

STATE OF NEW MEXICO  
SPRINGER MUNICIPAL SCHOOLS



ANNUAL FINANCIAL REPORT

JUNE 30, 2018

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## **INTRODUCTORY SECTION**

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

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

<b><u>Name</u></b>		<b><u>Title</u></b>
	<b><u>School Board</u></b>	
Robert Tafoya		President
Monica Burton		Vice President
Ronnie Gurule		Secretary
Zita Rae Lopez		Member
Joe Apodaca		Member
	<b><u>District Officials</u></b>	
Eddie King		Superintendent
R. Danae Rigoni		Business Manager/CPO

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**FINANCIAL SECTION**





# Manning Accounting and Consulting Services, LLC

## INDEPENDENT AUDITOR'S REPORT

Wayne A. Johnson, New Mexico State Auditor  
The Office of Management and Budget  
And the Board of Education of  
Springer Municipal Schools  
Springer, New Mexico

### 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 Springer Municipal Schools, (the "District") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

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

### Opinions

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

### Other Matters

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Kirtland, NM 87417

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### *Required Supplementary Information*

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

Accounting principles generally accepted in the United States of America requires the Schedules I through IV and the notes to the Required Supplementary Information on pages 51 through 55 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 obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

Schedules V through VIII on pages 74 through 79 required by 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, Schedules V through VIII required by 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section on pages 1 through 3 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Manning Accounting and Consulting Services, LLC*

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

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**BASIC FINANCIAL STATEMENTS**

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

Exhibit A-1

	<u><b>Governmental Activities</b></u>
<b>ASSETS</b>	
<i>Current assets:</i>	
Cash and temporary investments	\$ 555,017
Receivables (net of allowance for uncollectibles)	124,451
Inventory	735
<i>Total current assets</i>	<u>680,203</u>
<i>Noncurrent assets:</i>	
Restricted cash	37,377
Capital assets (net of accumulated depreciation):	
Land and land improvements	8,126
Buildings and building improvements	10,332,533
Furniture, fixtures and equipment	1,613,690
Less: accumulated depreciation	<u>(8,222,671)</u>
<i>Total noncurrent assets</i>	<u>3,769,055</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows - pensions	1,717,358
Deferred outflows - other post-employment benefits	26,833
<i>Total deferred outflows</i>	<u>1,744,191</u>
<i>Total assets and deferred outflows of resources</i>	<u><u>\$ 6,193,449</u></u>
<b>LIABILITIES</b>	
<i>Current liabilities:</i>	
Accounts payable	\$ 8,020
Accrued payroll liabilities	31,416
Accrued interest payable	3,776
Current maturities of:	
Bonds payable	243,500
Compensated absences	14,780
<i>Total current liabilities</i>	<u>301,492</u>
<i>Noncurrent liabilities:</i>	
Bonds payable	289,000
Compensated absences	5,221
Net pension liability	5,146,647
Net other post-employment benefits liability	1,392,130
<i>Total noncurrent liabilities</i>	<u>6,832,998</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows - pensions	457,160
Deferred inflows - other post-employment benefits	316,846
<i>Total deferred inflows</i>	<u>774,006</u>
<b>NET POSITION</b>	
Invested in capital assets	3,199,178
Restricted for:	
Debt service	67,907
Capital projects	184,125
Other purposes - special revenue	103,037
Unrestricted	<u>(5,269,294)</u>
<i>Total net position</i>	<u>(1,715,047)</u>
<i>Total liabilities, deferred inflows of resources, and net position</i>	<u><u>\$ 6,193,449</u></u>

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

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

Exhibit A-2

<u>Functions/Programs</u>	<u>Program Revenues</u>				<b>Net (Expenses) Revenues and Changes in Net Position</b>
	<u>Expenses</u>	<u>Charges for Service</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<b>Primary Government</b>					
Governmental activities:					
Instruction	\$ 2,107,884	\$ 49,356	\$ 215,804	\$ -	\$ (1,842,724)
Support services:					
Students	325,579	-	38,555	-	(287,024)
Instruction	1,796	-	-	-	(1,796)
General administration	198,030	-	-	-	(198,030)
School administration	135,502	-	-	-	(135,502)
Other	-	-	-	-	-
Central services	142,959	4,955	-	-	(138,004)
Operation & maintenance of plant	395,812	-	-	-	(395,812)
Student transportation	108,952	-	102,279	-	(6,673)
Food services operations	106,240	7,275	83,325	-	(15,640)
Community services	-	-	-	-	-
Interest on long-term debt	21,485	-	-	-	(21,485)
Facilities materials, supplies, & other services	112,995	-	112,194	-	(801)
Total Primary Government	<u>\$ 3,657,234</u>	<u>\$ 61,586</u>	<u>\$ 552,157</u>	<u>\$ -</u>	<u>(3,043,491)</u>

**General Revenues:**

Property taxes:	
Levied for general purposes	14,205
Levied for debt service	260,733
Levied for capital projects	76,876
State Equalization Guarantee	2,027,180
Unrestricted investment earnings	1,727
Loss on disposal of fixed assets	(2,203)
Miscellaneous	9,548
	<u>2,388,066</u>
Total general revenues	<u>2,388,066</u>
Change in net position	<u>(655,425)</u>
Net position - beginning of year	594,007
Restatement - change in accounting principle	<u>(1,653,629)</u>
Net position - beginning of year, restated	<u>(1,059,622)</u>
Net position - end of year	<u>\$ (1,715,047)</u>

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

**STATE OF NEW MEXICO**  
**SPRINGER MUNICIPAL SCHOOLS**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2018**

Exhibit B-1

	General Fund			Special Revenue	
	Operational 11000	Transportation 13000	Instructional Materials 14000	Title I IASA 24101	NM Reads to Lead K-3 Reading Initiative 27114
<b>ASSETS</b>					
<i>Current assets:</i>					
Cash and temporary investments	\$ 270,873	\$ 3,850	\$ 473	\$ -	\$ -
Accounts receivable					
Taxes	1,415	-	-	-	-
Due from other governments	-	-	-	31,013	17,990
Interfund receivables	74,076	-	-	-	-
Other	5,000	-	-	-	-
Inventory	-	-	-	-	-
<i>Total assets</i>	<u>351,364</u>	<u>3,850</u>	<u>473</u>	<u>31,013</u>	<u>17,990</u>
<b>LIABILITIES</b>					
<i>Current liabilities:</i>					
Accounts payable	6,746	-	-	-	-
Accrued payroll liabilities	22,839	3,850	-	1,287	1,771
Interfund payables	-	-	-	29,726	16,219
<i>Total liabilities</i>	<u>29,585</u>	<u>3,850</u>	<u>-</u>	<u>31,013</u>	<u>17,990</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenues - property taxes	1,210	-	-	-	-
Unavailable revenues - other	-	-	-	-	-
<i>Total deferred inflows of resources</i>	<u>1,210</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>					
Nonspendable	-	-	-	-	-
Restricted for:					
Transportation	-	-	-	-	-
Instructional materials	-	-	473	-	-
Grant mandates	-	-	-	-	-
Capital projects	-	-	-	-	-
Debt service	-	-	-	-	-
Assigned	175,000	-	-	-	-
Unassigned	145,569	-	-	-	-
<i>Total fund balances</i>	<u>320,569</u>	<u>-</u>	<u>473</u>	<u>-</u>	<u>-</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 351,364</u>	<u>\$ 3,850</u>	<u>\$ 473</u>	<u>\$ 31,013</u>	<u>\$ 17,990</u>

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

**STATE OF NEW MEXICO**  
**SPRINGER MUNICIPAL SCHOOLS**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2018**

Exhibit B-1

	<u>Capital Projects</u>			
	Educational Technology Equipment Act 31900	Debt Service 41000	Other Governmental Funds	Total Primary Government
<b>ASSETS</b>				
<i>Current assets:</i>				
Cash and temporary investments	\$ 120,499	\$ 29,073	\$ 167,626	\$ 592,394
Accounts receivable				
Taxes	-	24,013	15,534	40,962
Due from other governments	-	-	29,486	78,489
Interfund receivables	-	-	-	74,076
Other	-	-	-	5,000
Inventory	-	-	735	735
	<u>120,499</u>	<u>53,086</u>	<u>213,381</u>	<u>791,656</u>
<i>Total assets</i>	<u>120,499</u>	<u>53,086</u>	<u>213,381</u>	<u>791,656</u>
<b>LIABILITIES</b>				
<i>Current liabilities:</i>				
Accounts payable	-	-	1,274	8,020
Accrued payroll liabilities	-	-	1,669	31,416
Interfund payables	-	-	28,131	74,076
	<u>-</u>	<u>-</u>	<u>31,074</u>	<u>113,512</u>
<i>Total liabilities</i>	<u>-</u>	<u>-</u>	<u>31,074</u>	<u>113,512</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenues - property taxes	-	20,957	13,202	35,369
Unavailable revenues - other	-	-	6,791	6,791
	<u>-</u>	<u>20,957</u>	<u>19,993</u>	<u>42,160</u>
<i>Total deferred inflows of resources</i>	<u>-</u>	<u>20,957</u>	<u>19,993</u>	<u>42,160</u>
<b>FUND BALANCES</b>				
Nonspendable	-	-	735	735
Restricted for:				
Transportation	-	-		-
Instructional materials	-	-		473
Grant mandates	-	-	17,994	17,994
Capital projects	120,499	-	5,165	125,664
Debt service	-	32,129	-	32,129
Assigned	-	-	145,525	320,525
Unassigned	-	-	(7,105)	138,464
	<u>120,499</u>	<u>32,129</u>	<u>162,314</u>	<u>635,984</u>
<i>Total fund balances</i>	<u>120,499</u>	<u>32,129</u>	<u>162,314</u>	<u>635,984</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 120,499</u>	<u>\$ 53,086</u>	<u>\$ 213,381</u>	<u>\$ 791,656</u>

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



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

Exhibit B-2

		Governmental Funds
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Total fund balances - governmental funds	\$	635,984
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
The cost of capital assets is		11,954,349
Accumulated depreciation is		(8,222,671)
Revenues not collected within sixty days after year-end are considered "available" revenues and are shown as deferred revenues on the balance sheet.		
Delinquent property taxes		35,369
State revenues		6,791
Deferred outflows and inflows of resources related to pensions are applicable to future periods and therefore, are not reported in governmental funds.		
Deferred outflows of resources - pensions		1,717,358
Deferred outflows of resources - other post-employment benefits		26,833.00
Deferred inflows of resources - pensions		(457,160)
Deferred inflows of resources - other post-employment benefits		(316,846)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in governmental funds. Long-term and other liabilities at year-end consist of:		
Accrued interest payable		(3,776)
Bonds payable		(532,500)
Accrued compensated absences		(20,001)
Net pension liability		(5,146,647)
Net other post-employment benefits liability		(1,392,130)
Total net position - governmental activities	\$	(1,715,047)

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

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

Exhibit B-3

	General Fund			Special Revenue	
	Operational 11000	Transportation 13000	Instructional Materials 14000	Title I IASA 24101	NM Reads to Lead K-3 Reading Initiative 27114
<i>Revenues:</i>					
Property taxes	\$ 14,635	\$ -	\$ -	\$ -	\$ -
State grants	2,027,180	98,038	4,273	-	47,207
Federal grants	9,548	-	-	85,116	-
Miscellaneous	-	-	-	-	-
Charges for services	15,180	-	-	-	-
Investment income	-	-	-	-	-
<i>Total revenues</i>	<u>2,066,543</u>	<u>98,038</u>	<u>4,273</u>	<u>85,116</u>	<u>47,207</u>
<i>Expenditures:</i>					
Current:					
Instruction	1,075,733	-	5,952	78,210	47,207
Support services					
Students	258,151	-	-	-	-
Instruction	1,796	-	-	-	-
General administration	159,202	-	-	3,361	-
School administration	105,639	-	-	3,545	-
Central services	116,464	-	-	-	-
Operation & maintenance of plant	365,249	-	-	-	-
Student transportation	-	97,947	-	-	-
Other support services	-	-	-	-	-
Food services operations	21,266	-	-	-	-
Community services	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
<i>Total expenditures</i>	<u>2,103,500</u>	<u>97,947</u>	<u>5,952</u>	<u>85,116</u>	<u>47,207</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(36,957)</u>	<u>91</u>	<u>(1,679)</u>	<u>-</u>	<u>-</u>
<i>Net changes in fund balances</i>	(36,957)	91	(1,679)	-	-
<i>Fund balances - beginning of year</i>	<u>357,526</u>	<u>(91)</u>	<u>2,152</u>	<u>-</u>	<u>-</u>
<i>Fund balances - end of year</i>	<u>\$ 320,569</u>	<u>\$ -</u>	<u>\$ 473</u>	<u>\$ -</u>	<u>\$ -</u>

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

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

	<u>Capital Projects</u>			Total Primary Government
	Educational Technology Equipment Act 31900	Debt Service 41000	Other Governmental Funds	
<i>Revenues:</i>				
Property taxes	\$ -	\$ 201,331	\$ 155,186	\$ 371,152
State grants	-	-	5,399	2,182,097
Federal grants	-	-	193,139	287,803
Miscellaneous	-	-	122,406	122,406
Charges for services	-	-	36,194	51,374
Investment income	1,727	-	-	1,727
<i>Total revenues</i>	<u>1,727</u>	<u>201,331</u>	<u>512,324</u>	<u>3,016,559</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	-	-	136,826	1,343,928
Support services				
Students	-	-	29,909	288,060
Instruction	-	-	-	1,796
General administration	-	2,013	3,133	167,709
School administration	-	-	111	109,295
Central services	-	-	-	116,464
Operation & maintenance of plant	-	-	-	365,249
Student transportation	-	-	-	97,947
Other support services	-	-	-	-
Food services operations	-	-	84,151	105,417
Community services	-	-	-	-
Capital outlay	34,009	-	79,590	113,599
Debt service				
Principal	-	175,000	67,500	242,500
Interest	-	19,349	2,136	21,485
<i>Total expenditures</i>	<u>34,009</u>	<u>196,362</u>	<u>403,356</u>	<u>2,973,449</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(32,282)</u>	<u>4,969</u>	<u>108,968</u>	<u>43,110</u>
<i>Net changes in fund balances</i>	(32,282)	4,969	108,968	43,110
<i>Fund balances - beginning of year</i>	<u>152,781</u>	<u>27,160</u>	<u>53,346</u>	<u>592,874</u>
<i>Fund balances - end of year</i>	<u>\$ 120,499</u>	<u>\$ 32,129</u>	<u>\$ 162,314</u>	<u>\$ 635,984</u>

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

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

Exhibit B-4

	Governmental Funds
Amounts reported for governmental activities in the Statement of Activities are different because:	
Net change in fund balances - total governmental funds	\$ 43,110
<p>Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities. This is the amount by which depreciation exceeds capital outlays for the period.</p>	
Depreciation expense	(478,872)
Loss on disposal of capital assets	(2,203)
<p>Revenues not collected within 60 days after the fiscal year-end are not considered available revenues in the governmental funds. They are considered revenues in the Statement of Activities. The increase (decrease) in revenues receivable for the year end were:</p>	
Unavailable revenue related to the property taxes receivable	(19,338)
Other unavailable revenues	6,791
<p>In the Statement of Activities, certain operating expenses - compensated absences and interest expense - are measured by the amounts incurred during the year. In the fund financial statements, however, expenditures are measured by the amount of financial resources used (essentially the amounts actually paid). The (increases) decreases in the liabilities for the year were:</p>	
Accrued interest payable	604
Accrued compensated absences	(7,114)
<p>Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.</p>	
Bond principle payments	242,500
<p>Governmental funds report district pension contributions as expenditures. However, in the Statement of Activities, the pension benefits earned net of employee contributions is reported as pension expense.</p>	
Difference between prior year pension contributions per entity and amount reported in the pension report	
Pension contributions - current year	186,461
Pension expense	(598,850)
Other post-employment benefits contributions - current year	26,833
Other post-employment benefits expense	(55,347)
Change in net position - total governmental activities	\$ (655,425)

