168,590	\$ 1,257,410	251.99%	61.58%
2016	2015	0.04466%	\$ 3,081,808	\$ 1,259,510	244.68%	63.97%
2015	2014	0.04192%	\$ 2,391,833	\$ 1,155,598	206.98%	66.54%

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

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, 2018

Schedule II

Fiscal Year Ended June 30,	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	District's Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2018	\$ 177,761	\$ 177,761	\$ -	\$ 1,278,940	13.90%
2017	\$ 181,634	\$ 181,634	\$ -	\$ 1,306,720	13.90%
2016	\$ 174,780	\$ 174,780	\$ -	\$ 1,257,410	13.90%
2015	\$ 175,072	\$ 175,072	\$ -	\$ 1,259,510	13.90%

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

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 PLAN
JUNE 30, 2018

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

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

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

STATE OF NEW MEXICO
MAXWELL MUNICIPAL SCHOOLS
SCHEDULE OF PROPORTIONATE SHARE OF THE
NET OTHER POST-EMPLOYMENT BENEFITS (OPEB)
RETIREE HEALTH CARE AUTHORITY (RHCA)
LAST 10 FISCAL YEARS*
JUNE 30, 2018

Fiscal Year Ended June 30,	Measurement Date - Year Ended June 30,	District's Proportion of the Net OPEB Liability	District's Proportionate Share of the Net OPEB Liability	District's Covered- Employee Payroll	District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered- Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2018	2017	0.03044%	\$ 1,379,441	\$ 1,306,720	105.57%	11.34%

* Governmental Accounting Standards Board Statement No. 75 requires ten years of historical information be presented; however, until a full 10 year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the District is not available prior to fiscal year 2018, the year the statement's requirements became effective.

STATE OF NEW MEXICO
MAXWELL MUNICIPAL SCHOOLS
SCHEDULE OF OTHER POST-EMPLOYMENT BENEFITS (OPEB) CONTRIBUTIONS
RETIREE HEALTH CARE AUTHORITY (RHCA)
LAST 10 FISCAL YEARS*
JUNE 30, 2018

Schedule IV

Fiscal Year Ended June 30,	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	District's covered- employee payroll	Contributions as a percentage of covered- employee payroll
2018	25,578	\$ 25,578	\$ -	\$ 1,278,940	2.00%

* Governmental Accounting Standards Board Statement No. 75 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the District is not available prior to fiscal year 2018, the year the statement's requirements became effective.

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, 2018

Statement A-1

	SPECIAL REVENUE	CAPITAL PROJECTS	DEBT SERVICE	TOTAL
ASSETS				
<i>Current assets:</i>				
Cash and temporary investments	\$ 28,332	\$ 87,472	\$ 7,533	\$ 123,337
Accounts receivable				
Taxes	-	3,349	4,530	7,879
Due from other governments	37,730	-	-	37,730
Interfund receivables	-	-	-	-
Other	-	-	-	-
Inventory	2,316	-	-	2,316
	<u>68,378</u>	<u>90,821</u>	<u>12,063</u>	<u>171,262</u>
<i>Total assets</i>				
LIABILITIES				
<i>Current liabilities:</i>				
Accounts payable	2,475	4,489	-	6,964
Accrued payroll liabilities	14,821	-	-	14,821
Interfund payables	22,909	-	-	22,909
Unearned revenue	-	-	-	-
	<u>40,205</u>	<u>4,489</u>	<u>-</u>	<u>44,694</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues - property taxes	-	2,607	3,504	6,111
Unavailable revenues - other	-	-	-	-
	<u>-</u>	<u>2,607</u>	<u>3,504</u>	<u>6,111</u>
FUND BALANCES				
Nonspendable	2,316	-	-	2,316
Restricted for:				
Grant mandates	16,561	-	-	16,561
Capital projects	-	83,725	-	83,725
Debt service	-	-	5,690	5,690
Assigned	10,357	-	2,869	13,226
Unassigned	(1,061)	-	-	(1,061)
	<u>28,173</u>	<u>83,725</u>	<u>8,559</u>	<u>120,457</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 68,378</u>	<u>\$ 90,821</u>	<u>\$ 12,063</u>	<u>\$ 171,262</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, 2018

Statement A-2

	SPECIAL REVENUE	CAPITAL PROJECTS	DEBT SERVICE	TOTAL
<i>Revenues:</i>				
Property taxes	\$ -	\$ 40,168	\$ 60,021	\$ 100,189
State grants	31,294	26,678	-	57,972
Federal grants	172,533	-	-	172,533
Miscellaneous	-	-	-	-
Charges for services	34,777	-	-	34,777
Investment income	4	570	-	574
<i>Total revenues</i>	<u>238,608</u>	<u>67,416</u>	<u>60,021</u>	<u>366,045</u>
<i>Expenditures:</i>				
Current:				
Instruction	137,490	-	-	137,490
Support services				
Students	11,774	-	-	11,774
Instruction	3,893	-	-	3,893
General administration	1,824	405	606	2,835
School administration	365	-	-	365
Central services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other support services	-	-	-	-
Food services operations	66,963	-	-	66,963
Community services	-	-	-	-
Capital outlay	10,862	52,265	-	63,127
Debt service				
Principal	-	-	55,856	55,856
Interest	-	-	1,410	1,410
<i>Total expenditures</i>	<u>233,171</u>	<u>52,670</u>	<u>57,872</u>	<u>343,713</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>5,437</u>	<u>14,746</u>	<u>2,149</u>	<u>22,332</u>
<i>Other financing sources (uses):</i>				
Operating transfers	(680)	-	-	(680)
<i>Total other financing sources (uses)</i>	<u>(680)</u>	<u>-</u>	<u>-</u>	<u>(680)</u>
<i>Net changes in fund balances</i>	4,757	14,746	2,149	21,652
<i>Fund balances - beginning of year</i>	<u>23,416</u>	<u>68,979</u>	<u>6,410</u>	<u>98,805</u>
<i>Fund balances - end of year</i>	<u>\$ 28,173</u>	<u>\$ 83,725</u>	<u>\$ 8,559</u>	<u>\$ 120,457</u>

