

STATE OF NEW MEXICO
ROY MUNICIPAL SCHOOLS
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018
INDEPENDENT AUDITORS' REPORT

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

FINANCIAL SECTION	Page
OFFICIAL ROSTER	1
INDEPENDENT AUDITORS' REPORT	2 - 4
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Position	6 - 7
Statement of Activities	8
Governmental Fund Financial Statements:	
Balance Sheet - Governmental Funds	10 - 13
Reconciliation of the Balance Sheet to the Statement of Net Position	14
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	15 - 18
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual:	
Operational	20
Teacherage	21
Transportation	22
Instructional Material	23
Pre-School Donations	24
NM Reads to Lead K-3	25
Title XIX Medicaid 3/21 Years	26
Entitlement IDEA - B	27
Title I - IASA	28
2012 Go Library	29
 <u>Fiduciary Funds</u>	
Statement of Fiduciary Assets and Liabilities - Agency Fund	31
 NOTES TO THE FINANCIAL STATEMENTS	32 - 67

STATE OF NEW MEXICO
ROY MUNICIPAL SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2018

Table of Contents	Page
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Proportionate Share of the Net Pension Liability Educational Retirement Board (ERB)	69
Schedule of Contributions Educational Retirement Board (ERB)	70
Schedule of Employer's Proportionate Share of the Net OPEB Liability	71
Schedule of Employer's Contributions	72
SUPPLEMENTARY INFORMATION	
Combining and Individual Funds Statements and Schedules:	
Combining Balance Sheet - Nonmajor Governmental Funds	75
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	76
Special Revenue Funds	78 - 80
Combining Balance Sheet - Nonmajor Special Revenue Funds	81 - 84
Combining Statement of Revenue, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds	85 - 88
Combining Balance Sheet - General Fund	90
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund	91
OTHER SUPPLEMENTAL INFORMATION	
Schedule of Changes in Assets and Liabilities - Agency Funds	93 - 94
Schedule of Pledged Collateral	95
Schedule of Deposits and Investments Accounts	96
Cash Reconciliation	97

STATE OF NEW MEXICO
ROY MUNICIPAL SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2018

Table of Contents	Page
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>	99 - 100
Schedule of Findings and Responses	101 - 105
Financial Statement Preparation	106
Exit Conference	107

STATE OF NEW MEXICO
ROY MUNICIPAL SCHOOLS
OFFICIAL ROSTER

BOARD OF EDUCATION

Blair Clavel
Brandon Smith
Cody Hazen
Phillip Trujillo
Alfred Martinez

President
Vice President
Secretary
Member
Member

SCHOOL OFFICIALS

Ralph Almanzar
Sherrita Fluhman

Superintendent
Business Manager



INDEPENDENT AUDITORS' REPORT

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

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 comparison for the general fund, major special revenue funds of Roy 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with audit standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Accounting Standards issued by the Comptroller 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

During the review of fiscal year 2018 schedule of fixed assets provided by the client, it was determined that fixed assets were not properly included. One of the assets with an amount of \$28,773 was duplicated in the schedule provided. Depreciation expenses for several assets were calculated inaccurately. In June 30, 2016, a restatement of \$479,511 was recorded for in the government wide financial statements because of several inaccuracies related to the schedule of fixed assets. We identified such inaccuracies in fiscal year 2017 and 2018 as well. Consequently, we could not verify the beginning as well the ending balances of capital assets as of June 30, 2018.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, major capital project funds and the aggregate remaining fund information of the District's as of June 30, 2018, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, except for the possible effects of the matters described in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund of the District as of June 30, 2018, and the respective changes in financial position, thereof and the respective budgetary comparisons for all nonmajor governmental funds 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 which is required 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 require that the 10 year schedules for Pension and OPEB on pages 69 - 72 be presented to supplement the basic financial statements.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements, the combining and individual fund financial statements, and any other schedules as listed in the Table of Contents that collectively comprise the District's basic financial statements.

The combining and individual nonmajor fund financial statements, and any other schedule required by the Audit Rule that collectively comprise the District's basic financial statements 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, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2018 on our consideration of Roy Municipal Schools 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 in 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 Roy Municipal Schools internal control over financial reporting and compliance.


Beasley, Mitchell & Co., LLP
Las Cruces, New Mexico
November 15, 2018

BASIC FINANCIAL STATEMENTS

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

	<u>Governmental Activities</u>
ASSETS AND DEFERRED OUTFLOWS	
Current assets	
Cash and cash equivalents	\$ 511,161
Property taxes receivable	650
Other receivables	<u>75,762</u>
Total current assets	587,573
Non-current assets	
Capital assets	4,353,945
Less accumulated depreciation	<u>(2,894,456)</u>
Total non-current assets	<u>1,459,489</u>
Total assets	2,047,062
Deferred outflows (Net Pension Liability)	
Contributions - subsequent contributions	116,585
Deferred outflows	<u>994,742</u>
Total deferred outflows	<u>1,111,327</u>
Deferred outflows (OPEB)	
Contributions - subsequent contributions	<u>16,774</u>
Total deferred outflows	<u>16,774</u>
Total assets and deferred outflows	<u>\$ 3,175,163</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
ROY MUNICIPAL SCHOOLS
STATEMENT OF NET POSITION (CONTINUED)
JUNE 30, 2018

	<u>Governmental Activities</u>
LIABILITIES AND DEFERRED INFLOWS	
Current liabilities	
Accrued interest	392
Unearned revenue	10,153
Accrued compensated absences	5,190
Current portion of notes payable	<u>38,000</u>
Total current liabilities	53,735
Long-term obligations	
Net pension liability	3,219,572
Net OPEB Liability	862,831
Notes payable, net of current	<u>423,000</u>
Total long-term liabilities	<u>4,505,403</u>
Total liabilities	4,559,138
Deferred inflows	
Deferred inflows (ERB)	62,596
Deferred inflows (OPEB)	<u>196,378</u>
Total deferred inflows	<u>258,974</u>
Total liabilities and deferred inflows	4,818,112
NET POSITION	
Net investment in capital assets	998,489
Restricted for	
Special revenue	88,621
Capital projects	357,515
Debt service	40,478
Unrestricted	<u>(3,128,052)</u>
Total net position	<u>(1,642,949)</u>
Total liabilities, deferred inflows, and net position	<u>\$ 3,175,163</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
ROY MUNICIPAL SCHOOLS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expenses) Revenue and Changes Net Assets
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	
Expenses - Governmental Activities:					
Instruction	\$ 1,479,688	\$ 8,298	\$ 153,800	\$ -	\$ (1,317,590)
Support services	205,715	-	21,036	-	(184,679)
Central services	82,362	-	199,205	-	116,843
Operation and maintenance of plant	236,471	5,656	-	5,903	(224,912)
Student transportation	132,404	-	131,305	-	(1,099)
Food services	51,042	2,097	15,758	-	(33,187)
Interest on long-term debt	1,700	-	-	-	(1,700)
Depreciation	151,477	-	-	-	(151,477)
Total governmental activities	<u>\$ 2,340,859</u>	<u>\$ 16,051</u>	<u>\$ 521,104</u>	<u>\$ 5,903</u>	(1,797,801)
General Revenues:					
Taxes:					
Property taxes, levied for operating programs					19,268
Property taxes, levied for debt services					37,379
Property taxes, levied for capital projects					57
Oil and gas tax					3,181
State equalization guarantee					1,219,083
Interest and investment earnings					4,769
Miscellaneous					<u>29,710</u>
Subtotal, general revenue					<u>1,313,447</u>
Change in net position					(484,354)
Net position - beginning of year as previously stated					(133,689)
Restatement					<u>(1,024,906)</u>
Net position - beginning of year					<u>(1,158,595)</u>
Net position - end of year					<u>\$ (1,642,949)</u>

See independent auditors' report and accompanying notes to financial statements.

GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

STATE OF NEW MEXICO
ROY MUNICIPAL SCHOOLS
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018

	<u>General Fund</u>	<u>Debt Service</u>	<u>Preschool Donations</u>
ASSETS			
Cash and cash equivalents	\$ 16,271	\$ 40,299	\$ 46,624
Property taxes receivable	35	438	-
Due from other funds	75,762	-	-
	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 92,068</u>	<u>\$ 40,737</u>	<u>\$ 46,624</u>
 LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES			
Liabilities:			
	<hr/>	<hr/>	<hr/>
Total liabilities	-	-	-
Deferred inflows:			
Deferred inflows - property tax	21	259	-
	<hr/>	<hr/>	<hr/>
Total deferred inflows	<u>21</u>	<u>259</u>	<u>-</u>
Total liabilities and deferred inflows			
	21	259	-
Fund balances:			
Restricted, reported in:			
Special revenue fund	-	-	46,624
Debt service funds	-	40,478	-
Unassigned, reported in:			
General fund	92,047	-	-
	<hr/>	<hr/>	<hr/>
Total fund balances	<u>92,047</u>	<u>40,478</u>	<u>46,624</u>
Total liabilities, deferred inflows and fund balances			
	<u>\$ 92,068</u>	<u>\$ 40,737</u>	<u>\$ 46,624</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
ROY MUNICIPAL SCHOOLS
BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2018

	<u>NM Reads to Lead K-3</u>	<u>Title XIX Medicaid 3/21 Years</u>	<u>IDEA B Entitlement</u>
ASSETS			
Cash and cash equivalents	\$ -	\$ -	\$ -
Other receivables	26,907	13,406	9,509
	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 26,907</u>	<u>\$ 13,406</u>	<u>\$ 9,509</u>
 LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES			
Liabilities:			
Due to other funds	\$ 26,907	\$ 13,406	\$ 9,509
	<hr/>	<hr/>	<hr/>
Total liabilities	26,907	13,406	9,509
Deferred inflows:			
Deferred inflows - property tax	-	-	-
	<hr/>	<hr/>	<hr/>
Total deferred inflows	-	-	-
Total liabilities and deferred inflows			
	26,907	13,406	9,509
Fund balances:			
Restricted, reported in:			
Special revenue fund	-	-	-
Debt service funds	-	-	-
Retirement of long-term debt	-	-	-
Unassigned, reported in:			
Other funds	-	-	-
General fund	-	-	-
	<hr/>	<hr/>	<hr/>
Total fund balances	-	-	-
Total liabilities, deferred inflows and fund balances			
	<u>\$ 26,907</u>	<u>\$ 13,406</u>	<u>\$ 9,509</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
ROY MUNICIPAL SCHOOLS
BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2018

	<u>Title I- IASA</u>	<u>2012 Go Library</u>	<u>2017 Go Bond</u>
ASSETS			
Cash and cash equivalents	\$ -	\$ -	\$ 357,515
Other receivables	9,864	9,966	-
	<u>9,864</u>	<u>9,966</u>	<u>-</u>
Total assets	<u>\$ 9,864</u>	<u>\$ 9,966</u>	<u>\$ 357,515</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES			
Liabilities:			
Due to other funds	\$ 9,864	\$ 9,966	\$ -
	<u>9,864</u>	<u>9,966</u>	<u>-</u>
Total liabilities	9,864	9,966	-
Deferred inflows:			
Deferred inflows - property tax	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred inflows	-	-	-
Total liabilities and deferred inflows	9,864	9,966	-
Fund balances:			
Restricted, reported in:			
Special revenue fund	-	-	-
Debt service funds	-	-	-
Capital projects funds	-	-	357,515
Unassigned, reported in:			
General fund	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	-	-	357,515
Total liabilities, deferred inflows and fund balances	<u>\$ 9,864</u>	<u>\$ 9,966</u>	<u>\$ 357,515</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
ROY MUNICIPAL SCHOOLS
BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2018

	Other Governmental Funds	Total
ASSETS		
Cash and cash equivalents	\$ 50,452	\$ 511,161
Property taxes receivable	177	650
Due from other funds	-	75,762
Accounts Receivable	6,110	75,762
 Total assets	 \$ 56,739	 \$ 663,335
 LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES		
Liabilities:		
Due to other funds	6,110	75,762
Unearned revenue	10,153	10,153
 Total liabilities	 16,263	 85,915
Deferred inflows:		
Deferred inflows - property tax	105	385
 Total deferred inflows	 105	 385
 Total liabilities and deferred inflows	 16,368	 86,300
Fund balances:		
Restricted, reported in:		
Special revenue fund	41,997	88,621
Debt service funds	-	40,478
Capital projects funds	72	357,587
Unassigned, reported in:		
General fund	-	92,047
Unrestricted fund balance	(1,698)	(1,698)
 Total fund balances	 40,371	 577,035
 Total liabilities, deferred inflows, and fund balances	 \$ 56,739	 \$ 663,335

