STATE OF NEW MEXICO

# RUIDOSO MUNICIPAL SCHOOL DISTRICT NO. 3

ANNUAL FINANCIAL REPORT
AND
SUPPLEMENTAL INFORMATION
YEAR ENDED JUNE 30, 2018
WITH
REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

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INTRODUCTORY SECTION

OF

# RUIDOSO MUNICIPAL SCHOOL DISTRICT NO. 3

ANNUAL FINANCIAL REPORT
FISCAL YEAR 2018

JULY 1, 2017 THROUGH JUNE 30, 2018

## Our Mission

Ruidoso Municipal School District in partnership with students, families and the community, ensures a rigorous and relevant student-centered learning environment that cultivates character, fosters academic excellence and embraces diversity.

## Our Vision

The Vision of Ruidoso Municipal School District is to grow a collaborative learning community where relationships, rigor, and relevance develop fulfilled and purposeful adults.

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## COMPLIANCE SECTION

# OFFICIAL ROSTER

June 30, 2018

## BOARD OF EDUCATION

| | |
|---|---|
| Luther Light | President |
| Marc Beatty | Member |
| Gillian Baudo | Secretary |
| Shane Holder | Member |
| Gina Klinekole | Vice-President |

## SCHOOL OFFICIALS

| | |
|---|---|
| George Bickert | Superintendent |
| Jason Edmister | Associate Superintendent |
| Clint Taylor | Director of Business and Finance |
| Veronica Prieto | Financial Specialist/Procurement Officer |
| Ann Spence | Accounts Payable |
| Sandra Ashcraft | Payroll |
| Lisa Brillante | Human Resources |

## AUDIT COMMITTEE

| | |
|---|---|
| Luther Light | Member |
| Marc Beatty | Member |
| Tom Rigsby | Member |
| Ben Byrd | Member |
| Dr. George Bickert | Member |
| Clint Taylor | Member |

## FINANCE COMMITTEE

| | |
|---|---|
| Dr. George Bickert | Member |
| Clint Taylor | Member |
| Luther Light | Member |
| Marc Beatty | Member |

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# FINANCIAL SECTION

OF

# **RUIDOSO MUNICIPAL SCHOOL DISTRICT NO. 3**

## ANNUAL FINANCIAL REPORT
## FISCAL YEAR 2018

JULY 1, 2017 THROUGH JUNE 30, 2018

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INDEPENDENT AUDITORS' REPORT

Wayne Johnson, State Auditor,
The Board of Education and Audit Committee of
Ruidoso Municipal School District No. 3

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of Ruidoso Municipal School District No. 3, as of and for the year ended June 30, 2018, and the related notes to the financial statements which collectively comprise Ruidoso Municipal School District No. 3 basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Ruidoso Municipal School District No. 3' preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Ruidoso Municipal School District No. 3, as of June 30, 2018, and the respective changes in financial position thereof and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note I.B and Note IV.C, during the year ended June 30, 2018 Ruidoso Municipal School District No. 3 adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinions are not modified with respect to this matter.



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Wayne Johnson, State Auditor,
The Board of Education and Audit Committee of
Ruidoso Municipal School District No. 3

***Other Matters***

*Required Supplementary Information*

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Accounting principles generally accepted in the United States of America also require that the Schedule of Proportionate Share of the Net Liability and Schedule of Contributions for pensions and OPEB on pages 45 and 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of 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. Our opinion on the basic financial statements is not affected by this missing information.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Ruidoso Municipal School District No. 3' basic financial statements. The supplemental information such as the budgetary comparisons for the major capital project fund, the combining and individual nonmajor fund financial statements, the budgetary comparisons for non-major special revenue funds, capital projects funds, debt service funds, and the other information, such as the other schedules required by 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2018 on our consideration of the Ruidoso Municipal School District No. 3' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Ruidoso Municipal School District No. 3' internal control over financial reporting and compliance.

Accounting & Financial Solutions, LLC

Farmington, New Mexico
October 30, 2018



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Farmington, NM 87401
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BASIC FINANCIAL STATEMENTS

OF

# RUIDOSO MUNICIPAL SCHOOL DISTRICT NO. 3

AS OF AND FOR THE YEAR ENDED

JUNE 30, 2018

STATE OF NEW MEXICO

**RUIDOSO MUNICIPAL SCHOOL DISTRICT NO. 3**

STATEMENT OF NET POSITION

**June 30, 2018**

| | Governmental Activities |
|---|---|
| **Assets** | |
| Cash and cash equivalents | $ 16,200,361 |
| Receivables: | |
| Delinquent property taxes receivable | 466,295 |
| Grant | 624,420 |
| Food inventory | 7,549 |
| Non-current: | |
| Non-depreciable assets | 2,338,172 |
| Depreciable capital assets, net | 61,982,651 |
| **Total Assets** | 81,619,448 |
| **Deferred Outflows of Resources:** | |
| Contributions to pension subsequent to the measurement date | 1,352,272 |
| Difference between expected and actual pension experience | 65,984 |
| Net change in pension assumptions | 10,730,323 |
| Net change in proportionate share of pension liability | 42,090 |
| Contributions to OPEB subsequent to the measurement date | 194,573 |
| **Total Deferred Outflows of Resources** | 12,385,242 |
| **Liabilities** | |
| Accounts payable | 1,379,121 |
| Accrued interest | 383,192 |
| Compensated absences | 102,540 |
| Long-term liabilities other than pensions: | |
| Due within one year | 2,900,000 |
| Due in more than one year | 35,337,012 |
| Aggregate net pension liability | 36,757,796 |
| Aggregate OPEB liability | 9,704,578 |
| **Total Liabilities** | 86,564,239 |
| **Deferred Inflows of Resources** | |
| Advances of federal, state, and local grants | 1,005 |
| Difference between expected and actual pension experience | 566,288 |
| Net difference between projected and actual investment earnings on pension plan investments | 5,042 |
| Net change in proportionate share of pension liability | 632,195 |
| Difference between expected and actual OPEB experience | 372,410 |
| Net difference between projected and actual investment earnings on OPEB plan investments | 139,607 |
| Net change in OPEB assumptions | 1,696,722 |
| **Total Deferred Inflows of Resources** | 3,413,269 |
| **Net Position** | |
| Net investment in capital assets | 26,083,811 |
| Restricted for: | |
| Inventories | 7,549 |
| Special revenue funds | 709,862 |
| Capital projects | 5,515,777 |
| Debt service | 3,939,173 |
| Unrestricted | (32,228,990) |
| **Total Net Position** | $ 4,027,182 |

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

# STATEMENT OF ACTIVITIES

**Year Ended June 30, 2018**

| Functions/Programs | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Program Revenues: Capital Grants and Contibutions | Net (Expense) Revenue and Changes in Net Position: Primary Government Governmental Activities |
|---|---|---|---|---|---|
| **Primary government:** | | | | | |
| **Governmental activities:** | | | | | |
| Instruction | $ 14,842,886 | $ 58,938 | $ 2,627,423 | $ 158,832 | $ (11,997,693) |
| Support Services - Students | 2,342,784 | 55,220 | 414,710 | - | (1,872,854) |
| Support Services - Instruction | 828,466 | - | 146,652 | - | (681,814) |
| Support Services - General Administration | 579,291 | - | 102,544 | 183 | (476,564) |
| Support Services - School Administration | 1,062,045 | - | 187,999 | - | (874,046) |
| Central Services | 645,909 | - | 114,336 | - | (531,573) |
| Operations & Maintenance of Plant | 3,701,061 | - | 655,146 | 16,744 | (3,029,171) |
| Student Transportation | 1,039,482 | - | 883,461 | - | (156,021) |
| Food Services | 1,382,818 | 81,884 | - | - | (1,300,934) |
| Bond interest paid | 890,541 | - | - | - | (890,541) |
| **Total governmental activities** | $ 27,315,283 | $ 196,042 | $ 5,132,271 | $ 175,759 | (21,811,211) |

| | |
|---|---|
| General revenues: | |
| Taxes: | |
| Property Taxes: | |
| General purposes | 252,303 |
| Capital projects | 1,432,469 |
| Debt service | 4,248,259 |
| Grants and contributions not restricted | 14,197,264 |
| Miscellaneous income | 66,394 |
| Total general revenues | 20,196,689 |
| *Change in net position* | (1,614,522) |
| **Net position - beginning** | 17,169,194 |
| Restatement | (11,527,490) |
| Net position - beginning as restated | 5,641,704 |
| **Net position - ending** | $ 4,027,182 |

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

GOVERNMENTAL FUNDS
**Balance Sheet**
**June 30, 2018**

| | General Fund | Bond Building Fund #31100 | Debt Service Fund #41000 | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and cash equivalents | $ 4,799,602 | $ 5,618,340 | $ 3,987,842 | $ 1,794,577 | $ 16,200,361 |
| Receivables: | | | | | |
| Property taxes | 20,765 | - | 332,613 | 112,917 | 466,295 |
| Grant | - | - | - | 624,420 | 624,420 |
| Due from other funds | 576,953 | - | - | 47,467 | 624,420 |
| Food inventory | - | - | - | 7,549 | 7,549 |
| **Total assets** | $ 5,397,320 | $ 5,618,340 | $ 4,320,455 | $ 2,586,930 | $ 17,923,045 |
| **Liabilities, deferred inflows, and fund balance** | | | | | |
| Liabilities: | | | | | |
| Accounts payable | $ 34,374 | $ 1,344,747 | $ - | $ - | $ 1,379,121 |
| Due to other funds | - | - | - | 624,420 | 624,420 |
| Total liabilities | 34,374 | 1,344,747 | - | 624,420 | 2,003,541 |
| Deferred inflows of resources: | | | | | |
| Advances of federal, state, and local grants | - | - | - | 1,005 | 1,005 |
| Delinquent property taxes | 16,776 | - | 268,649 | 91,388 | 376,813 |
| Total deferred inflows of resources | 16,776 | - | 268,649 | 92,393 | 377,818 |
| Fund balance: | | | | | |
| Non-spendable: | | | | | |
| Inventories | - | - | - | 7,549 | 7,549 |
| Restricted for: | | | | | |
| Special revenue funds | - | - | - | 709,862 | 709,862 |
| Capital projects funds | - | 4,273,593 | - | 1,151,433 | 5,425,026 |
| Debt service | - | - | 4,051,806 | 1,273 | 4,053,079 |
| Unassigned | 5,346,170 | - | - | - | 5,346,170 |
| Total fund balance | 5,346,170 | 4,273,593 | 4,051,806 | 1,870,117 | 15,541,686 |
| **Total liabilities, deferred inflows of resources, and fund balance** | $ 5,397,320 | $ 5,618,340 | $ 4,320,455 | $ 2,586,930 | $ 17,923,045 |

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

STATE OF NEW MEXICO

# RUIDOSO MUNICIPAL SCHOOL DISTRICT NO. 3

## RECONCILIATION OF THE BALANCE SHEET - ALL GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

**June 30, 2018**

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

| | | |
|---|---|---|
| Fund balances - total governmental funds | $ | 15,541,686 |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | | |
| Capital assets | | 94,988,450 |
| Accumulated depreciation | | (30,667,627) |
| Other assets are not available to pay for current-period expenditures and therefore are deferred in the funds. | | |
| Property taxes receivable | | 376,813 |
| Deferred outflow of resources are not financial resources, and therefore are not reported in the funds and include: | | |
| Contributions to pension subsequent to the measurement date | | 1,352,272 |
| Difference between expected and actual pension experience | | 65,984 |
| Net change in pension assumptions | | 10,730,323 |
| Net change in proportionate share of pension liability | | 42,090 |
| Contributions to OPEB subsequent to the measurement date | | 194,573 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds | | |
| Bonds payable | | (37,115,000) |
| Accrued interest payable | | (383,192) |
| Accrued vacation payable | | (102,540) |
| Bond premiums | | (1,122,012) |
| Net pension liability | | (36,757,796) |
| Net OPEB liability | | (9,704,578) |
| Deferred inflow of resources are not financial resources, and therefore are not reported in the funds and include: | | |
| Difference between expected and actual pension experience | | (566,288) |
| Net difference between projected and actual investment earnings on pension plan investm | | (5,042) |
| Net change in proportionate share of pension liability | | (632,195) |
| Difference between expected and actual OPEB experience | | (372,410) |
| Net difference between projected and actual investment earnings on OPEB plan investme | | (139,607) |
| Net change in OPEB assumptions | | (1,696,722) |
| Net position of governmental activities | $ | 4,027,182 |

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

STATE OF NEW MEXICO

# RUIDOSO MUNICIPAL SCHOOL DISTRICT NO. 3

## GOVERNMENTAL FUNDS

**Statement of Revenues, Expenditures, and Changes in Fund Balance**

**Year Ended June 30, 2018**

| | General Fund | Bond Building Fund #31100 | Debt Service Fund #41000 | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|
| **Revenues:** | | | | | |
| Taxes: | | | | | |
| Property | $ 239,571 | $ - | $ 4,042,262 | $ 1,363,378 | $ 5,645,211 |
| Intergovernmental - federal grants | 468,260 | - | - | 3,441,587 | 3,909,847 |
| Intergovernmental - state grants | 15,128,812 | - | - | 322,999 | 15,451,811 |
| Contributions - private grants | 15,510 | - | - | 80 | 15,590 |
| Charges for services | 58,938 | - | - | 137,104 | 196,042 |
| Investment and interest income | 35,134 | 69,304 | 12,948 | 10,906 | 128,292 |
| Miscellaneous | 66,114 | - | - | 280 | 66,394 |
| **Total revenues** | 16,012,339 | 69,304 | 4,055,210 | 5,276,334 | 25,413,187 |
| **Expenditures:** | | | | | |
| Current: | | | | | |
| Instruction | 8,517,071 | - | - | 1,099,164 | 9,616,235 |
| Support services: | | | | | |
| Students | 1,304,531 | - | - | 849,780 | 2,154,311 |
| Instruction | 411,169 | - | - | 336,370 | 747,539 |
| General Administration | 376,288 | - | 41,841 | 114,559 | 532,688 |
| School Administration | 937,803 | - | - | 38,802 | 976,605 |
| Central Services | 593,947 | - | - | - | 593,947 |
| Operation & Maintenance of Plant | 2,158,360 | 139,759 | - | 1,105,198 | 3,403,317 |
| Student transportation | 883,706 | - | - | 72,152 | 955,858 |
| Food services operations | - | - | - | 1,271,573 | 1,271,573 |
| Capital outlay | 39,883 | 10,964,388 | - | 910,033 | 11,914,304 |
| Debt service: | | | | | |
| Principal retirement | - | - | 3,085,000 | - | 3,085,000 |
| Bond interest paid | - | - | 944,745 | - | 944,745 |
| **Total expenditures** | 15,222,758 | 11,104,147 | 4,071,586 | 5,797,631 | 36,196,122 |
| *Excess (deficiency) of revenues over expenditures* | 789,581 | (11,034,843) | (16,376) | (521,297) | (10,782,935) |
| **Other financing uses:** | | | | | |
| Refunds | (246) | - | - | - | (246) |
| *Net change in fund balance* | 789,335 | (11,034,843) | (16,376) | (521,297) | (10,783,181) |
| **Fund balance at beginning of the year** | 4,556,835 | 15,308,436 | 4,068,182 | 2,391,414 | 26,324,867 |
| **Fund balance at end of the year** | $ 5,346,170 | $ 4,273,593 | $ 4,051,806 | $ 1,870,117 | $ 15,541,686 |

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

# RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES ALL GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

**Year Ended June 30, 2018**

Amounts reported for governmental activities in the statement of activities are different because:

| | | |
|---|---|---|
| Net change in fund balance - total governmental funds | $ | (10,783,181) |
| Govermental funds report capital outlays as expenditures. However, in the statement of activites the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital oulays exceeded depreciation in the current year | | |
| Capital outlay | | 11,914,304 |
| Depreciation | | (2,125,822) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | |
| Deferred property taxes at: | | |
| June 30, 2017 | | (88,993) |
| June 30, 2018 | | 376,813 |
| The issuance of long-term debt (e.g., bonds) 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. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. These differences in the treatment of long-term debt and related items consist of: | | |
| Current year principal payments | | 3,085,000 |
| Bond premium amortization | | 120,947 |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. | | |
| Compensated absences at: | | |
| June 30, 2017 | | 88,262 |
| June 30, 2018 | | (102,540) |
| Accrued interest at: | | |
| June 30, 2017 | | 316,449 |
| June 30, 2018 | | (383,192) |
| Deferred contributions to pension plan | | 1,352,272 |
| Deferred contributions to OPEB plan | | 194,573 |
| Pension expense | | (5,193,587) |
| OPEB expense | | (385,827) |
| Change in net position of governmental activities | $ | (1,614,522) |

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

STATE OF NEW MEXICO

# RUIDOSO MUNICIPAL SCHOOL DISTRICT NO. 3

## GENERAL FUND

**Statement of Revenues, Expenditures, and**
**Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)**
**Year Ended June 30, 2018**

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive |
|---|---|---|---|---|
| | Original | Final | (Budgetary Basis) | (Negative) |
| **Revenues:** | | | | |
| Taxes: | | | | |
| Property | $ 234,464 | $ 234,464 | $ 238,730 | $ 4,266 |
| Intergovernmental - federal grants | 264,566 | 276,751 | 468,260 | 191,509 |
| Intergovernmental - state grants | 14,978,927 | 15,077,375 | 15,128,812 | 51,437 |
| Contributions - private grants | - | - | 15,490 | 15,490 |
| Charges for services | 8,000 | 8,000 | 58,938 | 50,938 |
| Investment and interest income | 20,000 | 20,000 | 35,134 | 15,134 |
| Miscellaneous | - | - | 66,114 | 66,114 |
| **Total revenues** | 15,505,957 | 15,616,590 | 16,011,478 | 394,888 |
| **Expenditures:** | | | | |
| Current: | | | | |
| Instruction | 9,184,071 | 9,284,126 | 8,510,577 | 773,549 |
| Support services: | | | | |
| Students | 1,624,250 | 1,624,250 | 1,304,363 | 319,887 |
| Instruction | 707,365 | 707,365 | 411,169 | 296,196 |
| General Administration | 542,814 | 542,814 | 373,551 | 169,263 |
| School Administration | 1,188,870 | 1,188,870 | 937,803 | 251,067 |
| Central Services | 905,096 | 905,096 | 593,947 | 311,149 |
| Operation & Maintenance of Plant | 2,744,428 | 2,744,428 | 2,174,079 | 570,349 |
| Student transportation | 842,607 | 883,706 | 883,706 | - |
| Other Support services | 914,394 | 914,394 | - | 914,394 |
| Capital outlay | 320,600 | 320,600 | 39,883 | 280,717 |
| **Total expenditures** | 18,974,495 | 19,115,649 | 15,229,078 | 3,886,571 |
| *Excess (deficiency) of revenues over expenditures* | (3,468,538) | (3,499,059) | 782,400 | 4,281,459 |
| **Other financing uses:** | | | | |
| Refunds | - | - | (246) | (246) |
| *Net change in fund balance* | (3,468,538) | (3,499,059) | 782,154 | 4,281,213 |
| *Beginning cash balance budgeted* | 3,468,538 | 3,499,059 | - | (3,499,059) |
| **Fund balance at beginning of the year** | - | - | 4,556,835 | 4,556,835 |
| **Fund balance at end of the year** | $ - | $ - | 5,338,989 | $ 5,338,989 |
| RECONCILIATION TO GAAP BASIS: | | | | |
| Change in property tax receivable | | | 13,572 | |
| Change in payables | | | 6,340 | |
| Change in deferred property taxes | | | (12,731) | |
| **Fund balance at end of the year (GAAP basis)** | | | $ 5,346,170 | |

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

AGENCY FUNDS
**Statement of Fiduciary Assets and Liabilities**
**June 30, 2018**

| | | |
|---|---|---|
| ASSETS | | |
| Pooled cash and investments | $ | 226,506 |
| LIABILITIES | | |
| Deposits held for others | $ | 226,506 |

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

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## I. SUMMARY OF ALL SIGNIFICANT ACCOUNTING POLICIES

### A. Reporting Entity

Ruidoso Municipal School District (District) is a special purpose government corporation governed by an elected five-member Board of Education. The Board of Education is the basic level of government, which has oversight responsibility and control over all activities related to the public school education in the Village of Ruidoso, New Mexico and the 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.

