

Truth or Consequences Municipal Schools

Financial Statements

For the Year Ended June 30, 2018

**TRUTH OR CONSEQUENCES
MUNICIPAL SCHOOLS**

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STATE OF NEW MEXICO
 Truth or Consequences Municipal Schools
 June 30, 2018
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STATE OF NEW MEXICO
Truth or Consequences Municipal Schools
Official Roster
June 30, 2018

<u>Name</u>	<u>Board of Education</u>	<u>Title</u>
Brett Smith		President
Doug Whitehead		Vice President
Crystal Runyan-Diamond		Secretary
John C. Johnson		Member
Jeanne Feazell		Member
	<u>Administrative Officials</u>	
Randall M. Piper		Superintendent
Stephanie Brownfield		Director of Federal Programs
Sabrina Bierner		Business Manager

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INDEPENDENT AUDITORS' REPORT

Board of Education and Management
Truth or Consequences Municipal Schools
Wayne Johnson
New Mexico State Auditor
U.S. Office of Management and Budget
Truth or Consequences, New Mexico

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 of the General Fund and the major special revenue fund of Truth or Consequences Municipal Schools (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with 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 auditors' judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the District'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 District'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, the aggregate remaining fund information, and the budgetary comparisons of the General Fund and the major special revenue fund of Truth or Consequences Municipal Schools, as of June 30, 2018, and the respective changes in financial position thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the Management Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of 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.

Accounting principles generally accepted in the United States of America require Schedules A-1 through B-2 and notes to the Required Supplementary Information on pages 64 through 69 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, the combining and individual fund financial statements, the combining financial statements for the general fund and related budgetary comparisons, the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Supporting Schedules I through IV required by 2.2.2 NMAC are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 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.

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Cordova CPAs LLC
Albuquerque, New Mexico
November 13, 2018

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**BASIC
FINANCIAL STATEMENTS**

STATE OF NEW MEXICO
 Truth or Consequences Municipal Schools
 Statement of Net Position
 June 30, 2018

	Governmental Activities
Assets	
Current assets	
Cash and cash equivalents	\$ 7,233,482
Receivables:	
Property taxes	286,484
Due from other governments	681,024
Other	21,170
Inventory	13,156
Total current assets	8,235,316
Noncurrent assets	
Restricted cash and cash equivalents	2,545,150
Capital assets	58,215,656
Less: accumulated depreciation	(23,019,108)
Total noncurrent assets	37,741,698
<i>Total assets</i>	45,977,014
Deferred outflows of resources	
Deferred outflows - pension	10,881,946
Deferred outflows - OPEB	154,262
<i>Total deferred outflows of resources</i>	11,036,208
<i>Total assets and deferred outflows of resources</i>	\$ 57,013,222

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

	Governmental Activities
Liabilities	
Current liabilities	
Accounts payable	\$ 328,989
Accrued payroll	548,357
Accrued interest	118,753
Current portion of bonds payable	<u>1,640,000</u>
Total current liabilities	<u>2,636,099</u>
Noncurrent liabilities	
Accrued compensated absences	270,246
Bonds payable	11,125,000
Bond premium, net of accumulated amortization of \$32,617	55,756
Net pension liability	32,671,374
Net OPEB liability	<u>8,836,762</u>
Total noncurrent liabilities	<u>52,959,138</u>
<i>Total liabilities</i>	<u>55,595,237</u>
Deferred inflows of resources	
Deferred inflows - pension related	693,050
Deferred inflows- OPEB	<u>2,011,226</u>
<i>Total deferred inflows of resources</i>	<u>2,704,276</u>
Net position	
Net investment in capital assets	24,970,044
Restricted for:	
Debt service	2,749,939
Capital projects	5,337,408
Special revenue	538,199
Unrestricted	<u>(34,881,881)</u>
<i>Total net position</i>	<u>(1,286,291)</u>
<i>Total liabilities, deferred inflows of resources, and net position</i>	<u><u>\$ 57,013,222</u></u>

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

STATE OF NEW MEXICO
 Truth or Consequences Municipal Schools
 Statement of Activities
 For the Year Ended June 30, 2018