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
ROY MUNICIPAL SCHOOLS
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

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

Fund balances - total governmental funds	\$ 577,035
Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,459,489
Deferred outflows of resources related to pension, applicable to future periods and therefore, not reported in funds (note 9)	1,111,327
Deferred inflows of resources related to pension, applicable to future periods and therefore, not reported in funds (note 9)	(62,596)
Deferred outflows of resources related to NMRHCA, applicable to future periods and therefore, not reported in funds (note 10)	16,774
Deferred inflows of resources related to NMRHCA, applicable to future periods and therefore, not reported in funds (note 10)	(196,378)
Long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds - property tax	385
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:	
Net pension liability	(3,219,572)
Net OPEB Liability	(862,831)
Accrued interest	(392)
Compensated absences	(5,190)
Long term debt	<u>(461,000)</u>
Total net position - governmental funds	<u>\$ (1,642,949)</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
ROY MUNICIPAL SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	<u>General Fund</u>	<u>Debt Service</u>	<u>Preschool Donations</u>
REVENUES			
Taxes	\$ 3,798	\$ 39,347	\$ -
Charges for services	11,017	-	-
State sources	1,420,707	-	6,620
Transportation distribution	131,305	-	-
Earnings from investments	2,051	-	-
Miscellaneous	<u>5,623</u>	<u>385</u>	<u>-</u>
Total revenues	1,574,501	39,732	6,620
EXPENDITURES			
Current:			
Direct instruction	871,986	-	12,253
Instructional support	204,961	-	-
Central services	82,362	-	-
Operation and maintenance	214,730	-	-
Transportation	131,305	1,099	-
Food services	30,461	-	-
General Administration	-	-	-
Debt services:			
Principal payments	-	35,000	-
Interest	-	1,700	-
Capital Outlay	<u>8,243</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>1,544,048</u>	<u>37,799</u>	<u>12,253</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	<u>(6,902)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(6,902)</u>	<u>-</u>	<u>-</u>
Net change in fund balance	23,551	1,933	(5,633)
Fund balance - beginning of year	<u>68,496</u>	<u>38,545</u>	<u>52,257</u>
Fund balance - end of year	<u>\$ 92,047</u>	<u>\$ 40,478</u>	<u>\$ 46,624</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
ROY MUNICIPAL SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018

	<u>NM Reads to Lead K-3</u>	<u>Title XIX Medicaide 3/21 Years</u>	<u>IDEA B Entitlement</u>
REVENUES			
Taxes	\$ -	\$ -	\$ -
Charges for services	-	-	-
State sources	86,183	13,406	-
Federal sources	-	-	20,437
Transportation distribution	-	-	-
Earnings from investments	-	-	-
Miscellaneous	-	-	-
	<u>86,183</u>	<u>13,406</u>	<u>20,437</u>
Total revenues	86,183	13,406	20,437
EXPENDITURES			
Current:			
Direct instruction	74,043	13,406	16,477
Operation and maintenance	-	-	-
Transportation	-	-	-
Food services	-	-	-
General Administration	-	-	-
Debt services:			
Principal payments	-	-	-
Interest	-	-	-
Capital Outlay	9,345	-	-
	<u>83,388</u>	<u>13,406</u>	<u>16,477</u>
Total expenditures	83,388	13,406	16,477
OTHER FINANCING SOURCES (USES)			
Transfers in	-	672	-
Transfers out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>672</u>	<u>-</u>
Net change in fund balance	2,795	672	3,960
Fund balance - beginning of year	<u>(2,795)</u>	<u>(672)</u>	<u>(3,960)</u>
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
ROY MUNICIPAL SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Title I- IASA</u>	<u>2012 Go Library</u>	<u>2017 Go Bond</u>
REVENUES			
Taxes	\$ -	\$ -	\$ -
Charges for services	-	-	-
State sources	-	9,966	-
Federal sources	9,864	-	-
Transportation distribution	-	-	-
Earnings from investments	-	-	2,718
Miscellaneous	-	-	-
	<hr/>	<hr/>	<hr/>
Total revenues	9,864	9,966	2,718
EXPENDITURES			
Current:			
Direct instruction	9,864	9,966	-
Operation and maintenance	-	-	20,578
Transportation	-	-	-
Food services	-	-	-
General Administration	-	-	-
Debt services:			
Principal payments	-	-	-
Interest	-	-	-
Capital Outlay	-	-	60,625
	<hr/>	<hr/>	<hr/>
Total expenditures	9,864	9,966	81,203
OTHER FINANCING SOURCES (USES)			
Bond proceeds	-	-	216,000
Transfers in	-	-	-
Transfers out	-	-	-
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	-	-	216,000
	<hr/>	<hr/>	<hr/>
Net change in fund balance	-	-	137,515
Fund balance - beginning of year	-	-	220,000
	<hr/>	<hr/>	<hr/>
Fund balance - end of year	\$ -	\$ -	\$ 357,515

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
ROY MUNICIPAL SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018

	Other Governmental Funds	Total
	<u> </u>	<u> </u>
REVENUES		
Taxes	\$ 16,504	\$ 59,649
Charges for services	5,034	16,051
State sources	14,631	1,551,513
Federal sources	41,639	71,940
Transportation distribution	-	131,305
Earnings from investments	-	4,769
Miscellaneous	<u>15,034</u>	<u>21,042</u>
 Total revenues	 92,842	 1,856,269
EXPENDITURES		
Current:		
Direct instruction	20,637	1,028,632
Instructional support	754	205,715
Central services	-	82,362
Operation and maintenance	1,163	236,471
Transportation	-	132,404
Food services	20,581	51,042
General Administration	-	-
Capital outlay	22,346	100,559
Debt services:		
Principal payments	-	35,000
Interest	<u>-</u>	<u>1,700</u>
 Total expenditures	 <u>65,481</u>	 <u>1,873,885</u>
OTHER FINANCING SOURCES (USES)		
Bond Proceeds	-	216,000
Transfers in	6,230	6,902
Transfers out	<u>-</u>	<u>(6,902)</u>
Total other financing sources (uses)	<u>6,230</u>	<u>216,000</u>
 Net change in fund balance	 33,591	 198,384
 Fund balance - beginning of year	 <u>6,780</u>	 <u>378,651</u>
 Fund balance - end of year	 <u>\$ 40,371</u>	 <u>\$ 577,035</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
ROY MUNICIPAL SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN THE FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

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

Change in fund balances - total governmental funds	\$ 198,384
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Capital outlay 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 expense exceeds capital outlays in the period.

Depreciation expense	(151,477)
Capital outlay	100,559

Changes in resources related to pension	
Change in deferred outflows - PERA	723,942
Change in deferred inflows - PERA	(42,589)
Change in deferred outflows - OPEB	427
Change in deferred inflows - OPEB	(196,378)
Net pension liability - PERA	(1,116,054)
Other post employment benefit liability	178,422

Property taxes that do not provide current financial resources, made available to pay for the current period's expenditures, reported as deferred inflows in the funds.	236
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The issuance of long-term debt (e.g. bonds, notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Issuance of bond	(216,000)
Change in accrued interest	341
Change in accrued compensated absences	833
Principal payment on debt	35,000
	35,000

Change in net position of governmental activities	<u>\$ (484,354)</u>
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See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
ROY MUNICIPAL SCHOOLS
OPERATIONAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (NON-
GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenues:				
Taxes	\$ 4,134	\$ 4,134	\$ 3,763	\$ (371)
Charges for services	800	800	5,361	4,561
State sources	1,368,112	1,439,859	1,419,156	(20,703)
Earnings from investments	1,200	1,200	2,051	851
Miscellaneous	-	-	5,623	5,623
	<u>1,374,246</u>	<u>1,445,993</u>	<u>1,435,954</u>	<u>(10,039)</u>
Total revenues				
Expenditures:				
Current:				
Direct instruction	849,695	881,331	871,986	9,345
Instructional support	241,193	241,193	204,961	36,232
Central services	85,605	85,605	82,362	3,243
Operation and maintenance	199,301	231,276	207,175	24,101
Transportation	-	-	-	-
Food services	38,345	38,345	30,461	7,884
Capital outlay	8,243	8,243	8,243	-
	<u>1,422,382</u>	<u>1,485,993</u>	<u>1,405,188</u>	<u>80,805</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	<u>(48,136)</u>	<u>(40,000)</u>	<u>30,766</u>	<u>70,766</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	<u>(6,902)</u>	<u>(6,902)</u>	<u>(6,902)</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(6,902)</u>	<u>-</u>
Net change in fund balance	(48,136)	(40,000)	23,864	70,766
Fund balance - beginning of year	<u>47,984</u>	<u>47,984</u>	<u>47,984</u>	<u>-</u>
Fund balance - end of year	<u>\$ (152)</u>	<u>\$ 7,984</u>	<u>\$ 71,848</u>	<u>\$ 70,766</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 23,864	
Net revenue accruals			35	
Net expenditure accruals			<u>-</u>	
Net changes in fund balance GAAP basis			<u>\$ 23,899</u>	

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
ROY MUNICIPAL SCHOOLS
TEACHERAGE FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (NON-
GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2018

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	6,000	6,000	5,656	(344)
State sources	-	-	-	-
Earnings from investments	-	-	-	-
Miscellaneous	-	-	-	-
	6,000	6,000	5,656	(344)
Total revenues				
Expenditures:				
Current:				
Direct instruction	-	-	-	-
Instructional support	-	-	-	-
Central services	-	-	-	-
Operation and maintenance	19,631	19,631	7,555	12,076
Transportation	-	-	-	-
Food services	-	-	-	-
	19,631	19,631	7,555	12,076
Total expenditures				
Excess (deficiency) of revenues over expenditures	(13,631)	(13,631)	(1,899)	11,732
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
	-	-	-	-
Total other financing sources (uses)				
Net change in fund balance	(13,631)	(13,631)	(1,899)	11,732
Fund balance - beginning of year	14,403	14,403	14,403	-
Fund balance - end of year	\$ 772	\$ 772	\$ 12,504	\$ 11,732
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ (1,899)	
Net revenue accruals			-	
Net expenditure accruals			-	
Net changes in fund balance GAAP basis			\$ (1,899)	

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
ROY MUNICIPAL SCHOOLS
TRANSPORTATION FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (NON-
GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
State sources	-	-	-	-
Transportation distribution	131,305	131,305	131,305	-
Earnings from investments	-	-	-	-
Miscellaneous	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	131,305	131,305	131,305	-
Expenditures:				
Current:				
Direct instruction	-	-	-	-
Instructional support	-	-	-	-
Central services	-	-	-	-
Operation and maintenance	-	-	-	-
Transportation	131,305	131,305	131,305	-
Food services	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	131,305	131,305	131,305	-
Excess (deficiency) of revenues over expenditures	<hr/>	<hr/>	<hr/>	<hr/>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	-	-	-	-
Fund balance - beginning of year	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ -	
Net revenue accruals			-	
Net expenditure accruals			<hr/>	
Net changes in fund balance GAAP basis			<u>\$ -</u>	

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
ROY MUNICIPAL SCHOOLS
INSTRUCTIONAL MATERIAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (NON-
GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
State sources	1,296	1,296	1,551	255
Earnings from investments	-	-	-	-
Miscellaneous	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	1,296	1,296	1,551	255
Expenditures:				
Current:				
Direct instruction	1,296	1,296	-	1,296
Instructional support	-	-	-	-
Central services	-	-	-	-
Operation and maintenance	-	-	-	-
Transportation	-	-	-	-
Food services	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	1,296	1,296	-	1,296
Excess (deficiency) of revenues over expenditures	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	1,551	1,551
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	-	-	1,551	1,551
Fund balance - beginning of year	<hr/>	<hr/>	<hr/>	<hr/>
	6,109	6,109	6,109	-
Fund balance - end of year	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 6,109	\$ 6,109	\$ 7,660	\$ 1,551
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 1,551	
Net revenue accruals			-	
Net expenditure accruals			<hr/>	
Net changes in fund balance GAAP basis			<hr/>	
			\$ 1,551	