The District's financial statements include all entities over which the Board of Education exercises oversight responsibility. Oversight responsibility includes such aspects as appointment of governing body members, designation of management, the ability to significantly influence operations, and accountability for fiscal matters. Based upon the application of these criteria, no component units or fiduciary units were included in the financial statements.

Generally Accepted Accounting Principles (GAAP) requires that financial statements present the District (primary government) and its component units. The District has no component units that are required to be presented in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 39*, Determining Whether Certain Organizations Are Component Units, an amendment of GASB Statement No. 14*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*.

1. Blended Component Units

   The District does not have any component units reported as blended component units.

2. Discretely Presented Component Units

   The District does not have any component units reported as discretely presented component units.

The summary of significant accounting policies of the District is presented to assist in the understanding of the District's financial statements. The financial statements and notes are the representation of Ruidoso Municipal School District No. 3' management who is responsible for their integrity and objectivity. The financial statements of the District conform to GAAP as applied to governmental units. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

### B. Implementation of New Accounting Principles

During fiscal year 2018, the District adopted the following Governmental Accounting Standards Board (GASB) Statements:

- **GASB Statement No. 75**, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*

  This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, establishes new accounting and financial reporting requirements for OPEB plans. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. This Statement will be effective for the year ended June 30, 2018.

- **GASB Statement No. 81**, *Irrevocable Split-Interest Agreements*

  The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

  Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split-interest agreements can be created through trusts—or other legally enforceable agreements with characteristics that are equivalent to split-interest agreements—in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate.

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### B. Implementation of New Accounting Principles (cont'd)

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016 (FYE June 30, 2018) and should be applied retroactively. Earlier application is encouraged.

- **GASB Statement No. 82**, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*

The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016 (FYE June 30, 2017), except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017 (FYE June 30, 2018). Earlier application is encouraged.

- **GASB Statement No. 85**, *Omnibus 2017*

The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]).

Specifically, this Statement addresses the following topics:

• Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation

• Reporting amounts previously reported as goodwill and "negative" goodwill • Classifying real estate held by insurance entities

• Measuring certain money market investments and participating interest earning investment contracts at amortized cost

• Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus

• Recognizing on-behalf payments for pensions or OPEB in employer financial statements

• Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB

• Classifying employer-paid member contributions for OPEB

• Simplifying certain aspects of the alternative measurement method for OPEB

• Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2017 (FYE June 30, 2018). Earlier application is encouraged.

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### B. Implementation of New Accounting Principles (cont'd)

- **GASB Statement No. 86**, *Certain Debt Extinguishment Issues*

  The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

  In-Substance Defeasance of Debt Using Only Existing Resources Statement No. 7, Advance Refundings Resulting in Defeasance of Debt, requires that debt be considered defeased in substance when the debtor irrevocably places cash or other monetary assets acquired with refunding debt proceeds in a trust to be used solely for satisfying scheduled payments of both principal and interest of the defeased debt. The trust also is required to meet certain conditions for the transaction to qualify as an in-substance defeasance. This Statement establishes essentially the same requirements for when a government places cash and other monetary assets acquired with only existing resources in an irrevocable trust to extinguish the debt. However, in financial statements using the economic resources measurement focus, governments should recognize any difference between the reacquisition price (the amount required to be placed in the trust) and the net carrying amount of the debt defeased in substance using only existing resources as a separately identified gain or loss in the period of the defeasance. Governments that defease debt using only existing resources should provide a general description of the transaction in the notes to financial statements in the period of the defeasance. In all periods following an in-substance defeasance of debt using only existing resources, the amount of that debt that remains outstanding at period-end should be disclosed.

  Prepaid Insurance Related to Extinguished Debt – For governments that extinguish debt, whether through a legal extinguishment or through an in-substance defeasance, this Statement requires that any remaining prepaid insurance related to the extinguished debt be included in the net carrying amount of that debt for the purpose of calculating the difference between the reacquisition price and the net carrying amount of the debt.

  Additional Disclosure for All In-Substance Defeasance Transactions – One of the criteria for determining an in-substance defeasance is that the trust hold only monetary assets that are essentially risk-free. If the substitution of essentially risk-free monetary assets with monetary assets that are not essentially risk-free is not prohibited, governments should disclose that fact in the period in which the debt is defeased in substance. In subsequent periods, governments should disclose the amount of debt defeased in substance that remains outstanding for which that risk of substitution exists.

  The requirements of this Statement are effective for reporting periods beginning after June 15, 2017 (FYE June 30, 2018). Earlier application is encouraged.

Other accounting standards that the District is currently reviewing for applicability and potential impact on the financial statements include:

- **GASB Statement No. 83**, *Certain Asset Retirement Obligations*

  This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

  This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### B. Implementation of New Accounting Principles (cont'd)

This Statement requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred. The best estimate should include probability weighting of all potential outcomes, when such information is available or can be obtained at reasonable cost. If probability weighting is not feasible at reasonable cost, the most likely amount should be used. This Statement requires that a deferred outflow of resources associated with an ARO be measured at the amount of the corresponding liability upon initial measurement.

This Statement requires the current value of a government's AROs to be adjusted for the effects of general inflation or deflation at least annually. In addition, it requires a government to evaluate all relevant factors at least annually to determine whether the effects of one or more of the factors are expected to significantly change the estimated asset retirement outlays. A government should remeasure an ARO only when the result of the evaluation indicates there is a significant change in the estimated outlays. The deferred outflows of resources should be reduced and recognized as outflows of resources (for example, as an expense) in a systematic and rational manner over the estimated useful life of the tangible capital asset.

A government may have a minority share (less than 50 percent) of ownership interest in a jointly owned tangible capital asset in which a nongovernmental entity is the majority owner and reports its ARO in accordance with the guidance of another recognized accounting standards setter. Additionally, a government may have a minority share of ownership interest in a jointly owned tangible capital asset in which no joint owner has a majority ownership, and a nongovernmental joint owner that has operational responsibility for the jointly owned tangible capital asset reports the associated ARO in accordance with the guidance of another recognized accounting standards setter. In both situations, the government's minority share of an ARO should be reported using the measurement produced by the nongovernmental majority owner or the nongovernmental minority owner that has operational responsibility, without adjustment to conform to the liability measurement and recognition requirements of this Statement.

In some cases, governments are legally required to provide funding or other financial assurance for their performance of asset retirement activities. This Statement requires disclosure of how those funding and assurance requirements are being met by a government, as well as the amount of any assets restricted for payment of the government's AROs, if not separately displayed in the financial statements. This Statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. If an ARO (or portions thereof) has been incurred by a government but is not yet recognized because it is not reasonably estimable, the government is required to disclose that fact and the reasons therefor. This Statement requires similar disclosures for a government's minority shares of AROs.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018 (FYE June 30, 2019). Earlier application is encouraged.

- **GASB Statement No. 84**, *Fiduciary Activities*

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. A fiduciary component unit, when reported in the fiduciary fund financial statements of a primary government, should combine its information with its component units that are fiduciary component units and aggregate that combined information with the primary government's fiduciary funds. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets.

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### B. Implementation of New Accounting Principles (cont'd)

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018 (FYE June 30, 2020). Earlier application is encouraged. Changes adopted to conform to the provisions of this Statement should be applied retroactively by restating financial statements, if practicable, for all prior periods presented. If restatement for prior periods is not practicable, the cumulative effect, if any, of applying this Statement should be reported as a restatement of beginning net position (or fund balance or fund net position, as applicable) for the earliest period restated. In the first period that this Statement is applied, the notes to the financial statements should disclose the nature of the restatement and its effect. Also, the reason for not restating prior periods presented should be disclosed.

- **GASB Statement No. 87**, *Leases*

The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

Definition of a Lease - A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Any contract that meets this definition should be accounted for under the leases guidance, unless specifically excluded in this Statement.

The provisions of this Statement are effective for reporting periods beginning after December 15, 2019 (FYE June 30, 2021).

- **GASB Statement No. 88**, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*

The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

Requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018 (FYE June 30, 2019). Earlier application is encouraged.

- **GASB Statement No. 89**, *Accounting for Interest Cost Incurred before the End of a Construction Period*

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. The requirements of this Statement apply to the financial statements of all state and local governments. In financial statements prepared using the economic resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expense in the period in which the cost is incurred. Such interest cost should not be capitalized as part of the historical cost of a capital asset. In financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019 (FYE June 30, 2021). Earlier application is encouraged.

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### C. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the school district. For the most part, the effect of inter-fund activity has been removed from these statements.

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

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

### D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues.

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

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. Revenues received during the year but are applicable to subsequent years are reported as deferred inflows of resources. 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. Expenditures incurred during the year that are for the benefit of subsequent years are reported as deferred outflows of resources.

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. All other revenue items are considered to be measurable and available only when cash is received by the government.

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

**General Fund** – The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

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

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (cont'd)

**Debt Service Funds** are used to account for the payment of principal and interest on long-term debt. Debt service revenues are from taxes and other operating revenues, some of which are pledged specifically to repay certain outstanding bond issues.

GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis* requires the Cooperative to present certain governmental funds as major funds. In addition to the General Fund, the District reports the following major governmental funds:

- CAPITAL PROJECTS FUNDS

  **Bond Building** (Fund No. 31100) Minimum Balance: None
  This fund provides financing for the construction of buildings, the purchase of equipment, and the acquisition and improvement of land. Funding is provided by the sale of general obligation bonds, which have been approved by the voters of the district.

- DEBT SERVICE FUNDS

  **Debt Service Fund** (Fund No. 41000) Minimum Balance: None
  The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Additionally, the government reports the following fund type:

**Fiduciary Funds** are agency funds used to account for financial resources used by the student activity groups for which the District has stewardship.

### E. Assets, Liabilities, and Net Position or Equity

1. *Deposits and investments*

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

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

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

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

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

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### E. Assets, Liabilities, and Net Position or Equity (cont'd)

2. *Receivables and payables*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due from/to other funds" (i.e., the current portion of inter-fund loans) or "advances to/from other funds" (i.e., the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as "due from/to other funds."

The District's property taxes are levied each year on the assessed valuation of property located in the School District as of the preceding January 1st. Mill levy rates are set by the State of New Mexico each year for the General Fund, Capital Improvements SB – 9 Fund, Debt Service Fund, and Ed Tech Debt Service Fund. Taxes are payable in two equal installments on November 10th and April 10th following the levy and become delinquent after 30 days.

Under GASB Statement 33, property taxes are impressed non-exchange revenue. Assets from impressed non-exchange transactions are reported when the District has an enforceable legal claim to the asset. The enforceable legal claim date for property taxes is the assessment date. Taxes are payable in two equal installments on November 10 and April 10th following the levy and become delinquent after 30 days. Therefore, the District has recorded a delinquent tax receivable and revenue for taxes received within the sixty days following year-end. A receivable and deferred revenue have been recorded for uncollected delinquent taxes. On the government-wide financial statements, the district has recorded delinquent property taxes receivable and revenue for taxes assessed as of year-end that have not be collected, as prescribed in GASB 34. An allowance for refunds and uncollectible amounts has not been recorded.

3. *Inventories*

USDA Commodities are recorded at estimated costs and other inventories are recorded at cost, which approximates market. Inventories of governmental funds are recorded as expenditures when purchased rather than when consumed.

4. *Capital assets*

Capital assets, which include property, plant, and equipment (software), are reported in the applicable governmental-wide financial statements. Beginning July 1, 2005, the threshold for defining Capital assets by the government was raised from $1,000 to assets with an initial, individual cost of more than $5,000 (amount not rounded) and an estimated useful life in excess of two years. 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.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Software costs have been included with the cost of computer equipment and are capitalized with that equipment. The District does not develop software for internal use or any other use.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest on construction projects has not been capitalized.

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

**ESTIMATED USEFUL LIVES**

| ASSETS | YEARS |
|---|---|
| Buildings | 40-50 |
| Building improvements | 20 |
| Land Improvements | 10-20 |
| Vehicles | 5-7 |
| Office equipment | 5 |
| Computer equipment | 3-5 |

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### E. Assets, Liabilities, and Net Position or Equity (cont'd)

5. *Compensated absences*

It is the District's policy to permit employees to accumulate 20 days of earned but unused vacation, which will be paid to employees upon retirement from the District's service. The amount for liability has been reported in the government-wide financial statements.

Accumulated sick leave is not payable upon termination and is recorded as expenditures when it is paid.

6. *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 Position. 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 discounts.

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 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 capital projects expenditures.

7. *Pensions*

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

8. *Deferred Outflows/Inflows of Resources*

Both deferred inflows and outflows are reported in the Statement of Net Position, but are not recognized in the financial statements as revenues, expenses, and reduction of liabilities or increase in assets until the period(s) to which they relate.

In addition to assets, the District reports a separate section for deferred outflows of resources. This separate financial statement element represents a use of net position/fund balance that applies to future periods and will not be recognized as an expenditure until that time.

The District also reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position/fund balance that applies to future periods and so will not be recognized as a revenue until that time. Revenue must be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period) to be recognized. If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding liability for deferred inflows of resources.

The District reports deferred outflows of resources for pension-related amounts for the District's share of the difference between projected and actual earnings, for the District's share of the difference between contributions to the individual plans and the proportionate share of the contributions, and for changes of assumptions or other inputs.

The District reports deferred inflows of resources for pension-related amounts in the government wide financial statements or the District's share of the difference between expected and actual experience and for the District's share of the difference between contributions to the individual plans and the proportionate share of the contributions.

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### E. Assets, Liabilities, and Net Position or Equity (cont'd)

Under the modified accrual basis of accounting, revenue and other fund financial resources are recognized in the period in which they become both measurable and available. Assets recorded in the fund financial statements for which the revenues are not available are reported as a deferred inflow of resources. Deferred inflows of resources are also comprised of property tax and long-term receivables that are unavailable in the fund statements.

9. *Fund balance*

a. Non-Spendable

The non-spendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or 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.

b. Restricted

Fund balance is reported as restricted when constraints placed on the use of resources are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

c. Committed

Amounts that can only be used for specific purposes pursuant to constraints imposed by the formal action of the District's Board of Education should be reported as committed fund balance. The committed amounts cannot be used for any other purpose unless the District's Board of Education removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. The District did not have committed fund balances for the year ended June 30, 2018.

d. Assigned

Assigned fund balance includes (a) all remaining amounts, except for negative balances, that are reported in governmental funds, other than the general fund, that are not classified as non-spendable and are neither restricted nor committed and amounts in the general fund that are constrained by the District's intent to be used for specific purposes but are neither restricted nor committed. Intent, and removal of, is expressed by the Board of Education or the Finance Committee. The District did not have assigned fund balances for the year ended June 30, 2018.

e. Unassigned

The remaining fund balance, after all other classifications, within the general fund is reported as unassigned fund balance. 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. In governmental funds other than the general fund, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, a negative fund balance will be reported as unassigned fund balance.

When committed, assigned, and unassigned resources are available for use, it is the District's policy to use committed first followed by assigned and unassigned resources as they are needed.

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### E. Assets, Liabilities, and Net Position or Equity (cont'd)

10. *Net Position*

Net Position is presented on the Statement of Net Position and may be presented in any of three components.

a. Net investment in capital assets

This component of Net Position consists of capital assets, including restricted 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. The portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. That portion of the debt is included in restricted for capital projects.

b. Restricted Net Position

Net Position is reported as being restricted when the restriction is either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.

c. Unrestricted Net Position

Unrestricted Net Position consists of Net Position that does not meet the definition of "net investment in capital assets" or "restricted."

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

In the governmental environment, Net Position often is designated to indicate that management does not consider them to be available for general operations. In contrast to restricted Net Position, these types of constraints on resources are internal and management can remove or modify them. However, enabling legislation established by the reporting government should not be construed as an internal constraint.

11. *Indirect Costs*

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

12. *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.

13. *Inter-fund Transactions*

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund from expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. All other inter-fund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other inter-fund transfers are reported as operating transfers.

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### E. Assets, Liabilities, and Net Position or Equity (cont'd)

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

A school district's program costs are determined through the use of various formulas using 'program units' which take into consideration 1) early childhood education; 2) basic education; 3) special education; 4) bilingual-multicultural education, 5) size, etc. Payment is made from the public school fund under the authority of the Director of Public School Finance. The District received $14,181,674 in state equalization guarantee distributions during the year ended June 30, 2018.

**Transportation Distribution:** School districts in the State of New Mexico received student transportation distributions. The transportation distribution is allocated to each school district in accordance with formulas developed by the State Transportation Director and the Director of Public School Finance. The funds shall be used only for the purpose of making payments to each school district for the to-and-from school transportation costs of students in grades K through twelve attending public school within the school district. The District received $883,461 in transportation distributions during the year ended June 30, 2018.

