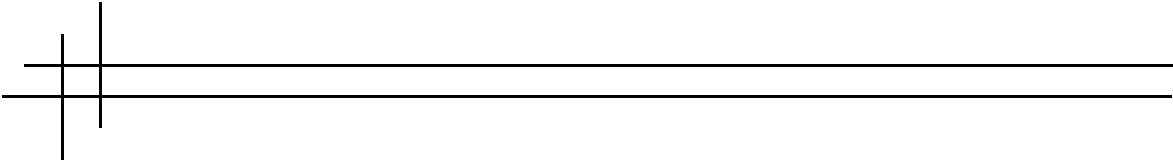


State of New Mexico  
**Tatum Municipal Schools**

**Annual Financial Report**  
June 30, 2018

**De'Aun Willoughby CPA, PC**  
Certified Public Accountant  
Clovis, New Mexico



State of New Mexico  
**Tatum Municipal Schools**  
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 For the Year Ended June 30, 2018

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State of New Mexico  
**Tatum Municipal Schools**  
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State of New Mexico  
**Tatum Municipal Schools**  
Official Roster  
June 30, 2018

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**Board of Education**

Travis Glenn	President
Rusty Henard	Vice-President
Dan Partin	Secretary
Jonathan Peppin	Member
Daniel Palacios	Member

**School Officials**

Buddy Little	Superintendent
Leslie Pearce	Director of Business & Finance

De'Aun Willoughby CPA, PC

Certified Public Accountant

225 Innsdale Terrace Clovis, NM 88101

(855) 253-4313

Independent Auditor's Report

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

Mr. Johnson and Members of the Board

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

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

Opinions

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

#### Other Matters

##### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Schedules of Required Supplementary Information for Pension Plan and Other Post-Employment Benefits (OPEB) and their related notes 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 consider it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during my 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.

Management has omitted the Management's Discussion and Analysis which is required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of the 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.

##### *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 other schedules presented as other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

#### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 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.

***De'Aun Willoughby, CPA, PC***

Clovis, New Mexico  
September 24, 2018

## **Financial Section**

State of New Mexico  
**Tatum Municipal Schools**  
Government-Wide Statement of Net Position  
June 30, 2018

	Governmental Activities
<b>Assets</b>	
<b>Current Assets</b>	
Cash and Cash Equivalents	\$ 1,179,749
Property Taxes Receivable	29,881
Due from Grantor	129,859
Inventory	1,080
Total Current Assets	<u>1,340,569</u>
<b>Noncurrent Assets</b>	
Capital Assets	19,957,354
Less Accumulated Depreciation	(13,228,318)
Total Noncurrent Assets	<u>6,729,036</u>
Total Assets	<u>8,069,605</u>
<b>Deferred Outflows of Resources</b>	
<b>Deferred Outflows Related to Pensions</b>	
Actuarial Experience	18,104
Changes of Assumptions	2,944,148
Changes in Proportion	93,487
Contributions Subsequent to Measurement Date	334,160
<b>Deferred Outflows Related to Other Post-Employment Benefits</b>	
Contributions Subsequent to Measurement Date	48,081
Total Deferred Outflows of Resources	<u>3,437,980</u>
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Accounts Payable	28,721
Accrued Compensated Absences	3,281
Accrued Interest	14,875
Current Portion of Long-Term Debt	400,000
Total Current Liabilities	<u>446,877</u>
<b>Noncurrent Liabilities</b>	
Compensated Absences	59,768
Bonds, Net of Premiums	2,653,667
Pension Liability	10,085,472
Other Post-Employment Benefits Liability	2,728,067
Total Noncurrent Liabilities	<u>15,526,974</u>
Total Liabilities	<u>15,973,851</u>
<b>Deferred Inflows of Resources</b>	
<b>Deferred Inflows Related to Pensions</b>	
Actuarial Experience	155,376
Investment Experience	1,384
Changes in Proportion	164,332
<b>Deferred Inflows Related to Other Post-Employment Benefits</b>	
Actuarial Experience	104,689
Investment Experience	39,245
Changes of Assumptions	476,968
Total Deferred Inflows of Resources	<u>941,994</u>
<b>Net Position</b>	
Net Investment in Capital Assets	3,675,369
Restricted for:	
Capital Projects	252,664
Debt Service	584,068
Unrestricted	(9,920,361)
Total Net Position	<u>\$ (5,408,260)</u>

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



State of New Mexico  
**Tatum Municipal Schools**  
Government-Wide Statement of Activities  
For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities					
Instruction	\$ 3,740,513	\$ 19,904	\$ 188,599	\$ 0	\$ (3,532,010)
Support Services					
Students	165,446	0	6,798	0	(158,648)
Instruction	142,084	0	0	0	(142,084)
General Administration	258,467	0	21,627	0	(236,840)
School Administration	415,440	0	4,451	0	(410,989)
Central Services	265,026	0	17,712	0	(247,314)
Operation of Plant	800,798	9,700	249,182	0	(541,916)
Student Transportation	295,787	0	102,755	0	(193,032)
Food Services Operations	213,729	36,488	0	0	(177,241)
Community Service	6,263	0	0	0	(6,263)
Interest on Long-Term Obligations & Other Charges	45,392	0	0	0	(45,392)
<b>Total Governmental Activities</b>	<b>\$ 6,348,945</b>	<b>\$ 66,092</b>	<b>\$ 591,124</b>	<b>\$ 0</b>	<b>\$ (5,691,729)</b>

General Revenues

Taxes	
Property Taxes, Levied for General Purposes	51,646
Property Taxes, Levied for Capital Projects	215,747
Property Taxes, Levied for Debt Service	567,177
Federal and State aid not restricted to specific purpose	
General	3,573,455
Capital	0
Miscellaneous	11,487
Subtotal, General Revenues	<u>4,419,512</u>
Change in Net Position	<u>(1,272,217)</u>
Net Position - Beginning	(631,593)
Restatement-Change in Accounting Principle-Note O	(3,292,196)
Restatement-Correction of Errors-Note O	(212,254)
Restated Beginning Net Position	<u>(4,136,043)</u>
Net Position - Ending	<u>\$ (5,408,260)</u>

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

State of New Mexico  
**Tatum Municipal Schools**  
Governmental Funds  
Balance Sheet  
June 30, 2018

	General		
	Operational 11000	Teacherage 12000	Transportation 13000
<b>Assets</b>			
Cash and Cash Equivalents	\$ 262,659	\$ 12,751	\$ 1
Receivables			
Taxes Receivable	1,852	0	0
Due From Grantor	0	0	0
Interfund Balances	126,563	0	0
Inventory	0	0	0
Total Assets	<u>\$ 391,074</u>	<u>\$ 12,751</u>	<u>\$ 1</u>
<b>Liabilities</b>			
Accounts Payable	\$ 11,286	\$ 1,873	\$ 0
Accrued Compensated Absences	750	0	2,531
Interfund Balance	0	0	0
Total Liabilities	<u>12,036</u>	<u>1,873</u>	<u>2,531</u>
<b>Deferred Inflows of Resources</b>			
Unavailable Revenue	671	0	0
Total Deferred Inflows of Resources	<u>671</u>	<u>0</u>	<u>0</u>
<b>Fund Balances</b>			
Nonspendable-Inventory	0	0	0
Restricted for Special Revenue	0	0	0
Restricted for Capital Projects	0	0	0
Restricted for Debt Service	0	0	0
Unassigned	378,367	10,878	(2,530)
Total Fund Balances	<u>378,367</u>	<u>10,878</u>	<u>(2,530)</u>
<b>Total Liabilities, Deferred Inflows and Fund Balances</b>	<u>\$ 391,074</u>	<u>\$ 12,751</u>	<u>\$ 1</u>

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

State of New Mexico  
**Tatum Municipal Schools**  
Governmental Funds  
Balance Sheet  
June 30, 2018

	Special Revenue		
	General	Title I	IDEA B
	Instructional Materials 14000	24101	Entitlement 24106
<b>Assets</b>			
Cash and Cash Equivalents	\$ 9,439	\$ 0	\$ 0
Receivables			
Taxes Receivable	0	0	0
Due From Grantor	0	26,263	56,399
Interfund Balances	0	0	0
Inventory	0	0	0
<b>Total Assets</b>	<b>\$ 9,439</b>	<b>\$ 26,263</b>	<b>\$ 56,399</b>
<b>Liabilities</b>			
Accounts Payable	\$ 0	\$ 0	\$ 0
Accrued Compensated Absences	0	0	0
Interfund Balance	0	26,263	56,399
<b>Total Liabilities</b>	<b>0</b>	<b>26,263</b>	<b>56,399</b>
<b>Deferred Inflows of Resources</b>			
Unavailable Revenue	0	0	0
<b>Total Deferred Inflows of Resources</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Fund Balances</b>			
Nonspendable-Inventory	0	0	0
Restricted for Special Revenue	0	0	0
Restricted for Capital Projects	0	0	0
Restricted for Debt Service	0	0	0
Unassigned	9,439	0	0
<b>Total Fund Balances</b>	<b>9,439</b>	<b>0</b>	<b>0</b>
<b>Total Liabilities, Deferred Inflows and Fund Balances</b>	<b>\$ 9,439</b>	<b>\$ 26,263</b>	<b>\$ 56,399</b>

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

State of New Mexico  
**Tatum Municipal Schools**  
Governmental Funds  
Balance Sheet  
June 30, 2018

	<u>Special Revenue</u>		<u>Capital Projects</u>	
	NM Results Plan 24132	Senate Bill Nine-Local 31701	Debt Service 41000	
<b>Assets</b>				
Cash and Cash Equivalents	\$ 0	\$ 134,940	\$ 571,095	
Receivables				
Taxes Receivable	0	7,808	20,221	
Due From Grantor	18,392	0	0	
Interfund Balances	0	0	0	
Inventory	0	0	0	
Total Assets	<u>\$ 18,392</u>	<u>\$ 142,748</u>	<u>\$ 591,316</u>	
<b>Liabilities</b>				
Accounts Payable	\$ 0	\$ 12,266	\$ 0	
Accrued Compensated Absences	0	0	0	
Interfund Balance	18,392	0	0	
Total Liabilities	<u>18,392</u>	<u>12,266</u>	<u>0</u>	
<b>Deferred Inflows of Resources</b>				
Unavailable Revenue	0	3,009	7,248	
Total Deferred Inflows of Resources	<u>0</u>	<u>3,009</u>	<u>7,248</u>	
<b>Fund Balances</b>				
Nonspendable-Inventory	0	0	0	
Restricted for Special Revenue	0	0	0	
Restricted for Capital Projects	0	127,473	0	
Restricted for Debt Service	0	0	584,068	
Unassigned	0	0	0	
Total Fund Balances	<u>0</u>	<u>127,473</u>	<u>584,068</u>	
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 18,392</u>	<u>\$ 142,748</u>	<u>\$ 591,316</u>	

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

State of New Mexico  
**Tatum Municipal Schools**  
 Governmental Funds  
 Balance Sheet  
 June 30, 2018

	Other Governmental Funds	Total Governmental Funds
	<u>          </u>	<u>          </u>
<b>Assets</b>		
Cash and Cash Equivalents	\$ 188,864	\$ 1,179,749
Receivables		
Taxes Receivable	0	29,881
Due From Grantor	28,805	129,859
Interfund Balances	0	126,563
Inventory	1,080	1,080
Total Assets	<u>\$ 218,749</u>	<u>\$ 1,467,132</u>
<b>Liabilities</b>		
Accounts Payable	\$ 3,296	\$ 28,721
Accrued Compensated Absences	0	3,281
Interfund Balance	25,509	126,563
Total Liabilities	<u>28,805</u>	<u>158,565</u>
<b>Deferred Inflows of Resources</b>		
Unavailable Revenue	0	10,928
Total Deferred Inflows of Resources	<u>0</u>	<u>10,928</u>
<b>Fund Balances</b>		
Nonspendable-Inventory	1,080	1,080
Restricted for Special Revenue	63,673	63,673
Restricted for Capital Projects	125,191	252,664
Restricted for Debt Service	0	584,068
Unassigned	0	396,154
Total Fund Balances	<u>189,944</u>	<u>1,297,639</u>
 Total Liabilities, Deferred Inflows and Fund Balances	 <u>\$ 218,749</u>	 <u>\$ 1,467,132</u>

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

State of New Mexico  
**Tatum Municipal Schools**  
 Reconciliation of the Governmental Funds  
 Balance Sheet to the Statement of Net Position  
 June 30, 2018

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Total Fund Balance - Governmental Funds \$ 1,297,639

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Property taxes receivable will be collected after the period of availability, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds. 10,928

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

Capital Assets	\$ 19,957,354	
Accumulated Depreciation	<u>(13,228,318)</u>	6,729,036

Deferred Outflows and Inflows Related to Pensions and Other Post-Employment Benefits (OPEB) are the results of differences in expected and actual actuary experience and the difference in actuary projected and actual earnings. Also changes in proportion and differences between contributions and proportionate share of contributions.