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
ROY MUNICIPAL SCHOOLS
PRESCHOOL - DONATIONS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (NON-
GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenues:				
State sources	\$ -	\$ -	\$ 6,620	\$ 6,620
Total revenues	-	-	6,620	6,620
Expenditures				
Current:				
Direct instruction	52,418	52,418	12,253	40,165
Total expenditures	52,418	52,418	12,253	40,165
Excess (deficiency) of revenues over expenditures	(52,418)	(52,418)	(5,633)	(33,545)
Net changes in fund balance	(52,418)	(52,418)	(5,633)	(33,545)
Fund balance - beginning of year	52,257	52,257	52,257	-
Fund balance - end of year	<u>\$ (161)</u>	<u>\$ (161)</u>	<u>\$ 46,624</u>	<u>\$ (33,545)</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ (5,633)	
Net revenue accruals			-	
Net expenditure accruals			-	
Net changes in fund balance GAAP basis			<u>\$ (5,633)</u>	

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
ROY MUNICIPAL SCHOOLS
NM READS TO LEAD K-3 FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (NON-
GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2018

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
Revenues:				
State sources	\$ 86,433	\$ 88,678	\$ 59,276	\$ (29,402)
Total revenues	86,433	88,678	59,276	(29,402)
Expenditures:				
Current:				
Direct instruction	77,088	88,678	74,043	14,635
Capital Outlay	9,345	9,345	9,345	-
Total expenditures	86,433	98,023	83,388	14,635
Excess (deficiency) of revenues over expenditures	-	9,345	(24,112)	(14,767)
Net change in fund balances	-	9,345	(24,112)	(14,767)
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	\$ -	\$ 9,345	\$ (24,112)	\$ (14,767)
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ (24,112)	
Net revenue accruals			26,907	
Net expenditure accruals			-	
Net changes in fund balance GAAP basis			\$ 2,795	

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
ROY MUNICIPAL SCHOOLS
TITLE XIX MEDICAID 3/21 YEARS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (NON-
GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2018

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
Revenues:				
State sources	\$ 12,000	\$ 12,000	\$ -	\$ (12,000)
Miscellaneous	-	-	-	-
Total revenues	12,000	12,000	-	(12,000)
Expenditures:				
Current:				
Direct instructional	12,000	12,000	13,406	1,406
Total expenditures	12,000	12,000	13,406	1,406
Excess (deficiency) of revenues over expenditures	-	-	(13,406)	(13,406)
Other financing sources (uses)				
Transfer in	-	-	672	672
Total other financing sources (uses)	-	-	672	(672)
Net change in fund balances	-	-	(12,734)	(12,734)
Fund balance - beginning of year	(672)	(672)	(672)	-
Fund balance - end of year	\$ (672)	\$ (672)	\$ (13,406)	\$ (12,734)
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ (12,734)	
Net revenue accruals			13,406	
Net expenditure accruals			-	
Net changes in fund balance GAAP basis			\$ 672	

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
ROY MUNICIPAL SCHOOLS
ENTITLEMENT IDEA-B
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (NON-
GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenues:				
Federal sources	\$ 19,845	\$ 21,382	\$ 10,928	\$ (10,454)
Total revenues	19,845	21,382	10,928	(10,454)
Expenditures:				
Current:				
Direct instruction	23,751	25,288	16,477	8,811
Total expenditures	23,751	25,288	16,477	8,811
Excess (deficiency) of revenues over expenditures	(3,906)	(3,906)	(5,549)	(1,643)
Net change in fund balance	(3,906)	(3,906)	(5,549)	(1,643)
Fund balance - beginning of year	(3,960)	(3,960)	(3,960)	-
Fund balance - end of year	<u>\$ (7,866)</u>	<u>\$ (7,866)</u>	<u>\$ (9,509)</u>	<u>\$ (1,643)</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ (5,549)	
Net revenue accruals			9,509	
Net expenditure accruals			<u>-</u>	
Net changes in fund balance GAAP basis			<u>\$ 3,960</u>	

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
ROY MUNICIPAL SCHOOLS
TITLE I- IASA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (NON-
GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenues:				
Federal sources	\$ 850	\$ 13,979	\$ -	\$ (13,979)
Total revenues	850	13,979	-	(13,979)
Expenditures:				
Current:				
Direct instruction	851	13,980	9,864	4,116
Total expenditures	851	13,980	9,864	4,116
Excess (deficiency) of revenues over expenditures	(1)	(1)	(9,864)	(9,863)
Net change in fund balance	(1)	(1)	(9,864)	(9,863)
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	<u>\$ (1)</u>	<u>\$ (1)</u>	<u>\$ (9,864)</u>	<u>\$ (9,863)</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ (9,864)	
Net revenue accruals			9,864	
Net expenditure accruals			<u>-</u>	
Net changes in fund balance GAAP basis			<u>\$ -</u>	

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
ROY MUNICIPAL SCHOOLS
2012 GO LIBRARY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenues:				
State sources	\$ 6,148	\$ 10,331	\$ -	\$ (10,331)
Total revenues	6,148	10,331	-	(10,331)
Expenditures:				
Current:				
Direct instruction	-	-	-	-
Instructional support	6,148	10,331	9,966	365
Total expenditures	6,148	10,331	9,966	365
Excess (deficiency) of revenues over expenditures	-	-	(9,966)	(9,966)
Net change in fund balance	-	-	(9,966)	(9,966)
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (9,966)</u>	<u>\$ (9,966)</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ (9,966)	
Net revenue accruals			9,966	
Net expenditure accruals			<u>-</u>	
Net changes in fund balance GAAP basis			<u>\$ -</u>	

See independent auditors' report and accompanying notes to financial statements.

FIDUCIARY FUND FINANCIAL STATEMENTS

STATE OF NEW MEXICO
ROY MUNICIPAL SCHOOLS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUND
JUNE 30, 2018

ASSETS

Current Assets

Cash \$ 64,420

Total assets \$ 64,420

LIABILITIES

Current Liabilities

Deposits held in trust for others \$ 64,420

Total liabilities \$ 64,420

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
ROY MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Roy Municipal Schools (the District) is a special purpose government corporation governed by an elected five member Board of Education. The Board of Education is the basic level of government, which has oversight responsibility and control over all activities related to the public school education of the Village of Roy and surrounding areas. The District is responsible for all activities related to public elementary and secondary school education within its jurisdiction. The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities.

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 Roy Municipal Schools' management who is responsible for their integrity and objectivity. The financial statements and disclosures of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

A. 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. 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 basic-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 criterion 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

STATE OF NEW MEXICO
ROY MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

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 has no component units, and is not a component unit of another governmental agency.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) 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 the State Equalization Guarantee, taxes and intergovernmental revenues.

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

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Separate financial statements are provided for governmental funds 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
ROY MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

C. Measurement Focus, Basis of Accounting

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 year for which they are billed. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property taxes are accrued as receivable when levied, net of estimated refund and uncollectible amounts. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major governmental funds:

General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are provided by district school tax levy, state equalization and transportation funds, state instructional material allocations, and earnings from investments. Expenditures include all costs associated with the daily operations of the schools except for those items included in other funds.

STATE OF NEW MEXICO
ROY MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

C. Measurement Focus, Basis of Accounting (Continued)

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

PRESCHOOL DONATIONS (29107) - To account for donations from private/county to fund pre-school staff and program.

NEW MEXICO READS TO LEAD (29107) - Provides an aligned approach for districts and schools to ensure that children can read by the end of third grade - giving them essential skills for future career and college success. It also provides regional and district reading coaches, supports for intervention, and professional development for parents, teachers, reading coaches, and administrators.

The Title XIX Medicaid 3/21 Years Fund is to account for a program providing school-based screening, diagnostic services and other related health services and administrative activities in conformance with the approved Medicaid State Plan in order to improve health and developmental outcomes for children (Title XIX Social Security Act).

IDEA-B ENTITLEMENT SPECIAL (24106) - This fund is used 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.

TITLE I IASA (24101 ENTITLEMENT) - The Title I project provides remedial instruction in language arts for educationally deprived students in low income areas. The project is funded by the Federal Government through the New Mexico State Department of Education, under the Elementary and Secondary Education Act of 1965, Title I, Chapter 1, Part A, 20 U.S.C. 2701 et seq.

2012 GO BOND LIBRARY (27107) - To account for funds received from the New Mexico Public Education Department for purchasing library books.

2017 GO BOND LIBRARY (31100) - To account for funds received from the New Mexico Public Education Department for purchasing library books.

STATE OF NEW MEXICO
ROY MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

C. Measurement Focus, Basis of Accounting (Continued)

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.

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

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

State statutes authorize the 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.

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.

Deferred Outflows - In the government-wide fund financial statements, deferred outflows are contributions to a pension plan after the measurement date, and the change in assumption.

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 a 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.

STATE OF NEW MEXICO
ROY MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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

The District receives monthly income from a tax levy in Guadalupe and Torrance County. The funds are collected by the County Treasurers and are remitted to the District the following month.

Under the modified accrual method of accounting, the amount remitted by the County Treasurers in July and August 2018 is considered measurable and available and, accordingly, is recorded as revenue in the governmental fund statements during the year ended June 30, 2018.

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 uses the consumption method of accounting for inventory. Under the consumption approach, governments report inventories they purchase as an asset and defer the recognition of the expenditures until the period in which the inventories actually are consumed.

Inventory is valued at cost utilizing the consumption basis of accounting. Inventory in the Food Service 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.

U.S.D.A. commodities consumed during the year are reported as revenues and expenditures; unused commodities are reported as inventories. Non-commodity inventories are equally offset by a fund balance reserve, which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. No deferred revenue was recorded for unused commodity inventory as of June 30, 2018.

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 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Information technology

STATE OF NEW MEXICO
 ROY MUNICIPAL SCHOOLS
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2018

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

equipment including software is being capitalized and included in furniture, fixtures and equipment in accordance with NMAC 2.20.1.9 C(5). The District was a phase II government for purposes of implementing GASB 34 however, the District does not have any infrastructure asset to report.

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

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

<u>Assets</u>	<u>Years</u>
Building and improvements	20-50
Furniture, equipment vehicles and library books	3-15

Unearned Revenues and Deferred Inflows of Resources - Under both accrual and the modified accrual basis of accounting, revenue may be recognized only when it is earned. If assets are recognized in connection with a transaction before the earnings process is complete, those assets must be offset by corresponding liability for unearned revenue. Accounting principles generally accepted in the United States of America require that grant revenue be recognized at the time the related expense is made if the expenditure of funds is the prime factor for determining eligibility for reimbursement; therefore, amounts received and not expended in the Special Revenue Funds are shown as unearned revenues. In addition, property taxes receivable but uncollected within sixty (60) days of year end are classified as deferred inflow.

Compensated Absences - Twelve month employees are entitled to accumulate annual leave up to 10 days per year for the first five years. After five years of service, they will earn one and one quarter days per month for a total of 15 days per year.

STATE OF NEW MEXICO
ROY MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

Qualified employees are entitled to accumulate sick leave. There is no limit to the amount of sick leave which an employee may accumulate; however, no payment is due to the employee upon termination of employment.

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. In prior years, substantially all of the related expenditures have been liquidated by the general fund. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the government-wide statement of net assets.

Deferred Inflows - Within the governmental funds, revenues must be available in order to be recognized. Revenues such as real estate taxes that are not available are recorded as deferred inflows and reflected within the balance sheet.

Long-term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Balance of Fund Financial Statements - In the fund financial statements, governmental funds are classified as follows:

STATE OF NEW MEXICO
ROY MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

Nonspendable - fund balance classification includes 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. It also includes amounts to be held in perpetuity.

Restricted - Fund balance should be reported when constraints placed on the use of resources are either:

- 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. Enabling legislation, as the term is used in this Statement, 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. Legal enforceability means that a government can be compelled by an external party-such as citizens, public interest groups, or the judiciary - to use resources created by enabling legislation only for the purposes specified by the legislation.

Unassigned - fund balance is the residual classification for the general fund. This classification 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. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

STATE OF NEW MEXICO
ROY MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (Continued) The District's policy is to apply restricted resources first, committed sources second, assigned resources third, and unassigned resources last when an expense is incurred for purposes for which all or any fund balance classification is available.