**Instructional Materials:** The New Mexico Public Education Department (PED) receives federal mineral leasing funds from which it makes annual allocations to the various school districts for the purchase of educational materials. Of each allocation, fifty percent is restricted to the purchase of material listed on the PED 'Multiple List", while fifty percent of each allocation is available for purchases directly from vendors or transfer to the fifty percent account for purchase of material from the "Multiple List". Districts are allowed to carry forward unused textbook funds from year to year. The District received $62,477 in instructional materials distributions during the year ended June 30, 2018.

15. *Tax Abatements*

Governmental Accounting Standards Board Statement No. 77 requires the District to disclose information on certain tax abatement agreements effecting the District. Accordingly, the District did not have any tax abatements effecting the District during the year ended June 30, 2018.

## II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

### A. Budgetary Information

Budgets for the General, Special Revenue, Capital Projects, and Debt Service Funds are prepared by management and are approved by the local Board of Education and the Public School Budget and Planning Unit of the Department of Education. Auxiliary student activity accounts are not budgeted.

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

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

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

## II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (cont'd)

### A. Budgetary Information (cont'd)

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

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

The Board of Education may approve amendments to the appropriated budget, which are required when a change is made affecting budgeted ending fund balance. The appropriated budget for the year ended June 30, 2018 was properly amended by the Board through the year. New Mexico state law prohibits a Governmental Agency to exceed an individual line item. These amendments resulted in the following changes:

| | ORIGINAL | FINAL |
|---|---|---|
| **Major Funds:** | | |
| General Funds | $ 18,974,495 | $ 19,115,649 |
| Capital Projects Funds: | | |
| Bond Building | 15,292,580 | 15,292,580 |
| Debt Service Funds: | | |
| Debt Service | 7,858,601 | 7,858,601 |
| **Nonmajor Funds:** | | |
| Special Revenue Funds | 3,063,573 | 5,305,039 |
| **Total Budget** | $ 48,074,895 | $ 50,504,984 |

### B. Budgetary Violations

The District did not have any budgetary violations during the year ended June 30, 2018.

### C. Deficit Fund Equity

The District did not have any deficit fund balances as of June 30, 2018.

## III. DETAILED NOTES ON ALL FUNDS

### A. Cash and Temporary Investments

At June 30, 2018, the carrying amount of the District's deposits was $16,426,867 and the bank balance was $17,620,420 with the difference consisting of outstanding checks.

| | BALANCE |
|---|---|
| Financial institution: | |
| BBVA Compass | $ 17,620,420 |
| Less agency cash | (226,506) |
| Less net reconciling items | (1,193,553) |
| Total cash and equivalents | $ 16,200,361 |

Of the total cash and cash equivalents balance, $250,000 was covered by federal depository insurance and $17,370,420 was covered by collateral held in joint safekeeping by a third party.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. New Mexico State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the District for at least one half of the amount on deposit with the institution. The District does not have a deposit policy for custodial credit risk, other than the following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). The statement listed below will meet the State of New Mexico Office of the State Auditor's requirement in reporting the uninsured portion of the deposits. As of June 30, 2018, none of the District's bank deposits was exposed to custodial risk as follows:

| | INSURED | UNDER INSURED | TOTAL |
|---|---|---|---|
| **Bank deposits:** | | | |
| Uninsured and uncollateralized | $ - | $ - | $ - |
| Uninsured and collateral held by pledging bank's trust dept not in the District's name | 17,370,420 | - | 17,370,420 |
| Total uninsured | 17,370,420 | - | 17,370,420 |
| Insured (FDIC) | 250,000 | - | 250,000 |
| Total deposits | $ 17,620,420 | $ - | $ 17,620,420 |
| **State of New Mexico collateral requirement:** | | | |
| 50% of uninsured public fund bank deposits | $ 2,191,235 | $ - | $ 2,191,235 |
| Pledged security | 23,500,000 | - | 23,500,000 |
| Over collateralization | $ 21,308,765 | $ - | $ 21,308,765 |

The collateral pledged is listed on Schedule of Pledged Collateral in the Other Supplemental Information section of this report. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico. According to the Federal Deposit Insurance Authority, public unit deposits are funds owned by the schools. Time deposits, savings deposits and interest bearing "Now" accounts of a public unit in an institution in the same state will be insured up to $250,000 in aggregate and separate from the $250,000 coverage for public unit demand deposits at the same institution.

## III. DETAILED NOTES ON ALL FUNDS (cont'd)

### B. Receivables

Receivables as of year-end for the government's individual major funds and non-major funds in the aggregate, including the following:

| | RECEIVABLES | | DUE FROM OTHER | |
|---|---|---|---|---|
| | Property Taxes | Grants | Governments | Funds |
| **Major Funds:** | | | | |
| General Funds | $ 20,765 | $ - | $ - | $ 576,953 |
| Bond Building | - | - | - | - |
| Debt Service | 332,613 | - | - | - |
| **Other Governmental Funds** | 112,917 | 624,420 | - | 47,467 |
| Total | $ 466,295 | $ 624,420 | $ - | $ 624,420 |

An allowance for doubtful accounts has not been established. All receivables are expected to be collectible.

Governmental funds reported deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

| | UNAVAILABLE | UNEARNED |
|---|---|---|
| **Grant drawdowns prior to meeting all eligibility requirements** | | |
| Other Governmental Funds | $ - | $ 1,005 |
| **Delinquent property taxes** | | |
| General Fund | 16,776 | - |
| Debt Service | 268,649 | - |
| Other Governmental Funds | 91,388 | - |
| **Total deferred/unearned revenue for governmental funds** | $ 376,813 | $ 1,005 |

### C. Inter-Fund Receivables and Payables

The inter-fund receivables and payables at June 30, 2018 were:

| | RECEIVABLES | PAYABLES |
|---|---|---|
| **Major Funds:** | | |
| General Funds | $ 624,420 | $ - |
| **Other Governmental Funds** | - | 624,420 |
| **Total** | $ 624,420 | $ 624,420 |

The inter-fund loans were made for the purposes of cash shortfalls within the individual funds. The loans are expected to be repaid within the next fiscal year.

## III. DETAILED NOTES ON ALL FUNDS (cont'd)

### D. Capital Assets

Capital asset activity for the year ended June 30, 2018 was as follows:

| | BEGINNING | INCREASES | DECREASES | ENDING |
|---|---|---|---|---|
| **Governmental activities:** | | | | |
| Capital assets not being depreciated: | | | | |
| Land | $ 693,424 | $ - | $ - | $ 693,424 |
| Water rights | 300,000 | - | - | 300,000 |
| Construction in progress | - | 1,344,748 | - | 1,344,748 |
| Total capital assets not being depreciated | 993,424 | 1,344,748 | - | 2,338,172 |
| Capital assets being depreciated: | | | | |
| Land improvements | 10,365,717 | 129,526 | - | 10,495,243 |
| Buildings and improvements | 69,278,700 | 10,230,543 | - | 79,509,243 |
| Furniture, fixtures, and equipment | 2,436,305 | 209,487 | - | 2,645,792 |
| *Total capital assets being depreciated* | 82,080,722 | 10,569,556 | - | 92,650,278 |
| Less accumulated depreciation for: | | | | |
| Land improvements | (4,101,003) | (451,864) | - | (4,552,867) |
| Buildings and improvements | (22,751,589) | (1,568,441) | - | (24,320,030) |
| Furniture, fixtures, and equipment | (1,689,213) | (105,517) | - | (1,794,730) |
| *Total accumulated depreciation* | (28,541,805) | (2,125,822) | - | (30,667,627) |
| Total capital assets being depreciated, net | 53,538,917 | 8,443,734 | - | 61,982,651 |
| **Total capital assets, net** | $ 54,532,341 | $ 9,788,482 | $ - | $ 64,320,823 |

Depreciation has been allocated to the functions by the following amounts:

| | ORIGINAL |
|---|---|
| Instruction | $ 1,270,114 |
| Support Services - Students | 174,776 |
| Support Services - Instruction | 53,486 |
| Support Services - General Administration | 43,216 |
| Support Services - School Administration | 79,230 |
| Central Services | 48,186 |
| Operations & Maintenance of Plant | 276,106 |
| Student Transportation | 77,547 |
| Food Services | 103,161 |
| Total Depreciation Expense | $ 2,125,822 |

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

Construction commitments

The District is involved in long-term construction projects as part of their master plan for upgrading the district buildings. The amount in the capital projects funds designated for subsequent years expenditures are committed for funding these projects. Interest on construction projects is not capitalized.

## III. DETAILED NOTES ON ALL FUNDS (cont'd)

### E. Long-Term Debt

General Obligation Bonds – The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. Bonds are direct obligations and pledge the full faith and credit of the District. The bonds will be paid from taxes levied against property owners living within the District's boundaries. The details of the bonds and notes as of June 30, 2018 are as follows:

| BOND ISSUES | ORIGINAL AMOUNT | INTEREST RATES | BALANCE | CURRENT PORTION |
|---|---|---|---|---|
| Series 10/21/08 | $ 3,000,000 | 4.13% to 4.13% | $ - | $ - |
| Series 10/18/11 | 9,000,000 | 2.00% to 2.88% | 7,800,000 | 300,000 |
| Series 02/12/13 | 5,000,000 | 2.00% to 3.00% | 3,125,000 | 175,000 |
| Series 05/20/14 | 9,980,000 | 1.50% to 3.00% | 6,605,000 | 1,500,000 |
| Series 10/13/15 | 6,325,000 | 1.25% to 2.00% | 5,020,000 | 750,000 |
| Series 10/19/16 | 9,500,000 | 2.00% to 2.50% | 8,965,000 | 25,000 |
| Series 02/15/17 | 5,600,000 | 3.00% to 4.00% | 5,600,000 | 150,000 |
| Total | $ 48,405,000 | | $ 37,115,000 | $ 2,900,000 |

Balances shown for bonds and notes do not include unamortized premiums or deferred amounts on refinancing.

| | BALANCE |
|---|---|
| Bonds payable | $ 37,115,000 |
| Less: current maturities | (2,900,000) |
| Unamortized: | |
| Bond premiums | 1,122,012 |
| Total non-current liabilities | $ 35,337,012 |

Annual debt service requirements to maturity for general obligation bonds are as follows:

| YEAR ENDING JUNE 30, | PRINCIPAL | INTEREST | TOTAL REQUIREMENTS |
|---|---|---|---|
| 2019 | $ 2,900,000 | $ 900,213 | $ 3,800,213 |
| 2020 | 3,125,000 | 844,713 | 3,969,713 |
| 2021 | 3,215,000 | 780,519 | 3,995,519 |
| 2022 | 3,250,000 | 710,263 | 3,960,263 |
| 2023 | 3,200,000 | 635,425 | 3,835,425 |
| 2024 - 2028 | 13,035,000 | 2,056,663 | 15,091,663 |
| 2029 - 2033 | 8,390,000 | 577,563 | 8,967,563 |
| Total | $ 37,115,000 | $ 6,505,356 | $ 43,620,356 |

## III. DETAILED NOTES ON ALL FUNDS (cont'd)

### F. Long-Term Debt (cont'd)

Changes in long term debt – During the year ended June 30, 2018 the following changes occurred in liabilities reported in the government-wide financial statements:

| | | | BEGINNING BALANCE | ADDITIONS | RETIREMENTS | ENDING BALANCE | DUE WITHIN ONE YEAR |
|---|---|---|---|---|---|---|---|
| **Compensated absences:** | | | | | | | |
| Compensated vacation | | | $ 88,262 | $ 72,728 | $ 58,450 | $ 102,540 | $ 102,540 |
| **Bonds payable** | | | | | | | |
| Original Amount | | Issue | | | | | |
| $ | 3,000,000 | 10/21/08 | 200,000 | - | 200,000 | - | - |
| | 9,000,000 | 10/18/11 | 8,000,000 | - | 200,000 | 7,800,000 | 300,000 |
| | 5,000,000 | 02/12/13 | 3,175,000 | - | 50,000 | 3,125,000 | 175,000 |
| | 9,980,000 | 05/20/14 | 8,205,000 | - | 1,600,000 | 6,605,000 | 1,500,000 |
| | 6,325,000 | 10/13/15 | 5,520,000 | - | 500,000 | 5,020,000 | 750,000 |
| | 9,500,000 | 10/19/16 | 9,500,000 | - | 535,000 | 8,965,000 | 25,000 |
| | 5,600,000 | 02/15/17 | 5,600,000 | - | - | 5,600,000 | 150,000 |
| **Total Bonds payable** | | | 40,200,000 | | 3,085,000 | 37,115,000 | 2,900,000 |
| | | | $ 40,288,262 | $ 72,728 | $ 3,143,450 | $ 37,217,540 | $ 3,002,540 |

The liability of compensated absences is liquidated with resources from the general fund and several special revenue funds.

## IV. OTHER INFORMATION

### A. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injury to employees; and natural disasters. The New Mexico Public Schools Insurance Authority (NMSIA) was formed on April 5, 1985 under the New Mexico Public Schools Insurance Authority Act, Chapter 22, Section 2 of the New Mexico Statutes Annotated (NMSA 1978), as amended, as an insurance fund to provide health, disability and life insurance coverage (benefits coverage), and property, casualty and workers' compensation insurance coverage (risk coverage) to participating public schools, school board members, public school employees, and retirees within the State of New Mexico. The District is one of 91 members that participate in NMPSIA. Participation in NMPSIA is mandatory for all K-12 public schools except those with enrollment exceeding 60,000 students. Participation is voluntary for other public education institutions. The District pays an annual premium to the pool for its general insurance coverage. The agreement for formation of NMPSIA provides that the pool will be self-sustaining through member premiums. NMPSIA establishes self-insured retentions by line of coverage and procures insurance or reinsurance, where indicated, in excess of the self-insured retention on a per occurrence basis. NMPSIA will publish its own financial report for the year ended June 30, 2018.

### B. Employee Retirement Plan

*Plan Description* - Substantially all of the District's full-time employees participate in a public employee retirement system authorized under the Educational Retirement Act (Chapter 22, Article 11, Sections 1 through 52, NMSA 1978). The Educational Retirement Board (ERB) is the administrator of the New Mexico Educational Employees' Retirement Plan (Plan), which is a cost-sharing multiple-employer defined benefit retirement plan. ERB issues a separate, publicly available financial report that includes the financial statements and required supplementary information for the plan. That report may be obtained www.nmerb.org, www.saonm.org, or by writing to:

ERB
P.O. Box 26129
Santa Fe, New Mexico 87502-6129
www.nmerb.org

Membership in the Plan is a condition of employment. Employees of public schools, universities, regional cooperatives, special schools and state agencies providing educational programs, who are employed at more than 25% of a full-time equivalency, are required to be members of the Plan. There were 150,082 active, retired, and inactive members in fiscal year 2016; there were 146,089 active, retired, and inactive members in fiscal year 2015.

*Benefits Provided* - 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. Benefits are based on three components: Final Average Salary (FAS), years of both earned and allowed service credits, and a 2.35% factor. The gross annual benefit is determined by multiplying the three components together. FAS is the higher of annual earnings for the previous 20 calendar quarters prior to retirement or the highest average annual earnings for any 20 consecutive calendar quarters.

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 or 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.

## V. OTHER INFORMATION (cont'd)

### B. Employee Retirement Plan (cont'd)

Retired members and surviving beneficiaries receiving benefits receive an automatic cost of living adjustment (COLA) to their benefit commencing on July 1 following the later of: (i) the year a member retires, or (ii) the year in which a member attains age 65 (Tier 1 and Tier 2) or age 67 (Tier 3).

If the plan's funded ratio for the next preceding fiscal year is 100%, or greater, Section 22-11-31(C)(1) of the New Mexico Statutes Annotated defines the adjustment factor as ½ of the percentage increase of the consumer price index between the next preceding calendar year and the preceding calendar year. The adjustment factor cannot exceed four percent, nor be less than two percent. However, if the percentage increase of the consumer price index is less than two percent, the adjustment factor will be equal to the percentage increase of the consumer price index.

If the plan's funded ratio for the next preceding fiscal year is greater than 90%, but less than 100%, Section 22-11-31(C)(2) indicates that the adjustment factor for all non-disability retirements will be 95% of the adjustment factor defined in Section 22-11-31(C)(1) if the member had 25 or more years of service credit at retirement and whose annuity is less than or equal to the median adjusted annuity for the fiscal year next preceding the adjustment date. For all other retirees eligible for an adjustment, the adjustment factor will be 90% of the adjustment factor defined in Section 22-11-31(C)(1).

If the plan's funded ratio for the next preceding fiscal year is 90%, or less, Section 22-11-31(C)(3) indicates that the adjustment factor for all non-disability retirements will be 90% of the adjustment factor defined in Section 22-11-31(C)(1) if the member had 25 or more years of service credit at retirement and whose annuity is less than or equal to the median adjusted annuity for the fiscal year next preceding the adjustment date. For all other retirees eligible for an adjustment, the adjustment factor will be 80% of the adjustment factor defined in Section 22-11-31(C)(1).

Finally, annuities shall not be decreased in the event that there is a decrease in the consumer price index between the next preceding calendar year and the preceding calendar year.

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 1.5%. All other retirees will have a 20% COLA reduction; their average COLA will be 1.6%. Once the funding is greater than 90%, the COLA reductions will decrease. The retirees with benefits at or below the median and with 25 or more years of service credit will have a 5% COLA reduction; their average COLA will be 1.7%. 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.

The member, upon retirement, has three options as to how to receive the benefit.

Option A – If the member elects the Option A, there is no reduction to the monthly benefit other than any "Rule of 75" deductions or any community property or child support reductions. There will be no continuing benefit to a beneficiary or estate upon the retiree's death, except the balance, if any, of member contributions. Those contributions are usually exhausted in the first three to four years of retirement.

Option B – If the member elects Option B, the monthly benefit is reduced to provide for a 100% survivor's benefit. The reduced benefit is payable during the life of the member and upon the retiree's death, the same benefit is paid to the beneficiary for his or her lifetime. The named beneficiary may not be changed after the effective date of retirement since the amount of the option is calculated by using both the age of the member and the beneficiary. If the beneficiary predeceases the member, the member's benefit will be adjusted by returning it to the Option A Benefit amount. The IRS prohibits selection of Option B for a non-spouse beneficiary more than ten years younger than the member.