Deferred Outflows Related to Pensions	3,389,899	
Deferred Outflows of Resources Related to OPEB	48,081	
Deferred Inflows Related to Pensions	(321,092)	
Deferred Inflows of Resources Related to OPEB	<u>(620,902)</u>	2,495,986

Long-term and certain other liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term and other liabilities at year end consist of :

Accrued Interest	(14,875)	
Compensated Absences	(59,768)	
Bonds payable	(2,975,000)	
Net Premiums on Bond Issue	(78,667)	
Pension Liability	(10,085,472)	
Other Post-Employment Benefits Liability	<u>(2,728,067)</u>	<u>(15,941,849)</u>

Total Net Position - Governmental Activities \$ (5,408,260)

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

State of New Mexico  
**Tatum Municipal Schools**  
Governmental Funds  
Statement of Revenues, Expenditures and Changes  
in Fund Balance  
For the Year Ended June 30, 2018

	General		
	Operational 11000	Teacherage 12000	Transportation 13000
<b>Revenues</b>			
Property Taxes	\$ 52,102	\$ 0	\$ 0
Fees	0	9,700	0
State & Local Grants	3,573,455	0	249,182
Federal Grants	0	0	0
Miscellaneous	7,454	0	0
<b>Total Revenues</b>	<b>3,633,011</b>	<b>9,700</b>	<b>249,182</b>
<b>Expenditures</b>			
<b>Current</b>			
Instruction	2,137,189	0	0
<b>Support Services</b>			
Students	143,189	0	0
Instruction	99,007	0	0
General Administration	171,450	0	0
School Administration	293,618	0	0
Central Services	203,422	0	0
Operation of Plant	506,122	11,409	0
Student Transportation	0	0	252,678
Food Services Operations	65,008	0	0
Community Services	4,288	0	0
Capital Outlay	0	0	0
<b>Debt Service</b>			
Principal	0	0	0
Interest	0	0	0
<b>Total Expenditures</b>	<b>3,623,293</b>	<b>11,409</b>	<b>252,678</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>9,718</b>	<b>(1,709)</b>	<b>(3,496)</b>
<b>Fund Balances at Beginning of Year</b>	<b>384,447</b>	<b>12,587</b>	<b>4,226</b>
Restatement	(15,798)	0	(3,260)
<b>Restated Beginning Fund Balance</b>	<b>368,649</b>	<b>12,587</b>	<b>966</b>
<b>Fund Balances End of Year</b>	<b>\$ 378,367</b>	<b>\$ 10,878</b>	<b>\$ (2,530)</b>

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

State of New Mexico  
**Tatum Municipal Schools**  
 Governmental Funds  
 Statement of Revenues, Expenditures and Changes  
 in Fund Balance  
 For the Year Ended June 30, 2018

	Special Revenue		
	General	Title I	IDEA B
	Instructional Materials 14000	24101	Entitlement 24106
<b>Revenues</b>			
Property Taxes	\$ 0	\$ 0	\$ 0
Fees	0	0	0
State & Local Grants	9,843	0	0
Federal Grants	0	52,109	71,357
Miscellaneous	0	0	0
<b>Total Revenues</b>	<b>9,843</b>	<b>52,109</b>	<b>71,357</b>
<b>Expenditures</b>			
Current			
Instruction	20,707	52,109	50,048
Support Services			
Students	0	0	0
Instruction	0	0	0
General Administration	0	0	21,309
School Administration	0	0	0
Central Services	0	0	0
Operation of Plant	0	0	0
Student Transportation	0	0	0
Food Services Operations	0	0	0
Community Services	0	0	0
Capital Outlay	0	0	0
Debt Service			
Principal	0	0	0
Interest	0	0	0
<b>Total Expenditures</b>	<b>20,707</b>	<b>52,109</b>	<b>71,357</b>
Excess (Deficiency) of Revenues Over Expenditures	(10,864)	0	0
Fund Balances at Beginning of Year	20,303	0	0
Restatement	0	0	0
Restated Beginning Fund Balance	20,303	0	0
Fund Balances End of Year	\$ 9,439	\$ 0	\$ 0

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



State of New Mexico  
**Tatum Municipal Schools**  
Governmental Funds  
Statement of Revenues, Expenditures and Changes  
in Fund Balance  
For the Year Ended June 30, 2018

	<u>Special Revenue</u>		<u>Capital Projects</u>
	NM Results Plan 24132	Senate Bill Nine-Local 31701	Debt Service 41000
Revenues			
Property Taxes	\$ 0	\$ 218,120	574,107
Fees	0	0	0
State & Local Grants	0	0	0
Federal Grants	19,720	0	0
Miscellaneous	0	1,244	1,352
Total Revenues	<u>19,720</u>	<u>219,364</u>	<u>575,459</u>
Expenditures			
Current			
Instruction	19,720	30,790	0
Support Services			
Students	0	0	0
Instruction	0	0	0
General Administration	0	1,558	4,062
School Administration	0	0	0
Central Services	0	0	0
Operation of Plant	0	172,444	0
Student Transportation	0	0	0
Food Services Operations	0	0	0
Community Services	0	0	0
Capital Outlay	0	15,770	0
Debt Service			
Principal	0	0	360,000
Interest	0	0	63,100
Total Expenditures	<u>19,720</u>	<u>220,562</u>	<u>427,162</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>0</u>	<u>(1,198)</u>	<u>148,297</u>
Fund Balances at Beginning of Year	0	136,844	435,771
Restatement	0	(8,173)	0
Restated Beginning Fund Balance	<u>0</u>	<u>128,671</u>	<u>435,771</u>
Fund Balances End of Year	<u>\$ 0</u>	<u>\$ 127,473</u>	<u>584,068</u>

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

State of New Mexico  
**Tatum Municipal Schools**  
Governmental Funds  
Statement of Revenues, Expenditures and Changes  
in Fund Balance  
For the Year Ended June 30, 2018

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	Other Governmental Funds	Total Governmental Funds
Revenues		
Property Taxes	\$ 0	\$ 844,329
Fees	56,392	66,092
State & Local Grants	37,632	3,870,112
Federal Grants	151,281	294,467
Miscellaneous	1,437	11,487
Total Revenues	<u>246,742</u>	<u>5,086,487</u>
Expenditures		
Current		
Instruction	70,386	2,380,949
Support Services		
Students	0	143,189
Instruction	6,798	105,805
General Administration	318	198,697
School Administration	4,451	298,069
Central Services	0	203,422
Operation of Plant	17,712	707,687
Student Transportation	0	252,678
Food Services Operations	117,339	182,347
Community Services	0	4,288
Capital Outlay	10,043	25,813
Debt Service		
Principal	0	360,000
Interest	0	63,100
Total Expenditures	<u>227,047</u>	<u>4,926,044</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>19,695</u>	<u>160,443</u>
Fund Balances at Beginning of Year	160,958	1,155,136
Restatement	9,291	(17,940)
Restated Beginning Fund Balance	<u>170,249</u>	<u>1,137,196</u>
Fund Balances End of Year	<u>\$ 189,944</u>	<u>\$ 1,297,639</u>

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

State of New Mexico  
**Tatum Municipal Schools**  
 Reconciliation of the Governmental Funds  
 Statement of Revenues, Expenditures and Changes in Fund Balance  
 To the Statement of Activities  
 June 30, 2018

---

Excess (Deficiency) of Revenues Over Expenditures \$ 160,443

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered "available" revenues in the governmental funds, and are instead reported as unavailable revenues. They are however, recorded as revenues in the Statement of Activities.

Property Taxes Receivable, June 30, 2017	\$ (20,687)	
Property Taxes Receivable, June 30, 2018	<u>10,928</u>	(9,759)

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.

Depreciation expense	(508,035)	
Capital Outlays	<u>25,813</u>	(482,222)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

Principal paid for bonds		360,000
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Bond issue costs and premium on the bond issue are amortized in the Statement of Activities but are recorded as an expenditure and revenue respectfully in the year of issue on the Statement of Revenues, Expenditures and Changes in Fund Balances. The bond issue costs and premiums are amortized over the life of the bonds.

Amortization of Premiums this year		16,000
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Interest is accrued through year end but the Balance Sheet included interest payable within thirty day of year end.

Accrued Interest, June 30, 2017	16,583	
Accrued Interest, June 30, 2018	<u>(14,875)</u>	1,708

Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences, June 30, 2017	58,343	
Compensated Absences, June 30, 2018	<u>(59,768)</u>	<u>(1,425)</u>

State of New Mexico

**Tatum Municipal Schools**

Reconciliation of the Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balance

To the Statement of Activities

June 30, 2018

---

Pension and Other Post-Employment Benefits (OPEB) contributions are reported as expenses in the government funds but are deferred outflows in the Statement of Net Position. Pension and OPEB expense is reported in the Statement of Activities but not in the governmental funds.

Pension Contributions	334,160	
Other Post-Employment Benefits Contributions	48,081	
Pension Expense	(1,642,430)	
Other Post-Employment Benefits Expenses	<u>(56,773)</u>	<u>(1,316,962)</u>

Changes in Net Position of Governmental Activities \$ (1,272,217)

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

State of New Mexico  
**Tatum Municipal Schools**  
 General Fund-Operational-11000  
 Statement of Revenues, Expenditures, and Changes in Cash Balance -  
 Budget and Actual (Budgetary Basis)  
 For the Year Ended June 30, 2018

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$ 45,408	\$ 45,408	\$ 52,338	\$ 6,930
State & Local Grants	3,473,863	3,527,576	3,573,455	45,879
Miscellaneous	1,201	1,201	7,454	6,253
Total Revenues	<u>3,520,472</u>	<u>3,574,185</u>	<u>3,633,247</u>	<u>59,062</u>
<b>Expenditures</b>				
<b>Instruction</b>				
Personnel Services	1,586,656	1,591,306	1,511,214	80,092
Employee Benefits	561,015	554,940	521,172	33,768
Professional & Tech Services	20,120	31,995	18,331	13,664
Purchased Property Services	4,850	5,250	5,248	2
Other Purchased Services	27,150	40,680	24,757	15,923
Supplies	64,000	65,505	51,338	14,167
Supply Assets	500	6,835	5,064	1,771
Total Instruction	<u>2,264,291</u>	<u>2,296,511</u>	<u>2,137,124</u>	<u>159,387</u>
<b>Support Services</b>				
<b>Students</b>				
Personnel Services	42,275	42,140	42,140	0
Employee Benefits	10,567	10,532	10,530	2
Professional & Tech Services	86,700	90,132	88,209	1,923
Other Purchased Services	800	0	0	0
Supplies	2,900	2,310	2,310	0
Total Students	<u>143,242</u>	<u>145,114</u>	<u>143,189</u>	<u>1,925</u>
<b>Instruction</b>				
Personnel Services	71,290	70,290	68,345	1,945
Employee Benefits	26,093	27,093	25,668	1,425
Professional & Tech Services	5,000	2,500	895	1,605
Supplies	500	2,127	1,885	242
Total Instruction	<u>102,883</u>	<u>102,010</u>	<u>96,793</u>	<u>5,217</u>
<b>General Administration</b>				
Personnel Services	157,722	127,129	112,893	14,236
Employee Benefits	50,583	48,020	35,983	12,037
Professional & Tech Services	19,517	21,309	18,829	2,480
Purchased Property Services	1,000	649	0	649
Other Purchased Services	5,500	6,035	2,193	3,842
Supplies	1,750	2,390	1,083	1,307
Total General Administration	<u>\$ 236,072</u>	<u>\$ 205,532</u>	<u>\$ 170,981</u>	<u>\$ 34,551</u>

State of New Mexico  
**Tatum Municipal Schools**  
 General Fund-Operational-11000  
 Statement of Revenues, Expenditures, and Changes in Cash Balance -  
 Budget and Actual (Budgetary Basis)  
 For the Year Ended June 30, 2018