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Primary government:			
Governmental Activities:			
Instruction	\$ 12,962,502	\$ 25,471	\$ 1,420,700
Support services - students	1,222,870	2,403	134,027
Support services - instruction	216,559	426	23,735
Support services - general administration	522,217	1,026	57,235
Support services - school administration	569,460	1,119	62,413
Central services	686,071	1,348	75,194
Operation and maintenance of plant	2,358,031	4,634	258,442
Student transportation	1,133,558	-	889,906
Food services operations	853,751	9,778	785,255
Community services operations	974	2	107
Interest and other charges	279,067	-	-
<i>Total governmental activities</i>	<u>\$ 20,805,060</u>	<u>\$ 46,207</u>	<u>\$ 3,707,014</u>

General Revenues:

Taxes:

Property taxes, levied for operating programs

Property taxes, levied for debt services

Property taxes, levied for capital projects

State equalization guarantee

Investment income

Miscellaneous income

Loss on disposition of assets

Remittal to PED

Total general revenues

Change in net position

Net position, beginning

Net position - restatement (Note 16)

Net position - as restated

Net position, ending

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

<u>Program Revenues</u> <u>Capital Grants and</u> <u>Contributions</u>	<u>Net (Expense)</u> <u>Revenue and Changes</u> <u>in Net Position</u> <u>Governmental</u> <u>Activities</u>
\$ 17,817	\$ (11,498,514)
1,681	(1,084,759)
298	(192,100)
718	(463,238)
783	(505,145)
943	(608,586)
3,241	(2,091,714)
-	(243,652)
-	(58,718)
-	(865)
-	(279,067)
<u>\$ 25,481</u>	<u>(17,026,358)</u>

158,573
1,781,857
624,773
10,237,539
59,557
1,700
(134,846)
<u>(1,263)</u>
<u>12,727,890</u>
<u>(4,298,468)</u>
13,508,848
<u>(10,496,671)</u>
<u>3,012,177</u>
<u>\$ (1,286,291)</u>

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

STATE OF NEW MEXICO
 Truth or Consequences Municipal Schools
 Balance Sheet
 Governmental Funds
 June 30, 2018

	General Fund 11000, 13000, 14000	Title I IASA 24101	Bond Building Capital Projects Fund 31100
<i>Assets</i>			
Cash and cash equivalents	\$ 1,790,837	\$ -	\$ 4,024,374
Receivables:			
Property taxes	18,447	-	-
Due from other governments	-	213,715	-
Other	17,290	-	-
Inventory	-	-	-
Due from other funds	692,800	-	-
Total assets	\$ 2,519,374	\$ 213,715	\$ 4,024,374
<i>Liabilities, deferred inflows of resources, and fund balances</i>			
<i>Liabilities</i>			
Accounts payable	\$ 50,884	\$ -	\$ 223,484
Accrued payroll	548,357	-	-
Due to other funds	-	213,715	21,163
Total liabilities	599,241	213,715	244,647
<i>Deferred inflows of resources</i>			
Unavailable revenue - property taxes	13,932	-	-
Total deferred inflows of resources	13,932	-	-
<i>Fund balances</i>			
Nonspendable:			
Inventory	-	-	-
Spendable:			
Restricted for:			
Transportation	3,733	-	-
Instructional materials	113,387	-	-
Food services	-	-	-
Education	-	-	-
Capital acquisitions and improvements	-	-	3,779,727
Debt service	-	-	-
Committed for:			
Subsequent year's expenditures	1,637,698	-	-
Unassigned	151,383	-	-
Total fund balances	1,906,201	-	3,779,727
Total liabilities, deferred inflows of resources, and fund balances	\$ 2,519,374	\$ 213,715	\$ 4,024,374