## V. OTHER INFORMATION (cont'd)

### B. Employee Retirement Plan (cont'd)

Option C – If the member elects Option C, the monthly benefit is reduced to provide for a 50% survivor's benefit. The benefit is payable during the life of the member and upon the retiree's death, one half of the member's benefit is paid to the beneficiary for his or her lifetime. Here again, the named beneficiary may not be changed after the effective date of retirement. If the beneficiary predeceases the member, the member's benefit is adjusted by returning it to the Option A Benefit amount.

Under the provisions of Options B and C coverage, the beneficiary must be a person, and only one beneficiary may be named. The term beneficiary means a person having an insurable interest in the life of the member.

*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 in fiscal year 2018.

*Employer Contributions* – In fiscal year 2018, the District was required to contribute 13.9% of the gross covered salary for employees whose annual salary is $20,000 or less, and 13.9% of the gross covered salary for employees whose annual salary is more than $20,000. The contribution requirements of plan members and the District are established in State statute under Chapter 22, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The District's contributions to ERB for the fiscal years ending June 30, 2018 were $1,352,272, which equal the amount of the required contributions for year ended June 30, 2018.

*Employers*

The Educational Retirement Act designates employers as Local Administrative Units, directly responsible for payment of compensation for the employment of members or participants of this Plan. There were 218 contributing employers in fiscal year 2017; there were 218 contributing employers in fiscal year 2016.

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

At June 30, 2018, the District reported a liability of $36,757,796 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and regional education cooperatives, actuarially determined. At June 30, 2017, the District's proportion was 0.33075 percent, which was a decrease of 0.01118 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of $5,193,587.

| PENSION EXPENSE CALCULATION | |
|---|---|
| Net pension liability - end of the year | $ 36,757,796 |
| Net pension liability - beginning of the year | (24,606,765) |
| Deferred outflows of resources during the year | (8,696,058) |
| Deferred inflows of resources during the year | 460,991 |
| Reductions to ending net pension liability due contributions paid | 1,277,623 |
| Total Pension Expense | $ 5,193,587 |

## V. OTHER INFORMATION (cont'd)

### B. Employee Retirement Plan (cont'd)

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | OUTFLOWS | INFLOWS |
|---|---|---|
| Difference between expected and actual experience | $ 65,984 | $ 566,288 |
| Change of assumptions | 10,730,323 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 5,042 |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 42,090 | 632,195 |
| District contributions subsequent to the measurement date | 1,352,272 | - |
| Total | $ 12,190,669 | $ 1,203,525 |

Deferred outflows of resources related to pensions in the amount of $1,352,272 resulted from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| JUNE 30, | AMORTIZATION |
|---|---|
| 2019 | $ (3,615,932) |
| 2020 | (3,957,726) |
| 2021 | (2,363,885) |
| 2022 | 302,671 |
| 2023 | - |
| Thereafter | - |
| Total | $ (9,634,872) |

*Actuarial Assumptions*

A single discount rate of 5.90% was used to measure the total pension liability as of June 30, 2017. This single discount rate was based on the expected rate of return on pension plan investments of 5.90%. Based on the assumptions described below and the projection of cash flows, pension plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. The long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2016. The total pension liability was rolled forward from the valuation date to the Plan's year ended June 30, 2017 using generally accepted actuarial principles. The roll-forward incorporates the impact of the new assumptions adopted by the Board on April 21, 2017. There were no other significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2017. The liabilities reflect the impact of the new assumptions adopted by the Board of Trustees on April 21, 2017 as well as the change in the single discount rate between June 30, 2016 and June 30, 2017. Specifically, the liabilities measured as of June 30, 2017 incorporate the following assumptions:

1) All members with an annual salary of more than $20,000 will contribute 10.7% 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 Cost of Living Adjustment (COLA) will be deferred until age 67.
3) COLAs for most retirees are reduced until ERB attains a 100% funded status.
4) The new assumptions adopted by the Board on April 21, 2017 in conjunction with the change in the single discount rate, and
5) For purposes of projecting future benefits, it is assumed that the full COLA is paid in all future years.

## V. OTHER INFORMATION (cont'd)

### B. Employee Retirement Plan (cont'd)

For the purposes of projecting future benefits, it is assumed that the full COLA is paid in all future years. 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: | Amortized - closed 30 years from June 30, 2012 to June 30, 2042 |
| Asset Valuation Method: | 5 year smoothed market for funding valuation (fair value for financial valuation) |
| Inflation: | 2.50% |
| Salary Increases: | Composition: 3.00% inflation, plus 0.75% productivity increase rate, plus step rate promotional increases for members with less than 10 years of service |
| Investment Rate of Return: | 7.25% |
| Single Discount Rate: | 5.90% |
| Retirement Age: | Experience based table of age and service rates |
| Mortality: | Healthy Males – RP-2000 Combined Mortality Table with white collar adjustments, generational mortality improvements with scale BB.<br><br>Healthy Females – GRS Southwest Region Teacher Mortality Table, set back one year, generational mortality improvements in accordance with scale BB from the table's base year of 2012. |

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. Best estimates of geometric real rates of return for each major asset class included in the Plan's target asset allocation for 2017 and 2016 for 30-year return assumptions are summarized in the following table:

| Asset Class | 2017 Long-Term Expected Real Rate of Return | 2016 Long-Term Expected Real Rate of Return |
|---|---|---|
| Cash | -0.25% | -0.25% |
| U.S. Treasuries | 0.25% | 0.00% |
| IG Corp Credit | 1.75% | 1.75% |
| Mortgage Backed Securities | 0.25% | 0.25% |
| Core Bonds* | 0.75% | 0.64% |
| Treasury Inflation Protected Securities | 0.50% | 0.75% |
| High-Yield Bonds | 2.50% | 2.50% |
| Bank Loans | 2.75% | 2.75% |
| Global Bonds (Unhedged) | -0.50% | -0.50% |
| Global Bonds (Hedged) | -0.38% | -0.38% |
| Emerging Market Debt External | 2.50% | 2.75% |
| Emerging Market Debt Local Currency | 3.25% | 3.25% |
| Large Cap Equities | 4.25% | 4.25% |
| Small/ Mid Cap Equities | 4.50% | 4.50% |
| International Equities (Unhedged) | 4.50% | 4.75% |
| International Equities (Hedged) | 4.89% | 5.14% |
| Emerging International Equities | 6.25% | 6.25% |
| Private Equity | 6.25% | 6.25% |
| Private Debt | 4.75% | 4.75% |
| Private Real Assets | 5.90% | 4.50% |
| Real Estate | 3.25% | 3.25% |
| Commodities | 2.25% | 2.25% |
| Hedge Funds | 3.22% | 3.25% |

## V. OTHER INFORMATION (cont'd)

### B. Employee Retirement Plan (cont'd)

*Rate of Return*

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

1) Rate of return projections are the sum of current yield plus projected changes in price (valuation, defaults, etc.),
2) Application of key economic projections (inflation, real growth, dividends, etc.), and
3) Structural themes (supply and demand imbalances, capital flows, etc.).

These items are developed for each major asset class.

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate Assumption*

The following table shows the sensitivity of the net pension liability to changes in the discount rate as of fiscal year end 2017, 2016, and 2015. In particular, the table presents the Plan's net pension liability under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower or one percentage point higher than the single discount rate.

| PENSION CURRENT SINGLE RATE | | | | | |
|---|---|---|---|---|---|
| | | Discount Rate | 1% Decrease | Single Rate Assumption | 1% Increase |
| **ERB (All Employers)** | | | | | |
| | 2017 | 5.90% | $ 14,466,972,041 | $ 11,113,468,217 | $ 8,372,251,980 |
| | 2016 | 7.75% | 9,531,509,131 | 7,196,433,561 | 5,258,980,529 |
| | 2015 | 7.75% | 8,715,594,530 | 6,477,266,299 | 4,596,837,569 |
| **Ruidoso Municipal School District No. 3** | | | | | |
| | 2017 | 5.90% | $ 47,849,510 | $ 36,757,796 | $ 27,691,223 |
| | 2016 | 7.75% | 32,591,089 | 24,606,765 | 17,982,032 |
| | 2015 | 7.75% | 29,679,214 | 22,057,035 | 15,653,611 |

### C. Post-Retirement Health Care Benefits

*Plan Description* - The District, as an employer, contributes to the New Mexico Retiree Health Care Fund (RHCA), a cost-sharing multiple-employer defined benefit postemployment healthcare plan. The plan provides healthcare insurance and prescription drug benefits to retired employees of participating employers, 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. RHCA issues a separate, publicly available financial report that includes the financial statements and required supplementary information for the plan. That report may be obtained www.nmrhca.org, www.saonm.org, or by writing to:

Retiree Health Care Authority
4308 Carlisle NE, Suite 104
Albuquerque, NM 87107

The plan is used to provide postemployment benefits other than pensions (OPEB) for retirees who were an employee of participating employer in either the New Mexico Public Employees Retirement Association (PERA) or Educational Retirement Board (ERB), eligible to receive a pension. For employers who "buy-in" to the plan, retirees are eligible for benefits six months after the effective date of employer participation. Retirees not in a PERA enhanced (Fire, Police, Corrections) pension plan who commence benefits on or after January 1, 2020 will not receive any subsidy from RHCA before age 55.

## IV. OTHER INFORMATION (cont'd)

### C. Post-Retirement Health Care Benefits (cont'd)

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 the event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement;
2) retirees defined by the Act who retired prior to July 1, 1990;
3) former legislators who served at least two years; and
4) former governing authority members who served at least four years.

There were 160,035 active, retired, surviving spouses, and inactive members in fiscal year 2017; there were 159,642 active, retired, surviving spouses, and inactive members in fiscal year 2016.

*Funding Policy*

The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service-based subsidy rate schedule for the medical, plus basic life plan, plus an additional participation fee of five dollars ($5) if the eligible participant retired prior to the employer's effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from RHCA or viewed on their website at www.nmrhca.org.

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 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, 2013, 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, 2014, 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.

*Benefits Provided* - Retirees and spouses are eligible for medical and prescription drug benefits. Dental and vision benefits are also available but were not included in any valuation since they are 100% retiree-paid. A description of these benefits may be found in Enrolled Participants at www.nmrhca.org.

*Member Contributions* – Employees that were not members of an enhanced plan, the statute required each participating employee was required to contribute 1% of their gross salary in fiscal year 2018.

*Employer Contributions* – In fiscal year 2018, the District was required to contribute 2% of the gross covered salary for employees who are entitled to RHCA benefits. The District's contributions to RHCA for the fiscal year ending June 30, 2018 was $194,573, which equal the amount of the required contributions for each fiscal year.

*Employers* - The Educational Retirement Act designates employers as Local Administrative Units, directly responsible for payment of compensation for the employment of members or participants of this Plan. There were 301 contributing employers in fiscal year 2017.

## IV. OTHER INFORMATION (cont'd)

### C. Post-Retirement Health Care Benefits (cont'd)

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

At June 30, 2018, the District reported a liability of $9,704,578 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 a projection of the District 's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2017, the District's proportion was 0.21415 percent.

For the year ended June 30, 2018, the District recognized OPEB expense of $385,827.

| OPEB EXPENSE CALCULATION | |
|---|---|
| Net OPEB liability - end of the year | $ 9,704,578 |
| Net OPEB liability - beginning of the year | (11,711,360) |
| Deferred outflows of resources during the year | - |
| Deferred inflows of resources during the year | 2,208,739 |
| Reductions to ending net OPEB liability due contributions paid | 183,870 |
| Total OPEB Expense | $ 385,827 |

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | OUTFLOWS | INFLOWS |
|---|---|---|
| Difference between expected and actual experience | $ - | $ 372,410 |
| Change of assumptions | - | 1,696,722 |
| Net difference between projected and actual earnings on OPEB plan investments | - | 139,607 |
| Changes in proportion and differences between District contributions and proportionate share of contributions | - | - |
| District contributions subsequent to the measurement date | 194,573 | - |
| Total | $ 194,573 | $ 2,208,739 |

Deferred outflows of resources related to OPEB in the amount of $194,573 resulted from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2018. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| JUNE 30, | AMORTIZATION |
|---|---|
| 2019 | $ 469,593 |
| 2020 | 469,593 |
| 2021 | 469,593 |
| 2022 | 469,593 |
| 2023 | 330,367 |
| Thereafter | - |
| Total | $ 2,208,739 |

## IV. OTHER INFORMATION (cont'd)

### C. Post-Retirement Health Care Benefits (cont'd)

*Actuarial Assumptions*

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 OPEB plan'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.

A blended rate of the assumed investment return on Plan assets (e.g. 7.25% for the June 30, 2017 valuation) and the rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (e.g. 3.58% as of June 30, 2017). The 7.25% discount rate was used to calculate the net OPEB liability through June 30, 2029. Benefit payments after June 30, 2029 are then discounted by the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher, currently 3.58%. The blended discount rate of 3.81% was used to measure the total OPEB liability as of June 30, 2017.

The total OPEB liability was determined by an actuarial valuation as of June 30, 2017 using the following actuarial assumptions:

| | |
|---|---|
| Valuation Date: | June 30, 2017 |
| Actuarial Cost Method Entry Age: | Entry age normal, level percent of pay, calculated on individual employee basis |
| Amortization Method: | 30-year open-ended amortization, level percent of payroll |
| Remaining Period: | 30 years as of June 30, 2016 |
| Asset Valuation Method: | Market value of assets |
| Actuarial assumptions | |
| Inflation: | 2.50% for ERB; 2.25% for PERA |
| Projected Salary 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. The target allocation and best estimates for the long-term expected rate of return is summarized as follows:

| Asset Class | Target Allocation % | 2017 Long-Term Expected Real Rate of Return % |
|---|---|---|
| U.S. core fixed income | 20 | 9.1 |
| U.S. equity - large cap | 20 | 9.1 |
| Non U.S. - emerging markets | 15 | 12.2 |
| Non U.S. - developed equities | 12 | 9.8 |
| Private equity | 10 | 13.8 |
| Credit and structured finance | 10 | 7.3 |
| Real estate | 5 | 6.9 |
| Absolute return | 5 | 6.1 |
| U.S. equity - small/mid cap | 3 | 9.1 |

## IV. OTHER INFORMATION (cont'd)

### C. Post-Retirement Health Care Benefits (cont'd)

*Sensitivity of the Net OPEB Liability to Changes in the Discount Rate Assumption*

The following table shows the sensitivity of the net OPEB liability to changes in the discount rate as of June 30, 2017. In particular, the table presents the Plan's net OPEB liability under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (1% decrease) or one percentage point higher (1% increase) than the single discount rate.

| | Discount Rate | 1% Decrease | OPEB CURRENT SINGLE RATE Single Rate Assumption | 1% Increase |
|---|---|---|---|---|
| **RHCA (All Employers)** | | | | |
| 2017 | 3.81% | $ 5,496,848,763 | $ 4,531,673,018 | $ 3,774,405,896 |
| **Ruidoso Municipal School District No. 3** | | | | |
| 2017 | 3.81% | $ 11,771,502 | $ 9,704,578 | $ 8,082,890 |

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

| | 1% Decrease | HEALTH COST TREND RATE Current Trend Rates | 1% Increase |
|---|---|---|---|
| **RHCA (All Employers)** | | | |
| 2017 | $ 3,854,499,980 | $ 4,531,673,018 | $ 5,059,700,584 |
| **Ruidoso Municipal School District No. 3** | | | |
| 2017 | $ 8,254,413 | $ 9,704,578 | $ 10,835,349 |

### D. Contingent Liabilities

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

The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the government's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the government.

### E. Cash Flows

The District's federal and state grants operate on a reimbursement basis. The District must support the expenditures of these grants with monies from the unrestricted operating monies. Operating on a reimbursement basis for these grants in its self does not adversely affect the District's ability to operate effectively. However, the time it takes to receive reimbursement, if extensive, does significantly affect the District's cash flows and the ability to deliver educational services to the community in an effective manner. This could affect the District's financial operations in subsequent years.

## IV. OTHER INFORMATION (cont'd)

### F. Restatement

There was a restatement of the District's basic financial statements of $11,527,490, net OPEB liability, for the implementation of GASB 75 which requires the recognition of the District's portion of the cost-sharing pension liability.

### G. Subsequent Events

Subsequent events were evaluated through October 30, 2018 which is the date the financial statements were available to be issued.

## SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Educational Retirement Board (ERB) Pension Plan
Last 10 Fiscal Years*

| | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|
| District's proportion of the net pension liability | 0.330750% | 0.341930% | 0.340530% | 0.346720% |
| District's proportionate share of the net pension liability | $ 36,757,796 | $ 24,606,765 | $ 22,057,035 | $ 19,782,901 |
| District's covered-employee payroll | $ 9,765,650 | $ 9,679,950 | $ 9,556,814 | $ 9,556,957 |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 376.40% | 254.20% | 230.80% | 207.00% |
| Plan fiduciary net position as a percentage of the total pension liability | 52.95% | 61.58% | 63.97% | 66.54% |

* These schedules are intended to present 10 years of trending history. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

## SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS
Educational Retirement Board (ERB) Pension Plan
Last 10 Fiscal Years*

| | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|
| Contractually required contribution | $ 1,351,713 | $ 1,357,425 | $ 1,345,514 | $ 1,256,722 |
| Contributions in relation to the contractually required | (1,352,272) | (1,355,048) | (1,345,438) | (1,256,722) |
| Contribution deficeiency (excess) | $ (559) | $ 2,377 | $ 76 | $ - |
| District's Covered-employee Payroll | $ 9,724,553 | $ 9,765,650 | $ 9,679,950 | $ 9,556,814 |
| Contribution as a percentage of covered-employee payroll | 13.91% | 13.88% | 13.90% | 13.15% |

* These schedules are intended to present 10 years of trending history. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2018

*Changes of benefit terms*: The COLA and retirement eligibility benefits changes in recent years are described in the Benefits Provided subsection of the financial statement note disclosure General Information on the Pension Plan.

*Changes of assumptions*: ERB conducts an actuarial experience study for the Plan on a biennial basis. Based on the six-year actuarial experience study presented to the Board of Trustees on June 30, 2016, ERB implemented the following changes in assumptions for fiscal years 2017.