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

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SPECIAL REVENUE FUNDS

STATE OF NEW MEXICO
MAXWELL MUNICIPAL SCHOOLS
SPECIAL REVENUE FUNDS DESCRIPTION
FOR THE YEAR ENDED JUNE 30, 2018

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.

Carl Perkins Secondary – Redistribution 2 (24183) – To account for federal funds to provide vocational and technical education for secondary education. (Authority: P.L. 105-332) 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 an developmental outcomes for children (P.P. 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. No minimum balance required according to legislation.

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.

STATE OF NEW MEXICO
MAXWELL MUNICIPAL SCHOOLS
SPECIAL REVENUE FUNDS DESCRIPTION
FOR THE YEAR ENDED JUNE 30, 2018

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.

Breakfast for Elementary Students (27155) – The 2005 Legislative General Appropriations Act allocated \$475,000 to implement Breakfast in the Classroom for elementary schools in need of improvement based on 2004-2005 AYP designation. 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. No minimum balance required according to legislation.

New Mexico Highway Department (Road) (28120) – To account for funds awarded by the New Mexico Department of Transportation for parking lot and bus area improvements. 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, 2018

Statement B-1

	Food Services 21000	Athletics 22000	Title I IASA 24101	IDEA-B Entitlement 24106
ASSETS				
<i>Current assets:</i>				
Cash and temporary investments	\$ 20,242	\$ 4,443	\$ -	\$ -
Accounts receivable				
Taxes	-	-	-	-
Due from other governments	-	-	10,029	8,575
Interfund receivables	-	-	-	-
Other	-	-	-	-
Inventory	2,316	-	-	-
	<u>22,558</u>	<u>4,443</u>	<u>10,029</u>	<u>8,575</u>
<i>Total assets</i>	<u>22,558</u>	<u>4,443</u>	<u>10,029</u>	<u>8,575</u>
LIABILITIES				
<i>Current liabilities:</i>				
Accounts payable	-	-	-	-
Accrued payroll liabilities	-	-	5,260	6,278
Interfund payables	-	-	4,769	2,297
Unearned revenue	-	-	-	-
<i>Total liabilities</i>	<u>-</u>	<u>-</u>	<u>10,029</u>	<u>8,575</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>
FUND BALANCES				
Nonspendable	2,316	-	-	-
Restricted for:				
Grant mandates	4,812	2,479	-	-
Capital projects	-	-	-	-
Debt service	-	-	-	-
Assigned	15,430	1,964	-	-
Unassigned	-	-	-	-
<i>Total fund balances</i>	<u>22,558</u>	<u>4,443</u>	<u>-</u>	<u>-</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 22,558</u>	<u>\$ 4,443</u>	<u>\$ 10,029</u>	<u>\$ 8,575</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, 2018

Statement B-1

	IDEA-B Preschool 24109	IDEA-B Results Plan 24132	Teacher/Principal Training & Recruiting 24154	Teacher/Principal Training & Recruiting 24183
ASSETS				
<i>Current assets:</i>				
Cash and temporary investments	\$ -	\$ -	\$ -	\$ -
Accounts receivable				
Taxes	-	-	-	-
Due from other governments	438	2,820	4,377	-
Interfund receivables	-	-	-	-
Other	-	-	-	-
Inventory	-	-	-	-
<i>Total assets</i>	<u>438</u>	<u>2,820</u>	<u>4,377</u>	<u>-</u>
LIABILITIES				
<i>Current liabilities:</i>				
Accounts payable	-	-	-	-
Accrued payroll liabilities	-	967	876	-
Interfund payables	438	1,853	3,501	-
Unearned revenue	-	-	-	-
<i>Total liabilities</i>	<u>438</u>	<u>2,820</u>	<u>4,377</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>
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted for:				
Grant mandates	-	-	-	-
Capital projects	-	-	-	-
Debt service	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
<i>Total fund balances</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 438</u>	<u>\$ 2,820</u>	<u>\$ 4,377</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, 2018