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

Capital Improvements SB- 9 Local 31701	Debt Service Fund 41000	Other Governmental Funds	Total
\$ 901,895	\$ 2,543,457	\$ 518,069	\$ 9,778,632
59,233	208,804	-	286,484
-	-	467,309	681,024
-	-	3,880	21,170
-	-	13,156	13,156
-	-	-	692,800
<u>\$ 961,128</u>	<u>\$ 2,752,261</u>	<u>\$ 1,002,414</u>	<u>\$ 11,473,266</u>
\$ 48,328	\$ -	\$ 6,293	\$ 328,989
-	-	-	548,357
-	-	457,922	692,800
<u>48,328</u>	<u>-</u>	<u>464,215</u>	<u>1,570,146</u>
<u>44,120</u>	<u>158,009</u>	<u>-</u>	<u>216,061</u>
<u>44,120</u>	<u>158,009</u>	<u>-</u>	<u>216,061</u>
-	-	13,156	13,156
-	-	-	3,733
-	-	-	113,387
-	-	459,056	459,056
-	-	66,201	66,201
868,680	-	-	4,648,407
-	2,594,252	-	2,594,252
-	-	-	1,637,698
-	-	(214)	151,169
<u>868,680</u>	<u>2,594,252</u>	<u>538,199</u>	<u>9,687,059</u>
<u>\$ 961,128</u>	<u>\$ 2,752,261</u>	<u>\$ 1,002,414</u>	<u>\$ 11,473,266</u>

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

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STATE OF NEW MEXICO
 Truth or Consequences Municipal Schools
 Reconciliation of the Balance Sheet to the Statement of Net Position
 Governmental Funds
 June 30, 2018

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

Fund balances - total governmental funds	\$ 9,687,059
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds	35,196,548
Delinquent property taxes not collected within sixty days after year end are not considered "available" revenues and are considered to be unavailable revenue in the fund financial statements, but are considered revenue in the Statement of Activities	216,061
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and therefore, are not reported in funds:	
Deferred outflows related to pension	10,881,946
Deferred outflows related to OPEB	154,262
Deferred inflows related to pension	(693,050)
Deferred inflows related to OPEB	(2,011,226)
Liabilities including bonds payable and related components, net pension and OPEB liability, are not due and payable in the current period and, therefore, are not reported in the funds:	
Accrued compensated absences not due and payable	(270,246)
Accrued interest payable	(118,753)
Bonds payable	(12,765,000)
Bond premiums (net of amortization)	(55,756)
Net pension liability	(32,671,374)
Net OPEB liability	<u>(8,836,762)</u>
<i>Total net position - governmental activities</i>	<u><u>\$ (1,286,291)</u></u>

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

STATE OF NEW MEXICO
 Truth or Consequences Municipal Schools
 Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 For the Year Ended June 30, 2018

	General Fund 11000, 13000, 14000	Title I IASA 24101	Bond Building Capital Projects Fund 31100
<i>Revenues</i>			
Property taxes	\$ 158,154	\$ -	\$ -
Intergovernmental revenue:			
Federal flowthrough	193,776	554,619	-
Federal direct	-	-	-
Local sources	-	-	-
State flowthrough	92,878	-	-
State direct	10,237,539	-	-
Transportation distribution	889,906	-	-
Charges for services	2,981	-	-
Investment income	1,181	-	38,444
Miscellaneous	-	-	-
<i>Total revenues</i>	<u>11,576,415</u>	<u>554,619</u>	<u>38,444</u>
<i>Expenditures</i>			
Current:			
Instruction	6,757,822	290,868	-
Support services - students	761,596	-	-
Support services - instruction	35,497	34,981	-
Support services - general administration	425,069	26,021	-
Support services - school administration	523,924	-	-
Central services	463,598	202,004	-
Operation and maintenance of plant	1,326,591	-	49,297
Student transportation	886,173	745	-
Food services operations	-	-	-
Community services operations	974	-	-
Capital outlay	-	-	566,422
Debt service:			
Principal	-	-	-
Interest	-	-	-
<i>Total expenditures</i>	<u>11,181,244</u>	<u>554,619</u>	<u>615,719</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>395,171</u>	<u>-</u>	<u>(577,275)</u>
<i>Other financing sources (uses)</i>			
Remittal to PED	(1,263)	-	-
Transfers in	-	2,893	-
Transfers (out)	(133,779)	-	-
Bond proceeds	-	-	3,000,000
<i>Total other financing sources (uses)</i>	<u>(135,042)</u>	<u>2,893</u>	<u>3,000,000</u>
<i>Net change in fund balances</i>	260,129	2,893	2,422,725
<i>Fund balances - beginning</i>	<u>1,646,072</u>	<u>(2,893)</u>	<u>1,357,002</u>
<i>Fund balances - end of year</i>	<u>\$ 1,906,201</u>	<u>\$ -</u>	<u>\$ 3,779,727</u>