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

**STATE OF NEW MEXICO**  
**SPRINGER MUNICIPAL SCHOOLS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL**  
**OPERATIONAL FUND (11000)**  
**FOR THE YEAR ENDING JUNE 30, 2018**

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
<i>Revenues:</i>				
Property taxes	\$ 13,860	\$ 13,860	\$ 14,560	\$ 700
State grants	1,998,236	2,029,389	2,027,180	(2,209)
Federal grants	10,000	10,323	9,548	(775)
Miscellaneous	-	-	-	-
Charges for services	16,000	16,000	10,180	(5,820)
Interest	-	-	-	-
<i>Total revenues</i>	<u>2,038,096</u>	<u>2,069,572</u>	<u>2,061,468</u>	<u>(8,104)</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	1,178,661	1,209,661	1,053,560	156,101
Support services				
Students	331,831	308,189	258,151	50,038
Instruction	-	5,000	1,796	3,204
General administration	154,242	168,494	158,154	10,340
School administration	105,813	113,049	105,639	7,410
Central services	123,259	122,481	116,464	6,017
Operation & maintenance of plant	342,144	465,783	367,182	98,601
Student transportation	-	-	-	-
Other support services	7,607	7,607	-	7,607
Food services operations	35,000	35,000	21,266	13,734
Community services	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>2,278,557</u>	<u>2,435,264</u>	<u>2,082,212</u>	<u>353,052</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(240,461)</u>	<u>(365,692)</u>	<u>(20,744)</u>	<u>344,948</u>
<i>Other financing sources (uses):</i>				
Designated cash	240,461	365,692	-	(365,692)
Operating transfers	-	-	-	-
Proceeds from bond issues	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>240,461</u>	<u>365,692</u>	<u>-</u>	<u>(365,692)</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>(20,744)</u>	<u>(20,744)</u>
<i>Cash or fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>365,693</u>	<u>365,693</u>
Prior period adjustments	-	-	-	-
<i>Adjusted cash or fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>365,693</u>	<u>365,693</u>
<i>Cash or fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 344,949</u>	<u>\$ 344,949</u>
<i>Reconciliation to GAAP basis:</i>				
Net change in fund balance (cash basis)			\$ (20,744)	
Adjustments to revenues			5,076	
Adjustments to expenditures			(21,289)	
Net change in fund balance (GAAP basis)			<u>\$ (36,957)</u>	

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

**STATE OF NEW MEXICO**  
**SPRINGER MUNICIPAL SCHOOLS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL**  
**TRANSPORTATION FUND (13000)**  
**FOR THE YEAR ENDING JUNE 30, 2018**

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
<i>Revenues:</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	98,038	98,038	98,038	-
Federal grants	-	-	-	-
Miscellaneous	-	-	-	-
Charges for services	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>98,038</u>	<u>98,038</u>	<u>98,038</u>	<u>-</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	-	-	-	-
Support services				
Students	-	-	-	-
Instruction	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Central services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	98,038	98,038	94,188	3,850
Other support services	-	-	-	-
Food services operations	-	-	-	-
Community services	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>98,038</u>	<u>98,038</u>	<u>94,188</u>	<u>3,850</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>-</u>	<u>3,850</u>	<u>3,850</u>
<i>Other financing sources (uses):</i>				
Designated cash	-	-	-	-
Operating transfers	-	-	-	-
Proceeds from bond issues	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>3,850</u>	<u>3,850</u>
<i>Cash or fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Prior period adjustments	-	-	-	-
<i>Adjusted cash or fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Cash or fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,850</u>	<u>\$ 3,850</u>
<i>Reconciliation to GAAP basis:</i>				
Net change in fund balance (cash basis)			\$ 3,850	
Adjustments to revenues			-	
Adjustments to expenditures			(3,759)	
Net change in fund balance (GAAP basis)			<u>\$ 91</u>	

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

**STATE OF NEW MEXICO**  
**SPRINGER MUNICIPAL SCHOOLS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL**  
**INSTRUCTIONAL MATERIALS FUND (14000)**  
**FOR THE YEAR ENDING JUNE 30, 2018**

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
<i>Revenues:</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	3,865	3,865	4,273	408
Federal grants	-	-	-	-
Miscellaneous	-	-	-	-
Charges for services	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>3,865</u>	<u>3,865</u>	<u>4,273</u>	<u>408</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	5,388	6,017	5,952	65
Support services				
Students	-	-	-	-
Instruction	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Central services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other support services	-	-	-	-
Food services operations	-	-	-	-
Community services	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>5,388</u>	<u>6,017</u>	<u>5,952</u>	<u>65</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(1,523)</u>	<u>(2,152)</u>	<u>(1,679)</u>	<u>473</u>
<i>Other financing sources (uses):</i>				
Designated cash	1,523	2,152	-	(2,152)
Operating transfers	-	-	-	-
Proceeds from bond issues	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>1,523</u>	<u>2,152</u>	<u>-</u>	<u>(2,152)</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>(1,679)</u>	<u>(1,679)</u>
<i>Cash or fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>2,152</u>	<u>2,152</u>
Prior period adjustments	-	-	-	-
<i>Adjusted cash or fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>2,152</u>	<u>2,152</u>
<i>Cash or fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 473</u>	<u>\$ 473</u>
<i>Reconciliation to GAAP basis:</i>				
Net change in fund balance (cash basis)			\$ (1,679)	
Adjustments to revenues			-	
Adjustments to expenditures			-	
Net change in fund balance (GAAP basis)			<u>\$ (1,679)</u>	

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

**STATE OF NEW MEXICO**  
**SPRINGER MUNICIPAL SCHOOLS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL**  
**TITLE I IASA SPECIAL REVENUE FUND (24101)**  
**FOR THE YEAR ENDING JUNE 30, 2018**

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
<i>Revenues:</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	-	-	-	-
Federal grants	85,405	85,405	62,779	(22,626)
Miscellaneous	-	-	-	-
Charges for services	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>85,405</u>	<u>85,405</u>	<u>62,779</u>	<u>(22,626)</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	81,895	78,295	76,923	1,372
Support services				
Students	-	-	-	-
Instruction	-	-	-	-
General administration	3,510	3,510	3,361	149
School administration	-	3,600	3,545	55
Central services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other support services	-	-	-	-
Food services operations	-	-	-	-
Community services	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>85,405</u>	<u>85,405</u>	<u>83,829</u>	<u>1,576</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>-</u>	<u>(21,050)</u>	<u>(21,050)</u>
<i>Other financing sources (uses):</i>				
Designated cash	-	-	-	-
Operating transfers	-	-	-	-
Proceeds from bond issues	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>(21,050)</u>	<u>(21,050)</u>
<i>Cash or fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>(8,676)</u>	<u>(8,676)</u>
Prior period adjustments	-	-	-	-
<i>Adjusted cash or fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>(8,676)</u>	<u>(8,676)</u>
<i>Cash or fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (29,726)</u>	<u>\$ (29,726)</u>
<i>Reconciliation to GAAP basis:</i>				
Net change in fund balance (cash basis)			\$ (21,050)	
Adjustments to revenues			22,337	
Adjustments to expenditures			(1,287)	
Net change in fund balance (GAAP basis)			<u>\$ -</u>	

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



**STATE OF NEW MEXICO**  
**SPRINGER MUNICIPAL SCHOOLS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL**  
**NEW MEXICO READS TO LEAD SPECIAL REVENUE FUND (27114)**  
**FOR THE YEAR ENDING JUNE 30, 2018**

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
<i>Revenues:</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	54,617	54,617	45,910	(8,707)
Federal grants	-	-	-	-
Miscellaneous	-	-	-	-
Charges for services	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>54,617</u>	<u>54,617</u>	<u>45,910</u>	<u>(8,707)</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	54,617	54,617	45,973	8,644
Support services				
Students	-	-	-	-
Instruction	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Central services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other support services	-	-	-	-
Food services operations	-	-	-	-
Community services	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>54,617</u>	<u>54,617</u>	<u>45,973</u>	<u>8,644</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>-</u>	<u>(63)</u>	<u>(63)</u>
<i>Other financing sources (uses):</i>				
Designated cash	-	-	-	-
Operating transfers	-	-	-	-
Proceeds from bond issues	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>(63)</u>	<u>(63)</u>
<i>Cash or fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>(16,156)</u>	<u>(16,156)</u>
Prior period adjustments	-	-	-	-
<i>Adjusted cash or fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>(16,156)</u>	<u>(16,156)</u>
<i>Cash or fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (16,219)</u>	<u>\$ (16,219)</u>
<i>Reconciliation to GAAP basis:</i>				
Net change in fund balance (cash basis)			\$ (63)	
Adjustments to revenues			1,297	
Adjustments to expenditures			(1,234)	
Net change in fund balance (GAAP basis)			<u>\$ -</u>	

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

**STATE OF NEW MEXICO**  
**SPRINGER MUNICIPAL SCHOOLS**  
**AGENCY FUNDS**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**JUNE 30, 2018**

Exhibit D-1

	<u>Agency Funds</u>
<b>ASSETS</b>	
<i>Current Assets:</i>	
Cash	\$ 59,690
Investments	<u>207,769</u>
<i>Total assets</i>	<u><u>\$ 267,459</u></u>
 <b>LIABILITIES</b>	
<i>Current Liabilities:</i>	
Accounts payable	\$ 480
Deposits held in trust for others	<u>266,979</u>
<i>Total liabilities</i>	<u><u>\$ 267,459</u></u>

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

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

**NOTE 1      Summary of Significant Accounting Policies**

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

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

During the year ended June 30, 2018, the District adopted the following GASB Statements.

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. This Statement is effective for fiscal years beginning after June 15, 2017.
- GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively.
- GASB Statement No. 85 *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.
- GASB Statement No. 86 *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

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

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

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

A.      *Financial Reporting Entity*

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

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

B.      *Government-wide and Fund Financial Statements*

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

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

The District reports all direct expenses by function in the statement of activities. Direct expenses are those that are clearly identifiable with a function. The District does not currently employ indirect cost allocation systems. Depreciation expense is specifically identified by function and is included in the direct expense of each function, except for that portion of depreciation that is identified as unallocated on the statement of activities. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

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

*B.      Government-wide and Fund Financial Statements (Continued)*

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

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

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

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

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

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

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

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

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

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**SPRINGER MUNICIPAL SCHOOLS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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

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

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

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

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

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

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

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

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

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

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

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

*Title I IASA* (24101) This fund is used to account for the major objectives of the Title I programs are to provide supplemental educational opportunity for academically disadvantaged children in the area of residing. Campuses are identified for program participation by the percentage of students on free or reduced price lunches. Any school with a free and reduced price lunch percentage that is equal to or greater than the total district percentage becomes eligible for program participation. Any student whose test scores fall below District established criteria and who is attending a Title I campus is eligible to receive Title I services. Poverty is the criteria that identify a campus; educational need determines the students to be served.

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

*C.      Measurement focus, basis of accounting, and financial statement presentation (Continued)*

Federal revenues accounted for in this fund are allocated to the District through the New Mexico Department of Education. Authority for creation of this fund is Part A of Chapter I of Title I of Elementary and Secondary Education Act (ESEA) of 1965, as amended, Public Law 103-383. No minimum balance required according to legislation.

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

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

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

Additionally, the government reports the following fund types:

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

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

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

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

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

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

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

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



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

*C.      Measurement focus, basis of accounting, and financial statement presentation (Continued)*

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

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. The District receives monthly income from a tax levy in Colfax County. The funds are collected by the County Treasurer and are remitted to the District the following month. Under the modified accrual method of accounting, the amount remitted by the Colfax County Treasurer in July and August 2018 is considered 'measurable and available' and, accordingly, is recorded as revenue during the year ended June 30, 2018.

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

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

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

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

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

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. The District expenses the cost of library books when purchased because their estimated useful life is less than one year. Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest was included as part of the cost of capital assets under construction during the year ended June 30, 2018.

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

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

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

Buildings/building improvements	20-50 years
Furniture vehicles and equipment	3-15 years

**Deferred Outflows of Resources – Pensions:** The government-wide financial statements report pension related expenses and liabilities for the cost-sharing plan one year in arrears, i.e. expenses and liabilities as of June 30, 2017. Contributions of \$186,461 made by the District in the current fiscal year are thus applicable to a future reporting period where they will then be expensed. As such, they are presented in the Statement of Net Position as a deferred outflow of resources in the current period. The District may also have four other deferred outflows which arise due to the implementation of GASB 68; change in proportion \$19,251; change in assumptions \$1,502,407; and actuarial experience \$9,239.

**Deferred Outflows of Resources – OPEB:** The government-wide financial statements report other post-employment benefits related expenses and liabilities for the cost-sharing plan one year in arrears, i.e. expenses and liabilities as of June 30, 2017. Contributions of \$26,833 made by the District in the current fiscal year are thus applicable to a future reporting period where they will then be expensed. As such, they are presented in the Statement of Net Position as a deferred outflow of resources in the current period. The District may also have four other deferred outflows which arise due to the implementation of GASB 75; change in proportion; change in assumptions; investment experience; and actuarial experiences which have no balances in the current year.

**Unearned Revenues:** The District recognizes grant revenue at the time the related expense is made if the expenditure of funds is the prime factor for determining eligibility for reimbursement; therefore, amounts received and not expended in the Special Revenue Funds are shown as unearned revenues. At June 30, 2018, the District had no unearned revenues.

**Compensated Absences:** All full-time employees working on a 12 month basis will be granted annual leave at the rate of one and one-third days per month for a total of sixteen days per year. These employees shall be permitted to accumulate and carry forward from one calendar year to the next not more than sixteen days of annual leave. Upon termination, resignation, or retirement of a full-time employee, accumulated annual leave will be paid up to a maximum of sixteen days at the employee’s daily rate at the time of separation.

**Long-term Obligations:** In the government-wide fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. For bonds issued after the fiscal year ended June 30, 2004, bond premiums and discounts, will be deferred and amortized over the life of the bonds using the effective interest method. Bonds payable of \$532,500 as of June 30, 2018 are reported net of the applicable bond premium or discount. Bond insurance issuance costs will be reported as deferred charges and amortized over the term of the related debt.

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

**Net Pension Liability:** The District records its proportionate share of the difference between the value of total pension liabilities and plan assets for the State of New Mexico’s Employee Retirement Board pension plan. For the year ended June 30, 2018, the net pension liability totaled \$5,146,647.

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JUNE 30, 2018**

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

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

**Net Other Post-Employment Benefits Liability:** The District records its proportionate share of the difference between the value of total other post-employment benefits (OPEB) and plan assets for the State of New Mexico's Retiree Health Care plan. For the year ended June 30, 2018, the net OPEB liability totaled \$1,392,130.