Statement B-1

	Title XIX Medicaid 3/21 Years 25153	Rural Education Achievement Program 25233	Dual Credit Instructional Materials 27103	2012 GO Bond Student Library Fund (SB66) 27107
ASSETS				
<i>Current assets:</i>				
Cash and temporary investments	\$ -	\$ -	\$ -	\$ -
Accounts receivable				
Taxes	-	-	-	-
Due from other governments	-	4,173	-	915
Interfund receivables	-	-	-	-
Other	-	-	-	-
Inventory	-	-	-	-
<i>Total assets</i>	<u>-</u>	<u>4,173</u>	<u>-</u>	<u>915</u>
LIABILITIES				
<i>Current liabilities:</i>				
Accounts payable	-	2,475	-	-
Accrued payroll liabilities	-	-	-	-
Interfund payables	-	4,173	-	915
Unearned revenue	-	-	-	-
<i>Total liabilities</i>	<u>-</u>	<u>6,648</u>	<u>-</u>	<u>915</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>
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted for:				
Grant mandates	-	-	-	-
Capital projects	-	-	-	-
Debt service	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	(2,475)	-	-
<i>Total fund balances</i>	<u>-</u>	<u>(2,475)</u>	<u>-</u>	<u>-</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ -</u>	<u>\$ 4,173</u>	<u>\$ -</u>	<u>\$ 915</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, 2018

Statement B-1

	Breakfast for Elementary Students 27155	Kindergarten - Three Plus 27166	NM Highway Department (Road) 28120	Private Direct Grants 29102	Total
ASSETS					
<i>Current assets:</i>					
Cash and temporary investments	\$ -	\$ -	\$ -	\$ 3,647	\$ 28,332
Accounts receivable					-
Taxes	-	-	-	-	-
Due from other governments	122	6,281	-	-	37,730
Interfund receivables	-	-	-	-	-
Other	-	-	-	-	-
Inventory	-	-	-	-	2,316
<i>Total assets</i>	<u>122</u>	<u>6,281</u>	<u>-</u>	<u>3,647</u>	<u>68,378</u>
LIABILITIES					
<i>Current liabilities:</i>					
Accounts payable	-	-	-	-	2,475
Accrued payroll liabilities	-	1,440	-	-	14,821
Interfund payables	122	4,841	-	-	22,909
Unearned revenue	-	-	-	-	-
<i>Total liabilities</i>	<u>122</u>	<u>6,281</u>	<u>-</u>	<u>-</u>	<u>40,205</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	-	-	-	-	2,316
Restricted for:					
Grant mandates	-	-	-	-	7,291
Capital projects	-	-	-	-	-
Debt service	-	-	-	-	-
Assigned	-	-	-	3,647	21,041
Unassigned	-	-	-	-	(2,475)
<i>Total fund balances</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,647</u>	<u>28,173</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 122</u>	<u>\$ 6,281</u>	<u>\$ -</u>	<u>\$ 3,647</u>	<u>\$ 68,378</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, 2018

	Food Services 21000	Athletics 22000	Title I IASA 24101	IDEA-B Entitlement 24106
<i>Revenues:</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	-	-	-	-
Federal grants	57,616	-	23,155	29,480
Miscellaneous	-	-	-	-
Charges for services	2,968	31,809	-	-
Investment income	1	3	-	-
<i>Total revenues</i>	<u>60,585</u>	<u>31,812</u>	<u>23,155</u>	<u>29,480</u>
<i>Expenditures:</i>				
Current:				
Instruction	-	31,783	21,540	22,764
Support services				
Students	-	-	-	6,716
Instruction	-	-	-	-
General administration	-	-	1,615	-
School administration	-	-	-	-
Central services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other support services	-	-	-	-
Food services operations	53,528	-	-	-
Community services	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>53,528</u>	<u>31,783</u>	<u>23,155</u>	<u>29,480</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>7,057</u>	<u>29</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>
<i>Net changes in fund balances</i>	7,057	29	-	-
<i>Fund balances - beginning of year</i>	<u>15,501</u>	<u>4,414</u>	<u>-</u>	<u>-</u>
<i>Fund balances - end of year</i>	<u>\$ 22,558</u>	<u>\$ 4,443</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, 2018

	IDEA-B Preschool 24109	IDEA-B Results Plan 24132	Teacher/Principal Training & Recruiting 24154	Carl D Perkins Secondary - Redistribution 2 24183
<i>Revenues:</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	-	-	-	-
Federal grants	2,148	20,000	5,053	11,976
Miscellaneous	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
<i>Total revenues</i>	<u>2,148</u>	<u>20,000</u>	<u>5,053</u>	<u>11,976</u>
<i>Expenditures:</i>				
Current:				
Instruction	-	19,504	4,479	-
Support services				
Students	2,148	-	-	-
Instruction	-	-	-	-
General administration	-	-	209	-
School administration	-	-	365	-
Central services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other support services	-	-	-	-
Food services operations	-	-	-	11,976
Community services	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>2,148</u>	<u>19,504</u>	<u>5,053</u>	<u>11,976</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>496</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>
<i>Net changes in fund balances</i>	-	496	-	-
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>(496)</u>	<u>-</u>	<u>-</u>
<i>Fund balances - end of year</i>	<u>\$ -</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, 2018