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

Capital Improvements SB- 9 Local 31701	Debt Service Fund 41000	Other Governmental Funds	Total
\$ 609,282	\$ 1,777,442	\$ -	\$ 2,544,878
-	-	1,335,768	2,084,163
-	-	159,464	159,464
-	-	81,577	81,577
-	-	471,463	564,341
-	-	16,220	10,253,759
-	-	-	889,906
-	-	43,226	46,207
404	19,322	206	59,557
1,700	-	-	1,700
<u>611,386</u>	<u>1,796,764</u>	<u>2,107,924</u>	<u>16,685,552</u>
-	-	881,528	7,930,218
-	-	371,519	1,133,115
-	-	15,448	85,926
6,012	17,978	22,575	497,655
-	-	505	524,429
-	-	-	665,602
474,048	-	9,261	1,859,197
-	-	21,459	908,377
-	-	722,784	722,784
-	-	1,857	2,831
34,180	-	48,011	648,613
-	1,175,000	-	1,175,000
-	276,745	-	276,745
<u>514,240</u>	<u>1,469,723</u>	<u>2,094,947</u>	<u>16,430,492</u>
<u>97,146</u>	<u>327,041</u>	<u>12,977</u>	<u>255,060</u>
-	-	-	(1,263)
-	-	130,886	133,779
-	-	-	(133,779)
-	-	-	3,000,000
<u>-</u>	<u>-</u>	<u>130,886</u>	<u>2,998,737</u>
97,146	327,041	143,863	3,253,797
<u>771,534</u>	<u>2,267,211</u>	<u>394,336</u>	<u>6,433,262</u>
<u>\$ 868,680</u>	<u>\$ 2,594,252</u>	<u>\$ 538,199</u>	<u>\$ 9,687,059</u>

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

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STATE OF NEW MEXICO
 Truth or Consequences Municipal Schools
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balances of Governmental Funds to the Statement of Activities
 For the Year Ended June 30, 2018

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

Net change in fund balances - total governmental funds \$ 3,253,797

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital expenditures	313,051
Depreciation expense	(1,637,464)
Loss on disposal of capital assets	(134,846)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds:

Change in unavailable revenue related to property taxes receivable	20,325
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Governmental funds report District pension and OPEB contributions as expenditures. However in the Statement of Activities, the cost of pension and OPEB benefits earned net of employee contributions is reported as pension and OPEB expense:

District pension contributions subsequent to measurement date	1,075,613
District OPEB contributions subsequent to the measurement date	154,262
Pension expense	(5,250,729)
Net OPEB expense	(351,317)

The issuance of long-term debt (e.g. bonds, notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities:

Current year amortization of bond premiums	5,892
Bond proceeds	(3,000,000)
Decrease in accrued compensated absences not due and payable	86,162
Increase in accrued interest payable	(8,214)
Principal payments on bonds	<u>1,175,000</u>

<i>Change in net position of governmental activities</i>	<u><u>\$ (4,298,468)</u></u>
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The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
 Truth or Consequences Municipal Schools
 General Fund - 11000, 13000, 14000
 Statement of Revenues, Expenditures, and Changes in
 Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual
 For the Year Ended June 30, 2018