**Deferred Inflows of Resources – Unavailable Revenues:** Governmental funds report unavailable revenues in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Revenues not received within sixty (60) days of year-end are not considered available; therefore, a receivable is recorded for the amount due and a corresponding deferred revenue, is recorded as well. Total unavailable revenues of \$35,369 for property taxes were recorded at June 30, 2018.

**Deferred Inflows of Resources - Pensions:** Change actuarial experience \$79,289; change in investment experience \$706; and change in proportion \$377,165 for the District are applicable to a future reporting period and will be expensed over an established period beginning in the next fiscal year. As such, these amounts are presented in the Statement of Net Position as deferred inflows of resources in the current period.

**Deferred Inflows of Resources – OPEB:** Changes in actuarial experience \$53,423; change in assumptions \$243,396, and change in investment experience \$20,027 for the District are applicable to a future reporting period and will be expensed over a five-year period beginning in the next fiscal year. As such, these amounts are presented in the Statement of Net Position as deferred inflows of resources in the current period.

**Net Position or Fund Equity:** Governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. In the government-wide financial statements, fund equity is classified as net position and is displayed in three components:

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

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

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

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

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

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

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

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

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

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

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

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

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

*E.      Revenues*

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

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

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

*E.      Revenues (Continued)*

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

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

A school district's program costs are determined through the use of various formulas using 'program units' which take into consideration 1) early childhood education; 2) basic education; 3) special education; 4) bilingual-multicultural education; 5) size, etc. Payment is made from the public school fund under the authority of the Director of Public School Finance. The District received \$2,027,180 in state equalization guarantee distributions during the year ended June 30, 2018.

**Tax Revenues:** The District receives mill levy and ad-valorem tax revenues primarily for debt service and capital outlay purposes. Property taxes are assessed on January 1 of each year and are payable in two equal installments, on November 10th of the year in which the tax bill is prepared and April 10th of the following year with the levies becoming delinquent 30 days (one month) thereafter. In the government-wide financial statements, the District recognizes property tax revenues in the period for which they are levied, net of estimated refunds and uncollectible amounts. The District records only the portion of the taxes considered to be 'measurable' and 'available' in the government fund financial statements, which is within 60 days of year-end. Descriptions of the individual debt service and capital outlay funds contained in these financial statements include information regarding the authority for the collection and use of these taxes. In the financial statements, the mill levy and ad-valorem taxes are broken out into two types: property taxes – residential and commercial and property taxes – oil and gas. Amounts collected from residential and commercial property taxes at June 30, 2018 were \$371,152. No oil and gas taxes were collected.

**Transportation Distribution:** School districts in the State of New Mexico receive student transportation distributions. The transportation distribution is allocated to each school district in accordance with formulas developed by the State Transportation Director and the Director of Public School Finance. The funds shall be used only for the purpose of making payments to each school district for the to-and-from school transportation costs of students in grades K through twelve attending public school within the school district. The District received \$98,038 in transportation distributions during the year ended June 30, 2018.

**Instructional Materials:** The New Mexico Public Education Department (PED) receives federal material leasing funds from which it makes annual allocations to the various school districts for the purchase of educational materials. Of each allocation, fifty percent is restricted to the requisition of materials listed in the State Board of Education "State Adopted Instructional Material" list, while fifty percent of each allocation is available for purchases directly from vendors. Allocations received from the State for the year ended June 30, 2018 totaled \$4,273.

**SB-9 State Match:** The Director shall distribute to any school district that has imposed a tax under the Public School Capital Improvements Act (22-25-1 to 22-25-10 NMSA 1978) an amount from the public school capital improvements fund that is equal to the amount by which the revenue estimated to be received from the imposed tax as specified in Subsection B of Section 22-25-3 NMSA 1978, assuming a one hundred percent collection rate, is less than an amount calculated by multiplying the product obtained by the rate imposed in the District under the Public School Capital Improvements Act. The distribution shall be



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

*E. Revenues (Continued)*

made by December 1, of each year that the tax is imposed in accordance with Section 22-25-3 NMSA 1978. Provided, however, in the event that sufficient funds are not available in the public school capital improvement funds to make the state distribution provided for in this section, the dollar per program unit figure shall be reduced as necessary. The District received no state SB-9 matching funds during the year ended June 30, 2018.

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

Money in the fund shall be disbursed by warrant of the Department of Finance and Administration on vouchers signed by the Secretary of Finance and Administration following certification by the council that the application has been approved. During the year ended June 30, 2018, the District received no special capital outlay funds.

**Federal Grants:** The District receives revenues from various federal departments (both direct and indirect), which are legally restricted to expenditures for specific purposes. These programs are reported as Special Revenue Funds. Each program operated under its own budget, which has been approved by the federal department or the flowthrough agency (usually the New Mexico Public Education Department). The various budgets are approved by the local school board and the New Mexico Public Education Department. The District also receives reimbursement under the National School Lunch and Breakfast Programs for its food services operations, and the distributions of commodities through the New Mexico Human Services Department.

**NOTE 2      Stewardship, Compliance and Accountability**

*Budgetary Information*

Budgets for the General, Special Revenue, Capital Projects, and Debt Service Funds are prepared by management and are approved by the local Board of Education and the School Budget and Planning Unit of the Public Education Department. Auxiliary student activity accounts are not budgeted. Public School Capital Outlay Council expenditures in the Public School Capital Outlay fund are not budgeted at the District level, so there is no budgetary comparison presented. These budgets are prepared on the non-GAAP cash basis, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year. The budget process in the State of New Mexico requires that the ending cash balance be appropriated in the budget of the subsequent fiscal year.

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

1. In April or May, the local school board submits to the District Budget Planning Unit (DBPU) of the New Mexico Public Education Department (PED) (100%) a proposed operating budget for the ensuing fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them. All budgets are submitted to the State of New Mexico PED.

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**NOTE 2      Stewardship, Compliance and Accountability (Continued)**

*Budgetary Information*

2. In May or June of each year, the proposed “operating” budget will be reviewed and approved by the DBPU and certified and approved by the local school board at a public hearing of which notice has been published by the local school board which fixes the estimated budget for the school district for the ensuing fiscal year.
3. The school board meeting, while not intended for the general public, is open for the general public unless a closed meeting has been called.
4. The “operating” budget will be used by the District until they have been notified that the budget has been approved by the DBPU and the local school board. The budget shall be integrated formally into the accounting system. Encumbrances shall be used as an element of control and shall be integrated into the budget system.
5. The District shall make corrections, revisions and amendments to the estimated budgets fixed by the local school board to recognize actual cash balances and carryover funds, if any. These adjustments shall be reviewed and approved by the DBPU.
6. The superintendent is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the school board and the State of New Mexico Public Education Department.
7. Budget change requests are processed in accordance with Supplement 1 (Budget Preparation and Maintenance) of the Manual of Procedures Public School Accounting and Budgeting. Such changes are initiated by the school district and approved by the DBPU.
8. Legal budget control for expenditures is by function.
9. Appropriations lapse at fiscal year-end. Funds unused during the fiscal year may be carried over into the next fiscal year by budgeting those in the subsequent fiscal year’s budget. The budget schedules included in the accompanying financial statements reflect the approved budget and amendments thereto.
10. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Funds and Capital Projects Funds.

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

The accompanying Statements of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non- GAAP Budgetary Basis) and Actual present comparisons of the legally adopted budget with actual data on a budgetary basis. Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of resultant basis, perspective, equity, and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2018, is presented on each funds’ Statement of Revenue, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual.

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**NOTE 3 Cash and Temporary Investments**

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

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

The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit. Excess of funds may be temporarily invested in securities which are issued by the State or by the United States Government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

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

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

**Deposits**

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

	International Bank	Wells Fargo Bank	Total
	<u>          </u>	<u>          </u>	<u>          </u>
Total amounts of deposits	\$ 556,122	\$ 14,302	\$ 570,424
FDIC coverage	250,000	14,302	\$ 264,302
Total uninsured public funds	<u>306,122</u>	<u>-</u>	<u>306,122</u>
Collateral requirement (50% of uninsured public funds)	153,061	-	153,061
Pledged security	<u>324,418</u>	<u>-</u>	<u>\$ 324,418</u>
Total over (under) collateralized	<u>\$ 171,357</u>	<u>\$ -</u>	<u>\$ 171,357</u>

The funds are maintained in interest bearing and non-interest bearing checking accounts in Citizens Bank.

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

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure the government’s deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk, other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978).



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**NOTE 3 Cash and Temporary Investments (Continued)**

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

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

At June 30, 2018, \$306,122 of the District’s bank balance of \$570,424 was exposed to custodial credit risk as it was uninsured and the collateral was not held in the District’s name.

**Reconciliation of Cash and Temporary Investments to the Financial Statements**

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

Reconciliation to Statement of Net Position

Governmental Funds - Balance Sheet

Cash and cash equivalents per Exhibit A-1	\$ 592,394
Statement of Fiduciary Net Position - cash per Exhibit D-1	267,459
Total per financial statements	859,853
Add outstanding checks and other reconciling items	40,206
Less investments in state fund	(207,769)
Less investments with bond fund	(120,499)
Less unreconciled difference	(1,367)
Bank balance of deposits	\$ 570,424

The District utilized pooled accounts for their programs and funds. Negative cash balances in individual funds that were part of the pooled accounts should be reclassified as due to/due from accounts in the combining balance sheets at June 30, 2018. Funds 24000 through 25000 are federal funds, 27000 through 29000 funds are non-federal funds. The following individual funds had negative cash balances as of June 30, 2018:

**Fund # Major Funds**

24101	Title I IASA	\$ 29,726
27114	NM Reads to Lead K-3 Reading Initiative	16,219

**Fund # Special Revenue Funds:**

24106	IDEA-B Entitlement	5,810
24118	Fresh Fruits and Vegetables	602
24132	IDEA-B Results Plan	13,936
25153	Title XIX Medicaid 3/21 Years	7,783
	Total	\$ 74,076

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**NOTE 3 Cash and Temporary Investments (Continued)**

**Temporary Investments**

At June 30, 2018, the District had \$120,499 held in trust by the Bank of Albuquerque. Those funds are held in a U.S. Treasury Money Market Fund. The District does not have the legal authority to move these funds from the trust institution. Information regarding the fund is as follows:

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

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

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

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

**NOTE 4 Receivables**

Receivables as of June 30, 2018 are as follows:

	Major Funds			
	Operational 11000	Title I IASA 24101	NM Reads to Lead K-3 271140	Debt Service 41000
Property taxes	\$ 1,415	\$ -	\$ -	\$ 24,013
Due from other governments	-	31,013	17,990	-
Other	5,000	-	-	-
Total receivables	<u>\$ 6,415</u>	<u>\$ 31,013</u>	<u>\$ 17,990</u>	<u>\$ 24,013</u>

  

	Other Governmental Funds	Total Governmental Funds
Property taxes	\$ 15,534	\$ 40,962
Due from other governments	29,486	54,914
Other	-	5,000
Total receivables	<u>\$ 45,020</u>	<u>\$ 124,451</u>

The above receivables are deemed 100% collectible. In accordance with GASB No. 33, property tax revenues in the amount of \$35,369 and grant revenues of \$6,791 were not collected within the period of availability.

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**NOTE 5 Interfund Receivables, Payables, and Transfers**

“Interfund balances” have primarily been recorded when funds overdraw their share of pooled cash when the District is waiting for grant reimbursements. The composition of interfund balances at June 30, 2018 is as follows:

<b>Governmental Activities</b>	Interfund Receivables	Interfund Payables
<b>Major Funds:</b>		
Operational (11000)	\$ 74,076	\$ -
Title I IASA (24101)	-	29,726
NM Reads to Lead K-3 Reading Initiative (27114)	-	16,219
<b>Non-major Funds:</b>		
IDEA-B Entitlement (24106)	-	5,810
Fresh Fruits and Vegetables (24118)	-	602
IDEA-B Results Plan (24132)	-	13,936
Title XIX Mexicaid 3/21 Years (25153)	-	7,783
Totals	\$ 74,076	\$ 74,076

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

**NOTE 6 Capital Assets**

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

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
Capital assets used in governmental activities:				
Capital assets not being depreciated:				
Land	\$ 8,126	\$ -	\$ -	\$ 8,126
Total capital assets not being depreciated	8,126	-	-	8,126
Capital assets being depreciated:				
Buildings and building improvements	10,332,533	-	-	10,332,533
Vehicles and equipment	1,625,591	-	(11,901)	1,613,690
Total capital assets being depreciated	11,958,124	-	(11,901)	11,946,223
Less accumulated depreciation:				
Buildings and building improvements	6,399,593	410,522	-	6,810,115
Vehicles and equipment	1,353,904	68,350	(9,698)	1,412,556
Total accumulated depreciation	7,753,497	478,872	(9,698)	8,222,671
Total capital assets, net of depreciation	\$ 4,212,753	\$ (478,872)	\$ (2,203)	\$ 3,731,678

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**NOTE 6 Capital Assets (Continued)**

Depreciation was allocated for the year as follows:

Governmental activities:	
Instruction	\$ 478,872
Total depreciation	<u>\$ 478,872</u>

At June 30, 2018, the District had no construction agreements in place.

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.

**NOTE 7 Long-Term Debt**

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

	Balance at 06/30/17	Additions	Deletions	Balance at 06/30/18	Due Within One Year
General Obligation Bonds	\$ 775,000	\$ -	\$ 242,500	\$ 532,500	\$ 243,500
Compensated Absences	12,887	21,894	14,780	20,001	14,780
Total	<u>\$ 787,887</u>	<u>\$ 21,894</u>	<u>\$ 257,280</u>	<u>\$ 552,501</u>	<u>\$ 258,280</u>

**General Obligation Bonds:** Are direct obligations and pledge the full faith and credit of the District. The District has one outstanding general obligation bond as of June 30, 2018. All general obligation bonds are for governmental activities.

	2009 GO Bond	2010 GO Bond	2016 GO Ed Tech Note
Issue Date	<u>6/15/2009</u>	<u>3/15/2010</u>	<u>7/22/2016</u>
Original Issue	\$500,000	\$500,000	\$275,000
Maturity Date	6/15/2018	3/15/2020	5/1/2021
Principal	15-Jun	15-Mar	1-May
Interest Rate	4.00%	3.75 - 4.00%	.10 - 1.3794%
Principal/Interest	15-Dec	15-Sep	1-Nov
Interest	15-Jun	15-Mar	1-May

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**NOTE 7 Long-Term Debt (Continued)**

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

Fiscal Year Ending June 30,	Total General Obligation Bonds		Total Debt Service
	Principal	Interest	
2019	\$ 243,500	\$ 13,513	\$ 257,013
2020	219,500	6,548	226,048
2021	69,500	479	69,979
Totals	<u>\$ 532,500</u>	<u>\$ 20,540</u>	<u>\$ 553,040</u>

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

**Compensated Absences** Administrative employees of the District are able to accrue a limited amount of vacation and other compensatory time during the year. During fiscal year June 30, 2018, compensated absences increased \$7,114 over the prior year accrual. See Note 1 for more details.

**Operating Leases** The District leases office equipment, including copy machines and postage meter machines, under short-term cancelable operating leases.

**NOTE 8 Unearned Revenues**

In accordance with the terms of the various grant agreements within the Special Revenue Funds, revenues received in excess of expenditures carry over to the subsequent years, unless such excess revenues are requested to be returned to the grantor. The District had no unearned revenues at June 30, 2018.