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
School Administration				
Personnel Services	\$ 185,406	\$ 216,849	\$ 216,613	\$ 236
Employee Benefits	62,639	73,084	72,657	427
Professional & Tech Services	1,350	715	70	645
Other Purchased Services	1,000	1,620	993	627
Supplies	1,500	8,390	3,285	5,105
Total School Administration	<u>251,895</u>	<u>300,658</u>	<u>293,618</u>	<u>7,040</u>
Central Services				
Personnel Services	117,084	117,084	117,084	0
Employee Benefits	48,655	48,180	47,453	727
Professional & Tech Services	3,150	10,414	9,921	493
Other Purchased Services	12,000	12,375	12,365	10
Supplies	2,000	3,835	2,848	987
Supply Assets	17,000	14,201	13,662	539
Total Central Services	<u>199,889</u>	<u>206,089</u>	<u>203,333</u>	<u>2,756</u>
Operation of Plant				
Personnel Services	170,837	174,920	172,612	2,308
Employee Benefits	65,339	62,827	58,839	3,988
Purchased Property Services	166,500	154,880	126,016	28,864
Other Purchased Services	121,189	121,669	120,662	1,007
Supplies	36,652	40,772	34,130	6,642
Supply Assets	2,000	3,500	722	2,778
Total Operation of Plant	<u>562,517</u>	<u>558,568</u>	<u>512,981</u>	<u>45,587</u>
Total Support Services	<u>1,496,498</u>	<u>1,517,971</u>	<u>1,420,895</u>	<u>97,076</u>
Food Service				
Professional & Tech Services	800	800	0	800
Other Purchased Services	1,000	1,000	0	1,000
Supplies	68,000	68,000	65,008	2,992
Total Food Service	<u>69,800</u>	<u>69,800</u>	<u>65,008</u>	<u>4,792</u>
Community Service				
Personnel Services	12,000	12,000	3,538	8,462
Employee Benefits	1,850	1,850	748	1,102
Supplies	1,500	1,500	0	1,500
Total Community Service	<u>15,350</u>	<u>15,350</u>	<u>4,286</u>	<u>11,064</u>
Total Expenditures	\$ <u>3,845,939</u>	\$ <u>3,899,632</u>	\$ <u>3,627,313</u>	\$ <u>272,319</u>

State of New Mexico  
**Tatum Municipal Schools**  
 General Fund-Operational-11000  
 Statement of Revenues, Expenditures, and Changes in Cash Balance -  
 Budget and Actual (Budgetary Basis)  
 For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget- Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Excess (Deficiency) of Revenues Over Expenditures	\$ <u>(325,467)</u>	\$ <u>(325,447)</u>	\$ <u>5,934</u>	\$ <u>331,381</u>
Cash Balance Beginning of Year	383,030	383,030	383,030	0
Restatement	<u>258</u>	<u>258</u>	<u>258</u>	<u>0</u>
Restated Beginning Cash Balance	<u>383,288</u>	<u>383,288</u>	<u>383,288</u>	<u>0</u>
Cash Balance End of Year	\$ <u><u>57,821</u></u>	\$ <u><u>57,841</u></u>	\$ <u><u>389,222</u></u>	\$ <u><u>331,381</u></u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 5,934	
Net Change in Taxes Receivable			(692)	
Net Change in Accounts Payables			4,770	
Net Change in Accrued Compensated Absences			(750)	
Net Change in Unavailable Revenue			<u>335</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			\$ <u><u>9,597</u></u>	

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

State of New Mexico  
**Tatum Municipal Schools**  
 General Fund-Teacherage-12000  
 Statement of Revenues, Expenditures, and Changes in Cash Balance -  
 Budget and Actual (Budgetary Basis)  
 For the Year Ended June 30, 2018

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
Fees	\$ 5,400	\$ 5,400	\$ 9,700	\$ 4,300
Total Revenues	<u>5,400</u>	<u>5,400</u>	<u>9,700</u>	<u>4,300</u>
<b>Expenditures</b>				
<b>Operation of Plant</b>				
Personnel Services	6,000	6,000	4,886	1,114
Employee Benefits	2,123	2,123	1,714	409
Purchased Property Services	1,500	1,500	0	1,500
Other Purchased Services	2,688	2,688	2,600	88
Supplies	1,000	1,000	91	909
Supply Assets	3,346	3,346	245	3,101
Total Operation of Plant	<u>16,657</u>	<u>16,657</u>	<u>9,536</u>	<u>7,121</u>
Total Expenditures	<u>16,657</u>	<u>16,657</u>	<u>9,536</u>	<u>7,121</u>
Excess (Deficiency) of Revenues Over Expenditures	(11,257)	(11,257)	164	11,421
Cash Balance Beginning of Year	<u>12,587</u>	<u>12,587</u>	<u>12,587</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 1,330</u>	<u>\$ 1,330</u>	<u>\$ 12,751</u>	<u>\$ 11,421</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 164	
Net change in Accounts Payables			(1,873)	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (1,709)</u>	

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



State of New Mexico  
**Tatum Municipal Schools**  
 General Fund-Transportation-13000  
 Statement of Revenues, Expenditures, and Changes in Cash Balance -  
 Budget and Actual (Budgetary Basis)  
 For the Year Ended June 30, 2018

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
State Grant	\$ 249,182	\$ 249,182	\$ 249,182	\$ 0
Total Revenues	<u>249,182</u>	<u>249,182</u>	<u>249,182</u>	<u>0</u>
<b>Expenditures</b>				
<b>Student Transportation</b>				
Personnel Services	84,605	85,607	85,607	0
Employee Benefits	70,893	47,514	47,514	0
Professional & Tech Services	500	1,410	1,410	0
Purchased Property Services	37,184	50,647	50,647	0
Other Purchased Services	26,200	27,270	27,270	0
Supplies	29,800	38,847	38,846	1
Returned to PED	2,113	2,113	2,113	0
Total Student Transportation	<u>251,295</u>	<u>253,408</u>	<u>253,407</u>	<u>1</u>
Total Expenditures	<u>251,295</u>	<u>253,408</u>	<u>253,407</u>	<u>1</u>
Excess (Deficiency) of Revenues Over Expenditures	(2,113)	(4,226)	(4,225)	1
Cash Balance Beginning of Year	<u>4,226</u>	<u>4,226</u>	<u>4,226</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 2,113</u>	<u>\$ 0</u>	<u>\$ 1</u>	<u>\$ 1</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (4,225)	
Net change in Accounts Payables			3,260	
Net Change in Accrued Compensated Absences			(2,531)	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (3,496)</u>	

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

State of New Mexico  
**Tatum Municipal Schools**  
 General Fund-Instructional Materials-14000  
 Statement of Revenues, Expenditures, and Changes in Cash Balance -  
 Budget and Actual (Budgetary Basis)  
 For the Year Ended June 30, 2018

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
State Grant	\$ 9,170	\$ 9,843	\$ 9,843	\$ 0
Total Revenues	<u>9,170</u>	<u>9,843</u>	<u>9,843</u>	<u>0</u>
<b>Expenditures</b>				
<b>Instruction</b>				
Supplies	24,213	30,146	20,707	9,439
Total Instruction	<u>24,213</u>	<u>30,146</u>	<u>20,707</u>	<u>9,439</u>
Total Expenditures	<u>24,213</u>	<u>30,146</u>	<u>20,707</u>	<u>9,439</u>
Excess (Deficiency) of Revenues Over Expenditures	(15,043)	(20,303)	(10,864)	9,439
Cash Balance Beginning of Year	<u>20,303</u>	<u>20,303</u>	<u>20,303</u>	<u>0</u>
Cash Balance End of Year	\$ <u>5,260</u>	\$ <u>0</u>	\$ <u>9,439</u>	\$ <u>9,439</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (10,864)	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			\$ <u>(10,864)</u>	

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

State of New Mexico  
**Tatum Municipal Schools**  
Special Revenue Fund-Title I-24101  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Federal Grants	\$ 52,109	\$ 67,728	\$ 25,846	\$ (41,882)
Total Revenues	<u>52,109</u>	<u>67,728</u>	<u>25,846</u>	<u>(41,882)</u>
Expenditures				
Instruction				
Personnel Services	37,224	47,195	35,895	11,300
Employee Benefits	<u>14,885</u>	<u>20,533</u>	<u>16,214</u>	<u>4,319</u>
Total Instruction	<u>52,109</u>	<u>67,728</u>	<u>52,109</u>	<u>15,619</u>
Total Expenditures	<u>52,109</u>	<u>67,728</u>	<u>52,109</u>	<u>15,619</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	(26,263)	(26,263)
Cash Balance Beginning of Year	<u>26,263</u>	<u>26,263</u>	<u>26,263</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 26,263</u>	<u>\$ 26,263</u>	<u>\$ 0</u>	<u>\$ (26,263)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (26,263)	
Net Change in Due from Grantor			<u>26,263</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 0</u>	

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

State of New Mexico  
**Tatum Municipal Schools**  
Special Revenue Fund-IDEA B Entitlement-24106  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
Federal Grants	\$ 125,797	\$ 184,028	\$ 60,423	\$ (123,605)
Total Revenues	<u>125,797</u>	<u>184,028</u>	<u>60,423</u>	<u>(123,605)</u>
<b>Expenditures</b>				
<b>Instruction</b>				
Personnel Services	53,181	53,181	43,321	9,860
Employee Benefits	<u>22,109</u>	<u>22,109</u>	<u>6,727</u>	<u>15,382</u>
Total Instruction	<u>75,290</u>	<u>75,290</u>	<u>50,048</u>	<u>25,242</u>
<b>Support Services</b>				
<b>General Administration</b>				
Other Purchased Services	<u>5,043</u>	<u>63,274</u>	<u>21,309</u>	<u>41,965</u>
Total General Administration	<u>5,043</u>	<u>63,274</u>	<u>21,309</u>	<u>41,965</u>
Total Support Services	<u>5,043</u>	<u>63,274</u>	<u>21,309</u>	<u>41,965</u>
Total Expenditures	<u>80,333</u>	<u>138,564</u>	<u>71,357</u>	<u>67,207</u>
Excess (Deficiency) of Revenues Over Expenditures	45,464	45,464	(10,934)	(56,398)
Cash Balance Beginning of Year	<u>(45,464)</u>	<u>(45,464)</u>	<u>(45,464)</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (56,398)</u>	<u>\$ (56,398)</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (10,934)	
Net Change in Due from Grantor			<u>10,934</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 0</u>	

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

State of New Mexico

**Tatum Municipal Schools**

Special Revenue Fund-NM Results Plan-24132

Statement of Revenues, Expenditures, and Changes in Cash Balance -

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2018

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
Federal Grants	\$ 41,785	\$ 41,785	\$ 23,113	\$ (18,672)
Total Revenues	<u>41,785</u>	<u>41,785</u>	<u>23,113</u>	<u>(18,672)</u>
<b>Expenditures</b>				
<b>Instruction</b>				
Professional & Tech Services	10,000	1,388	1,328	60
Supplies	0	600	380	220
Supply Assets	10,000	18,012	18,012	0
Total Instruction	<u>20,000</u>	<u>20,000</u>	<u>19,720</u>	<u>280</u>
Total Expenditures	<u>20,000</u>	<u>20,000</u>	<u>19,720</u>	<u>280</u>
Excess (Deficiency) of Revenues Over Expenditures	21,785	21,785	3,393	(18,392)
Cash Balance Beginning of Year	<u>(21,785)</u>	<u>(21,785)</u>	<u>(21,785)</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (18,392)</u>	<u>\$ (18,392)</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 3,393	
Net Change in Due from Grantor			<u>(3,393)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 0</u>	
			\$	

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

State of New Mexico  
**Tatum Municipal Schools**  
Statement of Fiduciary Assets and Liabilities-Agency Funds  
June 30, 2018

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	<u>Agency Funds</u>
Assets	
Cash and Cash Equivalents	\$ 66,106
Total Assets	<u>\$ 66,106</u>
Liabilities	
Deposits Held for Others	\$ 66,106
Total Liabilities	<u>\$ 66,106</u>

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

**Summary of Significant Accounting Policies**

The financial statements of the Tatum Municipal Schools (District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

**Financial Reporting Entity**

The District has been in existence since the early nineteen hundreds, and is currently operating under the provisions of the Public School District Code, Chapter 22, of the New Mexico Statutes Annotated, 1978 Compilation. The District operates with a local board of education - superintendent form of government and provides a supervised program of instruction designed to educate students at the elementary and secondary level.

GASB Statement No. 14 established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the District is considered a *primary government*, since it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the District may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges and issue bonded debt.

The District has no component units, defined by GASB Statement No. 14 as other legally separate organizations for which the elected District members are financially accountable. There are no other primary governments with which the School Board Members are financially accountable. There are no other primary governments with which the District has a significant relationship.

The accounts of the District are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

The funds of the District are classified into two categories: governmental and fiduciary. In turn, each category is divided into separate fund types. The fund classification and a description of each existing fund type follows below:

***Governmental Funds***

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

General Fund - The General Fund is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds.

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

Capital Projects Fund - The Capital Projects Fund is used to account for all resources for the acquisition of capital facilities by the District.

Debt Service Fund - The Debt Service Fund is used to account for the resources for, and the payment of, principal, interest and related costs.

***Fiduciary Fund Type***

Fiduciary funds account for assets held by the government in a trustee capacity or as an agent on behalf of outside parties, including other governments, or on behalf of other funds within the District.

The Student Activity Fund, an agency fund, accounts for assets held by the District as an agent for the District organizations. These organizations exist with the explicit approval of and are subject to revocation by the District's Board of Education. This accounting reflects the District's agency relationship with the student activity organizations.