Exhibit C-1

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Property taxes	\$ 155,843	\$ 155,843	\$ 159,957	\$ 4,114
Intergovernmental revenue:				
Federal flowthrough	53,703	199,979	193,776	(6,203)
Federal direct	-	-	-	-
Local sources	-	-	-	-
State flowthrough	42,751	42,751	75,588	32,837
State direct	10,191,790	10,350,367	10,237,539	(112,828)
Transportation distribution	889,947	889,947	888,643	(1,304)
Charges for services	1,078	1,078	2,981	1,903
Investment income	1,280	1,280	1,181	(99)
Miscellaneous	-	-	-	-
Total revenues	11,336,392	11,641,245	11,559,665	(81,580)
<i>Expenditures</i>				
Current:				
Instruction	7,199,106	7,043,157	6,756,129	287,028
Support services - students	832,036	832,036	772,503	59,533
Support services - instruction	35,834	41,821	35,497	6,324
Support services - general administration	365,443	521,499	423,395	98,104
Support services - school administration	628,974	605,392	523,924	81,468
Central services	453,819	453,819	450,378	3,441
Operation and maintenance of plant	1,357,484	1,357,484	1,321,192	36,292
Student transportation	889,947	891,210	882,669	8,541
Community services operations	3,719	3,719	974	2,745
Total expenditures	12,900,792	13,108,939	11,166,661	1,942,278
<i>Excess (deficiency) of revenues over expenditures</i>	(1,564,400)	(1,467,694)	393,004	1,860,698
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	1,564,400	1,467,694	-	(1,467,694)
Remittal to PED	-	-	(1,263)	(1,263)
Transfers (out)	-	-	(133,779)	(133,779)
Total other financing sources (uses)	1,564,400	1,467,694	(135,042)	(1,602,736)
<i>Net change in fund balance</i>	-	-	257,962	257,962
<i>Fund balance - beginning of year</i>	-	-	1,677,318	1,677,318
<i>Fund balance - end of year</i>	\$ -	\$ -	\$ 1,935,280	\$ 1,935,280
Net change in fund balance (Non-GAAP Budgetary Basis)				\$ 257,962
Adjustments to revenues for taxes, amounts due to NMPED, and intergovernmental revenue				16,750
Adjustments to expenditures for supplies and payroll expenditures				(14,583)
Net change in fund balance (GAAP Basis)				\$ 260,129

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

STATE OF NEW MEXICO
 Truth or Consequences Municipal Schools
 Title I Special Revenue Fund - 24101
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 Budget (Non-GAAP Budgetary Basis) and Actual
 For the Year Ended June 30, 2018

Exhibit C-2

	Budgeted Amounts			Actual	Variances
	Original	Final			Favorable (Unfavorable)
					Final to Actual
<i>Revenues</i>					
Property taxes	\$ -	\$ -	\$ -	\$ -	
Intergovernmental revenue:					
Federal flowthrough	580,815	580,815	587,470		6,655
Federal direct	-	-	-		-
State flowthrough	-	-	-		-
State direct	-	-	-		-
Charges for services	-	-	-		-
Investment income	-	-	-		-
Miscellaneous	-	-	-		-
Total revenues	580,815	580,815	587,470		6,655
<i>Expenditures</i>					
Current:					
Instruction	317,731	296,731	290,868		5,863
Support services	67,201	67,201	61,002		6,199
Central services	181,057	202,057	202,004		53
Operation and maintenance of plant	-	-	-		-
Student transportation	14,826	14,826	745		14,081
Food services operations	-	-	-		-
Capital outlay	-	-	-		-
Debt service:					
Principal	-	-	-		-
Interest	-	-	-		-
Total expenditures	580,815	580,815	554,619		26,196
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	32,851		32,851
<i>Other financing sources (uses)</i>					
Designated cash (budgeted increase in cash)	-	-	-		-
Transfers in	-	-	2,893		2,893
Total other financing sources (uses)	-	-	2,893		2,893
<i>Net change in fund balance</i>	-	-	35,744		35,744
<i>Fund balance - beginning of year</i>	-	-	(249,459)		(249,459)
<i>Fund balance - end of year</i>	\$ -	\$ -	\$ (213,715)		\$ (213,715)
Net change in fund balance (Non-GAAP Budgetary Basis)					\$ 35,744
Adjustments to revenues for federal grants					(32,851)
No adjustments					-
<i>Net change in fund balance (GAAP Basis)</i>					\$ 2,893

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

STATE OF NEW MEXICO
 Truth or Consequences Municipal Schools
 Statement of Fiduciary Net Position
 Agency Funds
 June 30, 2018