**NOTE 9 Risk Management**

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

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

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

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**NOTE 10 Other Required Individual Fund Disclosures**

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

A. Deficit fund balance of individual funds. The following funds reported a deficit fund balance at June 30, 2018:

Fund #	Fund Description	Amount
24106	IDEA-B Entitlement	\$ 6,791
25153	Title XIX Medicaid 3/21 Years	314
	Total	<u>\$ 7,105</u>

B. Excess of expenditures over appropriations. For the year ended June 30, 2018, the District had the following funds with expenditures in excess of appropriations.

Fund #	Fund and Function	Amount
<b>Major Funds:</b>		
41000	Debt Service - General Administration	\$ 263
<b>Non-major Funds:</b>		
21000	Food Services - Food Service Operations	4,613
29134	Solar Pilot - Instruction	1,060
43000	Education Technology Debt Service - General Administration	31
43000	Education Technology Debt Service - Interest	569
	Total	<u>\$ 6,536</u>

C. Cash appropriations in excess of available cash balance. For the year ended June 30, 2018, the District had one fund with cash appropriations in excess of cash balance.

Non-major Funds:	Original	Actual	Difference
	Cash Budget	Cash	
25153 Title XIX Medicaid 3/21 Years	<u>\$ 12,048</u>	<u>\$ (1,779)</u>	<u>\$ (13,827)</u>
Total	<u>\$ 12,048</u>	<u>\$ (1,779)</u>	<u>\$ (13,827)</u>

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

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

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

The Plan is considered a component unit of the State’s financial reporting entity. The ERA assigns the authority to establish and amend benefit provisions to a seven-member Board of Trustees (Board); the state legislature has authority to set or amend contribution rates and other terms of the Plan which is a pension benefit trust fund of the

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

State of New Mexico. NMERB is self-funded through investment income and educational employer contributions. The Plan does not receive General Fund Appropriations from the State of New Mexico.

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

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

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

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

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

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

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

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

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

**Benefit Options.** The Plan has three benefit options available.

- **Option A – Straight Life Benefit** – The single life annuity option has no reductions to the monthly benefit, and there is not continuing benefit due to a beneficiary or estate, except the balance, if any, of member contributions plus interest less benefits paid prior to the member's death.



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

- **Option B – Joint 100% Survivor Benefit** – The single life annuity monthly benefit is reduced to provide for a 100% survivor's benefit. The reduced benefit is payable during the life of the member, with the provision that, upon death, the same benefit is paid to the beneficiary for his or her lifetime. If the beneficiary predeceases the member, the member's monthly benefit is increased to the amount the member would have received under Option A Straight Life Benefit. The member's increased monthly benefit commences in the month following the beneficiary's death.
- **Option C – Joint 50% Survivor Benefit** – The single life annuity monthly benefit is reduced to provide for a 50% survivor's benefit. The reduced benefit is payable during the life of the member, with the provision that, upon death, the reduced 50% benefit is paid to the beneficiary for his or her lifetime. If the beneficiary predeceases the member, the member's monthly benefit is increased to the amount the member would have received under Option A Straight Life Benefit. The member's increased monthly benefit commences in the month following the beneficiary's death.

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

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

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

As of July 1, 2013, for current and future retirees the COLA was immediately reduced until the plan is 100% funded. The COLA reduction is based on the median retirement benefit of all retirees excluding disability retirements. Retirees with benefits at or below the median and with 25 or more years of service credit will have a 10% COLA reduction; their average COLA will be 1.8%. Once the funding is greater than 90%, the COLA reductions will decrease. The retirees with benefits at or below the median and with 25 or more years of service credit will have a 5% COLA reduction; their average COLA will be 1.9%.

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

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

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



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

<u>Fiscal Year</u>	<u>Date Range</u>	<u>Wage Category</u>	<u>Member Rate</u>	<u>Employer Rate</u>	<u>Combined Rate</u>	<u>Increase Over Prior Year</u>
2018	7-1-17 to 6-30-18	Over \$20K	10.70%	13.90%	24.60%	0.00%
2018	7-1-17 to 6-30-18	\$20K or less	7.90%	13.90%	21.80%	0.00%
2017	7-1-16 to 6-30-17	Over \$20K	10.70%	13.90%	24.60%	0.00%
2017	7-1-16 to 6-30-17	\$20K or less	7.90%	13.90%	21.80%	0.00%

The contribution requirements of defined benefit plan members and the District are established in state statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the New Mexico legislature. For the fiscal years ended June 30, 2018 and 2017, the District paid employee and employer contributions of \$324,333 and \$319,231 which equal the amount of the required contributions for each fiscal year.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:* At June 30, 2018, the District reported a liability of \$5,146,647 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2017, using generally accepted actuarial principles. The roll-forward incorporates the impact of the new assumptions adopted by the Board on April 21, 2017. There were no other significant events of changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2017. Therefore, the employer's portion was established as of the measurement date of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating educational institutions, actuarially determined. At June 30, 2017, the District's proportion was 0.04631%, which was a decrease of 0.000710% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$598,850. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Net (Inflows) Outflows</u>
Differences between expected and actual experience	\$ 9,239	\$ (79,289)	\$ (70,050)
Changes of assumptions	1,502,407	-	1,502,407
Net difference between projected and actual earnings on pension plan investments	-	(706)	(706)
Changes in proportion and differences between the District's contributions and proportionate share of contributions	19,251	(377,165)	(357,914)
District's contributions subsequent to the measurement date	186,461	-	186,461
Total	<u>\$ 1,717,358</u>	<u>\$ (457,160)</u>	<u>\$ 1,260,198</u>

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

Deferred outflows of resources of \$186,461 related to pensions resulting from the District’s contributions subsequent to the measurement date of June 30, 2017 will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended June 30,</b>	
2019	\$ (67,364)
2020	(67,364)
2021	(67,364)
2022	(67,364)
2023	(47,390)
Thereafter	-
Total	<u><u>\$ (316,846)</u></u>

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

Inflation	2.5%										
Salary Increases	3.25% composed of 2.50% inflation, plus a 0.75% productivity increase rate, plus a step-rate promotional increase for members with less than 10 years of service.										
Investment Rate of Return	7.25% compounded annually, net of expenses. This is made up of a 2.50% inflation rate and a 4.75 real rate of return.										
Average of Expected Remaining Service Lives	<table border="0" style="margin-left: 20px;"> <thead> <tr> <th style="text-align: left;">Fiscal Year</th> <th style="text-align: center;"><u>2017</u></th> <th style="text-align: center;"><u>2016</u></th> <th style="text-align: center;"><u>2015</u></th> <th style="text-align: center;"><u>2014</u></th> </tr> </thead> <tbody> <tr> <td style="text-align: left;">Service life in years</td> <td style="text-align: center;">3.335</td> <td style="text-align: center;">3.77</td> <td style="text-align: center;">3.92</td> <td style="text-align: center;">3.88</td> </tr> </tbody> </table>	Fiscal Year	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	Service life in years	3.335	3.77	3.92	3.88
Fiscal Year	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>							
Service life in years	3.335	3.77	3.92	3.88							
Mortality	<p><b>Healthy males:</b> Based on the RP-2000 Combined Mortality Table with White Collar adjustments, not set back. Generational mortality improvements with Scale BB from the table’s base year of 2000.</p> <p><b>Healthy females:</b> Based on GRS Southwest Region Teacher Mortality Table, set back one year, generational mortality improvements in accordance with Scale BB from the table’s base year of 2012.</p> <p><b>Disabled males:</b> RP-2000 Disabled Mortality Table for males, set back three years, projected to 2016 with Scale BB.</p> <p><b>Disabled females:</b> RP-2000 Disabled Mortality Table for females, no set back, projected to 2016 with Scale BB.</p> <p><b>Active members:</b> RP-2000 Employee Mortality Tables, with males set back two years and scaled at 80%, and females set back five years and scaled at 70%. Static mortality improvement from the table’s base year of 2000 to the year 2016 in accordance with Scale BB. No future improvement was assumed for preretirement mortality.</p>										
Retirement Age	Experience-based table rates based on age and service, adopted by the Board on June 12, 2015 in conjunction with the six-year experience study for the period ending June 30, 2014.										
Cost-of-Living Increases	1.90% per year, compounded annually.										

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

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

Payroll Growth	3.00% per year (with no allowance for membership growth).
Contribution Accumulation	The accumulated member account balance with interest is estimated at the valuation date by assuming that member contributions increased 5.50% per year for all years prior to the valuation date. Contributions are credited with 4.00% interest, compounded annually, applicable to the account balance in the past as well as future.
Disability Incidence	Approved rates applied to eligible members with at least 10 years of service.

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

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

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

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

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

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

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

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 SPRINGER MUNICIPAL SCHOOLS  
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 JUNE 30, 2018**

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

	1% Decrease (4.90%)	Current Discount Rate (5.90%)	1% Increase (6.90%)
District's proportionate share of the net pension liability	\$ 6,699,655	\$ 5,146,647	\$ 3,877,190

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

*Payables to the pension plan.* The District remits the legally required employer and employee contributions on a monthly basis to ERB. The ERB requires that the contributions be remitted by the 15<sup>th</sup> day of the month following the month for which contributions are withheld. At June 30, 2018 the District had no contributions which were outstanding.

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

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

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

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

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

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

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

**Contributions** - Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee's salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer's participation in the Fund. Contributions to the Fund from the District were \$26,833 for the year ended June 30, 2018.

At June 30, 2018, the District reported a liability of \$1,392,130 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2017, the District's proportion was 0.03072%.

For the year ended June 30, 2018, the District recognized OPEB expense of \$55,347. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Net (Inflows) Outflows</u>
Differences between expected and actual experience	\$ -	\$ (53,423)	\$ (53,423)
Changes of assumptions	-	(243,396)	(243,396)
Net difference between projected and actual earnings on pension plan investments	-	(20,027)	(20,027)
District's contributions subsequent to the measurement date	<u>26,833</u>	<u>-</u>	<u>26,833</u>
Total	<u><u>\$ 26,833</u></u>	<u><u>\$ (316,846)</u></u>	<u><u>\$ (290,013)</u></u>

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

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

Deferred outflows of resources totaling \$26,833 represent the District’s contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

<b>Year ended June 30,</b>	
2019	\$ (67,364)
2020	(67,364)
2021	(67,364)
2022	(67,364)
2023	(47,390)
Thereafter	-
Total	<u><u>\$ (316,846)</u></u>

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

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

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

**STATE OF NEW MEXICO  
 SPRINGER MUNICIPAL SCHOOLS  
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 JUNE 30, 2018**

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

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

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

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

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

1% Decrease (2.81%)	Current Discount Rate (3.81%)	1% Increase (4.81%)
\$ 1,688,632	\$ 1,392,130	\$ 1,159,497

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

1% Decrease	Current Trend Rates	1% Increase
\$ 1,184,102	\$ 1,392,130	\$ 1,554,340



**STATE OF NEW MEXICO**  
**SPRINGER MUNICIPAL SCHOOLS**  
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**JUNE 30, 2018**

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

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

**Payable changes in the net OPEB liability:** At June 30, 2018, the District reported no outstanding contributions due to NMRHCA for the year ended June 30, 2018.

**NOTE 13 Unavailable Revenues**

The District received \$6,791 from IDEA-B Entitlement, Fund 24106, subsequent to year-end. However, these funds were received more than 60 days after year-end. As such, the amount is recorded as a receivable and a deferred inflows of resources in the funds statement; however, for the government-wide statement the amounts are recorded as a receivable and a revenue. The District also had \$35,369 in taxes which were unavailable.

**NOTE 14 Concentrations**

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

**NOTE 15 Contingent Liabilities**

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

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

**NOTE 16 Tax Abatement Disclosures**

Colfax County entered into an agreement with a solar farm to abate property taxes effecting the District under the authority of the County Industrial Revenue Bond Act, Ch. 4, Art. 59 NMSA 1978 (the “Act”). A payment in lieu of taxes, (PILOT), was negotiated on by the District. For the year ended June 30, 2018, \$112,194 was received for the PILOT by the District. Other required information required for the GASB 77 disclosure was not provided to the District.

**NOTE 17 Joint Power Agreements**

A joint powers agreement was entered into with the High Plains Regional Education Cooperative No. 3 (REC). The purpose of the agreement is to allow the submission of a consolidated application to the State Department of Education for certain funds granted to the State of New Mexico by the United States Department of Education under the Education of the Handicapped Act, Part B, PL 94-142 among others.

The agreement became effective on July 1, 1995 and is to remain in effect until the end of any fiscal year during which the school gives notice of intent to terminate. The High Plains Regional Education Cooperative No. 3 issues a separate, publicly available financial report that includes financial statements and required supplementary information. A copy of that audit report can be obtained by writing to the High Plains Regional Education Cooperative No. 3, 144 South First Street, Raton, New Mexico, 87740.



**STATE OF NEW MEXICO**  
**SPRINGER MUNICIPAL SCHOOLS**  
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**NOTE 18 Subsequent Accounting Standard Pronouncements**

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

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

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

In April 2018, GASB Statement No. 88 *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements* was issued. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. The District is still evaluating how this standard will affect the District.

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

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

**NOTE 18 Subsequent Accounting Standard Pronouncements (Continued)**

In August 2018, GASB Statement No. 90 *Majority Equity Interests – An Amendment of GASB Statement No. 14 and No. 61*, was issued. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The District is still evaluating how this standard will affect the District.

**NOTE 19 Restatement – Change in Accounting Principle**

During the year ended June 30, 2018, there was a restatement in the District's financial statements due to the implementation of GASB 75 resulting in a reduction in net position in the amount of \$1,653,629. This includes the District's proportionate share of the beginning net OPEB liability of \$1,168,005 less the 2017 contributions to the pension plan in the amount of \$26,376.

**NOTE 20 Subsequent Events**

A review of subsequent events through October 16, 2018, which is the date the financial statements were available to be issued, indicated nothing of audit significance.