Equity Classifications

Government-Wide Statements

Equity is classified as net position and displayed in three components:

- a. Net position invested in capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Net position - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

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.

E. Revenues

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

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-

STATE OF NEW MEXICO
ROY MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

E. Revenues (Continued)

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 \$1,219,083 in state equalization guarantee 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 1st 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. The District recognizes tax revenues in the period for which they are levied in the government-wide financial statements. The District records only the portion of the taxes considered 'measurable' and 'available' in the governmental fund financial statements. The District recognized \$59,649 in tax revenues in the governmental fund financial statements during the year ended June 30, 2018. Descriptions of the individual debt service and capital outlay funds contained in these financial statements include information regarding the authority for the collection and use of these taxes.

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 \$131,305 in transportation distributions during the year ended June 30, 2018.

Public School Capital Outlay - Under the provisions of Chapter 22, Article 24, a public school capital outlay fund was created. The money in the fund may be used 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 function of the public school facilities authority and for project management expenses upon approval of the council per Section 22-24-4 (O); 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).

STATE OF NEW MEXICO
ROY MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Revenues (Continued)

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 operates under its own budget, which has been approved by the Federal Department or the flow-through 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.

F. New Pronouncements

In June 2017, GASB Statement No. 87, Leases, was issued. Effective Date: The provisions of this Statement are effective for financial statements for the objective of this Statement is to improve accounting and financial reporting for periods beginning after December 15, 2019. Earlier application is encouraged. The District is still evaluating how this pronouncement will affect the financial statements.

In April 2018, GASB No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements, was issued. Effective date: The provisions of this Statement are effective for financial statements for the 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 related to debt for periods beginning after June 15, 2018. Furthermore, GASB No. 88 clarifies which liabilities governments should include when disclosing information. Earlier application is encouraged. The District is still evaluating how this pronouncement will affect the financial statements.

In June 2018, GASB 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. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The District is still evaluating how this pronouncement will affect the financial statements.

STATE OF NEW MEXICO
ROY MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. New Pronouncements (Continued)

In December 2018, GASB No. 90, Majority Equity Interests, 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.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The District is still evaluating how this pronouncement will affect the financial statements.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information - Budgets for the General, Special Revenue, Debt Service, and Capital Projects 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.

STATE OF NEW MEXICO
ROY MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

These budgets are prepared on the Non-GAAP cash basis. Budgeted expenditures exclude encumbrances and the budget secures appropriation of funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year. Because the budget process in the State of New Mexico requires that the beginning cash balance be appropriated in the budget of the subsequent fiscal year, when the budget is approved those funds are legally restricted and shown as reserved fund balance.

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

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

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

1. In April or May, the superintendent submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July. The operating budget includes proposed expenditures and the means of financing them, and has approval by the Public Education Department.
2. In May or June, the budget is approved by the Board of Education.
3. The school board meeting is open for the general public unless a closed meeting has been called.
4. The superintendent is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the School Board and the New Mexico Public Education Department.

STATE OF NEW MEXICO
ROY MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

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

6. Budgets for the General, Special Revenue, Debt Service, and Capital Projects Funds are adopted on a basis not consistent with generally accepted accounting principles (GAAP). Budget basis expenditures exclude encumbrances.

The School Board may approve amendments to the appropriated budget, which are required when a change is made affecting budgeted ending fund balance. New Mexico Administrative Code 6.20.2.9 prohibits the District from exceeding budgetary control at the function level.

The District is required to balance its budgets each year. Accordingly, amounts that are excess or deficient are presented as changes in cash designated for expenditures, not as an excess or deficiency of revenues over expenditures.

The reconciliation between the Non-GAAP budgetary basis amounts and the financial statements on the GAAP basis for each governmental fund is included in each individual budgetary comparison.

3. DEPOSIT AND INVESTMENTS

State statutes authorize the investment of District funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the District properly followed State investment requirements as of June 30, 2018.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the District. The financial institution must provide pledged collateral for 50% of the deposit amount in excess of the deposit insurance.

STATE OF NEW MEXICO
 ROY MUNICIPAL SCHOOLS
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2018

3. DEPOSIT AND INVESTMENTS (CONTINUED)

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.

The types of collateral allowed are limited to direct obligations of the United States Government or agency, districts or political subdivisions of the States of New Mexico.

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

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

	Farmers & Stockman's Bank
Cash on deposit at June 30, 2018	\$ 664,411
Less: Restricted Cash (NMFA)	353,250
Less: FDIC coverage	250,000
Total uninsured public funds	\$ 61,161
Pledged collateral	\$ 200,000
Collateral requirement (50% of uninsured public funds)	30,581
Over collateralization	\$ 169,419

STATE OF NEW MEXICO
 ROY MUNICIPAL SCHOOLS
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2018

3. DEPOSIT AND INVESTMENTS (CONTINUED)

Custodial Credit Risk-Deposits - Custodial Credit Risk is the risk that in the event of bank failure, the School's deposits may not be returned to it. The School 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). As of June 30, 2018, \$61,161 of the District's bank balance of \$664,411 was exposed to custodial credit risk because or was uninsured and the collateral was held by the pledging bank's trust department, not in the District's name. At June 30, 2018, the carrying amount of these deposits was \$575,581.

Reconciliation of Cash and Cash Equivalents

Cash and cash equivalents per Governmental Funds - balance sheet	\$ 157,911
Restricted cash and cash equivalents - balance sheet	<u>353,250</u>
 Total	 511,161
 Statement of Fiduciary Net Assets - cash	 <u>64,420</u>
Total cash and cash equivalents	575,581
Plus: outstanding checks and other reconciling items	<u>88,830</u>
 Bank balance of deposits and investments	 <u>\$ 664,411</u>
 Cash source:	
Farmers & Stockman's Bank	\$ 311,161
New Mexico Finance Authority (Restricted Cash)	<u>353,250</u>
 Total cash and cash equivalents	 <u>\$ 664,411</u>

Credit and Interest Rate Risk

Interest Rate Risk - As a means of limiting its exposure to fair value losses arising from rising interest rates, the School District's investment policy limits the School District's investment portfolio to maturities of less than one year.

STATE OF NEW MEXICO
ROY MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

4. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The District records temporary interfund receivables and payables to enable the funds to operate until grant monies are received.

The composition of interfund balances during the year ended June 30, 2018 is as follows:

Governmental Activities	Due from other funds	Due to other funds
General fund	\$ 75,762	\$ -
Title I - IASA	-	9,864
Entitlement IDEA - B	-	9,509
USDA Equipment Grant	-	6,110
Medicaid Account	-	13,406
Go Bond Account	-	9,966
Reads to Lead Account	-	26,907
Totals	<u>\$ 75,762</u>	<u>\$ 75,762</u>

All interfund balances are to be repaid within one year. There were no operating transfers for the year ended June 30, 2018.

5. ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2018, are as follows:

	General	Major Governmental Funds	Non-Major Governmental Funds	Total
Government grants	\$ -	\$ 69,652	\$ 6,110	\$ 75,762
Property taxes	<u>35</u>	<u>438</u>	<u>177</u>	<u>650</u>
Total	<u>\$ 35</u>	<u>\$ 70,090</u>	<u>\$ 6,287</u>	<u>\$ 76,412</u>

The above receivables are deemed 100% collectible.

STATE OF NEW MEXICO
ROY MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

6. CAPITAL ASSETS

A summary of capital assets and changes occurring during the year ended June 30, 2018 is as follows:

	<u>Balance June 30, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance June 30, 2018</u>
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$ 46,000	\$ -	\$ -	\$ -	\$ 46,000
Total capital assets not being depreciated	46,000	-	-	-	46,000
Capital assets being depreciated:					
Buildings & building improvements	3,564,567	79,204	-	-	3,643,771
Furniture, equipment & vehicle	<u>642,818</u>	<u>21,355</u>	<u>-</u>	<u>-</u>	<u>664,173</u>
Total capital assets being depreciated	4,207,385	100,559	-	-	4,307,944
Less accumulated depreciation for:					
Buildings & building improvements	2,222,890	102,777	-	-	2,325,667
Furniture, equipment & vehicle	<u>520,088</u>	<u>48,700</u>	<u>-</u>	<u>-</u>	<u>568,788</u>
Total accumulated depreciation	<u>2,742,978</u>	<u>151,477</u>	<u>-</u>	<u>-</u>	<u>2,894,455</u>
Total capital assets being depreciated, net	<u>1,464,407</u>	<u>(50,918)</u>	<u>-</u>	<u>-</u>	<u>1,413,489</u>
Governmental activities capital assets, net	<u>\$ 1,510,407</u>	<u>\$ (50,918)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,459,489</u>

For the year ended June 30, 2018, depreciation was charged to the following functions:

Governmental Activities	
Support services	\$ 48,700
Operations and maintenance of plant	<u>102,778</u>
Total	<u>\$ 151,478</u>

STATE OF NEW MEXICO
ROY MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

7. LONG-TERM OBLIGATIONS

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. The original amount of general obligation bonds issued was \$395,000. General obligation bonds are direct obligations and pledge the full faith and credit of the District. These bonds are issued with varying terms and varying amounts of principal maturing each year. All general obligation bonds as of June 30, 2018 are for governmental activities.

Bonds outstanding at June 30, 2018, are comprised of the following:

	Series 10/01/2006	Series 2017	Series 2018
Original Issue	\$175,000	220,000	216,000
Maturity	2019	2037	2033
Interest Rate	4.00%	0.1%-0.42%	1.63%-3.19%

The following is a summary of the long-term debt and the activity for the year ended June 30, 2018:

	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018	Due Within One Year
Governmental Activities:					
Bonds payable	\$ 280,000	\$ 216,000	\$ (35,000)	\$ 461,000	\$ 38,000
Compensated absences	6,023	6,243	(7,076)	5,190	5,190
Total governmental activities	<u>\$ 286,023</u>	<u>\$ 222,243</u>	<u>\$ (42,076)</u>	<u>\$ 466,190</u>	<u>\$ 43,190</u>

STATE OF NEW MEXICO
ROY MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

7. LONG-TERM OBLIGATIONS (CONTINUED)

The annual requirements to amortize the Series 10/01/2006 general obligation bond outstanding as of June 30, 2018, including interest payments are as follows:

Years ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 15,000	\$ 700	\$ 15,700
2020	<u>10,000</u>	<u>200</u>	<u>10,200</u>
	<u>\$ 25,000</u>	<u>\$ 900</u>	<u>\$ 25,900</u>

The annual requirements to amortize the Series 2017 general obligation bond outstanding as of June 30, 2018, including interest payments are as follows:

Years ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 23,000	\$ 522	\$ 23,522
2020	14,000	444	14,444
2021	14,000	386	14,386
2022	9,000	338	9,338
2023	9,000	338	9,338
Thereafter	<u>151,000</u>	<u>2,031</u>	<u>153,031</u>
	<u>\$ 220,000</u>	<u>\$ 4,059</u>	<u>\$ 224,059</u>

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

Years ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ -	\$ 4,302	\$ 4,302
2020	8,000	4,996	12,996
2021	21,000	4,747	25,747
2022	27,000	4,307	31,307
2023	28,500	3,763	32,263
Thereafter	<u>131,500</u>	<u>19,113</u>	<u>150,613</u>
	<u>\$ 216,000</u>	<u>\$ 41,228</u>	<u>\$ 257,228</u>

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 decreased \$833 from the prior year accrual. In prior years, the general fund was typically used to liquidate long-term liabilities other than debt.

STATE OF NEW MEXICO
ROY MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

8. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors omissions; and natural disasters, for which the District is a member of the New Mexico Public School 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 to 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 Securities, which include a \$750 deductible.

In case the NMPSIA's assets are not sufficient to meet its liability claims, the agreement provides that subscribers, including the District, cannot be assessed additional premiums to cover the shortfall. As of June 30, 2018, there have been no claims that have exceeded insurance coverage.

9. PENSION PLAN- EDUCATIONAL RETIREMENT BOARD

General Information on the Pension Plan

Plan Description - Substantially all of the Roy Municipal Schools full-time employees participate in a public employee retirement system authorized under the Educational Retirement Act (Chapter 22, Article 11 NMSA 1978). The Educational Retirement Board (ERB) is the administrator of the plan, which is a cost sharing multiple employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members (certified teachers and other employees of State public school districts, colleges and universities and beneficiaries). ERB issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to ERB, PO Box 26129, Santa Fe, New Mexico 87502.