Exhibit D-1

	Private Purpose Trust Funds	Agency Funds
	<u> </u>	<u> </u>
<i>Current assets</i>		
Cash and cash equivalents	\$ 38,651	\$ 239,082
	<u> </u>	<u> </u>
<i>Total assets</i>	<u>\$ 38,651</u>	<u>\$ 239,082</u>
 <i>Current liabilities</i>		
Accounts payable	\$ -	\$ 11,922
Accrued payroll	-	-
Due to student organizations	-	227,160
	<u> </u>	<u> </u>
<i>Total liabilities</i>	<u>-</u>	<u>239,082</u>
 <i>Net Position</i>		
Restricted net position - endowment	<u>38,651</u>	<u>-</u>
	<u> </u>	<u> </u>
<i>Total net position</i>	<u>\$ 38,651</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO
 Truth or Consequences Municipal Schools
 Statement of Changes in Fiduciary Net Position
 Private Purpose Trust Fund
 June 30, 2018

<i>Additions:</i>	
Investment earnings	\$ 19
<i>Total additions</i>	<u>19</u>
 <i>Deductions:</i>	
Scholarships	-
Other deductions	<u>-</u>
<i>Total deductions</i>	<u>-</u>
<i>Change in net position</i>	19
<i>Beginning net position</i>	<u>38,632</u>
<i>Ending net position</i>	<u><u>\$ 38,651</u></u>

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

STATE OF NEW MEXICO
Truth or Consequences Municipal Schools
Notes to Financial Statements
June 30, 2018

NOTE 1. Summary of Significant Accounting Policies

Truth or Consequences Municipal Schools (the “District”) was created under the provision of Chapter 22 Article 5, Paragraph 4, New Mexico Statutes 1978 to provide public education for the children within the District. The School Board is authorized to establish policies and regulations for its own government consistent with the laws of the State of New Mexico and the regulations of the NM Public Education Department and the Legislative Finance Committee. The School Board is comprised of five members who are elected for terms of four years.

The School Board operates five schools within the District and has a population of over 1,300 students. In conjunction with the regular education programs, all of these schools offer special education. In addition, the School Board provides transportation for the students.

The summary of significant accounting policies of the District is presented to assist in the understanding of the District’s financial statements. The financial statements and notes are the representation of Truth or Consequences Municipal Schools’ management, who is responsible for their integrity and objectivity. The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standard Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of the District’s accounting policies are described below.

During the year ended June 30, 2018, the District adopted GASB Statements No. 75, Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions, No. 81, Irrevocable Split-Interest Agreements, No. 85, Omnibus 2017, No. 86, Certain Debt Extinguishment Issues, are required to be implemented for the fiscal year ending June 30, 2018.

The pronouncement adopted that materially affects the financial statements and disclosures of the District for the year ended June 30, 2018 is GASB Statement No. 75 Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions. The requirements of this Statement improve the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire OPEB liability and a more comprehensive measure of OPEB expense.

A. Financial Reporting Entity

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

The basic – but not the only – criterion for including a potential component unit within the reporting entity is the governing body’s ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens.

STATE OF NEW MEXICO
Truth or Consequences Municipal Schools
Notes to Financial Statements
June 30, 2018

NOTE 1. Summary of Significant Accounting Policies (continued)

A. Financial Reporting Entity (continued)

A third criterion used to evaluate the potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity. Based upon the application of these criteria, the District has no component units and is not a component unit of another governmental agency.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Truth or Consequences Municipal Schools does not have business-type activities as of June 30, 2018.

In the government-wide Statement of Net Position, the governmental activities column is presented on a consolidated basis and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position is reported in three parts – Net investment in capital assets, restricted net position and unrestricted net position.

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

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise fund are reported as separate columns in the fund financial statements. The District does not have any enterprise funds.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions*. Property taxes are recognized as revenues in the year for which the taxes are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

STATE OF NEW MEXICO
Truth or Consequences Municipal Schools
Notes to Financial Statements
June 30, 2018

NOTE 1. Summary of Significant Accounting Policies (continued)

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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

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

Under the requirements of GASB Statement No. 34, the District is required to present certain of its governmental funds as major funds based upon certain criteria. The major funds presented in the fund financial statements include the following (in addition to the General Fund), which may include funds that were not required to be presented as major but were at the discretion of management:

General Fund:

The *Operational Fund* is used to account for the State Equalization Guarantee from the NM State Legislature and is the primary operating fund of the District, and accounts for all financial resources, except those required to be accounted for in other funds. Authority for the creation of this fund is the New Mexico Public Education Department.