	Title XIX Medicaid 3/21 Years 25153	Rural Education Achievement Program 25233	Dual Credit Instructional Materials 27103	2012 GO Bond Student Library Fund (SB66) 27107
<i>Revenues:</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	-	-	145	3,893
Federal grants	4,599	18,506	-	-
Miscellaneous	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
<i>Total revenues</i>	<u>4,599</u>	<u>18,506</u>	<u>145</u>	<u>3,893</u>
<i>Expenditures:</i>				
Current:				
Instruction	2,033	20,072	145	-
Support services				
Students	2,566	344	-	-
Instruction	-	-	-	3,893
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>4,599</u>	<u>20,416</u>	<u>145</u>	<u>3,893</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>(1,910)</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>
<i>Net changes in fund balances</i>	-	(1,910)	-	-
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>(565)</u>	<u>-</u>	<u>-</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ (2,475)</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, 2018

	Breakfast for Elementary Students 27155	Kindergarten - Three Plus 27166	NM Highway Department (Road) 28120	Private Direct Grants 29102	Total
<i>Revenues:</i>					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
State grants	1,459	14,935	10,862	-	31,294
Federal grants	-	-	-	-	172,533
Miscellaneous	-	-	-	-	-
Charges for services	-	-	-	-	34,777
Investment income	-	-	-	-	4
<i>Total revenues</i>	<u>1,459</u>	<u>14,935</u>	<u>10,862</u>	<u>-</u>	<u>238,608</u>
<i>Expenditures:</i>					
<i>Current:</i>					
Instruction	-	14,255	-	915	137,490
Support services					
Students	-	-	-	-	11,774
Instruction	-	-	-	-	3,893
General administration	-	-	-	-	1,824
School administration	-	-	-	-	365
Central services	-	-	-	-	-
Operation & maintenance of plant	-	-	-	-	-
Student transportation	-	-	-	-	-
Other support services	-	-	-	-	-
Food services operations	1,459	-	-	-	66,963
Community services	-	-	-	-	-
Capital outlay	-	-	10,862	-	10,862
Debt service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
<i>Total expenditures</i>	<u>1,459</u>	<u>14,255</u>	<u>10,862</u>	<u>915</u>	<u>233,171</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>680</u>	<u>-</u>	<u>(915)</u>	<u>5,437</u>
<i>Other financing sources (uses):</i>					
Operating transfers	-	(680)	-	-	(680)
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>(680)</u>	<u>-</u>	<u>-</u>	<u>(680)</u>
<i>Net changes in fund balances</i>	-	-	-	(915)	4,757
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,562</u>	<u>23,416</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,647</u>	<u>\$ 28,173</u>

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

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CAPITAL PROJECTS FUNDS

STATE OF NEW MEXICO
MAXWELL MUNICIPAL SCHOOLS
CAPITAL PROJECTS FUND DESCRIPTIONS
June 30, 2018

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 (State Match) (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 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.

Capital Improvements SB-9 (Local) (31701) – 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.

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
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2018

Statement C-1

	Capital Improvements SB-9 (State Match) 31700	Capital Improvements SB-9 (Local) 31701	Educational Technology Equipment Act 31900	Total
ASSETS				
<i>Current assets:</i>				
Cash and temporary investments	\$ -	\$ 45,691	\$ 41,781	\$ 87,472
Accounts receivable				
Taxes	-	3,349	-	3,349
Due from other governments	-	-	-	-
Interfund receivables	-	-	-	-
Other	-	-	-	-
Inventory	-	-	-	-
<i>Total assets</i>	<u>-</u>	<u>49,040</u>	<u>41,781</u>	<u>90,821</u>
LIABILITIES				
<i>Current liabilities:</i>				
Accounts payable	-	-	4,489	4,489
Accrued payroll liabilities	-	-	-	-
Interfund payables	-	-	-	-
Unearned revenue	-	-	-	-
<i>Total liabilities</i>	<u>-</u>	<u>-</u>	<u>4,489</u>	<u>4,489</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues - property taxes	-	2,607	-	2,607
Unavailable revenues - other	-	-	-	-
<i>Total deferred inflows of resources</i>	<u>-</u>	<u>2,607</u>	<u>-</u>	<u>2,607</u>
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted for:				
Grant mandates	-	-	-	-
Capital projects	-	-	-	-
Debt service	-	-	-	-
Assigned	-	46,433	37,292	83,725
Unassigned	-	-	-	-
<i>Total fund balances</i>	<u>-</u>	<u>46,433</u>	<u>37,292</u>	<u>83,725</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ -</u>	<u>\$ 49,040</u>	<u>\$ 41,781</u>	<u>\$ 90,821</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 CAPITAL PROJECT FUNDS
FOR THE YEAR ENDING JUNE 30, 2018

	Capital Improvements SB-9 31700	Capital Improvements SB-9 31701	Educational Technology Equipment Act 31900	Total
<i>Revenues:</i>				
Property taxes	\$ -	\$ 40,168	\$ -	\$ 40,168
State grants	26,678	-	-	26,678
Federal grants	-	-	-	-
Miscellaneous	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	570	570
<i>Total revenues</i>	<u>26,678</u>	<u>40,168</u>	<u>570</u>	<u>67,416</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	-	-	-	-
Support services				
Students	-	-	-	-
Instruction	-	-	-	-
General administration	-	405	-	405
School administration	-	-	-	-
Central services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other support services	-	-	-	-
Food services operations	-	-	-	-
Community services	-	-	-	-
Capital outlay	26,678	10,263	15,324	52,265
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>26,678</u>	<u>10,668</u>	<u>15,324</u>	<u>52,670</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>29,500</u>	<u>(14,754)</u>	<u>14,746</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>	-	29,500	(14,754)	14,746
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>16,933</u>	<u>52,046</u>	<u>68,979</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ 46,433</u>	<u>\$ 37,292</u>	<u>\$ 83,725</u>