STATE OF NEW MEXICO
ROY MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

9. PENSION PLAN- EDUCATIONAL RETIREMENT BOARD (CONTINUED)

The report is also available on ERB's website at www.nmerb.org.

Benefits provided. A member's retirement benefit is determined by a formula which includes three component parts: the member's final average salary (FAS), the number of years of service credit, and 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. A brief summary of Plan coverage provisions follows:

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. The eligibility for a member who either becomes a new member on or after July 1, 2010, or at any time prior to that date refunded all member contributions and then became, or becomes, reemployed after that date 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.

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. There are three benefit options available: single life annuity; single life annuity monthly benefit reduced to provide for a 100% survivor's benefit; or single life annuity monthly benefit is reduced to provide for a 50% survivor's benefit.

Retired members and surviving beneficiaries receiving benefits receive an automatic cost of living adjustment (COLA) to their benefit each July 1, beginning in the year the member attains or would have attained age 65 or on July 1 of the year following the member's retirement date, whichever is later. Prior to June 30, 2013 the COLA adjustment was equal to one-half the change in the Consumer Price Index (CPI), except that the COLA shall not exceed 4% nor be less than 2%, unless the change in CPI is less than 2%, in which case, the COLA would equal the change in the CPI, but never less than zero. As of July 1, 2013, for current and future retirees the COLA was immediately reduced until the plan is 100% funded. The COLA reduction was 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%. All other retirees will have a 20% COLA reduction; their average COLA will be 1.6%. Once the funding is

STATE OF NEW MEXICO
ROY MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

9. PENSION PLAN- EDUCATIONAL RETIREMENT BOARD (CONTINUED)

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%. All other retirees will have a 10% COLA reduction; their average will be 1.8%. 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.

A member is eligible for a disability benefit provided (a) he or she has credit for at least 10 years of service, and (b) the disability is approved by ERB. The monthly benefit is equal to 2% of FAS times years of service, but not less than the smaller of (a) one-third of FAS or (b) 2% of FAS times year of service projected to age 60. The disability benefit commences immediately upon the member's retirement. Disability benefits are payable as a monthly life annuity, with a guarantee that, if the payments made do not exceed the member's accumulated contributions, determined as of the date of retirement, the balance will be paid in a lump sum to the member's surviving beneficiary. If the disabled member survives to age 60, the regular optional forms of payment are then applied.

A member with five or more years of earned service credit on deferred status may retire on disability retirement when eligible under the Rule of 75 or when the member attains age 65.

Member Contributions - Plan members whose annual salary is \$20,000 or less are required by statute to contribute 7.9% of their gross salary. Plan members whose annual salary is over \$20,000 are required to make the following contributions to the Plan: 10.7% of their gross salary.

Employer Contributions - Roy Municipal Schools contributed 13.9% of gross salary.

The contribution requirements of plan members and the Roy Municipal Schools are established in State statute under Chapter 22, Article 11, NMSA 1978. The requirements may be amended by facts of the legislature. Roy Municipal School's contributions to ERB for the fiscal years ending June 30, 2018, 2017 and 2016 were 116,585, 114,689 and \$116,040, respectively, which equal the amount of the required contributions for each fiscal year.

The District adopted GASB 68 during the year ended June 30, 2018. GASB 68, *Accounting and Financial Reporting for Pensions*, requires contributing employers of cost-sharing multiple employer defined benefit pension plans to

STATE OF NEW MEXICO
ROY MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

9. PENSION PLAN- EDUCATIONAL RETIREMENT BOARD (CONTINUED)

include the net pension liability, pension expense, and pension-related deferred inflows and outflows of resources related to their share of the pension plan in their government-wide financial statement presentation. ERB engaged their financial statement auditors to prepare a schedule allocating these obligations to the contributing employers as of the year ended June 30, 2018. As part of adopting GASB 68 during the current year, the District recognized a Net Pension Liability (NPL), which represents the District's share of the underfunded pension obligation at June 30, 2018.

For the year ended June 30, 2018, the District recognized pension expense of Roy Municipal Schools. At the June 30, 2018, the District reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Differences between expected and actual experience	\$ 5,779	\$ -
Changes in assumptions	939,856	-
Net difference between projected and actual earnings on pension plan investments	-	442
Changes in proportion and differences between District contributions and proportionate share of contributions	49,107	12,553
Difference between expected and actual experience	-	49,601
District contributions subsequent to the measurement date	<u>116,585</u>	<u>-</u>
Total	<u>\$ 1,111,327</u>	<u>\$ 62,596</u>

\$116,585 reported as deferred outflows of resources related to pensions resulting from District 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.

STATE OF NEW MEXICO
 ROY MUNICIPAL SCHOOLS
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2018

9. PENSION PLAN- EDUCATIONAL RETIREMENT BOARD (CONTINUED)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2018	\$	369,212
2019	\$	373,866
2020	\$	215,581
2021	\$	(26,511)
Thereafter	\$	-
Total	\$	<u>932,148</u>

Actuarial assumptions. As described above, the total ERB pension liability and net pension liability are based on an actuarial valuation performed as of June 30, 2014. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2016 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2016. Specifically, the liabilities measured as of June 30, 2016 incorporate the following assumptions:

1. All members with an annual salary of more than \$20,000 will contribute 10.70% during the fiscal year ending June 30, 2015 and thereafter.
2. Members hired after June 30, 2013 will have an actuarially reduced retirement benefit if they retire before age 55 and their COLA will be deferred until age 67.
3. COLAs for most retirees are reduced until ERB attains a 100% funded status.
4. These assumptions were adopted by ERB on June 12, 2015 in conjunction with the six-year experience study period ending June 30, 2014.
5. For the purposes of projecting future benefits, it is assumed that the full COLA is paid in all future years.

STATE OF NEW MEXICO
 ROY MUNICIPAL SCHOOLS
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2018

9. PENSION PLAN- EDUCATIONAL RETIREMENT BOARD (CONTINUED)

The actuarial methods and assumptions used to determine contributions rates included in the measurement are as follows:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll
Remaining Period	Amortization - closed 30 years from June 30, 2012 to June 30, 2042
Asset Valuation Method	5 year smooth market for funding valuation (fair value for financial valuation)
Inflation	3.00%
Salary Increases	Composition: 3% inflation, plus 1.25% productivity increase rate, plus step rate promotional increases for members with less than 10 years of service
Investment Rate of return	7.75%
Retirement Age	Experience based table of age and service rates
Mortality	90% of RP-2000 Combined Mortality Table with White Collar Adjustment projected to 2014 using Scale AA (one year setback for females)

The long-term expected rate of return on pension plan investments is determined annually using a building-block approach that includes the following: 1) rate of return projections are the sum of current yield plus projected changes in price (valuation, defaults, etc.), 2) application of key economic projections (inflation, real growth, dividends, etc.), and 3) structural themes (supply and demand imbalances, capital flows, etc.). These items are developed for each major asset class.

Discount rate: A single discount rate of 5.90% was used to measure the total ERB pension liability as of June 30, 2018. This single discount rate was based on the expected rate of return on pension plan investments of 7.75%. Based on the stated assumptions and the projection of cash flows, the Plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current pension plan members. Therefore the long term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The projection of cash flows used to determine this single discount rate assumed that Plan contributions will be made at the current statutory levels. Additionally, contributions received through the Alternative Retirement Plan (ARP), ERB's defined contribution plan, are included in the projection of cash flows.

STATE OF NEW MEXICO
 ROY MUNICIPAL SCHOOLS
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2018

9. PENSION PLAN- EDUCATIONAL RETIREMENT BOARD (CONTINUED)

ARP contributions are assumed to remain at a level percentage of ERB payroll, where the percentage of payroll is based on the most recent five year contribution history.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following table shows the sensitivity of the net pension liability to changes in the discount rate as of the fiscal year end 2015. In particular, the table presents the (employer's) net pension liability under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (4.90%) or one percentage point higher (6.90%) than the single discount rate.

	1% Decrease (4.90%)	Current Discount Rate (5.90%)	1% Increase (6.90)
District's proportionate share of net pension	\$ 4,191,082	\$ 3,219,572	\$ 2,425,441

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued audited financial statements as of and for June 30, 2017 and June 30, 2016 which are publicly available at www.nmerb.org.

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 did not owe ERB any funds.

STATE OF NEW MEXICO
ROY MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

10. POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN

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

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

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

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

STATE OF NEW MEXICO
ROY MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

10. POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN (CONTINUED)

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2015, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2015, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

Roy Municipal Schools contributions to the RHCA for the years ended June 30, 2018, 2017 and 2016 were \$16,774, \$24,523 and \$16,694, respectively, which equal the required contributions for each year.

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

STATE OF NEW MEXICO
 ROY MUNICIPAL SCHOOLS
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2018

10. POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN (CONTINUED)

General Information about the OPEB

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

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

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

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 and active members	<u>97,349</u>
	\$ 160,035
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>
	\$ 97,349

STATE OF NEW MEXICO
 ROY MUNICIPAL SCHOOLS
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2018

10. POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN (CONTINUED)

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 \$16,774 for the year ended June 30, 2018.

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

At June 30, 2018, the District reported a liability of \$862,831 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District’s proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2017. At June 30, 2017, the District’s proportion was 0.01904 percent.

For the year ended June 30, 2018, the District recognized OPEB expense of \$34,303. At June 30, 2018 the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	\$ -	\$ 33,111
Changes of assumptions	-	150,855
Difference between actual and projected earnings on OPEB plan investments	-	12,412
Contributions made after the measurement date	\$ 16,774	-
Total	\$ 16,774	\$ 196,378

STATE OF NEW MEXICO
 ROY MUNICIPAL SCHOOLS
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2018

10. POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN (CONTINUED)

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

Year ended June 30:

	2019	\$	(41,751)
	2020		(41,751)
	2021		(41,751)
	2022		(41,751)
	2023		(29,374)
	Total	\$	(196,378)

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

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

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

STATE OF NEW MEXICO
ROY MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

10. POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN (CONTINUED)

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

Asset Class	Long - Term Rate 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 School's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.81 percent) or 1-percentage-point higher (4.81 percent) than the current discount rate:

1% Decrease (2.81%)	Current Discount (3.81%)	1% Increase (4.81%)
<u>\$1,046,600</u>	<u>\$862,831</u>	<u>\$718,647</u>

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:

STATE OF NEW MEXICO
 ROY MUNICIPAL SCHOOLS
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2018

10. POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN (CONTINUED)

1% Decrease	Current Trend Rates	1% Increase
\$ 733,897	\$ 862,831	\$ 963,367

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 \$0 for outstanding contributions due to NMRHCA for the year ended June 30, 2018.

11. LOSS CONTINGENCIES

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.

12. ANALYSIS FOR IMPAIRMENT

Management reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In management's opinion, there are no impaired assets at June 30, 2018.

STATE OF NEW MEXICO
ROY MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

13. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

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

A. Deficit fund balance of individual funds. The following fund had a deficit fund balance for the year ended June 30, 2018:

None

B. Excess of expenditures over appropriations. The following funds exceeded approved budgetary authority for the year ended June 30, 2018:

Title XIX Medicaide 3/21 Years	\$	1,406
Food services		998
Athletics		<u>1,918</u>
Total	\$	<u>4,322</u>

14. SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 15, 2018, the date the financial statements were available to be issued.

15. RESTATEMENT

The District has restated the beginning net position for the following reasons:

Restatement	Amount
Recognition of net OPEB liability	\$ (1,041,253)
Recognition of net OPEB deferred outflows of resources	<u>16,347</u>
	<u>\$ (1,024,906)</u>

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
ROY MUNICIPAL SCHOOLS
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
EDUCATIONAL RETIREMENT BOARD (ERB) PLAN
LAST 10 FISCAL YEARS*
FOR THE YEAR ENDED JUNE 30, 2018

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
The Roy Municipal Schools' proportion of the net pension liability	\$ 1,559,097	\$ 1,815,578	\$ 2,103,518	\$ 3,219,572
The Roy Municipal Schools' proportionate share of the net pension liability	0.0467%	0.0280%	0.0003%	0.0290%
The Roy Municipal Schools' covered-employee payroll	\$ 748,050	\$ 765,309	\$ 833,005	\$ 858,539
The Roy Municipal Schools's proportionate share of the net pension liability as a percentage of its covered-employee payroll	207.08 %	237.23 %	252.52 %	375.01 %
Plan fiduciary net position as a percentage of the total pension liability	66.54 %	63.97 %	61.58 %	52.95 %

*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, The Roy Municipal Schools will present information for those years for which information is available.