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**REQUIRED SUPPLEMENTARY INFORMATION**

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

Schedule I

<b>Fiscal Year Ended June 30,</b>	<b>Measurement Date - Year Ended June 30,</b>	<b>District's Proportion of the Net Pension Liability (NPL)</b>	<b>District's Proportionate Share of the NPL</b>	<b>District's Covered- Employee Payroll</b>	<b>District's Proportionate Share of the NPL as a Percentage of its Covered- Employee Payroll</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
2018	2017	0.04631%	\$ 5,146,647	\$ 1,318,747	390.27%	52.95%
2017	2016	0.05341%	\$ 3,843,615	\$ 1,525,416	251.97%	61.58%
2016	2015	0.05455%	\$ 3,532,701	\$ 1,550,914	227.78%	63.97%
2015	2014	0.05324%	\$ 3,037,722	\$ 1,465,852	207.23%	66.54%

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

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

**STATE OF NEW MEXICO**  
**SPRINGER MUNICIPAL SCHOOLS**  
**SCHEDULE OF PENSION CONTRIBUTIONS**  
**EDUCATIONAL RETIREMENT BOARD (ERB) PLAN**  
**LAST 10 FISCAL YEARS\***  
**JUNE 30, 2018**

Schedule II

<b>Year Ended June 30,</b>	<b>Contractually Required Contribution</b>	<b>Contributions in Relation to the Contractually Required Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>District's Covered- Employee Payroll</b>	<b>Contributions as a Percentage of Covered- Employee Payroll</b>
2018	\$ 186,461	\$ 186,461	\$ -	\$ 1,341,563	13.90%
2017	\$ 183,306	\$ 183,306	\$ -	\$ 1,318,747	13.90%
2016	\$ 212,033	\$ 212,033	\$ -	\$ 1,525,416	13.90%
2015	\$ 215,577	\$ 215,577	\$ -	\$ 1,550,914	13.90%

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

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

**STATE OF NEW MEXICO**  
**SPRINGER MUNICIPAL SCHOOLS**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**EDUCATIONAL RETIREMENT BOARD (ERB) PLAN**  
**JUNE 30, 2018**

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

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

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

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

Fiscal Year Ended June 30,	Measurement Date - Year Ended June 30,	District's Proportion of the Net OPEB Liability	District's Proportionate Share of the Net OPEB Liability	District's Covered- Employee Payroll	District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered- Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2018	2017	0.03072%	\$ 1,392,130	\$ 1,318,747	105.56%	11.34%

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

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



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

Schedule IV

Year Ended June 30,	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	District's covered- employee payroll	Contributions as a percentage of covered- employee payroll
2018	26,831	\$ 26,831	\$ -	\$ 1,341,563	2.00%

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

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

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**SUPPLEMENTARY INFORMATION**

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**NONMAJOR GOVERNMENTAL FUNDS**

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

Statement A-1

	<u>SPECIAL REVENUE</u>	<u>CAPITAL PROJECTS</u>	<u>DEBT SERVICE</u>	<u>TOTAL</u>
<b>ASSETS</b>				
<i>Current assets:</i>				
Cash and temporary investments	\$ 104,713	\$ 54,609	\$ 8,304	\$ 167,626
Accounts receivable				
Taxes	-	9,017	6,517	15,534
Due from other governments	29,486	-	-	29,486
Interfund receivables	-	-	-	-
Other	-	-	-	-
Inventory	735	-	-	735
	<u>134,934</u>	<u>63,626</u>	<u>14,821</u>	<u>213,381</u>
<i>Total assets</i>				
<b>LIABILITIES</b>				
<i>Current liabilities:</i>				
Accounts payable	1,274	-	-	1,274
Accrued payroll liabilities	1,669	-	-	1,669
Interfund payables	28,131	-	-	28,131
<i>Total liabilities</i>	<u>31,074</u>	<u>-</u>	<u>-</u>	<u>31,074</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenues - property taxes	-	7,796	5,406	13,202
Unavailable revenues - other	6,791	-	-	6,791
<i>Total deferred inflows of resources</i>	<u>6,791</u>	<u>7,796</u>	<u>5,406</u>	<u>19,993</u>
<b>FUND BALANCES</b>				
Nonspendable	735	-	-	735
Restricted for:				
Grant mandates	17,994	-	-	17,994
Capital projects	-	5,165	-	5,165
Debt service	-	-	-	-
Assigned	85,445	50,665	9,415	145,525
Unassigned	(7,105)	-	-	(7,105)
<i>Total fund balances</i>	<u>97,069</u>	<u>55,830</u>	<u>9,415</u>	<u>162,314</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 134,934</u>	<u>\$ 63,626</u>	<u>\$ 14,821</u>	<u>\$ 213,381</u>

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

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

STATEMENT A-2

	SPECIAL REVENUE	CAPITAL PROJECTS	DEBT SERVICE	TOTAL
<i>Revenues:</i>				
Property taxes	\$ -	\$ 82,056	\$ 73,130	\$ 155,186
State grants	5,399	-	-	5,399
Federal grants	193,139	-	-	193,139
Miscellaneous	122,406	-	-	122,406
Charges for services	36,194	-	-	36,194
Investment income	-	-	-	-
<i>Total revenues</i>	<u>357,138</u>	<u>82,056</u>	<u>73,130</u>	<u>512,324</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	136,826	-	-	136,826
Support services				
Students	29,909	-	-	29,909
Instruction	-	-	-	-
General administration	1,594	808	731	3,133
School administration	111	-	-	111
Central services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other support services	-	-	-	-
Food services operations	84,151	-	-	84,151
Community services	-	-	-	-
Capital outlay	27,079	52,511	-	79,590
Debt service				
Principal	-	-	67,500	67,500
Interest	-	-	2,136	2,136
<i>Total expenditures</i>	<u>279,670</u>	<u>53,319</u>	<u>70,367</u>	<u>403,356</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>77,468</u>	<u>28,737</u>	<u>2,763</u>	<u>108,968</u>
<i>Net changes in fund balances</i>	77,468	28,737	2,763	108,968
<i>Fund balances - beginning of year</i>	<u>19,601</u>	<u>27,093</u>	<u>6,652</u>	<u>53,346</u>
<i>Fund balances - end of year</i>	<u>\$ 97,069</u>	<u>\$ 55,830</u>	<u>\$ 9,415</u>	<u>\$ 162,314</u>

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

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**SPECIAL REVENUE FUNDS**

**STATE OF NEW MEXICO**  
**SPRINGER MUNICIPAL SCHOOLS**  
**SPECIAL REVENUE FUNDS DESCRIPTIONS**  
**JUNE 30, 2018**

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

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

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

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

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

**Fresh Fruits and Vegetables (24118)** – To assist States, through cash grants, in providing free fresh fruits and vegetables to school children in designated participating schools beginning in school year 2004/2005. Authorized by National School Lunch Act, as amended, 42 U.S.C. 1769. No minimum balance required according to legislation.

**IDEA-B Results Plan (24132)** – This account is to support the individual school site’s Education Plan for Student Success, or areas in need of improvement as identified through an instructional audit. This is a pilot program for the New Mexico Real Results program required by US Dept. of Education of Special Education Programs. Authority for creation of this fund is the NMPED. No minimum balance required according to legislation.

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

**Title XIX Medicaid 3/21 Years (25153)** – To provide school-based screening, diagnostic services and other related health services and administrative activities in conformance with the approved Medicaid State Plan in order to improve health and developmental outcomes for children. (P.L. 105-33) No minimum balance required according to legislation.

**Rural Education Achievement Program (REAP) (25233)** – Part B of Title VI of the reauthorized ESEA contains Rural Education Achievement Program (REAP) initiatives that are designed to help rural districts that may lack the personnel and resources to compete effectively for Federal competitive grants and that often receive grant allocations in amounts that are too small to be effective in meeting their intended purposes. The fund was created by the authority of federal grant provisions. No minimum balance required according to legislation.

**Golden Apple Foundation (26163)** –To account for revenues and expenditure received from a private grant to provide for travel expenses for students to attend the National Museum. The fund was created by grant authority. No minimum balance required according to grant requirements.

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

**Breakfast for Elementary Students (27155)** – To account for funding provided by New Mexico Legislature through the New Mexico Public Education Department to provide breakfast for elementary students. No minimum balance required according to legislation.

**STATE OF NEW MEXICO**  
**SPRINGER MUNICIPAL SCHOOLS**  
**SPECIAL REVENUE FUNDS DESCRIPTIONS**  
**JUNE 30, 2018**

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

**Solar Pilot (29134)** – To account for revenue received to fund a solar pilot project. No minimum balance required according to legislation.

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

Statement B-1

	Food Services 21000	Athletics 22000	IDEA-B Entitlement 24106	IDEA-B Preschool 24109
<b>ASSETS</b>				
<i>Current assets:</i>				
Cash and temporary investments	\$ 12,679	\$ 10,731	\$ -	\$ -
Accounts receivable				
Taxes	-	-	-	-
Due from other governments	-	-	6,791	-
Interfund receivables	-	-	-	-
Other	-	-	-	-
Inventory	735	-	-	-
<i>Total assets</i>	<u>13,414</u>	<u>10,731</u>	<u>6,791</u>	<u>-</u>
<b>LIABILITIES</b>				
<i>Current liabilities:</i>				
Accounts payable	-	1,274	-	-
Accrued payroll liabilities	-	-	981	-
Interfund payables	-	-	5,810	-
<i>Total liabilities</i>	<u>-</u>	<u>1,274</u>	<u>6,791</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenues - property taxes	-	-	-	-
Unavailable revenues - other	-	-	6,791	-
<i>Total deferred inflows of resources</i>	<u>-</u>	<u>-</u>	<u>6,791</u>	<u>-</u>
<b>FUND BALANCES</b>				
Nonspendable	735	-	-	-
Restricted for:				
Grant mandates	12,679	-	-	-
Capital projects	-	-	-	-
Debt service	-	-	-	-
Assigned	-	9,457	-	-
Unassigned	-	-	(6,791)	-
<i>Total fund balances</i>	<u>13,414</u>	<u>9,457</u>	<u>(6,791)</u>	<u>-</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 13,414</u>	<u>\$ 10,731</u>	<u>\$ 6,791</u>	<u>\$ -</u>

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

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

Statement B-1

	Fresh Fruits & Vegetables 24118	IDEA-B Results Plan 24132	Teacher/Principal Training & Recruiting 24154	Title XIX Medicaid 3/21 Years 25153
<b>ASSETS</b>				
<i>Current assets:</i>				
Cash and temporary investments	\$ -	\$ -	\$ -	\$ -
Accounts receivable				
Taxes	-	-	-	-
Due from other governments	602	13,936	-	8,157
Interfund receivables	-	-	-	-
Other	-	-	-	-
Inventory	-	-	-	-
<i>Total assets</i>	<u>602</u>	<u>13,936</u>	<u>-</u>	<u>8,157</u>
<b>LIABILITIES</b>				
<i>Current liabilities:</i>				
Accounts payable	-	-	-	-
Accrued payroll liabilities	-	-	-	688
Interfund payables	602	13,936	-	7,783
<i>Total liabilities</i>	<u>602</u>	<u>13,936</u>	<u>-</u>	<u>8,471</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenues - property taxes	-	-	-	-
Unavailable revenues - other	-	-	-	-
<i>Total deferred inflows of resources</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>				
Nonspendable	-	-	-	-
Restricted for:				
Grant mandates	-	-	-	-
Capital projects	-	-	-	-
Debt service	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	(314)
<i>Total fund balances</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(314)</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 602</u>	<u>\$ 13,936</u>	<u>\$ -</u>	<u>\$ 8,157</u>

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

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

Statement B-1

	Rural Education Achievement Program 25233	Golden Apple Foundation 26163	Dual Credit Instructional Materials 27103	Breakfast for Elementary Students 27155
<b>ASSETS</b>				
<i>Current assets:</i>				
Cash and temporary investments	\$ 4,682	\$ 386	\$ -	\$ -
Accounts receivable				
Taxes	-	-	-	-
Due from other governments	-	-	-	-
Interfund receivables	-	-	-	-
Other	-	-	-	-
Inventory	-	-	-	-
<i>Total assets</i>	<u>4,682</u>	<u>386</u>	<u>-</u>	<u>-</u>
<b>LIABILITIES</b>				
<i>Current liabilities:</i>				
Accounts payable	-	-	-	-
Accrued payroll liabilities	-	-	-	-
Interfund payables	-	-	-	-
<i>Total liabilities</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenues - property taxes	-	-	-	-
Unavailable revenues - other	-	-	-	-
<i>Total deferred inflows of resources</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>				
Nonspendable	-	-	-	-
Restricted for:				
Grant mandates	4,682	386	-	-
Capital projects	-	-	-	-
Debt service	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
<i>Total fund balances</i>	<u>4,682</u>	<u>386</u>	<u>-</u>	<u>-</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 4,682</u>	<u>\$ 386</u>	<u>\$ -</u>	<u>\$ -</u>

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

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

	Private Direct Grants 29102	Solar Pilot 29134	Total
<b>ASSETS</b>			
<i>Current assets:</i>			
Cash and temporary investments	\$ 247	\$ 75,988	\$ 104,713
Accounts receivable			-
Taxes	-	-	-
Due from other governments	-	-	29,486
Interfund receivables	-	-	-
Other	-	-	-
Inventory	-	-	735
<i>Total assets</i>	<u>247</u>	<u>75,988</u>	<u>134,934</u>
<b>LIABILITIES</b>			
<i>Current liabilities:</i>			
Accounts payable	-	-	1,274
Accrued payroll liabilities	-	-	1,669
Interfund payables	-	-	28,131
<i>Total liabilities</i>	<u>-</u>	<u>-</u>	<u>31,074</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenues - property taxes	-	-	-
Unavailable revenues - other	-	-	6,791
<i>Total deferred inflows of resources</i>	<u>-</u>	<u>-</u>	<u>6,791</u>
<b>FUND BALANCES</b>			
Nonspendable	-	-	735
Restricted for:			
Grant mandates	247	-	17,994
Capital projects	-	-	-
Debt service	-	-	-
Assigned	-	75,988	85,445
Unassigned	-	-	(7,105)
<i>Total fund balances</i>	<u>247</u>	<u>75,988</u>	<u>97,069</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 247</u>	<u>\$ 75,988</u>	<u>\$ 134,934</u>

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

**STATE OF NEW MEXICO**  
**SPRINGER MUNICIPAL SCHOOLS**  
**COMBINING STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Food Services 21000	Athletics 22000	IDEA-B Entitlement 24106	IDEA-B Preschool 24109
<i>Revenues:</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	-	-	-	-
Federal grants	80,017	-	32,296	93
Miscellaneous	-	10,212	-	-
Charges for services	7,275	28,919	-	-
Investment income	-	-	-	-
<i>Total revenues</i>	<u>87,292</u>	<u>39,131</u>	<u>32,296</u>	<u>93</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	-	31,648	36,698	93
Support services				
Students	-	-	735	-
Instruction	-	-	-	-
General administration	-	-	1,543	-
School administration	-	-	111	-
Central services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other support services	-	-	-	-
Food services operations	76,292	-	-	-
Community services	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>76,292</u>	<u>31,648</u>	<u>39,087</u>	<u>93</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>11,000</u>	<u>7,483</u>	<u>(6,791)</u>	<u>-</u>
<i>Net changes in fund balances</i>	11,000	7,483	(6,791)	-
<i>Fund balances - beginning of year</i>	<u>2,414</u>	<u>1,974</u>	<u>-</u>	<u>-</u>
<i>Fund balances - end of year</i>	<u>\$ 13,414</u>	<u>\$ 9,457</u>	<u>\$ (6,791)</u>	<u>\$ -</u>

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



**STATE OF NEW MEXICO**  
**SPRINGER MUNICIPAL SCHOOLS**  
**COMBINING STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Fresh Fruits & Vegetables 24118	IDEA-B Results Plan 24132	Teacher/Principal Training & Recruiting 24154	Title XIX Medicaid 3/21 Years 25153
<i>Revenues:</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	-	-	-	-
Federal grants	3,308	26,544	1,286	38,555
Miscellaneous	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
<i>Total revenues</i>	<u>3,308</u>	<u>26,544</u>	<u>1,286</u>	<u>38,555</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	-	26,234	1,235	21,143
Support services				
Students	-	-	-	15,813
Instruction	-	-	-	-
General administration	-	-	51	-
School administration	-	-	-	-
Central services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other support services	-	-	-	-
Food services operations	3,308	310	-	-
Community services	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>3,308</u>	<u>26,544</u>	<u>1,286</u>	<u>36,956</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,599</u>
<i>Net changes in fund balances</i>	-	-	-	1,599
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,913)</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (314)</u>