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

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DEBT SERVICE FUNDS

STATE OF NEW MEXICO
MAXWELL MUNICIPAL SCHOOLS
TABLE OF CONTENTS
FOR THE YEAR ENDED JUNE 30, 2018

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, 2018

	Debt Service 41000	Education Technology Debt Service 43000	Total
ASSETS			
<i>Current assets:</i>			
Cash and temporary investments	\$ 108	\$ 7,425	\$ 7,533
Accounts receivable			
Taxes	132	4,398	4,530
Due from other governments	-	-	-
Interfund receivables	-	-	-
Other	-	-	-
Inventory	-	-	-
	<u>240</u>	<u>11,823</u>	<u>12,063</u>
<i>Total assets</i>			
LIABILITIES			
<i>Current Liabilities:</i>			
Accounts payable	-	-	-
Accrued payroll liabilities	-	-	-
Interfund payables	-	-	-
Unearned revenue	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total liabilities</i>			
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues - property taxes	132	3,372	3,504
Unavailable revenues - other	-	-	-
	<u>132</u>	<u>3,372</u>	<u>3,504</u>
<i>Total deferred inflows of resources</i>			
FUND BALANCES			
Nonspendable	-	-	-
Restricted for:			
Grant mandates	-	-	-
Capital projects	-	-	-
Debt service	-	5,701	5,701
Assigned	108	2,750	2,858
Unassigned	-	-	-
	<u>108</u>	<u>8,451</u>	<u>8,559</u>
<i>Total fund balances</i>			
	<u>\$ 240</u>	<u>\$ 11,823</u>	<u>\$ 12,063</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>			

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, 2018

	Education Technology Debt Service 41000	Education Technology Debt Service 43000	Total
<i>Revenues:</i>			
Property taxes	\$ -	\$ 60,021	\$ 60,021
State grants	-	-	-
Federal grants	-	-	-
Miscellaneous	-	-	-
Charges for services	-	-	-
Investment income	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>60,021</u>	<u>60,021</u>
<i>Expenditures:</i>			
<i>Current:</i>			
Instruction	-	-	-
Support services			
Students	-	-	-
Instruction	-	-	-
General administration	-	606	606
School administration	-	-	-
Central services	-	-	-
Operation & maintenance of plant	-	-	-
Student transportation	-	-	-
Other support services	-	-	-
Food services operations	-	-	-
Community services	-	-	-
Capital outlay	-	-	-
Debt service			
Principal	-	55,856	55,856
Interest	-	1,410	1,410
<i>Total expenditures</i>	<u>-</u>	<u>57,872</u>	<u>57,872</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>2,149</u>	<u>2,149</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>	-	2,149	2,149
<i>Fund balances - beginning of year</i>	<u>108</u>	<u>6,302</u>	<u>6,410</u>
<i>Fund balances - end of year</i>	<u>\$ 108</u>	<u>\$ 8,451</u>	<u>\$ 8,559</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 V

SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
FOR THE YEAR ENDING JUNE 30, 2018

Activity Fund	Description	Balance June 30, 2017	Additions	Deletions	Adjustments	Balance June 30, 2018
110	General	\$ 15	\$ 500	\$ 125	\$ -	\$ 390.00
111	LUDI Scholarship Account	1,250	-	1,250	-	-
112	Parent Advisory Committee	580	611	458	-	733
113	Senior	41	5,143	6,764	2,341	761
114	Junior	1,606	3,817	5,634	1,216	1,005
115	Sophomore	2,822	2,208	1,022	(1,244)	2,764
116	Freshman	1,578	902	189	(1,578)	713
119	Student Council	172	-	83	-	89
121	Booster Club	529	7,548	6,243	-	1,834
123	Pee Wee Sports	7,164	9,310	5,069	-	11,405
125	Cheerleaders - Pee Wee	137	-	-	-	137
126	FFA	470	157	-	-	627
127	Library	234	324	203	-	355
141	Activity Bank Account	-	-	-	-	-
147	Vocational	-	-	-	-	-
149	FCCLA	1,424	9,694	10,785	-	333
150	Annual	400	-	-	-	400
155	Drama	15	-	-	-	15
159	Sixth Grade Fieldtrip	-	-	-	-	-
162	School Mall	533	15	161	-	387
178	Teachers Association	455	-	-	-	455
179	Maxwell Community Fund	175	-	-	-	175
180	Perfecta Printing Services	135	-	-	-	135
		<u>\$ 19,735</u>	<u>\$ 40,229</u>	<u>\$ 37,986</u>	<u>\$ 735</u>	<u>\$ 22,713</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, 2018

Schedule VI

<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, 2018</u>
Wells Fargo Bank				
	FMAC	9/1/2026	3128FWMK1	\$ 14,837
	FNMS	6/1/2046	3138WHER9	92,537
Total Wells Fargo Bank				<u>\$ 107,374</u>