The District reports the following major governmental funds:

**General Fund (11000)(12000)(13000)(14000)**

The General Fund consist of four sub funds. The first is the Operational fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. The Teacherage accounts for rents collected from teachers and related expenditures. The Transportation fund includes a state grant to provide transportation for students in the District. The Instructional Materials fund accounts for a state grant to provide text books for students in the District.

**Major Special Revenue Fund**

**Title I (24101).** To account for a program funded by a Federal grant to supplement the regular instructional program for educationally deprived students. Funding authorized by the Elementary and Secondary Act of 1965, Chapter I of Title I, as amended, Public Laws 100-297, 20 U.S.C. 2701. The fund was created by the authority of federal grant provisions.

**IDEA B Entitlement (24106).** To account for a program funded by a Federal grant to assist the District in providing free appropriate public education to all handicapped children. Funding authorized by the Individuals with Disabilities Education Act, Part B, Sections 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. The fund was created by the authority of federal grant provisions.

**NM Results Plan-24132.** To provide funding to schools for professional development, coaching, technical assistance, and additional funds to support school improvement targeted to early elementary reading achievement. Funding authorized by the Individuals with Disabilities Education Act, Part B, Sections 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. The fund was created by the authority of federal grant provisions.

**Major Capital Projects Fund**

**Senate Bill Nine-Local (31701).** The revenues are derived from local ad-valorem taxes. Expenditures are restricted to capital improvements, maintenance of the facilities and supplies.

**Major Debt Service Fund**

**Debt Service Fund (41000).** To account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. The resources of this fund are generated by a tax levy based upon property values. Expenditures are restricted to debt reduction.

**Measurement Focus and Basis of Accounting**  
***Government-Wide Financial Statements (GWFS)***

The Statement of Net Position and the Statement of Activities displays information about the reporting government as a whole. Fiduciary funds are not included in the GWFS. Fiduciary Funds are reported only in the Statement of Fiduciary Assets and Liabilities at the fund financial statement level.



The Statement of Net Position and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, deferred outflow of resources, liabilities and deferred inflow of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, deferred outflow of resources, liabilities and deferred inflow of resources resulting from nonexchange transactions are recognized in accordance with the requirement of GASB Statement No. 33 "Accounting and Financial Reporting for Nonexchange Transactions."

#### Program Revenues

Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the District's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the District's general revenues. Program revenues include: 1) charges for services to students or applicants who purchase, use or directly benefit from the goods or services provided by the given function 2) program-specific operating grants and contributions, and including grants for transportation, instructional materials, food service, special revenue funds such as special education as well as others and federal and state programs 3) program specific capital grants and contributions.

### ***Fund Financial Statements (FFS)***

#### Governmental Funds

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within 30 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured principal and interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. Any effect of interfund activity has been eliminated from the district-wide financial statements.

#### Revenues

Ad valorem taxes are susceptible to full accrual on the government wide financial statements. Property Tax revenues recognize revenues net of estimated refunds and uncollectible accounts in the period for which the taxes are levied.

*Entitlement and shared revenues* (which include state equalization and state revenue sharing) are recorded as unrestricted grants-in-aid at the time of receipt or earlier if the susceptible to accrual criteria are 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.

*Other receipts* become measurable and available when cash is received by the District and are recognized as revenue at that time.

#### Expenditures

*Salaries* are recorded as paid. Salaries for nine-month employees are paid prior to the end of the fiscal year and therefore are not accrued. Salaries for the twelve month employees payroll are accrued.

Other Financing Sources (Uses)

Transfers between funds that are not expected to be repaid (or any other types, such as capital lease transactions, sale of fixed assets, debt extinguishments, long-term debt proceeds, etc.) are accounted for as other financing sources (uses). These other financing sources (uses) are recognized at the time the underlying events occur.

Basis of Budgeting

Formal budgetary integration is employed as a management control device during the year.

Budgets for the General, Special Revenue, Debt Service and Capital Projects Funds are adopted on a basis inconsistent with generally accepted accounting principles (GAAP). These budgets are prepared using the cash basis of accounting. Budgetary comparisons for the various funds in this report are on the non-GAAP budgetary basis.

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

1. Prior to April 15, (unless a later date is fixed by the Secretary of Education) the local school board submits to the School Budget and Finance Analysis Unit (SBFAU) of the New Mexico Public Education Department an estimated budget for the District for the ensuing fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them. All budgets submitted to the New Mexico Public Education Department (PED) by the district shall contain headings and details as prescribed by law.
2. Prior to June 20, of each year, the proposed "operating" budget will be reviewed and approved by the SBFAU and certified and approved by the local school board at the public hearing of which notice has been published by the local school board which fixed the estimated budget for the district for the ensuing fiscal year.
3. The "operating" budget will be used by the District until they have been notified that the budget has been approved by the SBFAU and the local school board. The budget shall be integrated formally in to the accounting system. Encumbrances shall be used as an element for control and shall be integrated into the budget system.
4. 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 SBFAU.
5. No school board or officer or employee of the District shall make any expenditures or incur any obligation for the expenditures of public funds unless such expenditure or contractual obligation is made in accordance with an operating budget approved by the division. But this does not prohibit the transfer of funds between line items within a series of a budget.
6. Budget change requests are processed in accordance with Supplement I (Budget Preparation and Maintenance) of the *Manual of Procedures Public School Accounting and Budgeting*. Such changes are initiated by the District and approved by the SBFAU.
7. Legal budget control for expenditures is by function.
8. 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 of the District has been amended during the current fiscal year in accordance with these procedures. The budget schedules included in the accompanying financial statements reflect the approved budget and amendments thereto.

#### Cash and Cash Equivalents

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.

The District is authorized under the provisions of Chapter 6, Article 10, paragraph 10, NMSA 1978, to deposit its money in banks, savings and loan associations and/or credit unions whose accounts are insured by an agency of the United States.

#### Investments

All money not immediately necessary for the public uses of the District may be invested in :

(a) bonds or negotiable securities of the United States, the state or any county, municipality or school district which has a taxable valuation of real property for the last preceding year of at least one million dollars (1,000,000) and has not defaulted in the payment of any interest or sinking fund obligation or failed to meet any bonds at maturity at any time within five years last preceding; or

(b) securities that are issued by the United States government or by its agencies or instrumentalities and that are either direct obligations of the United States or are backed by the full faith and credit of the United States government or agencies guaranteed by the United States government.

(c) in contracts with banks, savings and loan associations or credit unions for the present purchase and resale at a specified time in the future of specific securities at specified prices at a price differential representing the interest income to be earned by the investor. The contract shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with the investment. The contract shall be fully secured by obligations of the United States having a market value of at least one hundred two percent of the contract. The collateral required for investment in the contracts provided for in this subsection shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with investment.

#### Receivables and Payables

Receivables include property taxes, interfund loans that are expected to be paid back and amount due from state government agencies related to various grant agreements. Payables represent routine monthly bills for services rendered and products purchased and accrued salaries and benefits.

#### Property Taxes

The County collects the District's share of property taxes assessed. Property taxes attach an enforceable lien on property as of January 1st. Tax notices are sent by the County treasurer to property owners by November 1st of each year to be paid in whole or in two installments by November 10th and April 10th of each year. The County collects such taxes and distributes them to the District on a monthly basis. The District accounts for its share of property taxes in the General, Debt Service and Capital Projects Funds. Only those collections received are recorded as revenues for the budget presentation.

#### Elimination and Reclassifications of Certain Receivables and Payables

In the process of aggregating data for the Statement of Assets and Liabilities and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Inventories and Prepaid Items

Purchased inventory is valued at the lower of cost (first-in, first-out) or market. Inventory in the Food Service Fund consists of purchased food and non-food items and United States Department of Agriculture (USDA) commodities. Commodities are shown at the USDA procurement cost. Costs are recorded as expenditures at the time individual inventory items are used (consumption method). Reported inventories are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both District-wide and fund financial statements.

Capital Assets

Capital assets are recorded at historical costs and depreciated over their estimated useful lives (with no salvage value). Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Donated capital assets are recorded at their estimated fair market value on the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

If there are any construction projects funded by the NM Public School Facilities Authority they are included in the appropriate capital projects fund and in the capital assets.

Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Straight line depreciation is used based on the following estimated useful lives:

Buildings & Improvements	20-50 Years
Equipment, Vehicles, Information Technology Equipment, Software & Library Books	3-15 Years

Capital Leases

Capital leases are recorded at the inception of the leases as expenditures and other financing sources in governmental fund financial statement at the present value of the future minimum lease payments, using the stated or implicit interest rate in the leases. Lease payments are recorded as expenditures on the due date. Capital leases are recorded as a liability in the government-wide financial statement at the time of inception and the corresponding asset is recorded in the capital asset section on the balance sheet.

Short -Term Debt

Short-term debt results from borrowings characterized by anticipation notes, use of lines of credit, and similar loans. The District does not have any activity in short-term debt.

Long-Term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method or the straight-line method if the difference from the effective interest method is minimal. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual net of debt proceeds received, are reported as debt service expenditures.

#### Restricted Net Position

For the government-wide statement of net position, net positions are reported as restricted when constraints placed on net positions use are either:

Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments;

Imposed by law through constitutional provisions or enabling legislation.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available it will first be applied to restricted resources.

#### Fund Balances of Fund Financial Statements

Nonspendable Fund Balance is a category that is not converted into cash such as inventory.

Restricted fund balance includes amounts that have constraints placed on their use that are (a) externally imposed by grantors, laws or regulation of other governments or (b) imposed by enabling legislation.

Committed fund balance is a classification for governmental fund balance reporting that includes amounts that can only be used for specific purposes pursuant to constraints imposed by law and require a formal action of the government's highest level of decision-making authority.

Assigned fund balance is a classification for governmental fund balance reporting that includes amounts that the governmental entity intends to use for specific purposes.

Unassigned fund balance is the residual classification used for reporting spendable fund balance in the General Fund that represents amounts that have not been committed or assigned or restricted.

#### Interfund Transfers

In governmental funds, transfers should be reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers.

#### Deferred Inflows

The District reports unearned and unavailable revenues on its Statement of Net Position and Fund Balance Sheet. Unearned revenues arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when the District has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and the revenue is recognized. Unavailable revenues also occur in the fund financial statements when revenue is earned but is not available. The revenue becomes available if received within 30 days of the fiscal year end.

#### Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**A. Deposits and Investments**

The District is required by New Mexico State Statute (Section 6-10-17) to be 50% collateralized. Following is a schedule calculating the requirement and disclosing the pledged securities.

**Western Commerce Bank**

<u>Name of Account</u>		Balance Per Bank 6/30/18	Reconciled Balance	Type
General	Checking	\$ 883,338	\$ 681,998	Interest
School Lunch	Checking	63,182	49,105	Interest
Athletics	Checking	5,993	5,592	Interest
Activity	Checking	53,409	52,835	Interest
Total Deposited		1,005,922	\$ 789,530	
Less: FDIC Coverage		(250,000)		
Uninsured Amount		755,922		
50% collateral requirement		377,961		
Pledged securities		1,262,468		
Over (Under) requirement		\$ 884,507		

The difference between the bank balance and the reconciled balance is outstanding deposits, outstanding checks and pending bank adjustments.

The following securities are pledged at Wells Fargo:

<u>Description</u>	<u>CUSIP #</u>	<u>Market Value</u>	<u>Maturity Date</u>	<u>Location</u>
GNMA #MA1082	36179NFX1	\$ 612,276	06/20/1943	FHLB, Dallas, TX
SBAP 2014-20E	83162CWG4	650,192	05/04/1934	FHLB, Dallas, TX
		\$ 1,262,468		

**Custodial Credit Risk-Deposits**

<u>Depository Account</u>	Bank Balance
Insured	\$ 250,000
Collateralized:	
Collateral held by the pledging bank in District's name	755,922
Uninsured and uncollateralized	0
Total Deposits	\$ 1,005,922

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. As of June 30, 2018 none of the District's bank balance of \$1,005,922 was exposed to custodial credit risk.