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
ROY MUNICIPAL SCHOOLS
SCHEDULE OF CONTRIBUTIONS
EDUCATIONAL RETIREMENT BOARD (ERB) PLAN
LAST 10 FISCAL YEARS*
FOR THE YEAR ENDED JUNE 30, 2018

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually required contribution	\$ 186,458	\$ 116,050	\$ 114,689	\$ 116,585
Contributions in relation to the contractually required contribution	<u>186,458</u>	<u>116,050</u>	<u>114,689</u>	<u>116,585</u>
Contribution deficiency (excess)	-	-	-	-
The Roy Municipal Schools's covered-employee payroll	<u>\$ 748,050</u>	<u>\$ 765,309</u>	<u>\$ 833,005</u>	<u>\$ 858,539</u>
Contributions as a percentage of covered-employee payroll	<u>24.93 %</u>	<u>15.16 %</u>	<u>13.77 %</u>	<u>13.58 %</u>

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, The Roy Municipal Schools will present information for those years for which information is available.

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
 ROY MUNICIPAL SCHOOLS
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
 LAST 10 FISCAL YEARS
 FOR THE YEAR ENDED JUNE 30, 2018

SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

	2018
The Roy Municipal Schools' proportion of the net OPEB liability	0.01904%
The Roy Municipal Schools' proportionate share of the net OPEB liability	\$862,831
Employer covered-employee payroll	\$ 793,139
Employer's proportionate share of the net OPEB liability as a percentage of its covered - employee payroll	108.79 %
Plan fiduciary net position as a percentage of the total OPEB liability	11.34 %

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

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
 ROY MUNICIPAL SCHOOLS
 SCHEDULE OF CONTRIBUTIONS
 NEW MEXICO RETIREE HEALTH CARE AUTHORITY (NMRHCA)
 LAST 10 FISCAL YEARS*
 FOR THE YEAR ENDED JUNE 30, 2018

SCHEDULE OF EMPLOYER'S CONTRIBUTIONS

		<u>2018</u>
Contractually required contribution	\$	60,461
Contributions in relation to the contractually required contribution		30,345
Contribution deficiency (excess)		30,116
The Roy Municipal Schools's covered-employee payroll	\$	793,139
Contributions as a percentage of covered-employee payroll		<u>3.83 %</u>

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

See independent auditors' report and accompanying notes to financial statements.

SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

STATE OF NEW MEXICO
ROY MUNICIPAL SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018

		Non-major funds
ASSETS		
Cash on deposit	\$	50,452
Property taxes receivable		177
Accounts receivable		<u>6,110</u>
Total assets	\$	<u>56,739</u>
LIABILITIES DEFERRED INFLOWS, AND FUND BALANCES		
Liabilities:		
Due to General Funds	\$	6,110
Unearned revenue		<u>10,153</u>
Total liabilities		16,263
Deferred inflows:		
Property tax		<u>105</u>
Total deferred inflows		<u>105</u>
Total deferred inflows and liabilities		16,368
Fund balances:		
Restricted, reported in:		
Special revenue funds		41,997
Capital project funds		72
Unrestricted fund balance		<u>(1,698)</u>
Total fund balance		<u>40,371</u>
Total liabilities, deferred inflows, and fund balances	\$	<u>56,739</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
ROY MUNICIPAL SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018

		Non-major funds
Revenues:		
Taxes	\$	16,504
Charges for services		5,034
State sources		14,631
Federal sources		41,639
Miscellaneous		15,034
		92,842
Total revenues		92,842
Expenditures:		
Current:		
Direct instruction		20,637
Instructional support		754
Food services		20,581
Operating and maintenance		1,163
Capital outlay		22,346
		65,481
Total expenditures		65,481
Other Financing Sources (Uses)		
Transfers in		6,230
Transfers out		
Total other financing sources (uses)		6,230
Net changes in fund balances		33,591
Fund balance - beginning of year		6,780
		40,371
Fund balance - end of year	\$	40,371

See independent auditors' report and accompanying notes to financial statements.

SPECIAL REVENUE FUNDS

STATE OF NEW MEXICO
ROY MUNICIPAL SCHOOLS
SPECIAL REVENUE FUNDS
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 education tasks. Grants accounted for in the Special Revenue Funds include:

FOOD SERVICE (21000) - This program provides financing for school hot lunch program. Funding is provided from fees from patrons and USDA food reimbursements, under the National School Lunch Act of 1946, as amended, Public Law 79-396, Sections 2-12, 60 Stat. 230, 42 U.S.C. 1751 et seq.; 80 stat. 889, as amended; 84 Stat. 270; and the Child Nutrition Act of 1966, as amended, Sections 4 and 10. Public Law 89-642, 80 Stat. 886, 889, 42 U.S.C. 1773, 1779; Public Law 99-591, 100 Stat. 3341; Public Law 100-71, 101 Stat. 430. Also State Law NMSA 22-13-13.

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.

DISCRETIONARY IDEA – B (24107) – P.L. 94-142, individuals with Disabilities Education Act – To account for a federal grant restricted to the operation and maintenance of meeting the special education need of children with disabilities. Authority for the creation of this fund is Individuals with Disabilities Act, Part B, Sec. 611, as amended; Public Laws 91-230, 93-380, 94-142, 98-199, 99-457, 100-630 and 101-476; 20 U.S.C. 1401-1419, Public Law 105-17.

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 ages 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.

TEACHER/PRINCIPAL TRAINING & RECRUITING (24154) - To account for grant funds to increase student academic achievement through strategies such as improving teacher and principal quality. Financing and authority is Elementary and Secondary Education Act of 1965 as amended, Title II, Part A, Public Law 107-110.

SAFE & DRUG FREE SCHOOLS & COMMUNITIES (24157) – To establish a local program of alcohol and drug abuse education and prevention coordinated with related community efforts and resources (P.L. 106-553).

STATE OF NEW MEXICO
ROY MUNICIPAL SCHOOLS
SPECIAL REVENUE FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018

RURAL EDUCATION ACHIEVEMENT PROGRAM (25233) – To provide financial assistance to rural district to carry out activities to help improve the quality of teaching and learning in their schools. Elementary and Secondary Education Act of 1965 (ESEA), Title VI, Part B, as amended.

DUAL CREDIT IM/HB2 (27103) – To account for monies received to purchase course materials for dual credit college classes.

TECHNOLOGY FOR EDUCATION PED (27117) - To account for State funding which is to be used by the District 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. Financing and Authority is provided by NMSA 22-15A-1 to 22-15A-10.

PHYSICAL EDUCATION CLASSES – PED (27121) – To account for funds provided by the New Mexico Public Education Department used to provide quality physical education classes in the state's public schools for elementary grade students by providing programs in areas where no classes exist or increasing the amount of time students receive physical education in schools that currently have elementary physical education classes.

NM GROWN FVV (27183) – To account for the purchase of New Mexico grown fruits and vegetables.

PARENT ADVOCACY PROJECT (27193) - To account for funds provided by the New Mexico Public Education Department to establish a parent advocacy project to enhance parent support of failing students in public schools.

GO BOND LIBRARY (27549) - To account for funds received from the New Mexico Public Education Department for purchasing library books. Fund and Authority is provided by Senate Bill 471, Laws of 2008.

NEW MEXICO HIGHWAY DEPARTMENT (28120) – To account for revenues received from the New Mexico Highway Department to prolong the life of the parking lot.

COORDINATED APPROACH TO CHILD HEALTH (CATCH) (28140) – To account for revenues received to coordinate child health improvements. The authority for the creation of this fund is the State Grant Provision and Hagerman Board of Education.

DWI NM LOCAL GRANT (28145) – To account for funds administered through the New Mexico DWI Coordinators to educate and prevent alcohol abuse and drinking and driving among students.

STATE OF NEW MEXICO
ROY MUNICIPAL SCHOOLS
SPECIAL REVENUE FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018

SUN SAFETY (28146) – To account for funds administered through the NM Department of Health to promote sun safety education to reduce the risk of developing skin cancer.

ENERGY EFFICIENCY MEASURES – NMENMR – ARRA (28187) – To account for funds received from the state to improve energy efficiency. The fund was created by a state grant provision.

AR DONATIONS (29102) – To account for donations from private to support the accelerated reading program.

SCHOOL BASED HEALTH CENTER (29130) – To account for funds administered by the Department of Health and the County of Harding in support of providing Primary Care and Mental Health Service on school campus.

STATE OF NEW MEXICO
 ROY MUNICIPAL SCHOOLS
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2018

Special Revenue Funds

	Food Service 21000	Athletics 22000	SB9 Local 31701	Discretionary IDEA-B 24107	IDEA-B Preschool 24109	Teacher/Principal Training & Recruiting 24154	Safe & Drug Free Schools & Communitys 24157
ASSETS							
Cash on deposit	\$ 3,389	\$ 2,401	\$ 28,979	\$ 467	\$ 596	\$ -	\$ 201
Total assets	<u>\$ 3,389</u>	<u>\$ 2,401</u>	<u>\$ 28,979</u>	<u>\$ 467</u>	<u>\$ 596</u>	<u>\$ -</u>	<u>\$ 201</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unearned revenue	-	-	-	467	596	-	201
Total liabilities	-	-	-	467	596	-	201
Fund balances:							
Restricted, reported in:							
Special revenue funds	3,389	2,401	28,979	-	-	-	-
Unrestricted fund balance	-	-	-	-	-	-	-
Total fund balance	<u>3,389</u>	<u>2,401</u>	<u>28,979</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 3,389</u>	<u>\$ 2,401</u>	<u>\$ 28,979</u>	<u>\$ 467</u>	<u>\$ 596</u>	<u>\$ -</u>	<u>\$ 201</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
ROY MUNICIPAL SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
JUNE 30, 2018

	Special Revenue Funds						
	Rural Ed Achievement Program 25233	2009 Dual Credit Inst Mat/HB2 27103	Technology for Education 27117	Elementary PE 27121	NM Grown FVV 27183	Parent Advocacy Project 27193	Go Library 27549
ASSETS							
Cash on deposit	\$ 484	\$ 1,082	\$ 365	\$ 3	\$ -	\$ -	\$ 176
Total assets	<u>\$ 484</u>	<u>\$ 1,082</u>	<u>\$ 365</u>	<u>\$ 3</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 176</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unearned revenue	484	1,082	365	3	-	-	176
Total liabilities	484	1,082	365	3	-	-	176
Fund balances:							
Restricted, reported in:							
Special revenue funds	-	-	-	-	-	-	-
Unrestricted fund balance	-	-	-	-	-	-	-
Total fund balance	-	-	-	-	-	-	-
Total liabilities and fund balances	<u>\$ 484</u>	<u>\$ 1,082</u>	<u>\$ 365</u>	<u>\$ 3</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 176</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
ROY MUNICIPAL SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
JUNE 30, 2018

Special Revenue Funds

	NMDOT (Road) 28120	Catch 28140	DWI NM Local Grant Fund 28145	Sun Safety 28146	Energy Efficiency Measures 28187	A.R. - Donations 29102	School Based Health Center 29130
ASSETS							
Cash on deposit	\$ 490	\$ 17	\$ 88	\$ 2	\$ 1,670	\$ 3,745	\$ 1,323
Total assets	<u>\$ 490</u>	<u>\$ 17</u>	<u>\$ 88</u>	<u>\$ 2</u>	<u>\$ 1,670</u>	<u>\$ 3,745</u>	<u>\$ 1,323</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unearned revenue	<u>-</u>	<u>17</u>	<u>88</u>	<u>2</u>	<u>-</u>	<u>-</u>	<u>1,698</u>
Total liabilities	-	17	88	2	-	-	1,698
Fund balances:							
Restricted, reported in:							
Special revenue funds	490	-	-	-	1,670	3,745	1,323
Unrestricted fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,698)</u>
Total fund balance	<u>490</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,670</u>	<u>3,745</u>	<u>(375)</u>
Total liabilities and fund balances	<u>\$ 490</u>	<u>\$ 17</u>	<u>\$ 88</u>	<u>\$ 2</u>	<u>\$ 1,670</u>	<u>\$ 3,745</u>	<u>\$ 1,323</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
ROY MUNICIPAL SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
JUNE 30, 2018