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

**STATE OF NEW MEXICO**  
**SPRINGER MUNICIPAL SCHOOLS**  
**COMBINING STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Rural Education Achievement Program 25233	Golden Apple Foundation 26163	Dual Credit Instructional Materials 27103	Breakfast for Elementary Students 27155
<i>Revenues:</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	-	-	1,158	4,241
Federal grants	11,040	-	-	-
Miscellaneous	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
<i>Total revenues</i>	<u>11,040</u>	<u>-</u>	<u>1,158</u>	<u>4,241</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	6,358	1,005	1,158	-
Support services				
Students	-	-	-	-
Instruction	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Central services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other support services	-	-	-	-
Food services operations	-	-	-	4,241
Community services	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>6,358</u>	<u>1,005</u>	<u>1,158</u>	<u>4,241</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>4,682</u>	<u>(1,005)</u>	<u>-</u>	<u>-</u>
<i>Net changes in fund balances</i>	4,682	(1,005)	-	-
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>1,391</u>	<u>-</u>	<u>-</u>
<i>Fund balances - end of year</i>	<u>\$ 4,682</u>	<u>\$ 386</u>	<u>\$ -</u>	<u>\$ -</u>

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

**STATE OF NEW MEXICO**  
**SPRINGER MUNICIPAL SCHOOLS**  
**COMBINING STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Private Direct Grants 29102	Solar Pilot 29134	Total
<i>Revenues:</i>			
Property taxes	\$ -	\$ -	\$ -
State grants	-	-	5,399
Federal grants	-	-	193,139
Miscellaneous	-	112,194	122,406
Charges for services	-	-	36,194
Investment income	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>112,194</u>	<u>357,138</u>
<i>Expenditures:</i>			
<i>Current:</i>			
Instruction	-	11,254	136,826
Support services			
Students	-	13,361	29,909
Instruction	-	-	-
General administration	-	-	1,594
School administration	-	-	111
Central services	-	-	-
Operation & maintenance of plant	-	-	-
Student transportation	-	-	-
Other support services	-	-	-
Food services operations	-	-	84,151
Community services	-	-	-
Capital outlay	-	27,079	27,079
Debt service			
Principal	-	-	-
Interest	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>51,694</u>	<u>279,670</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>60,500</u>	<u>77,468</u>
<i>Net changes in fund balances</i>	-	60,500	77,468
<i>Fund balances - beginning of year</i>	<u>247</u>	<u>15,488</u>	<u>19,601</u>
<i>Fund balances - end of year</i>	<u>\$ 247</u>	<u>\$ 75,988</u>	<u>\$ 97,069</u>

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

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**CAPITAL PROJECTS FUNDS**

**STATE OF NEW MEXICO**  
**SPRINGER MUNICIPAL SCHOOLS**  
**CAPITAL PROJECTS FUNDS DESCRIPTIONS**  
**JUNE 30, 2018**

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

**Capital Improvements SB-9 (Local) – (31701)** – 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 a special tax levy as authorized by the Public School District Capital Improvements Act. (22-25-1 to 22-25-10 NMSA 1978).

**STATE OF NEW MEXICO**  
**SPRINGER MUNICIPAL SCHOOLS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR CAPITAL PROJECTS FUNDS**  
**JUNE 30, 2018**

Statement C-1

	Capital Improvements SB-9 (Local) 31701
<b>ASSETS</b>	
<i>Current assets:</i>	
Cash and temporary investments	\$ 54,609
Accounts receivable	
Taxes	9,017
Due from other governments	-
Interfund receivables	-
Other	-
Inventory	-
<i>Total assets</i>	63,626
 <b>LIABILITIES</b>	
<i>Current liabilities:</i>	
Accounts payable	-
Accrued payroll liabilities	-
Interfund payables	-
<i>Total liabilities</i>	-
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable revenues - property taxes	7,796
Unavailable revenues - other	-
<i>Total deferred inflows of resources</i>	7,796
 <b>FUND BALANCES</b>	
Nonspendable	-
Restricted for:	
Grant mandates	-
Capital projects	5,165
Debt service	-
Assigned	50,665
Unassigned	-
<i>Total fund balances</i>	55,830
 <i>Total liabilities, deferred inflows of resources, and fund balances</i>	\$ 63,626

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

**STATE OF NEW MEXICO**  
**SPRINGER MUNICIPAL SCHOOLS**  
**COMBINING STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR CAPITAL PROJECT FUNDS**  
**FOR THE YEAR ENDING JUNE 30, 2018**

Statement C-2

	Capital Improvements SB-9 (Local) 31701
	31701
<i>Revenues:</i>	
Property taxes	\$ 82,056
State grants	-
Federal grants	-
Miscellaneous	-
Charges for services	-
Investment income	-
<i>Total revenues</i>	82,056
<i>Expenditures:</i>	
Current:	
Instruction	-
Support services	
Students	-
Instruction	-
General administration	808
School administration	-
Central services	-
Operation & maintenance of plant	-
Student transportation	-
Other support services	-
Food services operations	-
Community services	-
Capital outlay	52,511
Debt service	
Principal	-
Interest	-
<i>Total expenditures</i>	53,319
<i>Excess (deficiency) of revenues over (under) expenditures</i>	28,737
<i>Net changes in fund balances</i>	28,737
<i>Fund balances - beginning of year</i>	27,093
<i>Fund balances - end of year</i>	\$ 55,830

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



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**DEBT SERVICE FUNDS**

**STATE OF NEW MEXICO**  
**SPRINGER MUNICIPAL SCHOOLS**  
**DEBT SERVICE FUNDS DESCRIPTIONS**  
**JUNE 30, 2018**

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

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

**STATE OF NEW MEXICO**  
**SPRINGER MUNICIPAL SCHOOLS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR DEBT SERVICE FUNDS**  
**JUNE 30, 2018**

Statement D-1

	Education Technology Debt Service 43000
<b>ASSETS</b>	
<i>Current assets:</i>	
Cash and temporary investments	\$ 8,304
Accounts receivable	
Taxes	6,517
Due from other governments	-
Interfund receivables	-
Other	-
Inventory	-
	-
<i>Total assets</i>	14,821
<b>LIABILITIES</b>	
<i>Current Liabilities:</i>	
Accounts payable	-
Accrued payroll liabilities	-
Interfund payables	-
Unearned revenue	-
	-
<i>Total liabilities</i>	-
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable revenues - property taxes	5,406
Unavailable revenues - other	-
	-
<i>Total deferred inflows of resources</i>	5,406
<b>FUND BALANCES</b>	
Nonspendable	-
Restricted for:	
Grant mandates	-
Capital projects	-
Debt service	-
Assigned	9,415
Unassigned	-
	-
<i>Total fund balances</i>	9,415
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	\$ 14,821

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

**STATE OF NEW MEXICO**  
**SPRINGER MUNICIPAL SCHOOLS**  
**COMBINING STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR DEBT SERVICE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

Statement D-2

	Education Technology Debt Service 43000
	43000
<i>Revenues:</i>	
Property taxes	\$ 73,130
State grants	-
Federal grants	-
Miscellaneous	-
Charges for services	-
Investment income	-
<i>Total revenues</i>	73,130
<i>Expenditures:</i>	
Current:	
Instruction	-
Support services	
Students	-
Instruction	-
General administration	731
School administration	-
Central services	-
Operation & maintenance of plant	-
Student transportation	-
Other support services	-
Food services operations	-
Community services	-
Capital outlay	-
Debt service	
Principal	67,500
Interest	2,136
<i>Total expenditures</i>	70,367
<i>Excess (deficiency) of revenues over (under) expenditures</i>	2,763
<i>Net changes in fund balances</i>	2,763
<i>Fund balances - beginning of year</i>	6,652
<i>Fund balances - end of year</i>	\$ 9,415

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

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**OTHER SUPPLEMENTAL INFORMATION**

**STATE OF NEW MEXICO**  
**SPRINGER MUNICIPAL SCHOOLS**  
**AGENCY FUNDS**

Schedule V

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

Description	Balance June 30, 2017	Additions	Deletions	Adjustments	Balance June 30, 2018
<i>Assets:</i>					
Sim Brown Scholarship	\$ 19,613	\$ -	\$ 7,500	\$ -	\$ 12,113
SEEC Scholarship	1,014	-	-	-	1,014
Ortiz Scholarship	300	-	-	-	300
AC Arellano Scholarship	750	-	500	-	250
High School Library	32	-	-	-	32
Education Association Scholarship	2,127	-	500	-	1,627
Investment	192,627	15,142	-	-	207,769
Red Devil Booster Club	3,629	4,117	4,443	-	3,303
Class of 2019	2,172	3,756	2,232	-	3,696
Elementary Library	2,218	2,075	2,075	-	2,218
District 5A Administrator	9,214	5,955	12,463	-	2,706
Elementary Activity	560	816	600	-	776
Silk Screening	6,234	5,975	11,082	-	1,127
Class of 2021	50	46	26	-	70
Class of 2018	2,487	10,418	12,905	-	-
Elijah	-	-	50	-	(50)
Class of 2017	-	212	26	-	186
High School Activity	231	1,750	1,508	-	473
Yearbook	725	1,115	949	-	891
Class of 2020	711	715	36	-	1,390
Class of 2022	-	-	36	-	(36)
High School Honor Society	74	240	55	-	259
FFA	4,278	9,594	9,798	-	4,074
Sports Academy	970	-	478	-	492
Cowbelle Tournament	753	8,637	5,400	-	3,990
Parent Advisory Committee	687	6,991	4,433	-	3,245
Springer Book	122	-	-	-	122
High School Mesa	140	-	-	-	140
Junior High Mesa	660	-	-	-	660
Arrellano Scholarship	14,294	8	-	-	14,302
AR Program	1,898	57	1,635	-	320
<i>Total Assets</i>	<u>\$ 268,570</u>	<u>\$ 77,619</u>	<u>\$ 78,730</u>	<u>\$ -</u>	<u>\$ 267,459</u>
<i>Liabilities:</i>					
Accounts Payable	\$ -	\$ 480	\$ -	\$ -	\$ 480
Deposits held for Others	268,570	77,139	78,730	-	266,979
<i>Total Liabilities</i>	<u>\$ 268,570</u>	<u>\$ 77,619</u>	<u>\$ 78,730</u>	<u>\$ -</u>	<u>\$ 267,459</u>

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



**STATE OF NEW MEXICO**  
**SPRINGER MUNICIPAL SCHOOLS**  
**SCHEDULE OF PLEDGED COLLATERAL**  
**FOR THE YEAR ENDED JUNE 30, 2018**

Schedule VI

<u>Name of Depository</u>	<u>Description of Pledged Collateral</u>	<u>Maturity Date</u>	<u>CUSIP Number</u>	<u>Fair Market Value June 30, 2018</u>
<b>The Independent Bankers AFS</b>				
	FNMA	10/1/2047	3140H2AP3	\$ 324,418
Total Wells Fargo Bank				<u>\$ 324,418</u>

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

Independent Bankers  
PO Box 560528  
Dalas, TX 75356

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

**STATE OF NEW MEXICO**  
**SPRINGER MUNICIPAL SCHOOLS**  
**SCHEDULE OF CASH AND TEMPORARY INVESTMENT ACCOUNTS**  
**JUNE 30, 2018**

Schedule VII

Bank Name/Account Type	Account Type	Bank Balance	Deposits in Transit	Outstanding Checks	Other Adjustments	Book Balance
International Bank						
Operational Account	Checking	\$ 556,122	\$ 7,481	\$ (79,103)	\$ 32,783	\$ 517,283
Bank Name/Account Type	Account Type	Bank Balance	Deposits in Transit	Outstanding Checks	Other Adjustments	Book Balance
New Mexico Finance Authority						
Ed Tech Note	Trust	\$ 120,499	\$ -	\$ -	\$ -	\$ 120,499
Bank Name/Account Type	Account Type	Bank Balance	Deposits in Transit	Outstanding Checks	Other Adjustments	Book Balance
Wells Fargo Bank						
Certificate of Deposit	CD	\$ 14,302	\$ -	\$ -	\$ -	\$ 14,302
Bank Name/Account Type	Account Type	Bank Balance	Deposits in Transit	Outstanding Checks	Other Adjustments	Book Balance
State Investment Council						
Investment	Investment	\$ 207,769	\$ -	\$ -	\$ -	\$ 207,769
Total		<u>\$ 898,692</u>	<u>\$ 7,481</u>	<u>\$ (79,103)</u>	<u>\$ 32,783</u>	<u>\$ 859,853</u>
Cash per financial statements						
Cash and cash equivalents - Government Activities Exhibit A-1						\$ 592,394
Fiduciary funds - Exhibit D-1						267,459
						<u>\$ 859,853</u>

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

**STATE OF NEW MEXICO**  
**SPRINGER MUNICIPAL SCHOOLS**  
**SCHEDULE OF CASH RECONCILIATIONS**  
**JUNE 30, 2018**

Schedule VIII

**Primary Government**

	Operational 11000	Transportation 13000	Instructional Materials 14000	Food Services 21000	Athletics 22000
Cash, June 30, 2017	\$ 365,692	\$ -	\$ 2,152	\$ 244	\$ 1,974
Add:					
Current year revenues	2,061,468	98,038	4,273	87,292	39,131
Permanent cash transfers	-	-	-	-	-
Prior period adjustment	-	-	-	-	-
Loans from other funds	-	-	-	-	-
Total cash available	2,427,160	98,038	6,425	87,536	41,105
Less:					
Current year expenditures	(2,082,211)	(94,188)	(5,952)	(74,857)	(30,374)
Permanent cash transfers	-	-	-	-	-
Prior period adjustment	-	-	-	-	-
Loans to other funds	(74,076)	-	-	-	-
Cash, June 30, 2018	<u>\$ 270,873</u>	<u>\$ 3,850</u>	<u>\$ 473</u>	<u>\$ 12,679</u>	<u>\$ 10,731</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
**SPRINGER MUNICIPAL SCHOOLS**  
**SCHEDULE OF CASH RECONCILIATIONS**  
**JUNE 30, 2018**

Schedule VIII

**Primary Government**

	Federal Flowthrough 24000	Federal Direct 25000	Local Grants 26000	State Flowthrough 27000	Local / State 29000
Cash, June 30, 2017	\$ (48,743)	\$ (655)	\$ 1,391	\$ (16,156)	\$ 15,735
Add:					
Current year revenues	151,835	40,314	-	51,309	112,194
Permanent cash transfers	-	-	-	-	-
Prior period adjustment	-	-	-	-	-
Loans from other funds	50,074	7,783	-	16,219	-
Total cash available	153,166	47,442	1,391	51,372	127,929
Less:					
Current year expenditures	(153,166)	(42,760)	(1,005)	(51,372)	(51,694)
Permanent cash transfers	-	-	-	-	-
Prior period adjustment	-	-	-	-	-
Loans to other funds	-	-	-	-	-
Cash, June 30, 2018	<u>\$ -</u>	<u>\$ 4,682</u>	<u>\$ 386</u>	<u>\$ -</u>	<u>\$ 76,235</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
**SPRINGER MUNICIPAL SCHOOLS**  
**SCHEDULE OF CASH RECONCILIATIONS**  
**JUNE 30, 2018**

Schedule VIII

<b>Primary Government</b>	Capital Improvements SB-9 31701	Educational Tech Equip 31900	Debt Service 41000	Education Technology Debt Service 43000	Total
Cash, June 30, 2017	\$ 31,951	\$ 152,781	\$ 24,130	\$ 5,548	\$ 536,044
Add:					
Current year revenues	80,846	1,727	201,305	73,123	3,002,855
Permanent cash transfers	-	-	-	-	-
Prior period adjustment	-	-	-	-	-
Loans from other funds	-	-	-	-	74,076
Total cash available	112,797	154,508	225,435	78,671	3,612,975
Less:					
Current year expenditures	(58,188)	(34,009)	(196,362)	(70,367)	(2,946,505)
Permanent cash transfers	-	-	-	-	-
Prior period adjustment	-	-	-	-	-
Loans to other funds	-	-	-	-	(74,076)
Cash, June 30, 2018	<u>\$ 54,609</u>	<u>\$ 120,499</u>	<u>\$ 29,073</u>	<u>\$ 8,304</u>	<u>\$ 592,394</u>

The accompanying notes are an integral part of these financial statements

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**COMPLIANCE SECTION**



# Manning Accounting and Consulting Services, LLC

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

Wayne Johnson  
New Mexico State Auditor  
The Office of Management and Budget  
And the Board of Education of  
Springer Municipal Schools  
Springer, New Mexico

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 Springer Municipal Schools (the "District"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 16, 2018.