The securities are held, not in the District's name, at:

BYN Mellon
101 Barclay Street
Fourth Floor east
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, 2018

Schedule VII

<u>Bank Name/Account Type</u>	<u>Account Type</u>	<u>Bank Balance</u>	<u>Deposits in Transit</u>	<u>Outstanding Checks</u>	<u>Other Adjustments</u>	<u>Book Balance</u>
Wells Fargo Bank						
Operational	Checking	\$ 381,331	\$ -	\$ (272,521)	\$ 269,538	\$ 378,348
Lunch Account	Checking	20,263	-	(21)	-	20,242
Activity Account	Checking	27,236	-	(230)	-	27,006
Total Wells Fargo Bank		<u>\$ 428,830</u>	<u>\$ -</u>	<u>\$ (272,772)</u>	<u>\$ 269,538</u>	<u>\$ 425,596</u>
<u>Bank Name/Account Type</u>	<u>Account Type</u>	<u>Bank Balance</u>	<u>Deposits in Transit</u>	<u>Outstanding Checks</u>	<u>Other Adjustments</u>	<u>Book Balance</u>
Bank of Albuquerque Ed Tech Custodial Account	Trust	\$ 41,781	\$ -	\$ -	\$ -	\$ 41,781
Total in Financial Institutions		<u>\$ 470,611</u>	<u>\$ -</u>	<u>\$ (272,772)</u>	<u>\$ 269,538</u>	<u>467,377</u>
Cash on Hand						<u>\$ 150</u>
Total						<u>\$ 467,527</u>
Cash per financial statements						
Cash and cash equivalents - Government Activities Exhibit A-1						444,814
Fiduciary funds - Exhibit D-1						<u>22,713</u>
						<u>\$ 467,527</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, 2018

Schedule VIII

Primary Government

	Operational 11000	Teacherage 12000	Transportation 13000	Instructional Materials 14000
Cash, June 30, 2017	\$ 229,722	\$ 23,775	\$ -	\$ 2,151
Add:				
Current year revenues	2,033,127	8,350	55,536	3,595
Permanent cash transfers	-	-	-	-
Prior period adjustment	-	-	-	-
Loans from other funds	-	-	-	-
Total cash available	2,262,849	32,125	55,536	5,746
Less:				
Current year expenditures	(1,923,758)	(1,690)	(44,231)	(2,304)
Permanent cash transfers	-	-	-	-
Prior period adjustment	-	-	-	-
Loans to other funds	(62,796)	-	-	-
Cash, June 30, 2018	<u>\$ 276,295</u>	<u>\$ 30,435</u>	<u>\$ 11,305</u>	<u>\$ 3,442</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, 2018

Schedule VIII

Primary Government

	Food Services 21000	Athletics 22000	Federal Flowthrough 24000	Federal Direct 25000
Cash, June 30, 2017	\$ 11,346	\$ 4,414	\$ (19,618)	\$ -
Add:				
Current year revenues	56,301	31,812	85,191	18,932
Permanent cash transfers	-	-	-	-
Prior period adjustment	-	-	-	-
Loans from other funds	-	-	12,858	4,173
Total cash available	67,647	36,226	78,431	23,105
Less:				
Current year expenditures	(47,405)	(31,783)	(78,431)	(23,105)
Permanent cash transfers	-	-	-	-
Prior period adjustment	-	-	-	-
Loans to other funds	-	-	-	-
Cash, June 30, 2018	<u>\$ 20,242</u>	<u>\$ 4,443</u>	<u>\$ -</u>	<u>\$ -</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, 2018

Schedule VIII

Primary Government

	State Flowthrough 27000	Local / State 29000	Capital Improvements SB-9 31700	Capital Improvements SB-9 31701
Cash, June 30, 2017	\$ (43,715)	\$ 4,562	\$ (2,441)	\$ 15,830
Add:				
Current year revenues	120,493	-	29,119	40,529
Permanent cash transfers	-	-	-	-
Prior period adjustment	-	-	-	-
Loans from other funds	45,030	-	-	-
Total cash available	121,808	4,562	26,678	56,359
Less:				
Current year expenditures	(121,128)	(915)	(26,678)	(10,668)
Permanent cash transfers	(680)	-	-	-
Prior period adjustment	-	-	-	-
Loans to other funds	-	-	-	-
Cash, June 30, 2018	<u>\$ -</u>	<u>\$ 3,647</u>	<u>\$ -</u>	<u>\$ 45,691</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, 2018

Schedule VIII

Primary Government

	Educational Tech Equip 31900	Debt Service 41000	Education Technology Debt Service 43000	Total
Cash, June 30, 2017	\$ 52,046	\$ 108	\$ 4,656	\$ 282,836
Add:				
Current year revenues	570	-	60,641	2,555,058
Permanent cash transfers	-	-	-	-
Prior period adjustment	-	-	-	-
Loans from other funds	-	-	-	62,061
Total cash available	52,616	108	65,297	2,899,955
Less:				
Current year expenditures	(10,835)	-	(57,872)	(2,391,665)
Permanent cash transfers	-	-	-	(680)
Prior period adjustment	-	-	-	-
Loans to other funds	-	-	-	(62,796)
Cash, June 30, 2018	<u>\$ 41,781</u>	<u>\$ 108</u>	<u>\$ 7,425</u>	<u>\$ 444,814</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
MAXWELL MUNICIPAL SCHOOLS
SCHEDULE OF JOINT POWERS AGREEMENTS
JUNE 30, 2018

Schedule IX

Title: Regional Education Cooperative Joint Powers Agreement

Participants: Maxwell Municipal Schools and High Plains Regional Educational Center #3

Responsible Party: High Plains Regional Educational Cooperative #3's Governing Council

Description: The parties have agreed to form a Regional Education Cooperative to participate in cooperative programs relating to education related services, provide professional services to the districts, and provide other optional services as needed.