	Special Revenue Funds		Capital Projects Fund		Total Non Major Funds
	USDA Equipment Grant 24183	Incentives/School Improvement 27138	Capital Improvements SB9 31700	Public School Cap. Outlay 20% 32100	
ASSETS					
Cash on deposit	\$ -	\$ 4,974	\$ -	\$ -	\$ 50,452
Taxes receivable	-	-	177	-	177
Accounts receivable	6,110	-	-	-	6,110
Total assets	\$ 6,110	\$ 4,974	\$ 177	\$ -	\$ 56,739
LIABILITIES AND FUND BALANCES					
Liabilities:					
Due to General Fund	6,110	-	-	-	6,110
Accounts Payable	-	-	-	-	-
Unearned revenue	-	4,974	-	-	10,153
Total liabilities	6,110	4,974	-	-	16,263
Deferred inflows:					
Deferred inflows - property tax	-	-	105	-	105
Fund balances:					
Restricted, reported in:					
Special revenue funds	-	-	-	-	41,997
Unassigned, reported in:					
Capital Project Funds	-	-	72	-	72
Unrestricted fund balance	-	-	-	-	(1,698)
Total fund balance	-	-	72	-	40,371
Total liabilities and fund balances	\$ 6,110	\$ 4,974	\$ 177	\$ -	\$ 56,739

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
ROY MUNICIPAL SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2018

Special Revenue Funds

	Food Service 21000	Athletics 22000	SB9 Local 31701	Discretionary IDEA-B 24107	IDEA-B Preschool 24109	Teacher/Principal Training & Recruiting 24154	Safe & Drug Free Schools & Communitys 24157
Revenues:							
Taxes	\$ -	\$ -	\$ 16,447	\$ -	\$ -	\$ -	\$ -
Charges for services	2,097	2,937	-	-	-	-	-
Federal sources	17,457	-	-	-	-	-	-
Miscellaneous	-	-	15,034	-	-	-	-
Total revenues	19,554	2,937	31,481	-	-	-	-
Expenditures:							
Current:							
Direct instruction	-	1,918	-	-	-	-	-
Instructional support	-	-	-	-	-	-	-
Food services	20,581	-	-	-	-	-	-
Operation and maintenance	-	-	205	-	-	-	-
Capital outlay	-	-	3,736	-	-	-	-
Total expenditures	20,581	1,918	3,941	-	-	-	-
Net changes in fund balances	(1,027)	1,019	27,540	-	-	-	-
Transfers in	-	-	-	-	-	5,746	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	5,746	-
Transfer in(out):	-	-	-	-	-	-	-
Fund balance - beginning of year	4,416	1,382	1,439	-	-	(5,746)	-
Fund balance - end of year	\$ 3,389	\$ 2,401	\$ 28,979	\$ -	\$ -	\$ -	\$ -

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
ROY MUNICIPAL SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
JUNE 30, 2018

	Special Revenue Funds						
	Rural Ed Achievement Program 25233	2009 Dual Credit Inst Mat/HB2 27103	Technology for Education 27117	Elementary PE 27121	NM Grown FVV 27183	Parent Advocacy Project 27193	Go Library 27549
Revenues:							
State sources	\$ -	\$ 163	\$ -	\$ -	\$ -	\$ -	\$ -
Federal sources	18,072	-	-	-	-	-	-
Total revenues	18,072	163	-	-	-	-	-
Expenditures:							
Current:							
Direct instruction	18,556	163	-	-	-	-	-
Food services	-	-	-	-	-	-	-
Total expenditures	18,556	163	-	-	-	-	-
Net changes in fund balances	(484)	-	-	-	-	-	-
Other Financing Sources (Uses)							
Transfers in	484	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	484	-	-	-	-	-	-
Fund balance - beginning of year	-	-	-	-	-	-	-
Fund balance - end of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
ROY MUNICIPAL SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
JUNE 30, 2018

Special Revenue Funds							
	NMDOT (Road) 28120	Catch 28140	DWI NM Local Grant Fund 28145	Sun Safety 28146	Energy Efficiency Measures 28147	A.R. - Donations 29102	School Based Health Center 29130
Revenues:							
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-	1,010	-
Federal sources	-	-	-	-	-	-	-
Total revenues	-	-	-	-	-	1,010	-
Expenditures:							
Current:							
Direct instruction	-	-	-	-	-	-	-
Instructional support	-	-	-	-	-	754	-
Food services	-	-	-	-	-	-	-
Total expenditures	-	-	-	-	-	754	-
Net changes in fund balances	-	-	-	-	-	256	-
Fund balance - beginning of year	490	-	-	-	1,670	3,489	(375)
Fund balance - end of year	<u>\$ 490</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,670</u>	<u>\$ 3,745</u>	<u>\$ (375)</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
ROY MUNICIPAL SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
JUNE 30, 2018

	Capital Project Funds				Total Non Major Funds
	USDA Equipment Grant 24183	Incentives/School Improvement 27138	Capital Improvements SB9 31700	Public School Cap. Outlay 20% 32100	
Revenues:					
Taxes	\$ -	\$ -	\$ 57	\$ -	\$ 16,504
Charges for services	-	-	-	-	5,034
State sources	-	-	13,458	-	14,631
Federal sources	6,110	-	-	-	41,639
Miscellaneous	-	-	-	-	15,034
Total revenues	6,110	-	13,515	-	92,842
Expenditures:					
Current:					
Direct instruction	-	-	-	-	20,637
Instructional support	-	-	-	-	754
Food services	-	-	-	-	20,581
Operation and maintenance	-	-	958	-	1,163
Capital outlay	6,110	-	12,500	-	22,346
Total expenditures	6,110	-	13,458	-	65,481
Other Financing Sources (Uses)					
Transfers in					6,230
Total other financing sources (uses)					6,230
Net changes in fund balances	-	-	57	-	33,591
Fund balance - beginning of year	-	-	15	-	6,780
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 72</u>	<u>\$ -</u>	<u>\$ 40,371</u>

See independent auditors' report and accompanying notes to financial statements.

GENERAL FUND

STATE OF NEW MEXICO
ROY MUNICIPAL SCHOOLS
COMBINING BALANCE SHEET
GENERAL FUND
JUNE 30, 2018

	<u>Operational 11000</u>	<u>Teacherage 12000</u>	<u>Transportation 13000</u>	<u>Instructional Material 14000</u>	<u>Total</u>
ASSETS					
Cash	\$ (3,893)	\$ 12,504	\$ -	\$ 7,660	\$ 16,271
Taxes receivable	35	-	-	-	35
Due from other funds	<u>75,762</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>75,762</u>
 Total assets	 <u>\$ 71,904</u>	 <u>\$ 12,504</u>	 <u>\$ -</u>	 <u>\$ 7,660</u>	 <u>\$ 92,068</u>
 LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES					
Deferred inflows:					
Property tax	<u>\$ 21</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21</u>
Total deferred inflows	21	-	-	-	21
Fund balances:					
Unassigned, reported in:					
General fund	<u>71,883</u>	<u>12,504</u>	<u>-</u>	<u>7,660</u>	<u>92,047</u>
Total fund balances	<u>71,883</u>	<u>12,504</u>	<u>-</u>	<u>7,660</u>	<u>92,047</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 71,904</u>	<u>\$ 12,504</u>	<u>\$ -</u>	<u>\$ 7,660</u>	<u>\$ 92,068</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
ROY MUNICIPAL SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Operational 11000	Teacherage 12000	Transportation 13000	Instructional Material 14000	Total
REVENUES					
Taxes	\$ 3,798	\$ -	\$ -	\$ -	\$ 3,798
Charges for services	5,361	5,656	-	-	11,017
State sources	1,419,156	-	-	1,551	1,420,707
Transportation distribution	-	-	131,305	-	131,305
Earnings from investments	2,051	-	-	-	2,051
Miscellaneous	<u>5,623</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,623</u>
Total revenues	<u>1,435,989</u>	<u>5,656</u>	<u>131,305</u>	<u>1,551</u>	<u>1,574,501</u>
EXPENDITURES					
Current:					
Direct instruction	871,986	-	-	-	871,986
Instructional support	204,961	-	-	-	204,961
Central services	82,362	-	-	-	82,362
Operation and maintenance	207,175	7,555	-	-	214,730
Transportation	-	-	131,305	-	131,305
Food services	30,461	-	-	-	30,461
Capital Outlay	<u>8,243</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,243</u>
Total expenditures	<u>1,405,188</u>	<u>7,555</u>	<u>131,305</u>	<u>-</u>	<u>1,544,048</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	-
Transfers out	<u>(6,902)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,902)</u>
Total other financing sources (uses)	<u>(6,902)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,902)</u>
Net change in fund balance	23,899	(1,899)	-	1,551	23,551
Fund balance at beginning of year	<u>47,984</u>	<u>14,403</u>	<u>-</u>	<u>6,109</u>	<u>68,496</u>
Fund balance at end of year	<u>\$ 71,883</u>	<u>\$ 12,504</u>	<u>\$ -</u>	<u>\$ 7,660</u>	<u>\$ 92,047</u>

See independent auditors' report and accompanying notes to financial statements.

SUPPLEMENTAL INFORMATION

STATE OF NEW MEXICO
ROY MUNICIPAL SCHOOLS
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	23010 General Activity Account	23012 Preschool Activity Trust	23015 Elementary Activity Fund	23020 Shop Activity	23025 Annual Activity	23030 FFA Activity Trust	23050 Student Council	23055 Cheerleaders
Beginning Cash	\$ 28,304	\$ -	\$ 1,789	\$ 5,179	\$ (1,310)	\$ 498	\$ 709	\$ 545
Additions	7,701	-	591	173	2,125	5,679	3,045	-
Deletions	<u>(11,910)</u>	<u>-</u>	<u>(232)</u>	<u>(1,682)</u>	<u>(84)</u>	<u>(6,177)</u>	<u>(2,767)</u>	<u>-</u>
Ending Cash	<u>\$ 24,095</u>	<u>\$ -</u>	<u>\$ 2,148</u>	<u>\$ 3,670</u>	<u>\$ 731</u>	<u>\$ -</u>	<u>\$ 987</u>	<u>\$ 545</u>
Beginning Liabilities	\$ 28,304	\$ -	\$ 1,789	\$ 5,179	\$ (1,310)	\$ 498	\$ 709	\$ 545
Additions	7,701	-	591	173	2,125	5,679	3,045	-
Deletions	<u>(11,910)</u>	<u>-</u>	<u>(232)</u>	<u>(1,682)</u>	<u>(84)</u>	<u>(6,177)</u>	<u>(2,767)</u>	<u>-</u>
Ending Liabilities	<u>\$ 24,095</u>	<u>\$ -</u>	<u>\$ 2,148</u>	<u>\$ 3,670</u>	<u>\$ 731</u>	<u>\$ -</u>	<u>\$ 987</u>	<u>\$ 545</u>
	23060	23065	23066	23068	23069	23070	23214	23215
	Honors Society	Athletics	Football Activity	Volleyball	Special Fundraising	Science Activity	Class of 2014	Class of 2015
Beginning Cash	\$ 824	\$ 12,689	\$ 260	\$ 757	\$ -	\$ 138	\$ 31	\$ 10
Additions	95	2,190	-	-	13,681	-	-	-
Deletions	<u>(619)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(11,491)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Ending Cash	<u>\$ 300</u>	<u>\$ 14,879</u>	<u>\$ 260</u>	<u>\$ 757</u>	<u>\$ 2,190</u>	<u>\$ 138</u>	<u>\$ 31</u>	<u>\$ 10</u>
Beginning Liabilities	\$ 824	\$ 12,689	\$ 260	\$ 757	\$ -	\$ 138	\$ 31	\$ 10
Additions	95	2,190	-	-	13,681	-	-	-
Deletions	<u>(619)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(11,491)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Ending Liabilities	<u>\$ 300</u>	<u>\$ 14,879</u>	<u>\$ 260</u>	<u>\$ 757</u>	<u>\$ 2,190</u>	<u>\$ 138</u>	<u>\$ 31</u>	<u>\$ 10</u>