### **Internal Control over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist, that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. (FS 2018-001, FS 2018-002, and FS 2018-003)

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies. (FS 2016-004 and FS 2018-004)

### **Compliance and Other Matters**



As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items, NM 2018-001, NM 2018-002, NM 2018-003, NM 2018-004, NM 2018-005 NM 2018-006

**Response to Findings**

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

**Purpose of this Report**

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

Manning Accounting and Consulting Services, LLC

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

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

Schedule IX

**Section I – Summary of Audit Results**

*Financial Statements:*

- |   |            |
|---|------------|
| 1. Type of auditor's report issued  | Unmodified |
| 2. Internal control over financial reporting:                                     |            |
| a. Material weakness identified?  | Yes        |
| b. Significant deficiencies identified not considered to be material weaknesses?  | Yes        |
| c. Control deficiencies identified not considered to be significant deficiencies? | Yes        |

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

Schedule IX

## Section II – Financial Statement Findings

### **FS 2016-004 – Purchase Orders and Payment Authorization (Significant Deficiencies) Repeated and Revised**

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

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

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

#### **13-1-158 NMSA 1978 Payments for purchases:**

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

Additionally, the District has instituted more stringent purchasing guidelines for purchases greater than \$10,000 than the statute requires. The District requires three written quotes for purchases greater than \$10,000 and sealed bids for purchases greater than \$20,000.

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

- In 8 of 25 items tested there was no receiving documentation to verify the goods and services were received as stated in the purchase order. Payment for these goods and services ranged from \$111.27 to \$9,627.22
- In 2 of 25 items tested the amount of the disbursement was greater than the purchase order authorized. The first authorization was for \$500 and payment was \$539.19. The second authorization was for \$188.23 and purchase was \$215.43.
- According to the NMAA pay charts an official for a basketball game is paid at \$54/game for varsity and \$38/game for JV. Officials who travel more than 51 miles one way are entitled to a meal allowance and mileage at a rate of \$0.405/mile. An official for a varsity and JV game was not paid at the proper rate and there is no evidence to show where the official traveled from to verify mileage and meals are being paid properly.

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

Schedule IX

**Section II – Financial Statement Findings (Continued)**

**FS 2016-004 – Purchase Orders and Payment Authorization (Significant Deficiencies) Repeated and Revised**

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

- In 3 of 35 items tested the supporting documentation did not contain evidence that 3 quotes had been obtained.
  - A purchase for \$13,361.39 had only 1 quote
  - A purchase for \$27,078.83 had no quotes and did not appear to go out for bid
  - A purchase for \$13,534.84 had only 2 quotes
- In 16 of 35 items tested there was no receiving documentation to verify goods and or services were received. The value of these purchases ranged from \$6,054.75 to \$27,078.83

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

- In 3 of 17 items tested there was no supporting documentation to verify what the purchase was for.
  - A payment of \$75 was paid to an individual as reimbursement for expenses for a north south game but no receipts were attached to show what was purchased.
  - A payment of \$1,000 was issued to Des Moines high school for reimbursement of District funds but there are no receipts or other supporting documents for the expense
  - No invoice attached for a purchase of \$1,912.00
- In 2 of 17 items tested officials for sporting events were not paid at the rate required by the NMAA. In the first instance it appears the official was paid \$90 for a varsity basketball game and not approved rate of \$54/game. In the second instance the official was paid \$36/game and not at the approved \$54/game. Also the official appears to have traveled more than 51 miles but was not paid the \$10 meal allowance.
- In 8 of 17 items tested there was no receiving documentation to verify good and or services were received. The value of these purchases ranged from \$33.23 to \$1,912.00.

In the previous year's audit there were 2 instances where there was a purchase with no supporting documentation and 6 purchase orders were created after the fact. Additionally, all purchase orders were not being signed by the individual who has the CPO license.

**Cause:** District personnel have not followed state guidelines or internal procedures in the purchase and receipt of goods and or services. Policy clearly states that the District must ensure that there is a receiving document to verify goods and services are received and that the cost of goods and services do not exceed the amount the purchase order authorizes.

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

**Auditor's Recommendation:** We recommend that all personnel be reminded of, or trained in, District and state policy that a purchase order must be approved prior to the receipt of goods, that purchases greater than \$10,000 need three quotes, and that all goods and services should be signed for indicating when items were received by whom and that the goods and services match the information in the purchase order. Also when the District is paying officials for NMAA sponsored events they should indicate on the payment form the hometown of the official to verify meal and mileage are being paid at the rates required by the NMAA and the official is paid the proper rate for their sport and division.

STATE OF NEW MEXICO  
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**Section II – Financial Statement Findings (Continued)**

**FS 2016-004 – Purchase Orders and Payment Authorization (Significant Deficiency) Repeated and Revised**

*Responsible official's view:*

- Specific corrective action plan for finding:
  - The CPO has begun to sign all purchase orders, the district has also updated its requisition form to follow state purchasing guidelines.
  
- Timeline for completion of corrective action plan:
  - This action plan began on July 1, 2018
  
- Employee position(s) responsible for meeting the timeline:
  - CPO

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**Section II – Financial Statement Findings (Continued)**

**FS 2018–001 – Failure to Follow Proper Internal Controls Related to Payroll (Material Weakness)**

***Criteria: 6.20.2.11 NMAC 1978: INTERNAL CONTROL STRUCTURE STANDARDS:***

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

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

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

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

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

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

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

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

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

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

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

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

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**Section II – Financial Statement Findings (Continued)**

**FS 2018–001 – Failure to Follow Proper Internal Controls Related to Payroll (Material Weakness)**  
**(Continued)**

*Auditor’s Recommendation:* We recommend that the District print a report on which the Superintendent is signing-off. The Superintendent should review the individual employee report with actual pay amounts to ensure there are no instances of fraudulent employees or improper amounts included on the payroll.

***Responsible Official’s View:***

- Specific corrective action plan for finding:
  - A Pay Period Distribution Report will be run for each payroll to verify amounts and employees are correct.
  
- Timeline for completion of corrective action plan:
  - July 1, 2018 this action took effect.
  
- Employee position(s) responsible for meeting the timeline:
  - The Business Manager is responsible for ensuring that this control is being completed for each payroll in a timely manner.

**Section II – Financial Statement Findings (Continued)**

**FS 2018-002 – Improper Recording of Journal Entries (Material Weakness)**

**Criteria:** 6-5-2 NMSA 1978 FINANCE CONTROL DIVISION; CENTRAL SYSTEM OF STATE ACCOUNTS; ACCOUNTING SYSTEMS; PROCESSING DOCUMENTS; MODEL ACCOUNTING PRACTICES; INTERNAL ACCOUNTING CONTROLS:

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

**6-5-2.1 NMSA 1978 DIVISIONS; ADDITIONAL DUTIES:**

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

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

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

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

- There is no supporting documentation to support the reason for the journal entry in 2 of the 13 entries reviewed
- In 12 of 13 journal entries reviewed there was no secondary signature to verify the changes were valid and authorized.

**Cause:** The District did not previously consider the need for supporting documentation of journal entries and had not considered having a secondary review of all journal entries.

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

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



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**Section II – Financial Statement Findings (Continued)**

**FS 2018-002 – Improper Recording of Journal Entries (Material Weakness)**

*Responsible Official's View:*

- Specific corrective action plan for finding:
  - Journal Entries will be signed off by the Superintendent before posting of the journal entries. This is not done for Budget Journal Entries since they are approved by the School Board prior to submitting to PED.
  
- Timeline for completion of corrective action plan:
  - This action plan began on July 1, 2018.
  
- Employee position(s) responsible for meeting the timeline:
  - The Business Manager and Superintendent are both responsible to ensuring that this is corrected.

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**Section II – Financial Statement Findings (Continued)**

**FS 2018-003 – Improper Cash Controls (Material Weakness)**

**Criteria: [6.20.2.14 NMAC 1978](#) CASH CONTROL STANDARDS:**

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

**F. The school district shall establish a cash control ledger for each fund/subfund. Inter-fund transfers of cash among separate and distinct funds are not receipts or expenditures. Permanent transfers of previously received cash require local board and SIDE approval prior to the transfer. All other types of cash transfers require only local board approval.**

(1) Temporary transfers of cash are to be posted as "due from" and "due to" to indicate inter-fund receivables and payables.

(2) Posting errors are not to be erased, crossed out, or in any other manner eliminated from the ledger. A separate entry is required to incorporate necessary corrections. Cross-referencing of a correcting entry to the original error should be inserted under the "description" column of the ledger.

**J. The school district shall maintain a cash control ledger for each fund/subfund where all transactions affecting cash are recorded. Cash balances reported to the department shall be the same as the district's cash control ledger and annual audit.**

K. All bank accounts shall be reconciled on a monthly basis. Reconciled bank statements are to be reviewed by the business manager and/or assistant superintendent for business administration. The bank statement, deposit slips, and canceled checks shall be made available to the district's auditor during the annual audit.

Additionally, 6-5-2C NMSA 1978, "state agencies shall implement accounting controls designed to prevent accounting errors and violations of state and federal law and rules related to financial matters."

**Condition:** The District did not properly record all of its cash accounts in its general ledger. The District has a CD with Wells Fargo in the amount of \$14,301.72 at 6/30/2018 which was not recorded and an investment account maintained at the State of New Mexico State Investment Council with a value of \$207,769 which was not recorded at 6/30/18. The District also did not report its Ed Tech funds which are maintained in at trust account with the New Mexico Finance Authority in the amount of \$120,499.23 until shortly before year end.

The District began a new method for direct deposit of employee savings options in June 2018. However, the savings amounts were doubled which meant that \$1,130 too much was deposited to employee's accounts. These funds were collected back in July 2018.

The District's cash is out of balance by \$1,367 at year-end with the general ledger balance in excess of the reconciled bank balance.

The District Cash Report does not include \$120,499.23 of funds being held in trust under the authority of the New Mexico Finance Authority which under reports the District's cash. In total, the Cash Report included \$699,116.89 while the reconciled bank balances are \$858,486.19, a difference of \$159,369.30

**Cause:** The CD and the investment account are trust funds for scholarships and activity which the District had not considered the need to record and track as it does the activity funds maintained in the checking account. Additionally, the District does not have direct access to the trust funds and had not considered it to be the District cash like it considers its bank account. As such, those funds had never been recorded in the general ledger with their corresponding changes over the year.

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**Section II – Financial Statement Findings (Continued)**

**FS 2018-003 – Improper Cash Controls (Material Weakness) (Continued)**

***Effect:*** The District had underreported cash and investments by an amount of \$342,567 in their general ledger. All cash and investments for which the District and Board are responsible were not maintained in the books of record with their corresponding changes in value which always makes them more subject to fraud or abuse.

***Auditor’s Recommendation:*** We recommend that the District maintain all cash accounts in the general ledger as statute and good accounting practices dictate. All changes related to expenditures, revenues, or changes in valuation should be maintained and recorded timely so that the administration and Board has an accurate accounting of all funds for which they are responsible.

***Responsible Official’s View:***

- Specific corrective action plan for finding:
  - All Investment Account will be recorded in the Districts financial software, each month the accounts will be reconciled with their corresponding statements.
- Timeline for completion of corrective action plan:
  - This will be completed by the end of FY18/19.
- Employee position(s) responsible for meeting the timeline:
  - The Business Manager is responsible for making sure this is completed.

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**Section II – Financial Statement Findings (Continued)**

**FS 2018- 004 – Internal Control over Leave Tracking (Significant Deficiency)**

**Criteria:** Per the Board of Education’s Policy Manual, management is responsible for tracking accrued leave and accrued time taken for all employees.

**Condition:** During our review of compensate absences we noted that the direct deposit stubs do not match the compensated absences report.

- In all 5 of the employees we reviewed the employees direct deposit stub showed the employee with an ending balance greater than the number of hours allowed to accrue by policy.
- All 5 employees reviewed had variances in their beginning and ending balances when comparing the direct deposit stub to the visions report
- 4 of the 5 employees are accruing more leave than policy allows.

**Cause:** Adequate controls and procedures were not in place to ensure proper tracking over accrued time taken and accrued leave.

**Effect:** The District was not in compliance with the Board of Education’s Policy Manual.

**Auditor’s Recommendation:** Establish, and implement internal control procedures to ensure proper tracking over accrued time taken and accrued leave.

**Responsible Official’s View:**

- Specific corrective action plan for finding:
  - Leave has been taken to the allowable carryover to show beginning July 1, 2018.
- Timeline for completion of corrective action plan:
  - This action was corrected October 10, 2018
- Employee position(s) responsible for meeting the timeline
  - The payroll clerk is responsible for completing this at the beginning of each fiscal year.

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Schedule IX

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

**NM 2018-001 – Improper Reimbursement of Travel Expense (Other Non-compliance)**

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

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

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

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

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

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

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

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

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

- In 2 of 25 items tested the District did not reimburse the employee the proper amount. In the first instance the employee had more than \$30.00 reimbursed for meals on the same day. The employee was reimbursed a total of \$36.28. The maximum amount the employee should have been reimbursed was \$30.00. In the second instance a board member traveled to Albuquerque and stayed several hours after the conference. Meal reimbursement should have been \$45.57 for first two days plus \$12.00 per diem on final day.

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

- In 4 of 8 items tested there was no signature from the supervising official authorizing the payment
- In 1 of 8 items tested there was no departure and return time on the reimbursement form.
- In 4 of 8 items tested the employee is paid actuals on the final day of an overnight stay, the employee should be paid at the pro-rated per diem rate on their final day

**Cause:** The District did not properly calculate the reimbursement rate for meal expenses.

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

**NM 2018-001 – Improper Reimbursement of Travel Expense (Other Non-compliance) (Continued)**

*Effect:* The District paid an employee more than the amount allowed by the travel and per diem act. Employees were not reimbursed at the District and State mandated rates.

*Auditor's Recommendation:* We recommend that management ensure that they are reimbursing employees properly for qualified expenses and ensure that policies are consistent for all employees. All reimbursement forms should have authorizing signatures with actual departure and return times for travel.

***Responsible Official's View:***

- Specific corrective action plan for finding:
  - The Business Office has created a new travel form to be filled out by employees before travel can occur, it requires the employee to get prior approval signatures before travel can occur. The Business Office has also created a chart to follow when figuring the reimbursement amounts.
- Timeline for completion of corrective action plan:
  - This will be completed by the end of FY18/19
- Employee position(s) responsible for meeting the timeline:
  - CPO and Business Manager.