Dates of Operation: August 24, 2012 until either party gives Notice of Intent to Terminate pursuant to the agreement.

Projected Cost: None

Audit Responsibility: High Plains Regional Educational Cooperative #3

Fiscal Agent: High Plains Regional Educational Cooperative #3

Reporting Agency: High Plains Regional Educational Cooperative #3

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

Wayne Johnson
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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 16, 2018.

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.

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

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

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, and NM 2018-001.

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 16, 2018

STATE OF NEW MEXICO
MAXWELL MUNICIPAL SCHOOLS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018

Schedule X

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?	No
b. Significant deficiencies identified not considered to be material weaknesses?	No
c. Control deficiencies identified not considered to be significant deficiencies?	No

STATE OF NEW MEXICO
MAXWELL MUNICIPAL SCHOOLS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018

Schedule X

Section II – Financial Statement Findings

None Identified

STATE OF NEW MEXICO
MAXWELL MUNICIPAL SCHOOLS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018

Schedule X

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

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

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 activity disbursements we noted the following instances in which proper procedures were not followed:

- In 3 of 18 items tested the purchase of goods and or service occurred before a purchase order was approved.
 - A purchase of \$954.00 had an invoice date of 9/13/17 and the purchase order is dated 9/14/17
 - A purchase of \$41.29 had an invoice date of 11/28/17 and the purchase order is dated 12/11/17
 - A purchase of \$200.00 for a sports tournament from 4/13-15/18 did not have an approved purchase order until 4/16/18
- In 1 of 18 items tested there was no invoice attached to verify purchases
- In 3 of 18 items tested there was no receiving document to verify goods and services were received. The value of these items were:
 - \$954.00
 - \$41.29
 - \$375.89

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

STATE OF NEW MEXICO
MAXWELL MUNICIPAL SCHOOLS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018

Schedule X

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

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

The District has made significant improvement in the areas of purchase orders, receiving, and supporting documentation. In the previous year's audit there was one instance in which a purchase order was not in place prior to the purchase of good and or services and two instances of the purchases being greater than the value of the purchase order while there were two instances in the current year of a purchase order not in place for activity account purchases. However, in the prior year there were 28 instances where no receiving documentation was noted out of 57 items tested while there were no such instances found in the current year. Additionally, in the prior year there was one instance of not having three quotes in the file for purchases greater than \$5,000 where there were no violations of their internal policies for acquiring quotations.

Cause: District personnel have not followed state guidelines or internal procedures in the creation of a purchase order prior to making a purchase and ensuring there is a receiving document. Policy clearly states that the District must have a signed purchase order in place prior to ordering goods and or services even with activity accounts.

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 the creation of purchase orders for 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 goods and or services have a receiving document.

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.
- Timeline for completion of corrective action plan:
The training process began on August 6, 2018 at the staff in-service and will be repeated throughout the school year.
- 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, 2018

Schedule X

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

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

Criteria: 6.20.2.14 NMAC 1978 CASH CONTROL STANDARDS:

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 operational cash receipts we noted the following instances where proper procedures were not followed.

- In 2 of 25 items reviewed the money received was not deposited within 24 hours or one banking day of receipt.
 - \$1,278.23 was received on 2/12/18 and was deposited on 2/14/18
 - \$155.00 was received on 5/8/18 and was deposited on 5/10/18

In the previous year's audit there was one instance in which a deposit was not completed within 24 hours. Additionally, in the prior year 12 of 14 activity deposits had no receipts created to identify when the funds were received or from whom they were received. In the current year, all deposits for activity funds had proper receipts.

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.

Effect: Non-adherence to state statutes places the District in noncompliance and lack of timeliness of deposits and 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.

Responsible Official's View:

- Specific corrective action plan for finding:
The district has established authority to make night deposits at the local branch in addition to training personnel to create daily bank deposits.
- Timeline for completion of corrective action plan:
Immediately
- Employee position(s) responsible for meeting the timeline:
Administrative Assistant, Business Manager and Superintendent

STATE OF NEW MEXICO
MAXWELL MUNICIPAL SCHOOLS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018

Schedule X

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

NM 2017-003 – Background Checks and Licensure (Non-Compliance) Repeated and Revised

Criteria: 22-10A-3 NMSA 1978. License or certificate required; application fee; general duties.