1) Fiscal year 2017 valuation assumptions that changed based on this study:
   a. Lower wage inflation from 3.75% to 3.25%
   b. Lower payroll growth from 3.50% to 3.00%
   c. Minor changes to demographic assumptions
   d. Lower Inflation rate from 3.00% to 2.50%
   e. Lower Investment return from 7.75% to 7.25%
   f. Lower COLA assumption from 2.00% per year to 1.90%
2) Assumptions that were not changed:
   a. Population growth per year at 0.00%
   b. Salary increases at 3.00% inflation, plus 0.75% productivity increase rate, plus step-rate promotional increases for less than ten years of service
   c. Net real return remains at 4.75%

See also the Note VI (B) *Actuarial Assumptions* of the financial statement note disclosure on the Pension Plan.

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET OPEB LIABILITY
Retiree Health Care Authority (RHCA) OPEB Plan
Last 10 Fiscal Years*

| | 2018 |
|---|---|
| District's proportion of the net OPEB liability | 0.214150% |
| District's proportionate share of the net OPEB liability | $ 9,704,578 |
| District's covered-employee payroll | $ 9,421,286 |
| District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll | 103.01% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 11.34% |

* These schedules are intended to present 10 years of trending history. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
Retiree Health Care Authority (RHCA) OPEB Plan
Last 10 Fiscal Years*

| | 2018 |
|---|---|
| Contractually required contribution | $ 194,573 |
| Contributions in relation to the contractually required | (194,573) |
| Contribution deficeiency (excess) | $ - |
| District's Covered-employee Payroll | $ 9,727,220 |
| Contribution as a percentage of covered-employee payroll | 2.00% |

* These schedules are intended to present 10 years of trending history. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2018

*Changes of assumptions*: RHCA conducts an actuarial experience study for the Plan on a biennial basis. Based on the six-year actuarial experience study presented to the Board of Trustees on June 30, 2017, RHCA implemented the following changes in assumptions for fiscal years 2017 and 2016.

The total OPEB liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2017. The mortality, retirement, disability, turnover and salary increase assumptions are based on the PERA annual valuation as of June 30, 2016 and the ERB actuarial experience study as of June 30, 2016.

1) Fiscal year 2017 valuation assumptions that changed based on this study:
   a. Lower Investment return from 7.75% to 7.25%
   b. Lower Inflation rate from 3.00% to 2.50%
   c. Minor changes to demographic assumptions
2) Assumptions that were not changed:
   a. Population growth per year at 0.00%
   b. Health care cost trend rate 8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5%

See also the Note IV (C) *Actuarial Assumptions* of the financial statement note disclosure on the OPEB Plan.

# OTHER SUPPLEMENTAL INFORMATION

OF

# RUIDOSO MUNICIPAL SCHOOL DISTRICT NO. 3

AS OF AND FOR THE YEAR ENDED

JUNE 30, 2018

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# GENERAL FUNDS

## *(OTHER SUPPLEMENTAL INFORMATION)*

**Operating Fund** (Fund No. 11000)

The government's primary fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**Transportation Fund** (Fund No. 13000)

Accounts for all the Transportation funds received through the state that are used in the maintaining and operating vehicles used to transport students.

**Instructional Materials Fund** (Fund No. 14000)

Accounts for all the Instructional Materials funds received through the state for the purpose of acquiring study materials for the students.

## GENERAL FUNDS
**Combining Balance Sheet**
**June 30, 2018**

| | Operational Fund #11000 | Instructional Materials Fund #14000 | Total General Funds |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | $ 4,759,854 | $ 39,748 | $ 4,799,602 |
| Receivables: | | | |
| Property taxes | 20,765 | - | 20,765 |
| Due from other funds | 576,953 | - | 576,953 |
| **Total assets** | $ 5,357,572 | $ 39,748 | $ 5,397,320 |
| **Liabilities, deferred inflows and fund balance** | | | |
| Liabilities: | | | |
| Accounts payable | $ 34,374 | $ - | $ 34,374 |
| Deferred inflows of resources: | | | |
| Delinquent property taxes | 16,776 | - | 16,776 |
| Fund balance: | | | |
| Unassigned | 5,306,422 | 39,748 | 5,346,170 |
| **Total liabilities, deferred inflows of resources, and fund balance** | $ 5,357,572 | $ 39,748 | $ 5,397,320 |

GENERAL FUNDS

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance**

**Year Ended June 30, 2018**

| | General Funds | | | |
|---|---|---|---|---|
| | Operational Fund #11000 | Transportation Fund #13000 | Instructional Materials Fund #14000 | Total General Fund |
| **Revenues:** | | | | |
| Taxes: | | | | |
| Property | $ 239,571 | $ - | $ - | $ 239,571 |
| Intergovernmental - federal grants | 468,260 | - | - | 468,260 |
| Intergovernmental - state grants | 14,182,874 | 883,461 | 62,477 | 15,128,812 |
| Contributions - private grants | 15,510 | - | - | 15,510 |
| Charges for services | 58,938 | - | - | 58,938 |
| Investment and interest income | 35,134 | - | - | 35,134 |
| Miscellaneous | 66,114 | - | - | 66,114 |
| **Total revenue** | 15,066,401 | 883,461 | 62,477 | 16,012,339 |
| **Expenditures:** | | | | |
| Current: | | | | |
| Instruction | 8,431,649 | - | 85,422 | 8,517,071 |
| Support services: | | | | |
| Students | 1,304,531 | - | - | 1,304,531 |
| Instruction | 411,169 | - | - | 411,169 |
| General Administration | 376,288 | - | - | 376,288 |
| School Administration | 937,803 | - | - | 937,803 |
| Central Services | 593,947 | - | - | 593,947 |
| Operation & Maintenance of Plant | 2,158,360 | - | - | 2,158,360 |
| Student transportation | - | 883,706 | - | 883,706 |
| Capital outlay | 39,883 | - | - | 39,883 |
| **Total expenditures** | 14,253,630 | 883,706 | 85,422 | 15,222,758 |
| *Excess (deficiency) of revenues over expenditures* | 812,771 | (245) | (22,945) | 789,581 |
| **Other financing uses:** | | | | |
| Refunds | - | (246) | - | (246) |
| *Net change in fund balance* | 812,771 | (491) | (22,945) | 789,335 |
| **Fund balance at beginning of the year** | 4,493,651 | 491 | 62,693 | 4,556,835 |
| **Fund balance at end of the year** | $ 5,306,422 | $ - | $ 39,748 | $ 5,346,170 |

STATE OF NEW MEXICO

## RUIDOSO MUNICIPAL SCHOOL DISTRICT NO. 3

### OPERATIONAL FUND - NO. 11000

**Statement of Revenues, Expenditures, and**

**Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)**

**Year Ended June 30, 2018**

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive |
|---|---|---|---|---|
| | Original | Final | (Budgetary Basis) | (Negative) |
| **Revenues:** | | | | |
| Taxes: | | | | |
| Property | $ 234,464 | $ 234,464 | $ 238,730 | $ 4,266 |
| Intergovernmental - federal grants | 264,566 | 276,751 | 468,260 | 191,509 |
| Intergovernmental - state grants | 14,080,549 | 14,131,437 | 14,182,874 | 51,437 |
| Contributions - private grants | - | - | 15,490 | 15,490 |
| Charges for services | 8,000 | 8,000 | 58,938 | 50,938 |
| Investment and interest income | 20,000 | 20,000 | 35,134 | 15,134 |
| Miscellaneous | - | - | 66,114 | 66,114 |
| **Total revenues** | 14,607,579 | 14,670,652 | 15,065,540 | 394,888 |
| **Expenditures:** | | | | |
| Current: | | | | |
| Instruction | 9,128,300 | 9,191,373 | 8,425,155 | 766,218 |
| Support services: | | | | |
| Students | 1,624,250 | 1,624,250 | 1,304,363 | 319,887 |
| Instruction | 707,365 | 707,365 | 411,169 | 296,196 |
| General Administration | 542,814 | 542,814 | 373,551 | 169,263 |
| School Administration | 1,188,870 | 1,188,870 | 937,803 | 251,067 |
| Central Services | 905,096 | 905,096 | 593,947 | 311,149 |
| Operation & Maintenance of Plant | 2,744,428 | 2,744,428 | 2,174,079 | 570,349 |
| Other Support services | 914,394 | 914,394 | - | 914,394 |
| Capital outlay | 320,600 | 320,600 | 39,883 | 280,717 |
| **Total expenditures** | 18,076,117 | 18,139,190 | 14,259,950 | 3,879,240 |
| *Excess (deficiency) of revenues over expenditures* | (3,468,538) | (3,468,538) | 805,590 | 4,274,128 |
| *Beginning cash balance budgeted* | 3,468,538 | 3,468,538 | - | (3,468,538) |
| **Fund balance at beginning of the year** | - | - | 4,493,651 | 4,493,651 |
| **Fund balance at end of the year** | $ - | $ - | 5,299,241 | $ 5,299,241 |
| RECONCILIATION TO GAAP BASIS: | | | | |
| Change in property tax receivable | | | 13,572 | |
| Change in payables | | | 6,340 | |
| Change in deferred property taxes | | | (12,731) | |
| **Fund balance at end of the year (GAAP basis)** | | | $ 5,306,422 | |

STATE OF NEW MEXICO
# RUIDOSO MUNICIPAL SCHOOL DISTRICT NO. 3

## TRANSPORTATION FUND - NO. 13000
### Statement of Revenues, Expenditures, and
### Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
### Year Ended June 30, 2018

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive |
|---|---|---|---|---|
| | Original | Final | (Budgetary Basis) | (Negative) |
| **Revenues:** | | | | |
| Intergovernmental - state grants | $ 842,607 | $ 883,461 | $ 883,461 | $ - |
| **Expenditures:** | | | | |
| Current: | | | | |
| Support services: | | | | |
| Student transportation | 842,607 | 883,706 | 883,706 | - |
| *Excess (deficiency) of revenues over expenditures* | - | (245) | (245) | - |
| **Other financing uses:** | | | | |
| Refunds | - | - | (246) | (246) |
| *Net change in fund balance* | - | (245) | (491) | (246) |
| *Beginning cash balance budgeted* | - | 245 | - | (245) |
| **Fund balance at beginning of the year** | - | - | 491 | 491 |
| **Fund balance at end of the year** | $ - | $ - | - | $ - |
| RECONCILIATION TO GAAP BASIS: | | | | |
| Change in payables | | | - | |
| **Fund balance at end of the year (GAAP basis)** | | | $ - | |

STATE OF NEW MEXICO
## RUIDOSO MUNICIPAL SCHOOL DISTRICT NO. 3

INSTRUCTIONAL MATERIALS FUND - NO. 14000
**Statement of Revenues, Expenditures, and**
**Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)**
**Year Ended June 30, 2018**

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive |
|---|---|---|---|---|
| | Original | Final | (Budgetary Basis) | (Negative) |
| **Revenues:** | | | | |
| Intergovernmental - state grants | $ 55,771 | $ 62,477 | $ 62,477 | $ - |
| **Expenditures:** | | | | |
| Current: | | | | |
| Instruction | 55,771 | 92,753 | 85,422 | 7,331 |
| *Excess (deficiency) of revenues over expenditures* | - | (30,276) | (22,945) | 7,331 |
| *Beginning cash balance budgeted* | - | 30,276 | - | (30,276) |
| **Fund balance at beginning of the year** | - | - | 62,693 | 62,693 |
| **Fund balance at end of the year** | $ - | $ - | 39,748 | $ 39,748 |
| RECONCILIATION TO GAAP BASIS: | | | | |
| Change in payables | | | - | |
| **Fund balance at end of the year (GAAP basis)** | | | $ 39,748 | |

# NONMAJOR GOVERNMENTAL FUNDS

*(OTHER SUPPLEMENTAL INFORMATION)*

Funds that did not meet the requirements of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis* to be considered Major Funds and have not been identified as Major Funds by management.

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## Nonmajor Special Revenue Funds

Special revenue funds are operating funds used to account for the proceeds of specific revenue sources that are intended for specific purposes other than special assessments or major capital projects.

**Food Service** (Fund No. 21000) Minimum Balance: None

This program provides financing for the school breakfast and 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 2-4, 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 sat. 886, 889, 42 U.S.C. 1773, 1779; Public Law 99-591, 100 stat. 3341; Public Law 100-71, 101 stat. 430.

**Athletics** (Fund No. 22000) Minimum Balance: None

This fund provides financing for school athletic activities. Funding is provided by fees from patrons.

**Title I** (Fund No. 24101) Minimum Balance: None

To help local education agencies (LEAs) and schools improve the teaching and learning of children failing, or most at-risk of failing, to meet challenging State academic standards. Funding authorization: Elementary and Secondary Education Act of 1965, Title I, Part A, 20 U.S.C. 6301 et seq.

**Entitlement IDEA-B** (Fund No. 24106) Minimum Balance: None

Program provides grants to states that flow-through to schools, to assist them in providing a free appropriate public education to all children with disabilities. The program is funded by the United States government, under the Individuals with Disabilities Education Act, Part B, Section 611-617, and part D, Section 674 as amended, 20 U.S.C. 1711-1417 and 1420.

**Competitive IDEA-B** (Fund No. 24108) Minimum Balance: None

Program is to provide grants to states that flow-through to schools, to assist them in providing a free appropriate public education to all children with disabilities. The program is funded by the United States government, under the Individuals with Disabilities Education Act, Part B, Section 611-617, and part D, Section 674 as amended, 20 U.S.C. 1711-1417 and 1420.

**Preschool IDEA-B** (Fund No. 24109) Minimum Balance: None

The Preschool program is for the purpose of enhancing Special Education for handicapped children from ages 3 to 5. The program is funded by the United States government, under the Individuals With Disabilities Act, Part B, Section 619, as amended, Public Laws 94-142, 99-457, 100-630, 101-497, and 101-476.

**IDEA-B Early Intervention** (Fund No. 24112) Minimum Balance: None

To account for a federal grant restricted to the operation and maintenance of meeting the special education needs of children with disabilities. (Authority, Individuals with Disabilities Act, Part B Sec 611, as amended; P.L. 91-230, 93-380, 94-142, 98-199, 99-457, 100-630, and 101-476; U.S.C. 1401-1419, P.L. 105-17)

**Title I 1003g Grant** (Fund No. 24124) Minimum Balance: None

The objective of this grant is to provide in conjunction with Title I funds for school improvement reserved under section 1003(a) of the ESEA. School Improvement Grants under section 1003(g) of the ESEA are used to improve student achievement in Title I schools identified for improvement, corrective action, or restructuring so as to enable those schools to make adequate yearly progress (AYP) and exit improvement status. Funding is by the Elementary and Secondary Education Act of 1965, as amended, Title I, Part B, Subpart 1.

**Title III English Language** (Fund No. 24153) Minimum Balance: None

To ensure that limited English proficient children (LEP) and youth, including immigrant children and youth, attain English proficiency and meet the same standards as all children and youth are expected to meet; to provide assistance to Native American, Native Hawaiian, Native American Pacific Islander, and Alaskan native children with certain modifications relative to the unique status of native American language under Federal Law; to develop to the extent possible, the native language skills of such children. The fund is authorized through the Elementary and Secondary Education Act (ESEA), as amended, Title III, Part A, Sections 3101,3129.

**Title II Teacher Quality** (Fund No. 24154) Minimum Balance: None

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

## Nonmajor Special Revenue Funds ( cont'd )

**Rural & Low Income Schools** (Fund No. 24160) Minimum Balance: None

To account for federal grant assistance to rural districts to carry out activities to help improve the quality of teaching and learning in their schools, and specifically to provide funds for teacher recruitment, retention, and teacher professional development, educational technology, and parental involvement activities. Authority for this fund comes from the Elementary and Secondary Education Act of 1965, as amended, Title VI, Part B, as amended.

**Title I School Improvement** (Fund No. 24162) Minimum Balance: None

To develop parental involvement in the school curriculum. The program is funded by the United States government under P.L. 100-297.

**Academic Achievement Title IV** (Fund No. 24189) Minimum Balance: None

To improve student's academic achievement by increasing the capacity of States, local educational agencies, schools and local communities to: (1) provide all students with access to a well-rounded education; (2) improve school conditions for student learning; and (3) improve the use of technology in order to improve the academic achievement and digital literacy for all students.

**Impact Aid Special/Indian Education** (Fund No. 25145 & 25147) Minimum Balance: None

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

**Title XIX Medicaid** (Fund No. 25153) Minimum Balance: None

To provide financial assistance from the Federal government which flows-through the State of New Mexico to school districts, for payments of medical assistance on behalf of cash assistance recipients, children, pregnant women and the aged who meet income and resource requirements, and other categorically-eligible groups. The program is funded by the U.S. government under the Social Security Act, Title XIX, as amended; Public Laws 92-223, 92-602, 93-66, 93-233, 96-499, 97-35, 97-2248, 98-369, 99-272, 99-509, 100-93, 100-202, 100-203, 100-360, 100-436, 100-485, 100-647, 101-166, 101-234, 101-239, 101-508, 101-517, 102-234, 102-170, 102-394, 103-66, 103-14, 103-333, 104-91, 104-191, 104-193, 104-208, and 104-134; Balanced Budget Act of 1997, Public Law 105-33.

**Child & Adult Food Program** (Fund No. 25171) Minimum Balance: None

To account for the activities of a program to provide for healthier schools by providing a health center at the schools. Funding is from the New Mexico Department of Health. The authority for creation of this fund was approved by the original budget by the Cuba Board of Education.

**Indian Ed Formula Grant** (Fund No. 25184) Minimum Balance: None

The purpose of this program is to support projects which improve educational opportunities and achievement of Native American children. Funding is provided by the Federal Government, under the Elementary and Secondary Education Act of 1965, Title IX, Part A, Subpart 1, as amended, Public Law 103-382, 20 U.S.C. 7811-7818; 25 U.S.C. 2002.

**Dual Credit Instructional Materials** (Fund No. 27103) Minimum Balance: None

To be used for courses approved by Higher Education Department (HED) and through a college/university for which the district has an approved agreement.

**Library Go Bonds 2012** (Fund No. 27107) Minimum Balance: None

Funds to be used for library books and library resources for public school libraries statewide. Library resources include computers, software, projectors, televisions, other related hardware and software, shelving, desks, chairs, and book trucks/carts. Senate Bill 66, Laws of 2012, 2nd Session, Chapter 54, Section 10.B.(3).

**Pre-K Initiative** (Fund No. 27149) Minimum Balance: None

The pre-k program shall address the total development needs of preschool children, including physical, cognitive, social and emotional needs, and shall include health care, nutrition, safety and multicultural sensitivity.