STATE OF NEW MEXICO
ROY MUNICIPAL SCHOOLS
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	23216	23217	23218	23219	23500	23575	23600	23700
	Class of 2016	Class of 2017	Class of 2018	Class of 2019	SBHC Activity	Textbook	Booster	Hospitality
Beginning Cash	\$ -	\$ -	\$ 15,885	\$ 1,863	\$ 342	\$ 1,004	\$ 186	\$ 1,133
Additions	146	90	1,857	12,938	-	-	216	367
Deletions	(56)	-	(17,592)	(5,102)	-	-	(287)	(90)
Ending Cash	\$ 90	\$ 90	\$ 150	\$ 9,699	\$ 342	\$ 1,004	\$ 115	\$ 1,410
Beginning Liabilities	\$ -	\$ -	\$ 15,885	\$ 1,863	\$ 342	\$ 1,004	\$ 186	\$ 1,133
Additions	146	90	1,857	12,938	-	-	216	367
Deletions	(56)	-	(17,592)	(5,102)	-	-	(287)	(90)
Ending Liabilities	\$ 90	\$ 90	\$ 150	\$ 9,699	\$ 342	\$ 1,004	\$ 115	\$ 1,410

	23222	23223	TOTAL
	Class of 2022	Class of 2023	
Beginning Cash	\$ -	\$ -	\$ 70,836
Additions	1,008	961	52,863
Deletions	(595)	(595)	(59,279)
Ending Cash	\$ 413	\$ 366	\$ 64,420
Beginning Liabilities	\$ -	\$ -	\$ 70,836
Additions	1,008	961	52,863
Deletions	(595)	(595)	(59,279)
Ending Liabilities	\$ 413	\$ 366	\$ 64,420

STATE OF NEW MEXICO
 ROY MUNICIPAL SCHOOLS
 SCHEDULE OF DEPOSITS AND INVESTMENT ACCOUNTS
 JUNE 30, 2018

	Account Type	Amount Per Bank	Net Reconciling Items	Balance Per Books
Farmers & Stockman's Bank				
General Operational	Checking	\$ 664,411	\$ (88,830)	\$ 575,581
Total		\$ 664,411	\$ (88,830)	\$ 575,581

STATE OF NEW MEXICO
ROY MUNICIPAL SCHOOLS
CASH RECONCILIATION
JUNE 30, 2018

	Operational 11000	Teacherage 12000	Transportation 13000	Instructional Materials 14000	Food Service 21000	Athletics Account 22000	Non - Instructional 23000	Federal Flowthrough 24000	Federal Direct 25000
Cash, June 30, 2017	\$ 47,981	\$ 14,401	\$ -	\$ 6,109	\$ 4,416	\$ 1,382	\$ 70,836	\$ (23,309)	883
Cash receipts, 2017-2018	1,430,392	5,656	131,305	1,551	19,554	2,937	55,428	25,796	17,002
Cash disbursements, 2017-2018	<u>(1,482,266)</u>	<u>(7,553)</u>	<u>(131,305)</u>	<u>-</u>	<u>(20,581)</u>	<u>(1,918)</u>	<u>(61,844)</u>	<u>(1,223)</u>	<u>(17,401)</u>
Cash balance, June 30, 2018	<u>\$ (3,893)</u>	<u>\$ 12,504</u>	<u>\$ -</u>	<u>\$ 7,660</u>	<u>\$ 3,389</u>	<u>\$ 2,401</u>	<u>\$ 64,420</u>	<u>\$ 1,264</u>	<u>\$ 484</u>

	State Flowthrough 27000	State Direct 28000	Local / State 29000	Public School Capital Outlay 32100	Cap. Impro. SB 9 31700	SB9 - L ocal 31701	Debt Service Fund 41000	2017 Go Bond 31100	Total
Cash, June 30, 2017	\$ (5,348)	\$ (8,418)	\$ 57,069	\$ -	\$ -	\$ 5,343	\$ 38,510	\$ 220,000	\$ 429,855
Cash receipts, 2017-2018	68,591	10,685	7,630	-	13,458	27,577	39,588	214,453	2,071,603
Cash disbursements, 2017-2018	<u>(56,643)</u>	<u>-</u>	<u>(13,007)</u>	<u>-</u>	<u>(13,458)</u>	<u>(3,941)</u>	<u>(37,799)</u>	<u>(76,938)</u>	<u>(1,925,877)</u>
Cash balance, June 30, 2018	<u>\$ 6,600</u>	<u>\$ 2,267</u>	<u>\$ 51,692</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,979</u>	<u>\$ 40,299</u>	<u>\$ 357,515</u>	<u>\$ 575,581</u>

See independent auditors' report and accompanying notes to financial statements.

COMPLIANCE SECTION



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

Mr. Wayne Johnson
State Auditor of the State of New Mexico
Board of Directors of Roy Municipal Schools

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue funds of Roy 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 the combined and individual funds and related budgetary comparisons presented as supplementary information, and have issued our report thereon dated November 15, 2018

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses. (2017-001, 2018-002). We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. (2014-002, 2018-001)

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Management Responses to Findings

The District's response to the findings identified in our audit are 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Beasley, Mitchell & Co., LLP

Las Cruces, New Mexico

November 15, 2018

STATE OF NEW MEXICO
 ROY MUNICIPAL SCHOOLS
 SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
 FOR THE YEAR ENDED JUNE 30, 2018

PRIOR AUDIT FINDINGS		Current status
2014-002	Expenditures in Excess of Budget	Revised and Repeated
2017-001	Inaccurate Fixed assets Detail	Revised and Repeated
CURRENT AUDIT FINDINGS		Current status
2018-001	No written approval of adjusting entries (Significant Deficiency)	New
2018-002	PED Cash Reports (Material Weakness)	New

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

Expenditures in Excess of Budget (Significant Deficiency) - 2014-002

CONDITION Management reviewed the final budget reports to identify funds with expenditures in excess of budget and prepared a budget resolution accordingly. However, budget adjustment requests were not made for five of the funds in fiscal year 2018.

As recommended in fiscal year 2017 audit, both Superintendent and the Business Manager devoted time to review the final budget reports to identify any funds with expenditures in excess of budget. However, because of the change in superintendents during the year and oversight, such budget adjustment requests were not made. The school had not made any progress from the prior year.

The following funds remitted payments for goods and services in excess of the adopted budget as follows:

Fund	Reason	Budget Expenses	Actual Expenses	Difference
Title XIX Medicaide				
3/21 years	Direct Instruction expense	\$ 12,000	\$ 13,406	\$ 1,406
Food Services	Food services	19,583	20,581	998
Athletics	Direct Instruction expense	-	1,918	1,918
Totals		<u>\$ 31,583</u>	<u>\$ 35,905</u>	<u>\$ 4,322</u>

CRITERIA As per PSAB Supplement - budget, planning, preparation and maintenance, "Budget amendments or adjustments are mandated by the Public Education Department for budgeted funds where the reallocation may be necessary to address unanticipated needs or new programs, etc."

CAUSE Lack of oversight and proper controls.

EFFECT The District is in non compliance with the state, since all funds must be budgeted for. Non-compliance with New Mexico state statutes could subject officials and employees to penalties and fines required by state statutes.

RECOMMENDATION Both the Superintendent and the Business Manager devote sufficient time to review the final budget reports to identify any funds with expenditures in excess of budget. A budget resolution should be prepared for excess expenditures.

RESPONSE Management has implemented steps to ensure Budget Adjustment Requests will be done to avoid over expenditure of budget.

EXPECTED COMPLETION: 06/30/2019 **Responsible Employee:** Business Manager/Superintendent

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

Inaccurate Fixed Assets Detail (Material Weakness) - 2017-001

CONDITION	<p>During the review of fiscal year 2018 schedule of fixed assets provided by the client, it was determined that fixed assets were not properly included. One of the assets with an amount of \$28,773 was duplicated in the schedule provided. Depreciation expenses for several assets were calculated inaccurately. Consequently, both beginning and ending balance of the fixed assets could not be verified.</p> <p>No progress has been made by the District.</p>
CRITERIA	<p>As per section 2.20.1.8 of NMAC, agencies should implement systematic and well-documented methods for accounting for their fixed assets.</p>
CAUSE	<p>There were multiple errors in the preparation of fiscal 2018 schedule of fixed assets.</p>
EFFECT	<p>The actual value of the schools fixed assets was not reflected correctly in fiscal year 2018 schedule of fixed assets.</p>
RECOMMENDATION	<p>The school should keep track of fixed assets with appropriate controls on access and authorization of transactions.</p>
RESPONSE	<p>The District has implemented a new scanning software that will ensure an accurate tracking of fixed assets.</p>
EXPECTED COMPLETION:	<p>06/30/2019 Responsible Employee: Business Manager/Superintendent</p>

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

No Written Approval of Adjusting Entries (Significant Deficiency) - 2018-001

CONDITION	One out of 6 judgementally selected adjusting journal entries did not have proper written approval. The total amount of these journal entries were \$6,270.42.
CRITERIA	Good accounting practice requires that manual adjusting entries be authorized and reviewed by someone other than the person initiating the adjusting entry.
CAUSE	Management was not aware that all manual adjusting entries require approval.
EFFECT	There may be unauthorized adjustments made, leaving room for error and management override.
RECOMMENDATION	Management should secure journal entry approval for all adjusting entries.
RESPONSE	The Superintendent will ensure that he/she will approve all adjusting entries.
EXPECTED COMPLETION:	06/30/2019 Responsible Employee: Business Manager/Superintendent

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

PED Cash Reports - (Material Weakness) - 2018-002

CONDITION	The PED cash report submitted at the year end did not match cash balances from the general ledger. Cash balance for the activity funds was understated in the PED cash report by \$22,768 and cash balance for 2017 Go Bond fund (restricted cash) was overstated by \$63,025. The total cash (excluding restricted cash) was understated by \$166.
CRITERIA	6.20.2.11 (B) (6) NMAC requires that the reports sent to NM PED must agree to the district's general ledger.
CAUSE	Adjusting entries related to cash were prepared after the cash reconciliations were performed and PED cash report was submitted, resulting in variances.
EFFECT	The district is not in compliance with NMAC 6.20.2.11 (b) (6).
RCOMMENDATION	We recommend that that the cash balances submitted in the PED cash report match with the bank reconciliations and general ledger.
RESPONSE	The district has obtained training that will ensure that the cash balances submitted in the PED cash report match with the bank reconciliations and general ledger.
EXPECTED COMPLETION:	06/30/2019
Responsible Employee:	Business Manager

STATE OF NEW MEXICO
ROY MUNICIPAL SCHOOLS
FINANCIAL STATEMENT PREPARATION
FOR THE YEAR ENDED JUNE 30, 2018

The financial statements of Roy Municipal Schools as of, and for the year ended June 30, 2018 were prepared by Beasley, Mitchell & Co., LLP, with the aid of responsible District personnel. Official responsible personnel agree that the presentations are made with their knowledge and agreement.

STATE OF NEW MEXICO
ROY MUNICIPAL SCHOOLS
EXIT CONFERENCE
FOR THE YEAR ENDED JUNE 30, 2018

An entrance conference was conducted September 4, 2018 in a closed meeting of the Roy Municipal Schools pursuant to Section 12-6-5 NMSA, 1978 with the following individuals in attendance:

Roy Municipal Schools

Cody Hazen
Ralph Almanzar
Sherrita Fluhman

Board Secretary
Superintendent
Business Manager

Beasley, Mitchell & Co., LLP

Avi Chettry
Ashley Tierney

Senior Auditor
Audit Staff II

An exit conference was conducted November 08, 2018 in a closed meeting of the Roy Municipal Schools pursuant to Section 12-6-5 NMSA, 1978 with the following individuals in attendance:

Roy Municipal Schools

Blair Clavel
Brandon Smith
Paige Wilson
Ralph Almanzar
Sherrita Fluhman

Board President
Board Vice President
Audit Committee Member
Superintendent
Business Manager

Beasley, Mitchell & Co., LLP

Avi Chettry

Senior Auditor