**New Mexico State Treasurer**

	Balance 6/30/18	Reconciled Balance	Type
Tatum Municipal Schools	\$ 104,395	\$ 104,395	Saving
Tatum Municipal Schools	149,606	149,606	Saving
Tatum Municipal Schools	113,474	113,474	Saving
Tatum Municipal Schools	46,866	46,866	Saving
Tatum Municipal Schools	19,737	19,737	Saving
Tatum Municipal Schools	13,271	13,271	Saving
Tatum Municipal Schools	8,976	8,976	Saving
Total Deposited	\$ 456,325	\$ 456,325	

GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, relates to how deposits and investments are reported in the annual financial statements of governmental entities. GASB Statement No. 40 disclosures inform financial statement users about deposit and investment risks that could affect a government’s ability to provide services and meet its obligations as they become due. GASB Statement No. 40 requires governments to disclose deposit and investment risks related to credit risk (including custodial credit risk), concentration of credit risk, interest rate risk, and foreign currency risk. The State Treasurer’s Office provides the following information regarding the LGIP:

1. With respect to credit risk, the LGIP, a government investment pool, is rated AAAM by Standard & Poor’s. Therefore, the LGIP reports AAAM for credit risk. Public funds are not required to disclose custodial credit risk for external investment pools. Therefore, the LGIP is exempt from this requirement.
2. GASB Statement No. 40 defines concentration of credit risk as investments of more than 5% in any on issuer. External investment pools, such as the LGIP, are excluded from the requirement of disclosing concentration of credit risk. Therefore, The LGIP is exempt from this disclosure. However, our portfolio is posted on the State Treasurer’s website [www.stonm.org](http://www.stonm.org) and available for review by participants at any time.
3. GASB Statement No. 40 defines interest rate risk as the risk that interest rate variations may adversely affect the fair value of an investment. According to GASB Statement No. 40, an acceptable method for reporting interest rate risk is weighted average maturity (“WAM”). The State Treasurer’s Office uses this method for reporting purposes for the LGIP. The WAM of the LGIP is identified on the monthly LGIP investment report found on the State Treasurer’s Office website at [www.nmsto.gov](http://www.nmsto.gov). As of June 30, 2018, the LGIP WAM(R) is 50 days and WAM(F) is 100 days.

**B. Receivables**

Revenues are deferred in accordance with the modified accrual basis of accounting for the fund financial statements. The following deferred revenues are measurable but do not represent available expendable resources for the fund financial statements for the fiscal year ended June 30, 2018:

	Operational 11000	Senate Bill Nine-Local 31701	Debt Service 41000	Totals
Property Taxes				
Available	\$ 1,181	\$ 4,799	\$ 12,973	\$ 18,953
Unavailable	671	3,009	7,248	10,928
Total	<u>\$ 1,852</u>	<u>\$ 7,808</u>	<u>\$ 20,221</u>	<u>\$ 29,881</u>

Amounts due from other agencies and units of government were as follows as of June 30, 2018:

State	\$ 7,581
Federal	122,278
Total	<u>\$ 129,859</u>

**C. Interfund Receivables, Payables and Transfers**

The composition of interfund balances is as follows:

Receivable Fund	Payable Funds				Totals
	Title I 24101	IDEA B Entitlement 24106	NM Results Plan 24132	Other Governmental Funds	
Operational Fund	<u>26,263</u>	<u>\$ 56,399</u>	<u>\$ 18,392</u>	<u>\$ 25,509</u>	<u>\$ 126,563</u>

The above interfund balances resulted from reimbursement grants. The shortfalls were covered by the above funds. All transactions will be repaid within one year.

**D. Capital Assets**

Capital Assets Balances and Activity for the fiscal year is as follows:

	Beginning Balance 6/30/17	Increases	Decreases	Ending Balance 6/30/18
<b>Governmental Activities</b>				
Capital Assets not being depreciated				
Land	\$ 819,961	\$ 0	\$ 0	\$ 819,961
Construction in Progress	0	0	0	0
Total Capital Assets, not Being Depreciated	<u>819,961</u>	<u>0</u>	<u>0</u>	<u>819,961</u>
Other Capital Assets				
Buildings & Improvements	16,896,208	0	0	16,896,208
Equipment, Vehicles, Software & Library Books	<u>2,215,372</u>	<u>25,813</u>	<u>0</u>	<u>2,241,185</u>
Total Capital Assets, being depreciated	<u>19,111,580</u>	<u>25,813</u>	<u>0</u>	<u>19,137,393</u>
Total Capital Assets	<u>19,931,541</u>	<u>25,813</u>	<u>0</u>	<u>19,957,354</u>
<b>Less Accumulated Depreciation</b>				
Buildings & Improvement	11,047,360	417,637	0	11,464,997
Equipment, Vehicles, Information Technology Equipment, Software & Library Books	<u>1,672,923</u>	<u>90,398</u>	<u>0</u>	<u>1,763,321</u>
Total Accumulated Depreciation	<u>12,720,283</u>	<u>508,035</u>	<u>0</u>	<u>13,228,318</u>
Capital Assets, net	<u>\$ 7,211,258</u>	<u>\$ (482,222)</u>	<u>\$ 0</u>	<u>\$ 6,729,036</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 508,035
Total depreciation expenses	<u>\$ 508,035</u>

**E. Long-Term Liabilities and Other Liabilities**

A summary of activity in the Long-Term Debt is as follows:

	Balance 6/30/17	Restatement	Restated Balance 6/30/17	Additions	Reductions
<b>Governmental Activities</b>					
Bonds and Notes Payable					
General Obligation					
Bonds	\$ 3,335,000	\$ 0	\$ 3,335,000	\$ 0	\$ 360,000
Total Bonds	<u>3,335,000</u>	<u>0</u>	<u>3,335,000</u>	<u>0</u>	<u>360,000</u>
Other Liabilities					
Compensated					
Absences	53,363	4,978	58,341	12,994	7,536
Total Other Liabilities	<u>53,363</u>	<u>4,978</u>	<u>58,341</u>	<u>12,994</u>	<u>7,536</u>
Long-Term Liabilities	<u>\$ 3,388,363</u>	<u>4,978</u>	<u>3,393,341</u>	<u>\$ 12,994</u>	<u>\$ 367,536</u>



State of New Mexico  
**Tatum Municipal Schools**  
Notes to the Financial Statements  
June 30, 2018

	Balance 6/30/18	Amounts Due Within One Year
Governmental Activities		
Bonds and Notes Payable		
General Obligation		
Bonds	\$ 2,975,000	\$ 400,000
Total Bonds	<u>2,975,000</u>	<u>400,000</u>
Other Liabilities		
Compensated		
Absences	63,799	3,281
Total Other	<u>63,799</u>	<u>3,281</u>
Liabilities		
Long-Term Liabilities	<u>\$ 3,038,799</u>	<u>\$ 403,281</u>

**Reconciliation of Notes to the Government Wide Statements**

Outstanding Bonds in Notes	\$ 2,975,000
Premium on Bond Issue	160,000
Accumulated Amortization	(81,333)
	<u>\$ 3,053,667</u>
Current Portion of Long-Term Debt	\$ 400,000
Bonds, Net of Premiums	<u>2,653,667</u>
	<u>\$ 3,053,667</u>

Payments on the general obligation bonds are made by the Debt Service Funds. The compensated absences liability will ultimately be liquidated by several of the District's governmental funds, with most being paid by the General Fund.

**General Obligation Bonds.**

The following bonds were issued for the purpose of erecting, furnishing, remodeling and making additions to District buildings and improving District grounds. A tax is annually assessed, levied and collected upon all taxable property within the District for the purpose of providing the necessary funds to meet the interest and principal payments as they become due.

Series	Date of Issue	Original Amount	Interest Rate	Balance
2013	6/8/13	4,000,000	2%	\$ 2,975,000
				<u>\$ 2,975,000</u>

The annual requirements to amortize the General Obligation Bonds Issue as of June 30, 2018, including interest payments are as follows:

	Principal	Interest	Total
2019	\$ 400,000	\$ 55,500	\$ 455,500
2020	425,000	47,250	472,250
2021	465,000	38,350	503,350
2022	500,000	28,700	528,700
2023	550,000	18,200	568,200
2024	635,000	6,350	641,350
Total	<u>\$ 2,975,000</u>	<u>\$ 194,350</u>	<u>\$ 3,169,350</u>

**F. Commitments**

The District has no construction commitments.

**G. Retirement Plan**

**Summary of Significant Accounting Policies**

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.

**General Information about the Pension 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\\_reports.html](https://www.nmerb.org/Annual_reports.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 state 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 a pension trust fund of the State of New Mexico. The ERA assigns the authority to establish and amend benefit provisions to a seven-member Board of Trustees (Board); the state legislature has the authority to set or amend contribution rates and other terms of the Plan. 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 employment, 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.

**Pension Benefit.** 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
- \*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 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 an 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 no continuing benefit due to a beneficiary or estate, except the balance, if any, of member contributions plus interest less benefits paid prior to the member's death.

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

Option C. Joint 50% Survivor Benefit. The single life annuity monthly benefit is reduced to provide for a 50% survivor's benefit. The reduced benefit is payable during the life of the member, with the provision that, upon death, the reduced 50% benefit is paid to the beneficiary for his or her lifetime. If the beneficiary predeceases the member, the member's monthly benefit is increased to the amount the member would have received under Option A. 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 a 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 is 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 1.5%. Once the funding is greater than 90%, the COLA reductions will decrease. The retirees with benefits at or below the median and with 25 or more years of service credit will have a 5% COLA reduction; their average COLA will be 1.7%.

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 year ended June 30, 2018 educational employers contributed to the Plan based on the following rate schedule.

Fiscal Year	Date Range	Wage Category	Member's Rate	Employer's Rate	Combined Rate
2018	7-1-16 to 6-30-17	Over \$20K	10.70%	13.90%	24.60%
2018	7-1-16 to 6-30-17	\$20K or less	7.90%	13.90%	21.80%

There was no change in the rates from the previous year.

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The contribution requirements are established in 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 \$588,132 and \$632,742, 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 \$10,085,472 for their 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 District'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 0.09075%, which was a decrease of 0.0034% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$1,642,430. At the June 30, 2018, the District reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 18,104	155,376
Net difference between projected and actual earnings on pension plan investments	0	1,384
Changes of assumptions	2,944,148	0
Changes in proportion and differences between the District's contributions and proportionate share of contributions	93,487	164,332
District's contributions subsequent to the measurement date	334,160	0
	<u>\$ 3,389,899</u>	<u>321,092</u>

\$334,160 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June	
2019	\$ 1,079,513
2020	1,093,524
2021	644,656
2022	(83,046)
Total	<u>\$ 2,734,647</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	2.50%										
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 Expected Remaining Service Lives	<table border="0" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Fiscal year</th> <th style="text-align: center; border-bottom: 1px solid black;">2017</th> <th style="text-align: center; border-bottom: 1px solid black;">2016</th> <th style="text-align: center; border-bottom: 1px solid black;">2015</th> <th style="text-align: center; border-bottom: 1px solid black;">2014</th> </tr> </thead> <tbody> <tr> <td style="text-align: left;">Service Life in Years</td> <td style="text-align: center;">3.35</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	2017	2016	2015	2014	Service Life in Years	3.35	3.77	3.92	3.88
Fiscal year	2017	2016	2015	2014							
Service Life in Years	3.35	3.77	3.92	3.88							
Mortality	<p>Healthy males: Based on the RP-2000 Combined Mortality Table with White Collar adjustments, generational mortality improvements with Scale BB.</p> <p>Healthy females: Based on GRS Southwest Region Teacher Mortality Table, set back one year, generational mortality improvements in accordance with Scale BB from the table's base year of 2012.</p> <p>Disabled males: RP-2000 Disabled Mortality Table for males, set back three years, projected to 2016 with Scale BB.</p> <p>Disabled females: RP-2000 Disabled Mortality Table for females, no set back, projected to 2016 with Scale BB.</p> <p>Active members: RP-2000 Employee Mortality Tables, with males set back two years and scaled at 80%, and females set back five years and scaled at 70%. Static mortality improvement from the table's base year of 2000 to the year 2016 in accordance with Scale BB. No future improvement was assumed for preretirement mortality.</p>										
Retirement Age	Experience-based table rates based on age and service, adopted by the Board on June 12, 2015 in conjunction with the six-year experience study for the period ending June 30, 2014.										
Cost-of-living Increases	1.90% per year, compounded annually.										
Payroll Growth	3.00% per year (with no allowance for membership growth).										
Contribution Accumulation	The accumulated member account balance with interest is estimated at the valuation date by assuming that member contributions increased 5.50% per year for all years prior to the valuation date. Contributions are credited with 4.00% interest, compounded annually, applicable to the account balances in the past as well as the future.										
Disability Incidence	Approved rates are applied to eligible members with at least 10 years of service.										

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,
- \*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%	
	<u>100%</u>	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 Net Pension Liability.** The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 5.90 percent, 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 percent) or 1-percentage-point higher (6.90 percent) than the current rate:

	<u>1% Decrease (4.9%)</u>	<u>Current Discount Rate (5.9%)</u>	<u>1% Increase (6.9%)</u>
The Districts' proportionate share of the net pension liability	\$ 13,128,777	\$ 10,085,472	\$ 7,597,819

**Pension plan fiduciary net position.** Detailed information about the pension plan’s fiduciary net position is available in 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).

**H. Other Post-Employment Benefits (OPEB)**

**Retiree Health Care Plan**

The New Mexico Retiree Health Care Authority (the Authority) 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 Retiree Health Care Fund (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.

**Plan Description.** 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 of the Authority also participate in the Fund.