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

**NM 2018-002 – Failure to Follow Bid-RFP Procedures (Other Non-compliance)**

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

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

**1.4.1.16 NMAC 1978 INVITATION FOR BIDS ("IFB"):**

A. General. The invitation for bids ("IFB"), also sometimes referred to as the invitation to bid (ITB), is used to initiate a competitive sealed bid procurement. The IFB shall include the following:

(1) **the specifications for the services, construction or items of tangible personal property to be procured, except that professional services and a design and build project delivery system cannot be procured with an IFB pursuant to 13-1-111 NMSA 1978;**

(2) all contractual terms and conditions applicable to the procurement including any requirements for complying with applicable preferences provided in law;

(3) the term of the contract and conditions of renewal or extension, if any;

(4) **instructions and information to bidders, including the location where bids are to be received and the date, time and place of the bid opening;**

(5) a notice that the IFB may be canceled and that any and all bids may be rejected in whole or in part when it is in the best interest of the state of New Mexico; and

(6) a notice that reads substantially as follows: The Procurement Code, 13-1-28 through 13-1-199 NMSA 1978, imposes civil, misdemeanor and felony criminal penalties for its violation. In addition, the New Mexico criminal statutes impose felony penalties for bribes, gratuities and kick-backs.

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

C. **Evaluation criteria. The IFB shall set forth the evaluation criteria that will be used to determine acceptability such as inspection, testing, quality, workmanship, delivery and suitability for a particular purpose. Those criteria such as discounts, transportation costs and total or life-cycle costs that will affect the bid price shall be objectively measurable. No criteria may be used in bid evaluation that are not set forth in the IFB.**

D. Bid form. The IFB shall provide a form which shall include space in which the bid price shall be inserted and which the bidder shall sign and submit along with all other necessary submissions. A bidder may submit a reasonable facsimile of the bid form. Oral, telephonic and telegraphic bids except as provided in this subsection are invalid and shall not be considered. Telegraphic or bids sent via FAX to a third party and delivered in a sealed envelope to the location where bids are to be received by the date and time shown in the bid, will be accepted for consideration.

E. Bid samples and descriptive literature.

(1) "Descriptive literature" means information available in the ordinary course of business that shows the characteristics, construction, or operation of an item.

(2) "Bid sample" means a sample furnished by a bidder that shows the characteristics of an item offered in the bid.

(3) Bid samples or descriptive literature may be required when it is necessary to evaluate required characteristics of the item bid.

(4) Bid samples, when required, shall be furnished free of expense to the state and prior to the time set for the opening of bids. Samples not destroyed or mutilated in testing will be returned upon request by mail, express or freight, collect. Each sample must be labeled to clearly show the bid number and the bidder's name.

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

**NM 2018-002 – Failure to Follow Bid-RFP Procedures (Other Non-compliance) (Continued)**

F. Bidding time. Bidding time is the period of time between the date of distribution of the IFB and the time and date set for receipt of bids. In each case bidding time shall be set to provide bidders a reasonable time to prepare their bids. In no case shall the bidding time be shorter than the time required for publication under 1.4.1.17 NMAC of this rule.

**1.4.1.17 NMAC 1978 PUBLIC NOTICE INVITATION FOR BID:** Publication. The IFB or notice thereof shall be published not less than ten calendar days prior to the date set for the opening of bids. The IFB or notice must be published once in at least three newspapers of general circulation in this state.

A. These requirements of publication are in addition to any other procedures that may be adopted by the state purchasing agent to notify prospective bidders that bids will be received, including but not limited to publication in trade journals, if available.

B. Bidder lists. The state purchasing agent shall send copies of the notice or IFB involving the expenditure of more than sixty thousand dollars (\$60,000) to those businesses which have signified in writing an interest in submitting bids for particular categories of items of tangible personal property, construction and services and which have paid any required fees. (13-1-104 NMSA 1978). Reference is also given to 1.4.1.48 NMAC of this rule.

C. Public availability. A copy of the IFB shall be made available for public inspection at the office of the state purchasing agent.

Finally, **1.4.1.67 NMAC 1978: COPIES OF CONTRACTS AND PRICE AGREEMENTS:**

**A central purchasing office shall retain for public inspection and for the use of auditors a copy of each state purchasing agent contract or current price agreement relied upon to make purchases without seeking competitive bids.**

**Condition:** During our testing of bids compliance items we identified the following instances in which proper procedures were not followed:

- The District did not have copies of the requirements of the bid nor documentation of the scoring criteria for all bidders. 2 of the 5 scoring sheets were lost
- The District did not maintain the envelopes bids were received in and put a time and date stamp to verify bids were received prior to the deadline
- The District did not include statutory preference in scoring the bids

**Cause:** The District has not followed State guidelines for purchases requiring invitation for bids and did not follow all guidelines.

**Effect:** The District is not in compliance with State Purchasing Guidelines and could have their bidding procedures challenged. Additionally, the District may not be obtaining the best possible price for services.

**Auditor's Recommendation:** We recommend that the District maintain all supporting documentation related to their bids/RFPs. Documentation should be maintained for the requirements of the bid/RFP, the date and time which proposals are received and the scoring sheets for all scoring of the bids/RFPs. Additionally, all bids and RFPs should include the mandatory scoring values for resident and veteran business certificates.



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

**NM 2018-002 – Failure to Follow Bid-RFP Procedures (Other Non-compliance) (Continued)**

*Responsible official's view:*

- Specific corrective action plan for finding:
  - The business manager is working on acquiring copies of all of these and future contracts that will be through the Cooperative Education Services.
  
- Timeline for completion of corrective action plan:
  - This will be completed by the end of FY18/19
  
- Employee position(s) responsible for meeting the timeline:
  - Business Manager

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

**NM 2018-003 – Improper Maintenance of Credit Card Receipts and Purchase of High Grade Fuel (Other Non-compliance)**

**Criteria:** 1.5.4.12 NMAC 1978, State of New Mexico credit cards shall be used only for official business and only to furnish state-owned vehicles with:

- A. regular gasoline;
- B. unleaded gasoline;
- C. diesel fuel;
- D. lubrication;
- E. motor oil;
- F. car wash; and
- G. emergency purchases not exceeding \$100.00 in total.

**Condition:** During our review of credit card receipts we noted the following instances in which proper procedures were not followed:

- In 2 of 4 monthly billings reviewed we noted that on three occasions high grade fuels were purchased. In August, 19.39 gallons were purchased in two transactions and 12.45 gallons were purchased in a February transaction.
- The District was missing 1 receipt which was lost out of 71 receipts tested, and a lost receipt affidavit was not submitted for the missing receipt. The purchase amount was \$66.06

**Cause:** The District has made an unauthorized purchase of high grade fuels and did not complete a lost receipt affidavit for a lost receipt.

**Effect:** The District is in violation of state statute and is spending funds on products which are considered excessive.

**Auditor's Recommendation:** We recommend that the District adhere to state law regarding the purchase of fuel with gas cards. All individuals who drive District vehicles and use the gas cards should be instructed in the law as to what is and is not proper with regards to gas cards. Relevant sections may be found at 1.5.3.19, 1.5.3.20, and 1.5.4.12 NMAC

**Responsible official's view:**

- Specific corrective action plan for finding:
  - We are required to put high grade fuel in one of the District Owned lawnmowers, we will provide the documentation next year. Any receipts that are missing will now have an affidavit signed by the driver stating why there is not one available.
- Timeline for completion of corrective action plan:
  - This action plan began on July 1, 2018
- Employee position(s) responsible for meeting the timeline:
  - CPO

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Schedule IX

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

**NM 2018-004 – Timeliness of Deposits (Other Non-compliance)**

**Criteria: 6.20.2.14 NMAC 1978 CASH CONTROL STANDARDS:**

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

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

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

K. All bank accounts shall be reconciled on a monthly basis. Reconciled bank statements are to be reviewed by the business manager and/or assistant superintendent for business administration. The bank statement, deposit slips, and canceled checks shall be made available to the district's auditor during the annual audit.

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

- In 1 of 25 items tested money received was not deposited within 24 hours.
  - \$6,950 was received on 5/3/18 and was deposited on 5/7/18

**Cause:** The District did not deposit the funds received within 24 hours after receipt. Proper procedures relating to cash receipts were not followed.

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

**Auditors' Recommendations:** We recommend that the District emphasize the importance of timely deposits of receipts. The District should cross-train employees so that more than one individual is able to make deposits to ensure timely deposits are possible.

***Responsible Official's Plan:***

- Specific corrective action plan for finding:
  - District employees have been reminded of the 24 hour guidelines. Also receipt books have been made available for all clubs/activities. Following weekend activities, money received is dropped in the night drop box at International Bank for safe keeping until the next business day.
- Timeline for completion of corrective action plan:
  - This action plan began on July 1, 2018
- Employee position(s) responsible for meeting the timeline:
  - Business Manager

STATE OF NEW MEXICO  
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Schedule IX

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

**NM 2018- 005 – Improper Management of Student Activity Funds (Other Non-compliance)**

**Criteria:** According to PSAB Supplement 18 – Student Activity and Athletic Funds:

Student activity accounts represent the monies raised or collected by and/or for school sponsored student activities. The activity accounts are typically used to account for monies raised **by the students for the students** (PED emphasis).

Policies and controls relating to student and district activity/athletic funds should be in writing and distributed to all activity fund supervisors, sponsors, and athletic personnel as applicable and accounting personnel. It is strongly recommended that all personnel involved with activity fund transactions or supervision of the same, read, understand and sign a sheet that sets forth all procedural requirements. A useful set of general controls, policies, and procedures includes at least the following:

- **All activity funds shall operate on a cash basis, meaning that no commitments or indebtedness may be incurred unless the fund contains sufficient cash.**
- Using activity fund receipts to cash checks to accommodate individuals, to make any kind of loan, to pay any form of compensation directly to employees, or to extend credit is *strictly prohibited* (PED emphasis)

EXPENDITURE OF STUDENT ACTIVITY FUNDS

The activity fund administrator (principal) will be handling two types of funds at the building level: 1) funds which contain monies belonging to the students (student activity funds or “club accounts”), and 2) funds which contain monies belonging to the district. Monies which belong to the students will normally be approved for disbursement at the building level, whereas monies which belong to the district (such as lab fees or textbook monies) will be managed, approved, and accounted for by the central office.

Disbursement of student activity funds requires approval of the student organization’s sponsor and activity fund supervisor (principal). The following procedures are recommended for student activity fund disbursements:

- Student activity fund cash disbursements should be first approved by the student organization and then by the organization’s sponsor and the principal. The district or charter school may wish to establish a dollar limit for student activity fund disbursements, any disbursement in excess of the limit requiring approval at the district level by either the superintendent or the governing board.

**Condition:** During our review of activity accounts we identified two activity accounts which had a negative balance at the end of the year. Those negative balances were \$50.12 and \$36.28.

**Cause:** The District did not perform adequate oversight to ensure these activity accounts maintained a positive cash balance.

**Effect:** The District is not in compliance with good accounting practices or New Mexico Public Education Department requirements.

**Auditor’s Recommendation:** We recommend that the District ensure that student activity accounts are not allowed to overdraw their cash balance.

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**FOR THE YEAR ENDED JUNE 30, 2018**

Schedule IX

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

**NM 2018- 005 – Improper Management of Student Activity Funds (Other Non-compliance)**

***Responsible Official's View:***

- Specific corrective action plan for finding:
  - Activity account fund balances are monitored closely by the Business Manager, funds will not be able to go into the negative in the future.
  
- Timeline for completion of corrective action plan:
  - This will be completed by the end of FY18/19
  
- Employee position(s) responsible for meeting the timeline
  - Business Manager

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**Section III – Financial Statement Findings (Continued)**

**NM 2018-006 – Budgetary Controls and Cash Appropriations (Other Non-compliance)**

**Criteria: 2.2.2.10 NMAC 1978 GENERAL CRITERIA:**

**Q. Budgetary presentation:**

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

**R. Appropriations:**

(1) Budget related findings:

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

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

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

**Additionally 22-8-11 NMSA 1978 BUDGETS; APPROVAL OF OPERATING BUDGET:**

**B. No School district or state-chartered school or officer or employee of a school district or state-chartered school shall make any expenditure or incur any obligation for the expenditure of public funds unless that expenditure or obligation is made in accordance with an operating budget approved by the department. This prohibition does not prohibit the transfer of funds pursuant to the department’s rules and procedures.**

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

Non-major Funds:		Original	Actual	Difference
		Cash Budget	Cash	
25153	Title XIX Medicaid 3/ 21 Years	\$ 12,048	\$ (1,779)	\$ (13,827)
	Total	<u>\$ 12,048</u>	<u>\$ (1,779)</u>	<u>\$ (13,827)</u>

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**Section III – Financial Statement Findings (Continued)**

**NM 2018-006 – Budgetary Controls and Cash Appropriations (Other Non-compliance) (Continued)**

The District had expenditures in excess of budget in the following funds:

<b>Fund #</b>	<b>Fund and Function</b>	<b>Amount</b>
<b>Major Funds:</b>		
41000	Debt Service - General Administration	\$ 263
<b>Non-major Funds:</b>		
21000	Food Services - Food Service Operations	4,613
29134	Solar Pilot - Instruction	1,060
43000	Education Technology Debt Service - General Administration	31
43000	Education Technology Debt Service - Interest	<u>569</u>
	Total	<u>\$ 6,536</u>

**Effect:** The District has budgeted a cash balance that does not exist. If the District expends all budgeted expenditures it will overdraw its existing funds. The District has also expended funds in excess of its budget authority

**Cause:** Modifying the cash balance of the funds and improper internal controls regarding expenditures was missed by District personnel.

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

**Responsible Official’s Plan:**

- Specific corrective action plan for finding:
  - For the Debt Service funds the Business Manager will continue to work with the Public Education Department in order to have the authority to budget the appropriate amounts in each of those funds to ensure that this does not continue to occur. The Business manager will continue to work on submitting BAR’s to the Public Education Department to also prevent this occurring again, however at times when the correct documentation is available to submit these budget adjustment requests the deadline for End of Fiscal Year has already passed.
  
- Timeline for completion of corrective action plan:
  - This will be completed by the end of FY18/19
  
- Employee position(s) responsible for meeting the timeline:
  - Business Manager

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**Section IV – Prior Year Audit Findings**

**Financial Section Findings**

2016-001 PED Cash Reports – Resolved  
2016-002 Receipt Books – Resolved  
2016-004 Expenditure Issues – Repeated and Revised (Renamed FS 2016-004)  
2017-001 New Mexico New Hire Reporting - Resolved

**Section 12-6-5 NMSA 1978 Findings**

None



**STATE OF NEW MEXICO**  
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**OTHER DISCLOSURES**  
**FOR THE YEAR ENDED JUNE 30, 2018**

Auditor Prepared Financials

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

Exit Conference

The contents of this report were discussed on October 16, 2018. The following individuals were in attendance.

Springer Municipal Schools

Albert Martinez – Superintendent  
Joe A. Apodaca – Board Member  
Rebecca Rigoni – Business Manager  
Lenore Montoya – Asst. Business Manager

Manning Accounting and Consulting Services, LLC

Byron Manning, CPA, Managing Partner  
Chris Manning, Staff