- A. **Except as otherwise provided in this subsection, any person teaching, supervising an instructional program or providing instructional support services in a public school or state agency; any person administering in a public school; and any person providing health care and administering medications or performing medical procedures in a public school shall hold a valid license or certificate from the department authorizing the person to perform that function.** This subsection does not apply to a person performing the functions of a practice teacher as defined by the state board [department].
- B. The state board [department] shall charge a reasonable fee for each application for or the renewal of a license or certificate. The application fee may be waived if the applicant meets a standard of indigency established by the department.
- C. **A person performing the duties of a licensed school employee who does not hold a valid license or certificate or has not submitted a complete application for licensure or certification within the first three months from beginning employment duties shall not be compensated thereafter for services rendered until he demonstrates that he holds a valid license or certificate.** This section does not apply to practice teachers as defined by rules of the state board [department].
- D. Each licensed school employee shall:
- (1) enforce all laws and rules applicable to his public school and school district or to the educational program of the state agency;
 - (2) if teaching, teach the prescribed courses of instruction;
 - (3) exercise supervision over students on property belonging to the public school or state agency and while the students are under the control of the public school or state agency; and
 - (4) furnish reports as required.

22-10A-5 NMSA 1978: Background checks; known convictions; alleged ethical misconduct; reporting required; limited immunity; penalty for failure to report

- 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.

Finally, the District approved pay rate states that substitute teachers who have a bachelor's degree shall be paid at a rate of \$11.50 per hour.

STATE OF NEW MEXICO
MAXWELL MUNICIPAL SCHOOLS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018

Schedule X

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

NM 2017-003 – Background Checks and Licensure (Non-Compliance) Repeated and Revised

Condition: During our review of personnel files we noted several instances 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.
- In 1 of the 10 files reviewed the employee did not have a substitute teacher license
 - This employee was not paid at the proper hourly rate. The employee has a bachelor’s degree and should have been paid at \$11.50 per hour but was paid at \$8.50 per hour.

In the prior year there was also one file which did not have a valid background check on file of the ten tested. There were no instances of not having a valid license in the personnel file in the prior year of those employees tested and no instances of paying a substitute at the incorrect rate.

Cause: The District have not followed state guidelines in regards to documentation of background checks and licensure. The FBI background check on one employee tested was not in the personnel file and one employee did not have licensure. The District also failed to pay an employee at the proper rate substitute hourly rate.

Effect: The District’s failure to maintain a background check report and proper licensure in the employee file is a violation of state statute and puts the District 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 licensure and ensuring they are properly maintained within the employee personnel file. A review of each personnel file will allow the District to quickly determine which files may be missing background checks or licensure documents.

Responsible Official’s View:

- Specific corrective action plan for finding:
All regular, substitute and casual employee files have been audited for background check documentation. If no documentation is found in the employee’s file, the employee will receive a letter/email requiring them to have their background check processed.
- Timeline for completion of corrective action plan:
Employee files were reviewed in August, 2018. Those employees with no background check documentation will be required to submit one for processing by September 30, 2018.
- Employee position(s) responsible for meeting the timeline:
Administrative Assistant

STATE OF NEW MEXICO
 MAXWELL MUNICIPAL SCHOOLS
 SCHEDULE OF FINDINGS AND RESPONSES
 FOR THE YEAR ENDED JUNE 30, 2018

Schedule X

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

NM 2018-001 – Cash Appropriations in Excess of Available Cash Balances (Compliance and Other Matters) Repeated and Revised

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 Cash Budget	Actual Cash	Difference
25153	Title XIX Medicaid 3/21 Years	\$ 12,326	\$ -	\$ (12,326)

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 25153 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, 2018

Schedule X

Section IV – Prior Year Audit Findings

Financial Section Findings

FS 2017-001 – Improper Recordings of Journal Entries – Resolved
FS 2017-002 – Failure to Follow Proper Internal Controls Relate to Payroll – Resolved
FS 2017-003 – Improper Recording and Maintenance of Fixed Assets Records – Resolved

Section 12-6-5 NMSA 1978 Findings

NM 2017-001 – Purchase Orders and Payment Authorization – Repeated and Revised
NM 2017-002 – Improper Cash Receiving and Depositing – Repeated and Revised
NM 2017-003 – Background Checks – Repeated and Revised
NM 2017-004 – Late Payment of Employer Contributions for Retiree Healthcare – Resolved
NM 2017-005 – Failure to Follow Bid-RFP Procedures – Resolved
NM 2017-006 – Improper Reimbursement of Travel Expenses – Resolved
NM 2017-007 – Failure to Notify State Auditor of Disposition of Assets – Resolved
NM 2017-008 – Cash Appropriations in Excess of Available Cash Balance – Repeated and Revised

STATE OF NEW MEXICO
MAXWELL MUNICIPAL SCHOOLS
OTHER DISCLOSURES
FOR THE YEAR ENDED JUNE 30, 2018

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 16, 2018. The following individuals were in attendance.

Maxwell Municipal Schools

Mary Lou Kern, Board President
Randy Casper, Board Vice President
Monica Hoy, Board Secretary
Clifford Taylor, Board Member
Kristen Forrester, Superintendent
Susan Robinson, Business Manager
Catherine Lohrengel, Audit Committee Member
Billie Apodaca, Administrative Assistant

Manning Accounting and Consulting Services, LLC

Byron Manning, CPA, Managing Partner
Chris Manning, Staff