All regular full-time employees of the District are members of the Plan, in addition to certain job share and intermittent employees. Eligible employees become members on the first day they are physically on the job. At June 30, 2017, Plan membership consisted of the following:

Plan membership	
Current retirees and surviving spouses	51,208
Inactive and eligible for deferred benefit	11,478
Current active members	97,349
Total	<u>160,035</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	48,756
	<u>97,349</u>

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

Because the Authority is a self-funded, mainly self-insured entity pursuant to Section 10-7C NMSA 1978, the Authority is not construed to be transacting insurance activity otherwise subject to the laws of the State of New Mexico that regulate insurance companies and therefore, not subject to minimum statutory reserve requirements.



Employer and employee contributions to the Authority 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 Authority.

Current retirees are required to make monthly contributions for individual basic medical coverage. The Board may designate other plans as “optional coverages.” See Section 10 7C-13 NMSA 1978 for more details

The Schedules are prepared using the economic resource measurement focus and the accrual basis of accounting in accordance with the standards issued by the Government Accounting Standards Board (GASB). Contributions are recognized when due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value. For the purposes of measuring the net OPEB liability, deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the Authority and additions to and deductions from Authority’s fiduciary net position have been determined on the same basis as they were reported by Authority. Each participating employer’s proportionate share of the Fund’s net OPEB liability, deferred amounts and OPEB expense is calculated based on the employer’s contributions to the Fund as a percentage of total employer contributions received by the Fund during the measurement year.

The preparation of the schedules in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain amounts and disclosures for the reporting period. Actual results could differ from those estimates.

**Benefits Provided**

**Benefit Types:** Retirees and spouses are eligible for medical and prescription drug benefits. Dental and vision benefits are also available, but were not included in this valuation, since they are 100% retiree paid. A description of these benefits may be found at [www.nmrhca.org](http://www.nmrhca.org) by clicking on Retirees.

**Duration of Coverage:** Employees and dependents are valued for life.

**Dependent Benefits:** Same as retirees.

**Dependent Coverage:** Same as retirees.

**Retiree Contributions:** The retiree contribution is derived on a service based schedule implemented effective 7/1/2001 and updated annually. The table below shows the anticipated retiree paid portion of claims.

Non-Medicare Retiree	33.0%	34.3%	35.5%	36.0%
Non-Medicare Spouse	57.6%	60.5%	63.0%	64.0%
Medicare Retiree	52.7%	50.9%	50.0%	50.0%
Medicare Spouse	79.1%	76.4%	75.0%	75.0%

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Retired Before 2020 or in Public Safety Pension Plan

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Years of Service	Percent of full subsidy based on service	Years of Service	Percent of full subsidy based on service
5	6.25%	13	56.25%
6	12.50%	14	62.50%
7	18.75%	15	58.75%
8	25.00%	16	75.00%
9	31.25%	17	81.25%
10	37.50%	18	87.50%
11	43.75%	19	93.75%
12	50.00%	20+	100.00%

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Retired After 2019 and Not in Public Safety Pension Plan

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Years of Service	Percent of full subsidy based on service	Years of Service	Percent of full subsidy based on service
5	4.76%	16	57.14%
6	9.52%	17	61.90%
7	14.29%	18	66.67%
8	19.05%	19	71.43%
9	23.81%	20	76.19%
10	28.57%	21	80.95%
11	33.33%	22	85.71%
12	38.10%	23	90.48%
13	42.86%	24	95.24%
14	47.62%	25+	100.00%
15	52.38%		

**Actuarial Valuation**

The total OPEB liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2017. The mortality, retirement, disability, turnover and salary increase assumptions are based on the PERA annual valuation as of June 30, 2016 and the ERB actuarial experience study as of June 30, 2016. The following actuarial assumptions were applied to the actuary's measurement:

Valuation Date	6/30/17
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 members; 2.25% for PERA members
Projected payroll increases	3.50%

Investment rate of return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation 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
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
Mortality	ERB members: RP-2000 Combined Healthy Mortality Table with White Collar Adjustment (males) and GRS Southwest Region Teacher Mortality Table (females) PERA members: RP-2000 Combined Healthy Mortality

**Rate of Return**

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

Asset Class	Target Allocation	Long-Term Rate of Return
U.S. core fixed income	20.0%	4.1%
U.S. equity - large cap	20.0%	9.1%
Non U.S. - emerging markets	15.0%	12.2%
Non U.S. - developed	12.0%	9.8%
Private equity	10.0%	13.8%
Credit and structured	10.0%	7.3%
Real estate	5.0%	6.9%
Absolute return	5.0%	6.1%
U.S. equity - small/mid cap	3.0%	9.1%

**Discount Rate**

The discount rate used to measure the 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**

The following presents the net OPEB liability, calculated using the discount rate of 3.81%, as well as what the Fund's net OPEB liability would be if it were calculated using a discount rate that is 1-percent lower or 1-percent higher than the current rate:

	1% Decrease (2.81%)	Current Discount Rate (3.81%)	1% Increase (4.81%)
The Districts' proportionate share of the net OPEB liability	\$ 3,309,103	\$ 2,728,067	\$ 2,272,192

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

	1% Decrease	Current Trend Rates	1% Increase
The Districts' proportionate share of the net OPEB liability	\$ 2,320,409	\$ 2,728,067	\$ 3,045,940

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

At June 30, 2018, the District reported a liability of \$2,728,067 for their proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2016. The total OPEB liability was rolled-forward from the valuation date to the plan year ending June 30, 2017 using generally accepted actuarial principles. Therefore, the employer's portion as established as of the measurement date of June 30, 2017. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2017. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating institutions, actuarially determined. At June 30, 2017, the District's proportion was 0.06020%, which was an increase of 0% from their proportion measured as of June 30, 2016.

For the year ended June 30, 2017, the District recognized OPEB expense of \$56,773. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows or resources related to OPEB from the following sources:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 0	104,689
Net difference between projected and actual earnings on OPEB investments	0	39,245
Changes in assumptions	0	476,968
Changes in proportion and differences between the District's contributions and proportionate share of contributions	0	0
District's contributions subsequent to the measurement date	48,081	0
	<u>\$ 48,081</u>	<u>620,902</u>

\$48,081 reported as deferred outflows of resources related to OPEB resulting from District's contributions subsequent to the measurement date June 30, 2017 will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ended June</u>	
2019	\$ (132,008)
2020	(132,008)
2021	(132,008)
2022	(132,008)
2023	(92,870)
Total	<u>\$ (620,902)</u>

**Additional Information.** Additional financial information is available at [www.nmrhca.org](http://www.nmrhca.org) or by contacting New Mexico Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

**I. Reconciliation of Budgetary Basis to GAAP Basis Statements**

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - all Governmental Fund Types is presented on the budgetary basis to provide a comparison of actual results with the budget. The major differences between the budget basis and GAAP (Generally Accepted Accounting Principles) basis are that:

- A. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- B. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

The adjustments necessary to convert the results of operations for the year from GAAP basis to the budget basis for the governmental funds included on each Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget and Actual (Budgetary Basis).

**J. Risk Management**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; error and omissions; and injuries to employees; and natural disasters. The District, as a New Mexico Public School, is insured through the New Mexico Public Schools Insurance Authority (NMPSIA). Annual premiums are paid by the District to NMPSIA for coverage provided in the following areas:

- Workers Compensation
- Property and Automobile Liability and Physical Damage
- Liability and Civil Rights and Personal Injury
- Contract School Bus Coverage; and
- Crime

The officials and certain employees of the District are covered by a surety bond as required by Section 12-6-7, NMSA, 1978 Compilation.

**K. Joint Powers Agreements**

A joint powers agreement was entered into with the Regional Education Cooperative No. 6 (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.

There are ten schools that participate in the REC, they are Dora, Elida, Floyd, Fort Sumner, Grady, House, Logan, Melrose, San Jon, and Texico. 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 financial statements for the REC were prepared by another IPA. The audit report is available at the REC located at 1500 South Ave K, Station 9, Portales, New Mexico 88130.

**L. 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 specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State Appropriations.

**M. Subsequent Events**

Subsequent events were evaluated through August 21, 2018 which is the date the financial statements were available to be issued.

**O. Restatement**

Fund Balances were restated for a net total of \$(17,940). Operational-11000 was restated \$(15,798). \$258 of that amount was a restatement to cash and \$(16,056) was a restatement for accounts payable. Transportation-13000 was restated \$(3,260). \$(1,147) of that amount was for accounts payable and \$(2,113) was a return of half of the June 30, 2017 cash balance to PED. Food Service-21000 was restated \$9,291 for April, 2017 receivable for federal grant. Senate Bill Nine-Local-31701 was restated \$(8,173) for accounts payable.

Net Position was restated \$(17,940) for the fund balance restatements discussed above, \$(3,292,196) to add the beginning OPEB liability, \$(4,980) restating Compensated Absences, \$(189,334) to correctly classify Bond Premiums as a liability for a total restatement of Net Position of (\$3,504,450).

## **Required Supplemental Information**

State of New Mexico  
**Tatum Municipal Schools**  
Schedules of Required Supplementary Information for Pension Plan

**Schedule of the District's Proportionate Share of the Net Pension**  
Last 10 Fiscal Years\*

Fiscal Year Measurement Date	2015 2014	2016 2015	2017 2016	2018 2017
District's proportion of the net pension liability	0.08931%	0.09272%	0.09415%	0.09075%
District's proportionate share of the net pension liability	\$ 5,095,779	\$ 6,005,721	\$ 6,775,442	\$ 10,085,472
District's covered-employee payroll	\$ 2,635,007	\$ 2,687,986	\$ 2,584,438	\$ 2,404,030
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	193.39%	223.43%	262.16%	419.52%
Plan fiduciary net position as a percentage of the total pension liability	66.54%	63.97%	61.58%	52.95%

\*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.

**Schedule of District's Contributions**  
Last 10 Fiscal Years\*

	June 30,			
	2015	2016	2017	2018
Contractually required contribution	\$ 366,266	\$ 373,630	\$ 359,169	\$ 334,160
Contributions in relation to the contractually required contribution	366,266	373,630	359,169	334,160
Contribution deficiency (excess)	\$ 0	\$ 0	\$ 0	\$ 0
District's covered-employee payroll	2,635,007	2,687,986	2,584,438	2,404,030
Contributions as a percentage of covered-employee	13.90%	13.90%	13.90%	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 District is not available prior to fiscal year 2015, the year the statement's requirements became effective.

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



**Notes to Required Supplementary Information**

**Changes of benefit terms and assumptions.**

The liabilities reflect the impact of Senate Bill 115, signed into law on March 29, 2013, and new assumptions adopted by the Board of Trustees on June 12, 2015 in conjunction with the six-year experience study period ended June 30, 2014. Specifically, the liabilities measured as of June 30, 2016 incorporate the following assumptions:

- \* All members with annual salary of more than \$20,000 will contribute 10.70% during the fiscal year ending June 30, 2015 and thereafter,
  
- \* Members hired after June 30, 2013 will have an actuarially reduced retirement benefit if they retire before age 55 and their COLA will be deferred until age 67,
  
- \* COLAs for most retirees are reduced until NMERB attains a 100% funded status, and
  
- \* For purposes of projecting future benefits, it is assumed that the full COLA is paid in all future years.

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

**Tatum Municipal Schools**

Schedules of Required Supplementary Information and Notes for Other Post Employment Benefits

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**Schedule of the District's Proportionate Share of the Net Other Post Employment Benefits (OPEB) Liability**

Last 10 Fiscal Years\*

	Fiscal Year Measurement Date	2018 2017
District's proportion of the net OPEB liability		0.06020%
District's proportionate share of the net OPEB liability	\$	2,728,067
District's covered-employee payroll	\$	2,404,030
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll		113.48%
Plan fiduciary net OPEB as a percentage of the total OPEB liability		11.34%

\**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 2018, the year the statement's requirements became effective.

**Schedule of District's Contributions**

Last 10 Fiscal Years\*

	June 30, 2018
Contractually required contribution	\$ 48,081
Contributions in relation to the contractually required contribution	48,081
Contribution deficiency (excess)	\$ 0
District's covered-employee payroll	2,404,030
Contributions as a percentage of covered-employee payroll	2.00%

\**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 District is not available prior to fiscal year 2018, the year the statement's requirements became effective.

**Notes to Required Supplementary Information**

**Changes of benefit terms and assumptions.** There were no changes in benefit terms from the previous valuation. A description of these benefits may be found at [www.nmrhca.org](http://www.nmrhca.org) by clicking on Retirees. Assumptions are included in the notes to the financial statements Note H.

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

**Supplemental Information Related to  
Nonmajor Funds**

#### **Nonmajor Special Revenue Funds**

**Food Services (21000).** To account for revenue and expenditures associated with the school breakfast and lunch program. Funding is provided from fees from patrons and USDA food reimbursements. Authority for creation of this fund is NMSA 22-13-13.

**Athletics (22000).** To account for revenue and expenditures associated with the District's budgeted athletic activities. Authority for creation of this fund is NMAC 6.20.2.