**Indian Education Act** (Fund No. 27150) Minimum Balance: None

To increase academic achievement and provide culturally relevant learning experiences for American Indian students; to establish collaborative partnerships that engage active participation of American Indian parents, students, tribe(s), community-based organizations, universities, private sector and/or other entities who work with American Indian students; to establish a parent community advisory committee to participate in the development of an Indigenous curriculum framework and to profile Indigenous best practices.

## Nonmajor Special Revenue Funds ( cont'd )

**Breakfast for Elementary Students** (Fund No. 27155) Minimum Balance: None
The Breakfast for Elementary School program provides foods (at no charge) after the instructional day has begun, provided that instruction occurs simultaneously with breakfast. Authorized through 22-13-13.2 NMSA 1978; NMAC 6.12.9

**Kindergarten 3-Plus** (Fund No. 27166) Minimum Balance: None
To account for funds received to provide the opportunity for the district to address early literacy. The fullday kindergarten program is the first step in the implementation of a sequential early literacy approach to teaching reading.

**College Counselor Initiative** (Fund No. 27189) Minimum Balance: None
Funding to be used by KCHS and SHS to hire a college advisor solely dedicated to college advisement. College advisors will be hired under STARS assignment code #83 as a Resource Coordinator. The hired Advisor(s) must have an appropriate license in accordance with STARS assignment code #83.

**Suicide Prevention** (Fund No. 28158) Minimum Balance: None
The purpose of this fund is to account for the agreement used to provide integrated primary and behavioral health care for adolescents through a school based health center. The authority and funding for this agreement is provided by the contract between the REC and the New Mexico Department of Health.

**GRADS Child Care** (Fund No. 28189) Minimum Balance: None
The Graduation, Reality, and Dual-role Skills (GRADS) program provides funding to participating schools in providing services for teen parents who are students at the participating schools.

**GRADS Instruction** (Fund No. 28190) Minimum Balance: None
The Graduation, Reality, and Dual-role Skills (GRADS) program provides funding to participating schools in providing services for teen parents who are students at the participating schools.

**GRADS Plus** (Fund No. 28203) Minimum Balance: None
To develop a curriculum that identifies that reflect serious needs for pregnant or parenting teens.

## Nonmajor Capital Projects Funds

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

**State SB-9 Match** (Fund No. 31700) Minimum Balance: None
To account for erecting, remodeling, making additions to and furnishing of school buildings, or purchasing or improving school grounds or any combination thereof as identified by the local school board. Financing is provided by the State of New Mexico's State Equalization Matching as authorized by the Public School District Capital Improvements Act (22-25-1 to 22-25-10 NMSA 1978).

**Capital Improvements SB – 9** (Fund No. 31701) Minimum Balance: None
This fund provides financing for the purchase of equipment and capital improvements to School District property. Funding is received from a 2 mill property tax levy and interest earned on investments, under New Mexico Senate Bill 9.

## Nonmajor Debt Service Funds

Debt service funds are used to account for the payment of principal and interest on long-term debt. Debt Service revenues are from taxes and other operating revenues, some of which are pledged specifically to repay certain outstanding bond issues.

**Education Technology Debt Service** (Fund No. 43000) Minimum Balance: None
Used to account for the accumulation of resources for and the payment of, general long-term debt principal, interest, and related costs associated with the Education Technology bond issues.

NON-MAJOR GOVERNMENTAL FUNDS
**Combining Balance Sheet**
**June 30, 2018**

| | Special Revenue Funds | | | | |
|---|---|---|---|---|---|
| | Food Service Fund #21000 | Athletics Fund #22000 | Title I Fund #24101 | Entitlement IDEA-B Fund #24106 | Competitive IDEA-B Fund #24108 |
| **Assets** | | | | | |
| Cash and cash equivalents | $ 408,732 | $ 37,634 | $ - | $ - | $ - |
| Receivables: | | | | | |
| Property taxes | - | - | - | - | - |
| Grant | - | - | 129,020 | 101,758 | - |
| Due from other funds | - | - | - | - | - |
| Food inventory | 7,549 | - | - | - | - |
| **Total assets** | $ 416,281 | $ 37,634 | $ 129,020 | $ 101,758 | $ - |
| **Liabilities, deferred inflows and fund balance** | | | | | |
| Liabilities: | | | | | |
| Due to other funds | $ - | $ - | $ 129,020 | $ 101,758 | $ - |
| Deferred inflows of resources: | | | | | |
| Advances of federal, state, and local grants | - | - | - | - | - |
| Delinquent property taxes | - | - | - | - | - |
| Total deferred inflows of resources | - | - | - | - | - |
| Fund balance: | | | | | |
| Non-spendable: | | | | | |
| Inventories | 7,549 | - | - | - | - |
| Restricted for: | | | | | |
| Special revenue funds | 408,732 | 37,634 | - | - | - |
| Capital projects funds | - | - | - | - | - |
| Debt service | - | - | - | - | - |
| Total fund balance | 416,281 | 37,634 | - | - | - |
| **Total liabilities, deferred inflows of resources, and fund balance** | $ 416,281 | $ 37,634 | $ 129,020 | $ 101,758 | $ - |

( cont'd; 1 of 8 )

NON-MAJOR GOVERNMENTAL FUNDS
**Combining Balance Sheet**
**June 30, 2018**

| | Special Revenue Funds | | | |
|---|---|---|---|---|
| | Preschool IDEA-B Fund #24109 | IDEA-B Early Intervention Fund #24112 | Title I - 1003g Fund #24124 | Title III English Language Fund #24153 |
| **Assets** | | | | |
| Cash and cash equivalents | $ - | $ 32 | $ - | $ - |
| Receivables: | | | | |
| Property taxes | - | - | - | - |
| Grant | 10,423 | - | 220,218 | 4,953 |
| Due from other funds | - | - | - | - |
| Food inventory | - | - | - | - |
| **Total assets** | $ 10,423 | $ 32 | $ 220,218 | $ 4,953 |
| **Liabilities, deferred inflows and fund balance** | | | | |
| Liabilities: | | | | |
| Due to other funds | $ 10,423 | $ - | $ 220,218 | $ 4,953 |
| Deferred inflows of resources: | | | | |
| Advances of federal, state, and local grants | - | 32 | - | - |
| Delinquent property taxes | - | - | - | - |
| Total deferred inflows of resources | - | 32 | - | - |
| Fund balance: | | | | |
| Non-spendable: | | | | |
| Inventories | - | - | - | - |
| Restricted for: | | | | |
| Special revenue funds | - | - | - | - |
| Capital projects funds | - | - | - | - |
| Debt service | - | - | - | - |
| Total fund balance | - | - | - | - |
| **Total liabilities, deferred inflows of resources, and fund balance** | $ 10,423 | $ 32 | $ 220,218 | $ 4,953 |

( cont'd; 2 of 8 )

STATE OF NEW MEXICO
## RUIDOSO MUNICIPAL SCHOOL DISTRICT NO. 3

NON-MAJOR GOVERNMENTAL FUNDS
**Combining Balance Sheet**
**June 30, 2018**

| | Special Revenue Funds | | | | |
|---|---|---|---|---|---|
| | Title II Teacher Quality Fund #24154 | Rural & Low-Income Schools Fund #24160 | Title I School Improvement Fund #24162 | Academic Achievement Title IV Fund #24189 | Impact Aid Special Education Fund #25145 |
| **Assets** | | | | | |
| Cash and cash equivalents | $ - | $ - | $ 9 | $ - | $ 21,890 |
| Receivables: | | | | | |
| Property taxes | - | - | - | - | - |
| Grant | 10,993 | 35,180 | - | - | - |
| Due from other funds | - | - | - | - | - |
| Food inventory | - | - | - | - | - |
| **Total assets** | $ 10,993 | $ 35,180 | $ 9 | $ - | $ 21,890 |
| **Liabilities, deferred inflows and fund balance** | | | | | |
| Liabilities: | | | | | |
| Due to other funds | $ 10,993 | $ 35,180 | $ - | $ - | $ - |
| Deferred inflows of resources: | | | | | |
| Advances of federal, state, and local grants | - | - | - | - | - |
| Delinquent property taxes | - | - | - | - | - |
| Total deferred inflows of resources | - | - | - | - | - |
| Fund balance: | | | | | |
| Non-spendable: | | | | | |
| Inventories | - | - | - | - | - |
| Restricted for: | | | | | |
| Special revenue funds | - | - | 9 | - | 21,890 |
| Capital projects funds | - | - | - | - | - |
| Debt service | - | - | - | - | - |
| Total fund balance | - | - | 9 | - | 21,890 |
| **Total liabilities, deferred inflows of resources, and fund balance** | $ 10,993 | $ 35,180 | $ 9 | $ - | $ 21,890 |

( cont'd; 3 of 8 )

STATE OF NEW MEXICO

## RUIDOSO MUNICIPAL SCHOOL DISTRICT NO. 3

NON-MAJOR GOVERNMENTAL FUNDS

**Combining Balance Sheet**

**June 30, 2018**

| | Special Revenue Funds | | | |
|---|---|---|---|---|
| | Impact Aid Indian Education Fund #25147 | Title XIX Medicaid Fund #25153 | Child & Adult Food Program Fund #25171 | Indian Ed Formula Grant Fund #25184 |
| **Assets** | | | | |
| Cash and cash equivalents | $ 86,613 | $ 130,733 | $ 8,020 | $ 973 |
| Receivables: | | | | |
| Property taxes | - | - | - | - |
| Grant | - | - | - | - |
| Due from other funds | - | - | - | - |
| Food inventory | - | - | - | - |
| **Total assets** | $ 86,613 | $ 130,733 | $ 8,020 | $ 973 |
| **Liabilities, deferred inflows and fund balance** | | | | |
| Liabilities: | | | | |
| Due to other funds | $ - | $ - | $ - | $ - |
| Deferred inflows of resources: | | | | |
| Advances of federal, state, and local grants | - | - | - | 973 |
| Delinquent property taxes | - | - | - | - |
| Total deferred inflows of resources | - | - | - | 973 |
| Fund balance: | | | | |
| Non-spendable: | | | | |
| Inventories | - | - | - | - |
| Restricted for: | | | | |
| Special revenue funds | 86,613 | 130,733 | 8,020 | - |
| Capital projects funds | - | - | - | - |
| Debt service | - | - | - | - |
| Total fund balance | 86,613 | 130,733 | 8,020 | - |
| **Total liabilities, deferred inflows of resources, and fund balance** | $ 86,613 | $ 130,733 | $ 8,020 | $ 973 |

( cont'd; 4 of 8 )

NON-MAJOR GOVERNMENTAL FUNDS
**Combining Balance Sheet**
**June 30, 2018**

| | Special Revenue Funds | | | |
|---|---|---|---|---|
| | Dual Credit Instructional Materials Fund #27103 | Libraries GO Bond 2012 Fund #27107 | Pre-K Initiative Fund #27149 | Indian Education Act Fund #27150 |
| **Assets** | | | | |
| Cash and cash equivalents | $ - | $ - | $ - | $ - |
| Receivables: | | | | |
| Property taxes | - | - | - | - |
| Grant | 2,718 | 15,832 | 39,655 | - |
| Due from other funds | - | - | - | - |
| Food inventory | - | - | - | - |
| **Total assets** | $ 2,718 | $ 15,832 | $ 39,655 | $ - |
| **Liabilities, deferred inflows and fund balance** | | | | |
| Liabilities: | | | | |
| Due to other funds | $ 2,718 | $ 15,832 | $ 39,655 | $ - |
| Deferred inflows of resources: | | | | |
| Advances of federal, state, and local grants | - | - | - | - |
| Delinquent property taxes | - | - | - | - |
| Total deferred inflows of resources | - | - | - | - |
| Fund balance: | | | | |
| Non-spendable: | | | | |
| Inventories | - | - | - | - |
| Restricted for: | | | | |
| Special revenue funds | - | - | - | - |
| Capital projects funds | - | - | - | - |
| Debt service | - | - | - | - |
| Total fund balance | - | - | - | - |
| **Total liabilities, deferred inflows of resources, and fund balance** | $ 2,718 | $ 15,832 | $ 39,655 | $ - |

( cont'd; 5 of 8 )

NON-MAJOR GOVERNMENTAL FUNDS
**Combining Balance Sheet**
**June 30, 2018**

| | Special Revenue Funds | | | | |
|---|---|---|---|---|---|
| | Breakfast for Elementary Students Fund #27155 | Kindergarten 3-Plus Fund #27166 | College Counselor Initiative Fund #27189 | Suicide Prevention Fund #28158 | GRADS Child Care Fund #28189 |
| **Assets** | | | | | |
| Cash and cash equivalents | $ - | $ - | $ - | $ 5,762 | $ 117 |
| Receivables: | | | | | |
| Property taxes | - | - | - | - | - |
| Grant | 827 | - | 5,376 | - | - |
| Due from other funds | - | - | - | - | - |
| Food inventory | - | - | - | - | - |
| **Total assets** | $ 827 | $ - | $ 5,376 | $ 5,762 | $ 117 |
| **Liabilities, deferred inflows and fund balance** | | | | | |
| Liabilities: | | | | | |
| Due to other funds | $ 827 | $ - | $ 5,376 | $ - | $ - |
| Deferred inflows of resources: | | | | | |
| Advances of federal, state, and local grants | - | - | - | - | - |
| Delinquent property taxes | - | - | - | - | - |
| Total deferred inflows of resources | - | - | - | - | - |
| Fund balance: | | | | | |
| Non-spendable: | | | | | |
| Inventories | - | - | - | - | - |
| Restricted for: | | | | | |
| Special revenue funds | - | - | - | 5,762 | 117 |
| Capital projects funds | - | - | - | - | - |
| Debt service | - | - | - | - | - |
| Total fund balance | - | - | - | 5,762 | 117 |
| **Total liabilities, deferred inflows of resources, and fund balance** | $ 827 | $ - | $ 5,376 | $ 5,762 | $ 117 |

( cont'd; 6 of 8 )

NON-MAJOR GOVERNMENTAL FUNDS
**Combining Balance Sheet**
**June 30, 2018**

| | Special Revenue Funds | | | Capital Projects Funds | |
|---|---|---|---|---|---|
| | GRADS Instruction Fund #28190 | GRADS Plus Fund #28203 | Total Non-Major Special Revenue Funds | State SB-9 Match Fund #31700 | Capital Improvements SB-9 Fund #31701 |
| **Assets** | | | | | |
| Cash and cash equivalents | $ 2,322 | $ 8,030 | $ 710,867 | $ - | $ 1,082,437 |
| Receivables: | | | | | |
| Property taxes | - | - | - | - | 112,280 |
| Grant | - | - | 576,953 | 47,467 | - |
| Due from other funds | - | - | - | - | 47,467 |
| Food inventory | - | - | 7,549 | - | - |
| **Total assets** | $ 2,322 | $ 8,030 | $ 1,295,369 | $ 47,467 | $ 1,242,184 |
| **Liabilities, deferred inflows and fund balance** | | | | | |
| Liabilities: | | | | | |
| Due to other funds | $ - | $ - | $ 576,953 | $ 47,467 | $ - |
| Deferred inflows of resources: | | | | | |
| Advances of federal, state, and local grants | - | - | 1,005 | - | - |
| Delinquent property taxes | - | - | - | - | 90,751 |
| Total deferred inflows of resources | - | - | 1,005 | - | 90,751 |
| Fund balance: | | | | | |
| Non-spendable: | | | | | |
| Inventories | - | - | 7,549 | - | - |
| Restricted for: | | | | | |
| Special revenue funds | 2,322 | 8,030 | 709,862 | - | - |
| Capital projects funds | - | - | - | - | 1,151,433 |
| Debt service | - | - | - | - | - |
| Total fund balance | 2,322 | 8,030 | 717,411 | - | 1,151,433 |
| **Total liabilities, deferred inflows of resources, and fund balance** | $ 2,322 | $ 8,030 | $ 1,295,369 | $ 47,467 | $ 1,242,184 |

( cont'd; 7 of 8 )

NON-MAJOR GOVERNMENTAL FUNDS
**Combining Balance Sheet**
**June 30, 2018**

| | Total Non-Major Capital Projects Funds | Ed Tech Debt Service Fund #43000 | Total Nonmajor Governmental Funds |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | $ 1,082,437 | $ 1,273 | $ 1,794,577 |
| Receivables: | | | |
| Property taxes | 112,280 | 637 | 112,917 |
| Grant | 47,467 | - | 624,420 |
| Due from other funds | 47,467 | - | 47,467 |
| Food inventory | - | - | 7,549 |
| **Total assets** | $ 1,289,651 | $ 1,910 | $ 2,586,930 |
| **Liabilities, deferred inflows and fund balance** | | | |
| Liabilities: | | | |
| Due to other funds | $ 47,467 | $ - | $ 624,420 |
| Deferred inflows of resources: | | | |
| Advances of federal, state, and local grants | - | - | 1,005 |
| Delinquent property taxes | 90,751 | 637 | 91,388 |
| Total deferred inflows of resources | 90,751 | 637 | 92,393 |
| Fund balance: | | | |
| Non-spendable: | | | |
| Inventories | - | - | 7,549 |
| Restricted for: | | | |
| Special revenue funds | - | - | 709,862 |
| Capital projects funds | 1,151,433 | - | 1,151,433 |
| Debt service | - | 1,273 | 1,273 |
| Total fund balance | 1,151,433 | 1,273 | 1,870,117 |
| **Total liabilities, deferred inflows of resources, and fund balance** | $ 1,289,651 | $ 1,910 | $ 2,586,930 |

( 8 of 8 )

STATE OF NEW MEXICO
## RUIDOSO MUNICIPAL SCHOOL DISTRICT NO. 3

NON-MAJOR GOVERNMENTAL FUNDS
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance**
**Year Ended June 30, 2018**

| | Special Revenue Funds | | | | |
|---|---|---|---|---|---|
| | Food Service Fund #21000 | Athletics Fund #22000 | Title I Fund #24101 | Entitlement IDEA-B Fund #24106 | Competitive IDEA-B Fund #24108 |
| **Revenues:** | | | | | |
| Taxes: | | | | | |
| Property | $ - | $ - | $ - | $ - | $ - |
| Intergovernmental - federal grants | 1,184,164 | - | 398,975 | 541,350 | - |
| Intergovernmental - state grants | - | - | - | - | - |
| Contributions - private grants | - | 80 | - | - | - |
| Charges for services | 81,884 | 55,220 | - | - | - |
| Investment and interest income | 3,011 | 216 | - | - | - |
| Miscellaneous | - | - | - | - | - |
| **Total revenues** | 1,269,059 | 55,516 | 398,975 | 541,350 | - |
| **Expenditures:** | | | | | |
| Current: | | | | | |
| Instruction | - | 44,420 | 45,205 | 314,264 | - |
| Support services: | | | | | |
| Students | - | - | 281,118 | 205,495 | - |
| Instruction | - | - | 33,268 | - | - |
| General Administration | - | - | 39,384 | 21,591 | - |
| School Administration | - | - | - | - | - |
| Operation & Maintenance of Plant | - | - | - | - | - |
| Student transportation | - | - | - | - | - |
| Food services operations | 1,262,840 | - | - | - | - |
| Capital outlay | 53,868 | - | - | - | - |
| **Total expenditures** | 1,316,708 | 44,420 | 398,975 | 541,350 | - |
| *Excess (deficiency) of revenues over expenditures* | (47,649) | 11,096 | - | - | - |
| **Fund balance at beginning of the year** | 463,930 | 26,538 | - | - | - |
| **Fund balance at end of the year** | $ 416,281 | $ 37,634 | $ - | $ - | $ - |