**IDEA Preschool (24109).** To account for a program funded by a Federal grant to assist the District in providing a free appropriate public education to preschool disabled children aged three through five years. Funding authorized by the Individuals with Disabilities Education Act, Part B, Section 619, as amended, Public Laws 94-142, 99-457, 100-630, 101-497, 101-476, and 102-119. The fund was created by the authority of federal grant provisions.

**Teacher/Principal Training-24154.** To provide grants to State Education Agencies on a formula basis to increase student academic achievement through strategies such as improving teacher and principal quality and increasing the number of highly qualified teachers in the classroom and highly qualified principals and assistant principals in schools and hold local educational agencies and schools accountable for improvements in student academic achievement. The authority for the creation of this fund is the Elementary and Secondary Education Act of 1965 as amended, Title II, Part A, Public Law 107-110.

**Rural Education Achievement Program (REAP) (25233).** To account for funds received from US Department of Education and is designed to address the needs of rural, low-income schools. The fund was created by the authority of federal grant provisions.

**Dual Credit Instructional Materials (27103).** To provide financial assistance to purchased instructional materials for the college classes offered to students who are taking them for dual credits. The fund was created by the authority of state grant provisions.

**GO Student Library Books (27107).** To account for revenues and expenditures from a state grant to provide for public school and juvenile detention libraries. The funding made available to update and expand library collections in order to circulate and provide access of materials to students and teachers. Funding provided by the State of New Mexico. The fund was created by the authority of state grant provisions.

#### **Nonmajor Capital Projects Funds**

**Bond Building (31000).** To account for a bond issue to spend of capital improvements.

**Special Capital Outlay-Local (31300).** To account for money received from the wind farm with the restriction of spending the money for Capital Outlay Projects.

**Senate Bill Nine-State (31700).** The revenues are derived from state grant. Expenditures are restricted to repairs and maintenance of facilities.

#### **Nonmajor Debt Service Fund**

**Deferred Sick Leave (42000).** To account for the transfers from other funds used to pay eligible employees for their unused sick leave upon their separation of employment from the District.

State of New Mexico  
**Tatum Municipal Schools**  
 Nonmajor Funds  
 Combining Balance Sheet  
 June 30, 2018

	Special Revenue		
	Food Service 21000	Athletics 22000	IDEA Preschool 24109
<b>Assets</b>			
Cash and Cash Equivalents	\$ 49,105	\$ 14,568	\$ 0
Receivables			
Taxes Receivable	0	0	0
Due From Grantor	0	0	8,401
Inventory	1,080	0	0
<b>Total Assets</b>	<b>\$ 50,185</b>	<b>\$ 14,568</b>	<b>\$ 8,401</b>
<b>Liabilities</b>			
Accounts Payables	\$ 0	\$ 0	\$ 0
Interfund Balance	0	0	8,401
<b>Total Liabilities</b>	<b>0</b>	<b>0</b>	<b>8,401</b>
<b>Fund Balances</b>			
Nonspendable-Inventory	1,080	0	0
Restricted for Special Revenue	49,105	14,568	0
Restricted for Capital Projects	0	0	0
<b>Total Fund Balance</b>	<b>50,185</b>	<b>14,568</b>	<b>0</b>
<b>Total Liabilities and Fund Balances</b>	<b>50,185</b>	<b>\$ 14,568</b>	<b>\$ 8,401</b>

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

State of New Mexico  
**Tatum Municipal Schools**  
 Nonmajor Funds  
 Combining Balance Sheet  
 June 30, 2018

	Special Revenue		
	Teacher/ Principal Training 24154	REAP 25233	Dual Credit Instructional Materials 27103
<b>Assets</b>			
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 0
Receivables			
Taxes Receivable	0	0	0
Due From Grantor	6,967	5,856	783
Inventory	0	0	0
<b>Total Assets</b>	<b>\$ 6,967</b>	<b>\$ 5,856</b>	<b>\$ 783</b>
<b>Liabilities</b>			
Accounts Payables	\$ 0	\$ 0	\$ 0
Interfund Balance	6,967	5,856	783
<b>Total Liabilities</b>	<b>6,967</b>	<b>5,856</b>	<b>783</b>
<b>Fund Balances</b>			
Nonspendable-Inventory	0	0	0
Restricted for Special Revenue	0	0	0
Restricted for Capital Projects	0	0	0
<b>Total Fund Balance</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 6,967</b>	<b>\$ 5,856</b>	<b>\$ 783</b>

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

State of New Mexico  
**Tatum Municipal Schools**  
 Nonmajor Funds  
 Combining Balance Sheet  
 June 30, 2018

	Special Revenue		Capital Projects			
	GO Student Library 27107		Bond Building 31100	Special Capital Outlay-Local 31300		
<b>Assets</b>						
Cash and Cash Equivalents	\$	0	\$	5,217	\$	30,653
Receivables						
Taxes Receivable		0		0		0
Due From Grantor		6,798		0		0
Inventory		0		0		0
Total Assets	\$	<u>6,798</u>	\$	<u>5,217</u>	\$	<u>30,653</u>
<b>Liabilities</b>						
Accounts Payables	\$	3,296	\$	0	\$	0
Interfund Balance		3,502		0		0
Total Liabilities		<u>6,798</u>		<u>0</u>		<u>0</u>
<b>Fund Balances</b>						
Nonspendable-Inventory		0		0		0
Restricted for Special Revenue		0		0		0
Restricted for Capital Projects		0		5,217		30,653
Total Fund Balance		<u>0</u>		<u>5,217</u>		<u>30,653</u>
 Total Liabilities and Fund Balances	\$	<u>6,798</u>	\$	<u>5,217</u>	\$	<u>30,653</u>

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

State of New Mexico  
**Tatum Municipal Schools**  
 Nonmajor Funds  
 Combining Balance Sheet  
 June 30, 2018

	<u>Capital Projects</u>	<u>Debt Service</u>	
	Senate Bill Nine-State 31700	Deferred Sick Leave 42000	<u>Total</u>
<b>Assets</b>			
Cash and Cash Equivalents	\$ 0	\$ 89,321	\$ 188,864
Receivables			
Taxes Receivable	0	0	0
Due From Grantor	0	0	28,805
Inventory	0	0	1,080
Total Assets	<u>\$ 0</u>	<u>\$ 89,321</u>	<u>\$ 218,749</u>
<b>Liabilities</b>			
Accounts Payables	\$ 0	\$ 0	\$ 3,296
Interfund Balance	0	0	25,509
Total Liabilities	<u>0</u>	<u>0</u>	<u>28,805</u>
<b>Fund Balances</b>			
Nonspendable-Inventory	0	0	1,080
Restricted for Special Revenue	0	0	63,673
Restricted for Capital Projects	0	89,321	125,191
Total Fund Balance	<u>0</u>	<u>89,321</u>	<u>189,944</u>
 Total Liabilities and Fund Balances	 <u>\$ 0</u>	 <u>\$ 89,321</u>	 <u>\$ 218,749</u>

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



State of New Mexico  
**Tatum Municipal Schools**  
 Nonmajor Funds  
 Combining Statement of Revenues, Expenditures  
 and Changes in Fund Balance  
 For the Year Ended June 30, 2018

	Special Revenue		
	Food Service 21000	Athletics 22000	IDEA Preschool 24109
<b>Revenues</b>			
Fees	\$ 36,488	\$ 19,904	\$ 0
State & Local Grants	0	0	0
Federal Grants	102,755	0	16,318
Other	56	581	0
Total Revenues	<u>139,299</u>	<u>20,485</u>	<u>16,318</u>
<b>Expenditures</b>			
Current			
Instruction	0	23,550	16,000
Support Services			
Instruction	0	0	0
General Administration	0	0	318
School Administration	0	0	0
Operation of Plant	0	0	0
Food Services Operation	117,339	0	0
Capital Outlay	0	0	0
Total Expenditures	<u>117,339</u>	<u>23,550</u>	<u>16,318</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>			
	<u>21,960</u>	<u>(3,065)</u>	<u>0</u>
<b>Fund Balances at Beginning of Year</b>			
Restatement	18,934	17,633	0
Restated Beginning Fund Balances	<u>9,291</u>	<u>0</u>	<u>0</u>
	<u>28,225</u>	<u>17,633</u>	<u>0</u>
<b>Fund Balance End of Year</b>			
	<u>\$ 50,185</u>	<u>\$ 14,568</u>	<u>\$ 0</u>

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

State of New Mexico  
**Tatum Municipal Schools**  
 Nonmajor Funds  
 Combining Statement of Revenues, Expenditures  
 and Changes in Fund Balance  
 For the Year Ended June 30, 2018

	Special Revenue		
	Teacher/ Principal Training 24154	REAP 25233	Dual Credit Instructional Materials 27103
Revenues			
Fees	\$ 0	\$ 0	\$ 0
State & Local Grants	0	0	3,079
Federal Grants	10,290	21,918	0
Other	0	0	0
Total Revenues	<u>10,290</u>	<u>21,918</u>	<u>3,079</u>
Expenditures			
Current			
Instruction	5,839	21,918	3,079
Support Services			
Instruction	0	0	0
General Administration	0	0	0
School Administration	4,451	0	0
Operation of Plant	0	0	0
Food Services Operation	0	0	0
Capital Outlay	0	0	0
Total Expenditures	<u>10,290</u>	<u>21,918</u>	<u>3,079</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances at Beginning of Year	0	0	0
Restatement	0	0	0
Restated Beginning Fund Balances	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

State of New Mexico  
**Tatum Municipal Schools**  
 Nonmajor Funds  
 Combining Statement of Revenues, Expenditures  
 and Changes in Fund Balance  
 For the Year Ended June 30, 2018

	Special Revenue		Capital Projects	
	GO Student Library 27107	Bond Building 31100	Special Capital Outlay-Local 31300	
Revenues				
Fees	\$ 0	\$ 0	\$ 0	
State & Local Grants	6,798	0	0	
Federal Grants	0	0	0	
Other	0	7	235	
Total Revenues	<u>6,798</u>	<u>7</u>	<u>235</u>	
Expenditures				
Current				
Instruction	0	0	0	
Support Services				
Instruction	6,798	0	0	
General Administration	0	0	0	
School Administration	0	0	0	
Operation of Plant	0	0	0	
Food Services Operation	0	0	0	
Capital Outlay	0	0	0	
Total Expenditures	<u>6,798</u>	<u>0</u>	<u>0</u>	
Excess (Deficiency) of Revenues Over Expenditures	<u>0</u>	<u>7</u>	<u>235</u>	
Fund Balances at Beginning of Year	0	5,210	30,418	
Restatement	0	0	0	
Restated Beginning Fund Balances	<u>0</u>	<u>5,210</u>	<u>30,418</u>	
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 5,217</u>	<u>\$ 30,653</u>	

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

State of New Mexico  
**Tatum Municipal Schools**  
 Nonmajor Funds  
 Combining Statement of Revenues, Expenditures  
 and Changes in Fund Balance  
 For the Year Ended June 30, 2018

	<u>Capital Projects</u>	<u>Debt Service</u>	
	Senate Bill Nine-State 31700	Deferred Sick Leave 42000	<u>Total</u>
Revenues			
Fees	\$ 0	\$ 0	\$ 56,392
State & Local Grants	27,755	0	37,632
Federal Grants	0	0	151,281
Other	0	558	1,437
Total Revenues	<u>27,755</u>	<u>558</u>	<u>246,742</u>
Expenditures			
Current			
Instruction	0	0	70,386
Support Services			
Instruction	0	0	6,798
General Administration	0	0	318
School Administration	0	0	4,451
Operation of Plant	17,712	0	17,712
Food Services Operation	0	0	117,339
Capital Outlay	10,043	0	10,043
Total Expenditures	<u>27,755</u>	<u>0</u>	<u>227,047</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>0</u>	<u>558</u>	<u>19,695</u>
Fund Balances at Beginning of Year	0	88,763	160,958
Restatement	0	0	9,291
Restated Beginning Fund Balances	<u>0</u>	<u>88,763</u>	<u>170,249</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 89,321</u>	<u>\$ 189,944</u>

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

## Other Supplemental Information

**Fiduciary Fund**

**Activity Trust Fund**

To account for funds of various student groups that are custodial in nature.

State of New Mexico  
**Tatum Municipal Schools**  
Agency Fund - Activities  
Schedule of Fiduciary Net Assets and Liabilities-Agency Funds  
For the Year Ended June 30, 2018

	Beginning Balance <u>7/1/17</u>	Additions	Deductions	Ending Balance <u>6/30/18</u>
<b>Assets</b>				
All Students	\$ 13,271	\$ 215	\$ 215	\$ 13,271
After Prom Party	1,800	775	525	2,050
BJN Mem BB Tourney	2,550	0	2,550	0
Booster Club	668	11,030	11,030	668
Boys Basketball	1,068	4,032	4,327	772
Building Trades	0	476	476	0
Class of 2017	26	0	0	26
Class of 2018	8,831	4,757	12,584	1,004
Class of 2019	2,477	15,927	13,317	5,087
Class of 2020	852	1,215	310	1,757
Class of 2021	261	528	240	549
Class of 2022	511	2,086	1,277	1,320
Class of 2023	965	1,006	881	1,090
Class of 2024	948	5,429	5,049	1,328
Computer Lab	1,244	0	0	1,244
District 4	319	1,456	1,775	0
Drama	1,001	1,219	806	1,413
Elementary Office	1,379	1,471	1,028	1,822
FFA	728	20,735	18,578	2,885
Field House	219	0	0	219
Home Ec	10	0	0	10
HS A/R	393	76	27	442
HS Vending	3,716	4,890	4,413	4,193
Interest	425	215	129	511
Library	2,791	3,910	4,289	2,412
Miscellaneous	306	351	300	357
NHS	3,030	4,106	4,932	2,205
S.C.A.T	459	1,500	1,495	465
Student Council	1,555	1,020	1,902	673
Summer Recreation	480	3,000	650	2,830
Textbooks	1,927	180	0	2,107
Varsity Cheerleaders	0	2,754	2,127	627
Varsity Gym	1,994	1,510	2,930	574
Volleyball	1,457	3,838	1,782	3,513
WERC Scholarship	488	0	0	488
Yearbooks	10,521	4,720	7,047	8,194
Total Assets	<u>\$ 68,671</u>	<u>\$ 104,426</u>	<u>\$ 106,991</u>	<u>\$ 66,106</u>
<b>Liabilities</b>				
Deposits Held for Others	<u>\$ 68,671</u>	<u>\$ 104,426</u>	<u>\$ 106,991</u>	<u>\$ 66,106</u>
Total Liabilities	<u>\$ 68,671</u>	<u>\$ 104,426</u>	<u>\$ 106,991</u>	<u>\$ 66,106</u>

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

State of New Mexico  
**Tatum Municipal Schools**  
Cash Reconciliations - All Funds  
For the Year Ended June 30, 2018

		Beginning Cash Balance	Restatement	Restated Beginning Cash Balance	Revenue	Expenditures	Ending Cash Balance
		7/1/17		Balance			6/30/18
Operational	11000	\$ 383,030	\$ 258	383,288	3,633,247	\$ 3,627,313	\$ 389,222
Teacherage	12000	12,587	0	12,587	9,700	9,536	12,751
Transportation	13000	4,226	0	4,226	249,182	253,407	1
Instructional Materials	14000	20,303	0	20,303	9,843	20,707	9,439
Food Service	21000	17,595	0	17,595	136,758	105,247	49,106
Athletics	22000	17,633	0	17,633	20,485	23,550	14,568
Activities	23000	68,671	0	68,671	104,426	106,991	66,106
Federal Flowthrough	24000	(72,777)	0	(72,777)	126,149	169,794	(116,422)
Federal Direct	25000	0	0	0	16,062	21,919	(5,857)
State Grants	27000	0	0	0	2,296	6,581	(4,285)
Bond Building	31100	5,210	0	5,210	7	0	5,217
Special Capital Outlay-Local	31300	30,418	0	30,418	235	0	30,653
Senate Bill Nine State	31700	0	0	0	27,755	27,755	0
Senate Bill Nine Local	31701	131,937	0	131,937	219,472	216,469	134,940
Debt Service	41000	421,294	0	421,294	576,962	427,162	571,094
Deferred Sick Leave	42000	88,763	0	88,763	559	0	89,322
Totals		\$ <u>1,128,890</u>	\$ <u>258</u>	<u>1,129,148</u>	<u>5,133,138</u>	\$ <u>5,016,431</u>	\$ <u>1,245,855</u>

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



De'Aun Willoughby CPA, PC

Certified Public Accountant

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(855) 253-4313

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

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

Mr. Johnson and Members of the Board

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 for the general fund and major special revenue funds, of Tatum Municipal School (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 September 24, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses, that we consider to be significant deficiencies. 2018-001, 2018-004, 2018-005

#### Compliance and Other Matters

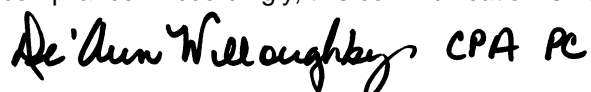
As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect 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 is described in the accompanying Schedule of Findings and Responses; 2018-001, 2018-002, 2018-003, 2018-004, 2018-005, 2018-006.

#### The District's Responses to Findings

The District's responses to the findings identified in our audit as described in the accompanying Schedule of Findings and Responses. The District's response was not subject to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

#### Purpose of this Report

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

 De'Aun Willoughby CPA PC

Clovis, New Mexico

September 24, 2018

**Prior Year Audit Findings**

	<u><b>Status</b></u>
<b>2017-001 Receipt Books</b>	Resolved

**Current Year Audit Findings**

**2018-001 Cash Appropriations in Excess of Available Cash Balances-Compliance and Internal Control-Significant Deficiency Condition**

The District maintained a deficit budget in excess of available cash balance in the following funds:

Non-Major Funds

Senate Bill Nine-State	31700	\$	(43)
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**Criteria**

Section 2.2.2.10. (P) (1), NMAC, requires all school district funds, with the exception of agency funds, to be budgeted by the local governing body and submitted to the PED for approval. Cash balances rebudgeted to make up the deficit budgeted revenues that do not cover the budgeted expenditures, cannot exceed the actual cash balance available at the end of the prior year.

**Cause**

The District does not have a procedure in place to ensure sufficient beginning cash balances exist to absorb budget deficits.

**Effect**

The District will have to supplement the budget deficit with other funds, which may lead to financial difficulties and deplete the budget in other funds.

**Recommendation**

BARS should be issued shortly after audited cash balances are confirmed if estimated cash balances are more and cash was used to balance the budget.

**Response**

The District will ensure that all BARS will be issued to adjust beginning cash to actual and reduce expenditures as necessary shortly after the audit report has been approved assuring the cash balances are correct. The Superintendent will approve the spreadsheet indicating the adjustments required to the budget for this issue.

**Responsible Party and Timeline**

The Business Manager is responsible and the issue will be resolved in the current fiscal year.

**2018-002 NMPSIA-Compliance and Other Matter**

**Condition**

Of the 10 employees sampled 1 of the employee's withholding for NMPSIA was incorrect. The amount deducted was 35% however the employee wages were over 25,000 so the percentage should have been 40%. This error caused the district to over pay their portion by \$785.87 for the fiscal year.

**Criteria**

6.50.8.1 NMAC Subsection D of Section 22-29-7 NMSA 1978, directs the authority to promulgate necessary rules, regulations and procedures for the implementation of the New Mexico Public School Insurance Authority Act, Section 22-29-1 et seq. NMSA 1978.

**Cause**

The payroll process lacks adequate review or oversight allowing the mistakes documented above to occur.

**Effect**

These mistakes are costing the District money that could be used to educate the students.

**Recommendation**

Tables selected for each employee should be reviewed before the first payroll run.

**Response**

Administrative staff will ensure final contract amounts are checked for accuracy in each of the categories of NMPSIA Benefits. Any Addendums issued after the original contracts will be looked at to ensure compliance with any applicable potential NMPSIA category changes.

**Responsible Party and Timeline**

The Business Manager is responsible and the issue will be resolved in the current fiscal year.

**2018-003 New Hires--Compliance and Other Matter**

**Condition**

Of the 2 new hires tested both were not reported to the State within 20 days from hire.

**Criteria**

New Mexico Law (§50-13-1 to 50-13-4) and the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996, 42 U.S.C. 653A, require that all employers report newly hired and re-hired employees to a state directory within 20 days of their hire date.

**Cause**

Management was not aware that new hire's were not being reported timely.

**Effect**

Pursuant to federal law, states have the option of imposing civil monetary penalties on employers who fail to report new hires. The fine can be up to \$20 per newly hired employee, and if there is a conspiracy between the employer and employee not to report, the penalty can be up to \$500 per newly hired employee.

**Recommendation**

Additional training and supervision is necessary to avoid this oversight in the future.

**Response**

New Hire Reporting has been delegated to the Payroll Clerk who is in a better position to be aware of new hires and re-hires mandated to be reported. Training has been given on this report to ensure Tatum Schools will no longer miss new hires in the State Reporting system.

**Responsible Party and Timeline**

The Business Manager is responsible and the issue will be resolved in the current fiscal year.

**2018-004 Certification of Inventory-Compliance and Internal Control-Significant Deficiency**

**Condition**

The district did not certify their inventory in a board meeting.

**Criteria**

Section 12-6-10(A) NMSA 1978 requires each agency to conduct an annual physical inventory of movable chattels and equipment on the inventory list at the end of each fiscal year. The agency shall certify the correctness of the inventory after the physical inventory. This certification should be provided to the agency's auditors. In addition according to NMAC 2.20.1.16 (E) the results of the physical inventory shall be recorded in a written inventory report, certified as to correctness and signed by the governing authority of the agency.

**Cause**

Management did perform a annual inventory they just did not certify it in a board meeting.

**Effect**

Items that cost less than \$5,000 could be misappropriated intentionally or not intentionally. Without taking inventory and certifying it, it is not known if all inventory has been accounted for. Replacing items cost the District money that could be spent on educating the students.

**Recommendation**

An inventory should be taken annually, certified and approved in the minutes.

**Response**

Administrative Assistant will ensure the inventory list, which is collected on an annual basis, will be certified by the Board of Education.

**Responsible Party and Timeline**

The Business Manager is responsible and the issue will be resolved in the current fiscal year.

**2018-005 Expenditures-Compliance and Internal Control-Significant Deficiency**

**Condition**

Fund 11000 - Of the 51 expenditures tested totaling \$329,887. 6 totaling \$34,247.34 or 7.98% of total expenditures had purchase orders issued after the invoice date.

Fund 14000 - Of the 15 expenditure's sampled totaling \$20,623, 1 totaling \$4,073.16 or 19.75% of total expenditures were not paid within 30 days of the invoice date.

**Criteria**

In accordance with 6.20.2.17 Purchasing, each school district shall establish and implement written policies and procedures for purchasing which shall be in compliance with the Procurement Code, Section 13-1-21 et seq, NMSA 1978.

**Cause**

The District's personnel has not followed procedures when requesting a purchase and has also failed to pay within 30 days from the invoice date.

**Effect**

Without proper documentation and following the procurement act, there are not adequate controls over expenditures. Results could be over spending.

**Recommendation**

Personnel should be trained in the procurement process and there should be consequences for failing to follow the process.

**Response**

Business Manager, CPO recognizes this problem and will make sure this issue is resolved. Additional training has been done on Open PO processing and the staff will be addressed every year to ensure procurement processes are followed and stray invoices are redirected to the business office.

**Responsible Party and Timeline**

The Business Manager is responsible and the issue has been resolved.

**2018-006 Stale Dated Checks-Compliance and Other Matter**

**Condition**

The general account had two checks greater than a year old that were listed on the outstanding check listing totaling \$300.26. The school lunch account had one check greater than a year old that was listed on the outstanding check listing totaling \$4.80. The athletics account had one check greater than a year old listed on the outstanding check listing totaling \$65.00 and the activity account had four checks greater than a year old listed on the outstanding check listing totaling \$270.56.

**Criteria**

As per Section 6-10-57(A), NMSA 1978 Whenever any warrant issued by the state, county, municipality, school district or special district is unpaid for one year after it becomes payable, the fiscal officer shall cancel it. Section 7-8A, NMSA 1978, and related regulations require that the District provide information about the payees and the related funds to Unclaimed Property Division of the New Mexico Taxation and Revenue Department for outstanding checks that were distributed but not cashed within one year.

**Cause**

The District did not implement an internal control policy to account for stale dated outstanding checks and did not void these checks on a timely basis.

**Effect**

Carrying numerous bank reconciling items could result in a misstatement in the accounting records or related misappropriation of funds.

**Recommendation**

We recommend that the District implement a procedure to review the outstanding check listings for all bank accounts and track stale-dated checks. If checks on the outstanding check listings are greater than one year old, we recommend these checks be voided and the District take appropriate steps to ensure that the funds are reported to the Unclaimed Property Division as may be necessary.

**Response**

Business Manager will review outstanding checks on a monthly basis to ensure stale dated checks are cancelled, reissued if appropriate, or reported to Unclaimed Property.

**Responsible Party and Timeline**

The Business Manager is responsible and the issue has been resolved.

**Financial Statement Preparation**-The financial statements were prepared by De'Aun Willoughby CPA. However, they are the responsibility of management.

**Exit Conference**-An exit conference was held on September 24, 2018. Those present were Buddy Little-Superintendent, Dan Partin-Board Member, Gloria Jones-Audit Committee Member, Christie Mullins-Administrative Secretary, Leslie Pearce-Business Manager, and De'Aun Willoughby-CPA.