( cont'd; 1 of 7 )

NON-MAJOR GOVERNMENTAL FUNDS

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance**

**Year Ended June 30, 2018**

| | Special Revenue Funds | | | | |
|---|---|---|---|---|---|
| | Preschool IDEA-B Fund #24109 | IDEA-B Early Intervention Fund #24112 | Title I - 1003g Fund #24124 | Title III English Language Fund #24153 | Title II Teacher Quality Fund #24154 |
| **Revenues:** | | | | | |
| Taxes: | | | | | |
| Property | $ - | $ - | $ - | $ - | $ - |
| Intergovernmental - federal grants | 22,876 | - | 868,125 | 18,434 | 70,343 |
| Intergovernmental - state grants | - | - | - | - | - |
| Contributions - private grants | - | - | - | - | - |
| Charges for services | - | - | - | - | - |
| Investment and interest income | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - |
| **Total revenues** | 22,876 | - | 868,125 | 18,434 | 70,343 |
| **Expenditures:** | | | | | |
| Current: | | | | | |
| Instruction | 21,953 | - | 384,413 | 17,669 | 43,840 |
| Support services: | | | | | |
| Students | - | - | 116,875 | - | 23,647 |
| Instruction | - | - | 287,270 | - | - |
| General Administration | 923 | - | 34,255 | 765 | 2,856 |
| School Administration | - | - | 7,751 | - | - |
| Operation & Maintenance of Plant | - | - | - | - | - |
| Student transportation | - | - | 26,400 | - | - |
| Food services operations | - | - | - | - | - |
| Capital outlay | - | - | 11,161 | - | - |
| **Total expenditures** | 22,876 | - | 868,125 | 18,434 | 70,343 |
| *Excess (deficiency) of revenues over expenditures* | - | - | - | - | - |
| **Fund balance at beginning of the year** | - | - | - | - | - |
| **Fund balance at end of the year** | $ - | $ - | $ - | $ - | $ - |

( cont'd; 2 of 7 )

NON-MAJOR GOVERNMENTAL FUNDS

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance**

**Year Ended June 30, 2018**

| | Special Revenue Funds | | | | |
|---|---|---|---|---|---|
| | Rural & Low-Income Schools Fund #24160 | Title I School Improvement Fund #24162 | Academic Achievement Title IV Fund #24189 | Impact Aid Special Education Fund #25145 | Impact Aid Indian Education Fund #25147 |
| **Revenues:** | | | | | |
| Taxes: | | | | | |
| Property | $ - | $ - | $ - | $ - | $ - |
| Intergovernmental - federal grants | 35,180 | 9 | 10,000 | 28,449 | 76,263 |
| Intergovernmental - state grants | - | - | - | - | - |
| Contributions - private grants | - | - | - | - | - |
| Charges for services | - | - | - | - | - |
| Investment and interest income | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - |
| **Total revenues** | 35,180 | 9 | 10,000 | 28,449 | 76,263 |
| **Expenditures:** | | | | | |
| Current: | | | | | |
| Instruction | 35,180 | - | - | 23,233 | 365 |
| Support services: | | | | | |
| Students | - | - | 10,000 | - | 74,757 |
| Instruction | - | - | - | - | - |
| General Administration | - | - | - | - | - |
| School Administration | - | - | - | - | - |
| Operation & Maintenance of Plant | - | - | - | - | - |
| Student transportation | - | - | - | - | - |
| Food services operations | - | - | - | - | - |
| Capital outlay | - | - | - | - | - |
| **Total expenditures** | 35,180 | - | 10,000 | 23,233 | 75,122 |
| *Excess (deficiency) of revenues over expenditures* | - | 9 | - | 5,216 | 1,141 |
| **Fund balance at beginning of the year** | - | - | - | 16,674 | 85,472 |
| **Fund balance at end of the year** | $ - | $ 9 | $ - | $ 21,890 | $ 86,613 |

( cont'd; 3 of 7 )

STATE OF NEW MEXICO

**RUIDOSO MUNICIPAL SCHOOL DISTRICT NO. 3**

NON-MAJOR GOVERNMENTAL FUNDS

**Combining Statement of Revenues, Expenditures, and**

**Changes in Fund Balance**

**Year Ended June 30, 2018**

| | Special Revenue Funds | | | | |
|---|---|---|---|---|---|
| | Title XIX Medicaid Fund #25153 | Child & Adult Food Program Fund #25171 | Indian Ed Formula Grant Fund #25184 | Dual Credit Instructional Materials Fund #27103 | Libraries GO Bond 2012 Fund #27107 |
| **Revenues:** | | | | | |
| Taxes: | | | | | |
| Property | $ - | $ - | $ - | $ - | $ - |
| Intergovernmental - federal grants | 101,402 | 804 | 85,213 | - | - |
| Intergovernmental - state grants | - | - | - | 10,677 | 15,832 |
| Contributions - private grants | - | - | - | - | - |
| Charges for services | - | - | - | - | - |
| Investment and interest income | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - |
| **Total revenues** | 101,402 | 804 | 85,213 | 10,677 | 15,832 |
| **Expenditures:** | | | | | |
| Current: | | | | | |
| Instruction | 8,473 | 1,421 | 18,616 | 10,677 | - |
| Support services: | | | | | |
| Students | 35,315 | - | 66,597 | - | - |
| Instruction | - | - | - | - | 15,832 |
| General Administration | - | - | - | - | - |
| School Administration | - | - | - | - | - |
| Operation & Maintenance of Plant | - | - | - | - | - |
| Student transportation | - | - | - | - | - |
| Food services operations | - | - | - | - | - |
| Capital outlay | - | - | - | - | - |
| **Total expenditures** | 43,788 | 1,421 | 85,213 | 10,677 | 15,832 |
| *Excess (deficiency) of revenues over expenditures* | 57,614 | (617) | - | - | - |
| **Fund balance at beginning of the year** | 73,119 | 8,637 | - | - | - |
| **Fund balance at end of the year** | $ 130,733 | $ 8,020 | $ - | $ - | $ - |

( cont'd; 4 of 7 )

STATE OF NEW MEXICO

# RUIDOSO MUNICIPAL SCHOOL DISTRICT NO. 3

## NON-MAJOR GOVERNMENTAL FUNDS

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance**

**Year Ended June 30, 2018**

| | Special Revenue Funds | | | | |
|---|---|---|---|---|---|
| | Pre-K Initiative Fund #27149 | Indian Education Act Fund #27150 | Breakfast for Elementary Students Fund #27155 | Kindergarten 3-Plus Fund #27166 | College Counselor Initiative Fund #27189 |
| **Revenues:** | | | | | |
| Taxes: | | | | | |
| Property | $ - | $ - | $ - | $ - | $ - |
| Intergovernmental - federal grants | - | - | - | - | - |
| Intergovernmental - state grants | 126,635 | - | 8,733 | 79,839 | 27,817 |
| Contributions - private grants | - | - | - | - | - |
| Charges for services | - | - | - | - | - |
| Investment and interest income | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - |
| **Total revenues** | 126,635 | - | 8,733 | 79,839 | 27,817 |
| **Expenditures:** | | | | | |
| Current: | | | | | |
| Instruction | 72,583 | - | - | 48,029 | 3,373 |
| Support services: | | | | | |
| Students | - | - | - | 7,859 | 24,444 |
| Instruction | - | - | - | - | - |
| General Administration | 1,200 | - | - | - | - |
| School Administration | 22,852 | - | - | 8,199 | - |
| Operation & Maintenance of Plant | - | - | - | - | - |
| Student transportation | 30,000 | - | - | 15,752 | - |
| Food services operations | - | - | 8,733 | - | - |
| Capital outlay | - | - | - | - | - |
| **Total expenditures** | 126,635 | - | 8,733 | 79,839 | 27,817 |
| *Excess (deficiency) of revenues over expenditures* | - | - | - | - | - |
| **Fund balance at beginning of the year** | - | - | - | - | - |
| **Fund balance at end of the year** | $ - | $ - | $ - | $ - | $ - |

( cont'd; 5 of 7 )

NON-MAJOR GOVERNMENTAL FUNDS

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance**

**Year Ended June 30, 2018**

| | Special Revenue Funds | | | | |
|---|---|---|---|---|---|
| | Suicide Prevention Fund #28158 | GRADS Child Care Fund #28189 | GRADS Instruction Fund #28190 | GRADS Plus Fund #28203 | Total Nonmajor Special Revenue Funds |
| **Revenues:** | | | | | |
| Taxes: | | | | | |
| Property | $ - | $ - | $ - | $ - | $ - |
| Intergovernmental - federal grants | - | - | - | - | 3,441,587 |
| Intergovernmental - state grants | 4,999 | - | 1,000 | - | 275,532 |
| Contributions - private grants | - | - | - | - | 80 |
| Charges for services | - | - | - | - | 137,104 |
| Investment and interest income | - | - | - | - | 3,227 |
| Miscellaneous | - | - | - | - | - |
| **Total revenues** | 4,999 | - | 1,000 | - | 3,857,530 |
| **Expenditures:** | | | | | |
| Current: | | | | | |
| Instruction | 5,450 | - | - | - | 1,099,164 |
| Support services: | | | | | |
| Students | 2,341 | - | 1,332 | - | 849,780 |
| Instruction | - | - | - | - | 336,370 |
| General Administration | - | - | - | - | 100,974 |
| School Administration | - | - | - | - | 38,802 |
| Operation & Maintenance of Plant | - | - | - | - | - |
| Student transportation | - | - | - | - | 72,152 |
| Food services operations | - | - | - | - | 1,271,573 |
| Capital outlay | - | - | - | - | 65,029 |
| **Total expenditures** | 7,791 | - | 1,332 | - | 3,833,844 |
| *Excess (deficiency) of revenues over expenditures* | (2,792) | - | (332) | - | 23,686 |
| **Fund balance at beginning of the year** | 8,554 | 117 | 2,654 | 8,030 | 693,725 |
| **Fund balance at end of the year** | $ 5,762 | $ 117 | $ 2,322 | $ 8,030 | $ 717,411 |

( cont'd; 6 of 7 )

STATE OF NEW MEXICO
# RUIDOSO MUNICIPAL SCHOOL DISTRICT NO. 3

## NON-MAJOR GOVERNMENTAL FUNDS
**Combining Statement of Revenues, Expenditures, and**
**Changes in Fund Balance**
**Year Ended June 30, 2018**

| | Capital Projectrs Funds | | | | |
|---|---|---|---|---|---|
| | State SB-9 Match Fund #31700 | Capital Improvements SB-9 Fund #31701 | Total Nonmajor Capital Projects Funds | Ed Tech Debt Service Fund #43000 | Total Nonmajor Governmental Funds |
| **Revenues:** | | | | | |
| Taxes: | | | | | |
| Property | $ - | $ 1,363,357 | $ 1,363,357 | $ 21 | $ 1,363,378 |
| Intergovernmental - federal grants | - | - | - | - | 3,441,587 |
| Intergovernmental - state grants | 47,467 | - | 47,467 | - | 322,999 |
| Contributions - private grants | - | - | - | - | 80 |
| Charges for services | - | - | - | - | 137,104 |
| Investment and interest income | - | 7,679 | 7,679 | - | 10,906 |
| Miscellaneous | - | 280 | 280 | - | 280 |
| **Total revenues** | 47,467 | 1,371,316 | 1,418,783 | 21 | 5,276,334 |
| **Expenditures:** | | | | | |
| Current: | | | | | |
| Instruction | - | - | - | - | 1,099,164 |
| Support services: | | | | | |
| Students | - | - | - | - | 849,780 |
| Instruction | - | - | - | - | 336,370 |
| General Administration | - | 13,585 | 13,585 | - | 114,559 |
| School Administration | - | - | - | - | 38,802 |
| Operation & Maintenance of Plant | - | 1,105,198 | 1,105,198 | - | 1,105,198 |
| Student transportation | - | - | - | - | 72,152 |
| Food services operations | - | - | - | - | 1,271,573 |
| Capital outlay | 47,467 | 797,537 | 845,004 | - | 910,033 |
| **Total expenditures** | 47,467 | 1,916,320 | 1,963,787 | - | 5,797,631 |
| *Excess (deficiency) of revenues over expenditures* | - | (545,004) | (545,004) | 21 | (521,297) |
| **Fund balance at beginning of the year** | - | 1,696,437 | 1,696,437 | 1,252 | 2,391,414 |
| **Fund balance at end of the year** | $ - | $ 1,151,433 | $ 1,151,433 | $ 1,273 | $ 1,870,117 |

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# STATE REQUIRED DISCLOSURES

*(OTHER SUPPLEMENTAL INFORMATION)*

Supplemental schedules required by the State of
New Mexico to provide additional analysis.

STATE OF NEW MEXICO
# RUIDOSO MUNICIPAL SCHOOL DISTRICT NO. 3

## FIDUCIARY FUNDS
### Schedule of Changes in Assets and Liabilities - All Agency Funds
### Year Ended June 30, 2018

| ASSETS | Balance June 30, 2017 | Receipts | Disbursements | Balance June 30, 2018 |
|---|---|---|---|---|
| Cash and cash equivalents: | | | | |
| Nob Hill Elementary | $ 8,504 | $ 18,875 | $ 19,704 | $ 7,675 |
| Sierra Vista Elementary | 13,603 | 24,580 | 18,818 | 19,365 |
| White Mountain Elementary | 38,398 | 59,493 | 70,891 | 27,000 |
| Middle School | 37,239 | 61,683 | 65,887 | 33,035 |
| High School | 123,475 | 97,568 | 81,612 | 139,431 |
| Scholarships | 13,676 | 286 | 13,962 | - |
| Due from District funds | $ 234,895 | $ 262,485 | $ 270,874 | $ 226,506 |
| LIABILITIES | | | | |
| Deposits held for others | $ 234,895 | $ 262,485 | $ 270,874 | $ 226,506 |

SCHEDULE OF PLEDGED COLLATERAL
**June 30, 2018**

| | BBVA Compass |
|---|---|
| **Cash on deposit at June 30, 2018:** | |
| Checking and savings | $ 17,620,420 |
| Less: FDIC coverage | (250,000) |
| Uninsured funds | $ 17,370,420 |
| | |
| **Amount requiring pledged collateral:** | |
| 50% collateral requirement | $ 8,685,210 |
| Pledged collateral | 23,500,000 |
| Excess (deficiency) of pledged collateral | $ 14,814,790 |

Pledged collateral of financial institutions consists of the following at June 30, 2018

| BBVA Compass: | Maturity | LOC# | Market Value |
|---|---|---|---|
| FHLB LOC | 12/1/2018 | 118844 | $ 12,000,000 |
| FHLB LOC | 1/11/2019 | 120867 | 3,500,000 |
| FHLB LOC | 1/23/2019 | 121439 | 2,500,000 |
| FHLB LOC | 2/16/2019 | 122538 | 5,500,000 |
| | | | $ 23,500,000 |

The above letters of credit are held at Federal Home Loan Bank, Atlanta, GA.

STATE OF NEW MEXICO

**RUIDOSO MUNICIPAL SCHOOL DISTRICT NO. 3**

CASH RECONCILIATION

**Year Ended June 30, 2018**

| | Beginning Cash | Receipts | Distributions | Other | Net Cash End of Period | Adjustments to the report | Total Cash on Report |
|---|---|---|---|---|---|---|---|
| Operations | $ 4,531,197 | $ 15,065,540 | $ 14,259,950 | $ 20 | $ 5,336,807 | $ (576,953) | $ 4,759,854 |
| Transportation | 491 | 883,461 | 883,706 | (246) | - | - | - |
| Instructional Materials | 62,693 | 62,477 | 85,422 | - | 39,748 | - | 39,748 |
| Food Services | 457,103 | 1,197,781 | 1,246,152 | - | 408,732 | - | 408,732 |
| Athletics | 26,538 | 55,516 | 44,420 | - | 37,634 | - | 37,634 |
| Federal Flowthrough Funds | (219,650) | 1,672,427 | 1,965,282 | - | (512,505) | 512,546 | 41 |
| Federal Direct Funds | 192,626 | 284,381 | 228,778 | - | 248,229 | - | 248,229 |
| State Flowthrough Funds | (27,117) | 232,243 | 269,533 | - | (64,407) | 64,407 | - |
| State Direct Funds | 19,355 | 6,000 | 9,124 | - | 16,231 | - | 16,231 |
| Bond Building | 15,308,436 | 69,303 | 9,759,399 | - | 5,618,340 | - | 5,618,340 |
| State SB-9 Match | (46,740) | 46,740 | 47,467 | - | (47,467) | 47,467 | - |
| Capital Improvements SB-9 | 1,761,393 | 1,366,502 | 1,997,991 | - | 1,129,904 | (47,467) | 1,082,437 |
| Debt Service | 4,018,142 | 4,041,285 | 4,071,585 | - | 3,987,842 | - | 3,987,842 |
| Ed Tech Debt Service | 1,246 | 27 | - | - | 1,273 | - | 1,273 |
| Agency Funds | - | - | - | - | - | 226,506 | 226,506 |
| Total | $ 26,085,713 | $ 24,983,683 | $ 34,868,809 | $ (226) | $ 16,200,361 | $ 226,506 | $ 16,426,867 |

| Account Name | Account Type | Bank Name | Bank Amount |
|---|---|---|---|
| Operational | Checking - Interest | BBVA Compass | $ 5,126,978 |
| Athletics | Checking - Interest | BBVA Compass | 587,110 |
| Food Service | Checking - Interest | BBVA Compass | 37,697 |
| Nob Hill Early | Checking - Interest | BBVA Compass | - |
| Sierra Vista Primary | Checking - Interest | BBVA Compass | 19,025 |
| White Mountain Elementary | Checking - Interest | BBVA Compass | 27,562 |
| Ruidoso Middle School | Checking - Interest | BBVA Compass | 33,115 |
| Ruidoso High School | Checking - Interest | BBVA Compass | 139,881 |
| Scholarship | Checking - Interest | BBVA Compass | - |
| Capital Project | Checking - Interest | BBVA Compass | 5,618,340 |
| Capital Improvements | Checking - Interest | BBVA Compass | 1,184,249 |
| Debt Service | Checking - Interest | BBVA Compass | 3,989,115 |
| Payroll | Checking - Interest | BBVA Compass | 857,348 |
| | | | $ 17,620,420 |

| Adjustments to report: | |
|---|---|
| Agency funds | $ 226,506 |
| Interfund loans - pooled cash [1] | 624,420 |
| Interfund loans - pooled cash [1] | (624,420) |
| Clearing account | - |
| Total adjustment to the report | $ 226,506 |

| Adjustments to cash: | |
|---|---|
| Bank Balance | $ 17,620,420 |
| Cash on hand | - |
| Outstanding deposits | - |
| Outstanding checks | (1,193,553) |
| Errors | - |
| Total adjusted cash | $ 16,426,867 |

# 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 Government Auditing Standards

§

Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance; and
Report on the Schedule of Expenditures of
Federal Awards Required By Uniform Guidance

§

Schedule of Findings and Questioned Costs:
Summary of Auditor's Results
Financial Statement Findings
Federal Award Findings

§

Summary Schedule of Prior Year Audit Findings

§

Schedule of Expenditures of Federal Awards
Notes to the Schedule of Expenditures of Federal Awards

§

Required Disclosure

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

INDEPENDENT AUDITORS' REPORT

Wayne Johnson, State Auditor,
The Board of Education and Audit Committee of
Ruidoso Municipal School District No. 3

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue funds, of the Ruidoso Municipal School District No. 3 as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Ruidoso Municipal School District No. 3's basic financial statements, and the combining and individual funds and related budgetary comparisons of Ruidoso Municipal School District No. 3, presented as supplemental information, and have issued our report thereon dated October 30, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit, of the financial statements, we considered Ruidoso Municipal School District No. 3'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 Ruidoso Municipal School District No. 3's internal control. Accordingly, we do not express an opinion on the effectiveness of Ruidoso Municipal School District No. 3'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 Ruidoso Municipal School District No. 3'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 a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a material weakness. Finding 2018-002.

**Compliance and other matters**

As part of obtaining reasonable assurance about whether Ruidoso Municipal School District No. 3'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. We also noted certain other matters that are required to be reported pursuant to *Government Auditing Standards* and pursuant to Section 12-6-5, NMSA 1978, which are described in the accompanying schedule of findings and questioned costs as finding 2018-001.



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Wayne Johnson, State Auditor,
The Board of Education and Audit Committee of
Ruidoso Municipal School District No. 3

**Central Region Educational Cooperative No. 5's Response to Findings**

Ruidoso Municipal School District No. 3 responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Ruidoso Municipal School District No. 3's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Ruidoso Municipal School District No. 3'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.

Accounting & Financial Solutions, LLC

Farmington, New Mexico
October 30, 2018



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

INDEPENDENT AUDITOR'S REPORT

Wayne Johnson, State Auditor,
The Board of Education and Audit Committee of
Ruidoso Municipal School District No. 3

**Report on Compliance for Each Major Federal Program**

We have audited Ruidoso Municipal School District No. 3's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Ruidoso Municipal School District No. 3's major federal programs for the year ended June 30, 2018. Ruidoso Municipal School District No. 3's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Ruidoso Municipal School District No. 3's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award*s (Uniform Guidance) Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Ruidoso Municipal School District No. 3's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Ruidoso Municipal School District No. 3's compliance.

***Opinion on Each Major Federal Program***

In our opinion, Ruidoso Municipal School District No. 3 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.



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Wayne Johnson, State Auditor,
The Board of Education and Audit Committee of
Ruidoso Municipal School District No. 3

**Report on Internal Control Over Compliance**

Management of Ruidoso Municipal School District No. 3 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Ruidoso Municipal School District No. 3's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Ruidoso Municipal School District No. 3's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Accounting & Financial Solutions, LLC
Farmington, New Mexico
October 30, 2018



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# SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

STATE OF NEW MEXICO

# RUIDOSO MUNICIPAL SCHOOL DISTRICT NO. 3

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**Year Ended June 30, 2018**

| Federal Grantor/Pass - Through Grantor/Program or Cluster Title | Federal CFDA Number | Pass-Through Entity Identifying Number | Passed To Subrecipients | Cluster Programs | Federal Expenditures |
|---|---|---|---|---|---|
| **U.S. Department of Agriculture:** | | | | | |
| Direct Program: | | | | | |
| Forest Reserve | 10.665 | 11000 | $ - | | $ 87,225 |
| Pass-Through Program From: | | | | | |
| New Mexico Department of Education: | | | | | |
| Child Nutrition Cluster: | | | | | |
| USDA National School Lunch Program | 10.555 | 21000 | - | $ 760,826 | |
| USDA School Breakfast Program | 10.553 | 21000 | - | 382,123 | |
| Total Child Nutrition Cluster | | | | | 1,142,949 |
| Pass-Through Program From: | | | | | |
| New Mexico Human Service Department: | | | | | |
| USDA Commodities Program | 10.565 | 21000 | - | | 71,278 |
| New Mexico Children, Youth, and Families: | | | | | |
| Child & Adult Food Program | 10.558 | 25171 | - | | 1,421 |
| *Subtotal Pass-Through Programs* | | | | | 1,215,648 |
| *Total U.S. Department of Agriculture* | | | | | 1,302,873 |
| **U.S. Department of Education:** | | | | | |
| Direct Programs: | | | | | |
| Impact Aid Indian Education | 84.041 | 11000 | - | | 305,054 |
| Impact Aid Special Education | 84.041 | 25145 | - | | 23,233 |
| Impact Aid Indian Education | 84.041 | 25147 | - | | 75,122 |
| Indian Ed Formula Grant | 84.060 | 25184 | - | | 85,213 |
| *Subtotal Direct Programs* | | | | | 488,622 |
| Pass-Through Programs From: | | | | | |
| New Mexico Department of Education: | | | | | |
| Special Education (IDEA) Cluster: | | | | | |
| Entitlement IDEA-B | 84.027 | 24106 | - | $ 541,350 | |
| Preschool IDEA-B | 84.173A | 24109 | - | 22,876 | |
| Total Special Education (IDEA) Cluster | | | | | 564,226 |
| Title I | 84.126A | 24101 | - | | 398,975 |
| Title I - 1003g | 84.389 | 24124 | - | | 868,125 |
| Title III English Language | 84.365 | 24153 | - | | 18,434 |
| Title II Teacher Quality | 84.367 | 24154 | - | | 70,343 |
| Rural & Low-Income Schools | 84.358 | 24160 | - | | 35,180 |
| Academic Achievement Title IV | 84.424A | 24189 | - | | 10,000 |
| *Subtotal Pass-Through Programs* | | | | | 1,965,283 |
| *Total U.S. Department of Education* | | | | | 2,453,905 |
| Total Expenditures of Federal Awards | | | $ - | | $ 3,756,778 |

See the accompanying notes to the Schedule of Expenditures of Federal Awards.

**1. Scope of audit pursuant to OMB Uniform Grant Guidance**

All federal grant operations of Tularosa Municipal School District No. 4 (the "District") are included in the scope of the Office of Management and Budget ("OMB") Uniform Grant Guidance audit (the "Single Audit"). The Single Audit was performed in accordance with the provisions of the OMB Circular Compliance Supplement (Revised May 2018 the "Compliance Supplement"). Compliance testing of all requirements are described in the Compliance Supplement, was performed for the grants programs noted below. These programs represent all federal award programs and other grants with fiscal year 2018 cash and non-cash expenditures to ensure coverage of at least 20% (LOW risk auditee) of federally granted funds. Actual coverage is approximately 41% of total cash and non-cash federal award program expenditures. Total cash expenditures were in the amount of $5,336,257 and all non-cash expenditures amounted to $36,521.

| MAJOR FEDERAL PROGRAM | CFDA | FUND | EXPENDITURE |
|---|---|---|---|
| **Cash Assistance:** | | | |
| Child Nutrition (USDA) Cluster | 10.553 & 10.555 | 21000 | $ 1,142,949 |
| Impact Aid Indian Education | 10.041 | 11000 | 305,054 |
| Impact Aid Special Education | 10.041 | 25145 | 23,233 |
| Impact Aid Indian Education | 10.041 | 25147 | 75,122 |
| **Total** | | | $ 1,546,358 |

The District did not have any federal programs considered Type A programs for the year ended June 30, 2018.

The U.S. Department of Education is the District's oversight agency for single audit.

**2. Summary of significant accounting policies**

Basis of presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of the District under programs of the federal government for the year ended June 30, 2018. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Uniform Grant Guidance. Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position and changes in net position of the District. All federal programs considered active during the year ended June 30, 2018, are reflected on the Schedule. An active federal program is defined as a federal program for which there were receipts or disbursements of funds or accrued (deferred) grant revenue adjustments during the fiscal year or a federal program considered as not completed or closed out at the beginning of the fiscal year. The Schedule is prepared using the accrual basis of accounting. Grant revenues are recorded for financial reporting purposes when the District has met the qualifications for the respective grant. Grant revenues for the Food Donation Program are based upon commodities received, at amounts per standard price listing, published quarterly by the United States Department of Agriculture (the "USDA"). In addition, there is no federal insurance in effect during the year and loan or loan guarantee outstanding at year end.

Accrued and deferred reimbursements

Various reimbursement procedures are used for Federal awards received by the District. Consequently, timing differences between expenditures and program reimbursements can exist at the beginning and end of the year. Accrued balances at year end represent an excess of reimbursable expenditures over receipts to date. Deferred balance at year-end represent an excess of cash receipts over reimbursable expenditure to date. Generally, accrued or deferred balances covered by differences in the timing of cash receipts and expenditures will be reversed in the remaining grant period.

**3. Reconciliation of Federal Awards to Expenditure of Federal Awards**

The differences between the federal awards received (Intergovernmental sources – federal) during the year ended June 30, 2018 and the federal awards expended during the year are as follows:

| | BALANCE |
|---|---|
| Federal Sources | $ 3,909,847 |
| Indirect costs from federal programs | (75,982) |
| Unexpended federal sources from current year | (116,532) |
| Prior year federal sources expended | 140,846 |
| Revenues received as vendor | (101,401) |
| Total Expenditures of Federal Awards | $ 3,756,778 |

**4. Unexpended Federal Awards**

There were federal awards received during the year ended June 30, 2018 that were not expended during the year. These awards will be reported in subsequent years when they have been expended. Those amounts are as follows:

| | | | UNEXPENDED AWARDS | | | |
|---|---|---|---|---|---|---|
| | CFDA # | FUND # | CARRYOVER FROM PY | 2018 AWARDS | EXPENDED | TOTAL UNEXPENDED |
| Child Nutrition (USDA) Cluster | 10.553 & 10.555 | 21000 | $ 30,063 | $ 1,112,886 | $(1,142,949) | $ - |
| Title I School Improvement | 84.010 | 24162 | - | 9 | - | 9 |
| Impact Aid Special Education | 84.041 | 25145 | 16,674 | 28,449 | (23,233) | 21,890 |
| Impact Aid Indian Education | 84.041 | 25147 | 85,472 | 76,263 | (75,122) | 86,613 |
| Child & Adult Food Program | 10.558 | 25171 | 8,637 | 804 | (1,421) | 8,020 |
| | | | $ 140,846 | $ 1,218,411 | $(1,242,725) | $ 116,532 |

**5. Federal Awards Receivable**

There are federal programs that have not received reimbursement for expenditures made within those programs. The District expects to receive all reimbursement of federal awards in the following year. The following programs reported a receivable for the expenditures that had not been reimbursed as of June 30, 2016.

| | CFDA # | FUND | RECIEVABLE |
|---|---|---|---|
| Title I | 84.010 | 24101 | $ 129,020 |
| Entitlement IDEA-B | 84.027 | 24106 | 101,758 |
| Preschool IDEA-B | 84.173 | 24109 | 10,423 |
| Title III English Language | 84.365 | 24153 | 4,953 |
| Title II Teacher Quality | 84.367 | 24154 | 10,993 |
| ruRAL & Low-Income Schools | 84.358 | 24160 | 35,180 |
| | | | $ 292,327 |

**6. Indirect Costs**

The District has not elected the 10% de minimis indirect cost during the year ended June 30, 2018.

## I. SUMMARY OF AUDIT RESULTS

| | Yes | No | Occurrences |
|---|---|---|---|
| **FINANCIAL STATEMENTS:** | | | |
| Type of auditor's report issued: Unmodified | | | |
| Internal control over financial reporting: | | | |
| Material weakness(es) identified? | ✓ | | 1 |
| Significant deficiency(ies) identified? | | ✓ | - |
| Noncompliance material to financial statements noted? | | ✓ | - |
| **FEDERAL AWARDS:** | | | |
| Internal control over major programs: | | | |
| Material weakness(es) identified? | | ✓ | - |
| Significant deficiency(ies) identified? | | ✓ | - |
| Type of auditor's report issued on compliance with major programs: Unmodified | | | |
| Any audit findings disclosed that are required to be reported in accordance with Section 200.516 of the Uniform Guidance? | | ✓ | - |

The programs treated as major programs include:

| Name of Federal Program or Cluster | CFDA Number |
|---|---|
| Child Nutrition (USDA) Cluster | 10.553 & 10.555 |
| Impact Aid Special/Indian Education | 84.041 |

The threshold for distinguishing types A and B programs: $750,000

| | Yes | No |
|---|---|---|
| Auditee qualified as low-risk auditee? | ✓ | |

## II. FINDINGS RELATED TO FINANCIAL STATEMENTS

### 2018 – 001 LATE DEPOSIT OF RECEIPTS
***Other Matter – Does not rise to the level of significant deficiency***

Condition: During the review of cash receipts seven of the thirty tested were not deposited into the bank within one banking day from the time of receipt. The seven receipts totaled $165 and the related deposits totaled $3,624.

Criteria: NMAC 6.20.2.14(c) states that money received and receipted shall be deposited in the bank within 24 hours or one banking day.

Effect of condition: The District is in violation of NMAC 6.20.2.14(c). Cash retained by management for extended periods of time are susceptible to misuse or fraud.

Cause: Deposits at times were taking more than 24 hours to be deposited in the bank.

Recommendation: on an annual basis, staff members that have responsibilities of collecting and depositing cash receipts should be informed of the legal requirements of depositing cash within one banking day, as well as the District's policies regarding cash collections.

Management's response: The District provided memoranda throughout the year outlining receipting and deposit policies, NMAC 6.20.2.14(c), to certain staff in an effort to address deficiencies. Business office staff also provided additional training and re-training. Certain staff no longer hold these job responsibilities due to the propensity and susceptibility for misuse or fraud.

Responsible party(ies) for corrective action(s): Site Based Administrator, Business Office Staff

Corrective action(s) timeline: The District will continue to train and advise staff with regard to NMAC 6.20.2.14(c) throughout FY2019..

## II. FINDINGS RELATED TO FINANCIAL STATEMENTS

**2018 – 002 CONTROLS OF CAPITAL ASSETS**
*Material Weakness*

Condition: Capital assets totaling $3,046,434 that had previously been deprecating in previous year(s) had depreciation start dates changed to August 10, 2017. Management does not have written policies and procedures for controlling the capital assets master file. There is not an approval process for making changes to the master file. Additionally, there is not second person designated to monitor and maintain the master file in the event of illness or termination.

Criteria: NMAC 2.20.1.8A states "Agencies should implement systematic and well-documented methods for accounting for their fixed assets. A computerized system is recommended, with appropriate controls on access and authorization of transactions." A system of internal controls should be in place to provide reasonable assurance that the objectives to external reporting and compliance with laws and regulations as recommended by COSO.

Effect of condition: The capital asset master file is susceptible to unauthorized alterations, either intentional or accidental. The District is also at risk of not complying with laws and regulations in the event of an extended illness or other event that results in the position of maintaining the master file being vacated.

Cause: Management has not approved and implemented an official system of controls for maintaining and reviewing the capital assets master file.

Recommendation: An official system of controls over the capital assets master file should be developed, approved by the governing board, and implemented. The system should dictate the documenting and approval of changes to the master file. The system should also establish a regular monitoring of the master file to ensure it has not been altered and allows for consistent tracking and reporting.

Management's response: The District's construction in progress should have been dated April 10, 2018. Written policies will be updated, and the District will continue in its long-term, multi-year, effort to clean up its capital assets listing as more than 500 line items appear to have been listed and included over the past four decades but are likely not considered fixed assets under Section 15-3B-16, NMSA, 1978. The District looks forward to working cooperatively with the District's Independent Public Auditor to rectify the matter.

Responsible party(ies) for corrective action(s): Chief Financial Officer

Corrective action(s) timeline: Corrective action is ongoing and policies are expected to be in place prior to the end of the third quarter of FY2019.

## III. AUDIT FINDINGS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

There were no findings required to be reported relating to federal awards.

## I. NOT RESOLVED – REPEATED IN THE CURRENT YEAR

There were not any findings to be reported from the prior year.

## II. RESOLVED

2017 – 001 LACK OF TIMELY MONITORING OF THE BUDGET
*Current Status*: Resolved. Not repeated in the current year.

2017 – 002 CONTROLS OVER THE GENERAL LEDGER
*Current Status*: Resolved. Not repeated in the current year.

The independent public accountants assisted in the preparation of the financial statements.

An exit conference was held October 31, 2018 and was attended by the following individuals:

RUIDOSO MUNICIPAL SCHOOL DISTRICT NO. 3

| | |
|---|---|
| Luther Light | President, Board of Education / Audit Committee |
| Marc Beatty | Vice-President, Board of Education / Audit Committee |
| Tom Rigsby | Member, Audit Committee |
| Jason Edmister | Associate Superintendent |
| Clinton Taylor | Director of Finance; Member, Audit Committee |

ACCOUNTING & FINANCIAL SOLUTIONS, LLC

| | |
|---|---|
| Terry Ogle, CPA | Partner |