The *Transportation Fund* is used to account for the costs associated with transporting school age children. Authority for the creation of this fund is the New Mexico Public Education Department.

The *Instructional Materials Fund* is used to account for the monies received from the State Department of Education for the purposes of purchasing instructional materials (books, manuals, periodicals, etc.) used in the education of students. Authority for the creation of this fund is the New Mexico Public Education Department.

Special Revenue Funds:

Title I (24101) – The major objectives of the Title I program are to provide supplemental educational opportunity for academically disadvantaged children in the area of residing. Campuses are identified for program participation by the percentage of students on free or reduced-price lunches. Any school with a free and reduced-price lunch percentage that is equal to or greater than the total district percentage becomes eligible for program participation.

STATE OF NEW MEXICO
Truth or Consequences Municipal Schools
Notes to Financial Statements
June 30, 2018

NOTE 1. Summary of Significant Accounting Policies (continued)

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

Any student whose test scores fall below District established criteria and who is attending a Title I campus is eligible to receive Title I services. Poverty is the criterion that identifies a campus; educational need determines the students to be served. Federal revenues accounted for in this fund are allocated to the District through the New Mexico Department of Education. Authorized by the Elementary and Secondary Education Act (ESEA) of 1965, as amended by the No Child Left Behind Act of 2001, Title I, Part A (Public Law 107-110).

Capital Projects Funds:

The *Bond Building Capital Projects Fund (31100)* is used to account for bond proceeds and any income earned thereon. The proceeds are restricted for the purpose of making additions to and furnishing of school buildings, or purchasing or improving school grounds or any combination thereof, as approved by the voters of the District. Authority for the creation of this fund is the New Mexico Public Education Department.

Capital Improvement SB-9 Local (31701) is used to account for erecting, remodeling, making additions to and furnishing of school buildings, or purchasing or improving school grounds or any combination thereof as identified by the local school board. Financing is provided by special tax levy as authorized by the Public School District Capital Improvements Act (22-25-1 to 22-25-10 NMSA 1978).

Debt Service Funds:

The *Debt Service Fund (41000)* is used to account for the accumulation of resources for the payment of General Long-Term Debt principal and interest. Authority for the creation of this fund is the New Mexico Public Education Department.

Additionally, the government reports the following fund types:

Fiduciary Funds:

The fiduciary funds are purely custodial (assets equal liabilities) and do not involve measurement of results of operations. These funds account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, or student organizations.

The *Private Purpose Trust Fund* is used to account for monies for Audrey Lang to provide scholarships. The principal amounts are to be maintained intact and invested. Investment earnings are to be used for the scholarships. Funds related to the private purpose trust fund are held in one account.

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

STATE OF NEW MEXICO
Truth or Consequences Municipal Schools
Notes to Financial Statements
June 30, 2018

NOTE 1. Summary of Significant Accounting Policies (continued)

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

Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the District's taxpayer or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the District's general revenues. Program revenues are categorized as (a) charges for services, which include revenues collected for cafeteria fees and lost books, etc., (b) program-specific operating grants, which includes revenues received from state and federal sources such as Title I and IDEA-B to be used as specified within each program grant agreement, and (c) program-specific capital grants and contributions, which include revenues from the state resources such as SB-9 funding to be used for capital projects. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and other items not properly included among program revenues.

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with the function. The District does not currently employ indirect cost allocation systems. Depreciation expense is specifically identified by function and is included in the direct expense of each function, except for that portion of depreciation that is identified as unallocated in the Statement of Activities. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

D. Assets, Liabilities and Net Position or Equity

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 twelve months or less from the date of acquisition.

State statutes authorize the District to invest in Certificates of Deposit, obligations of the U.S. Government, and the State Treasurer's Investment Pool.

Investments for the District are reported at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the Pool is the same as the fair value of the pool shares. As of June 30, 2018, the District held \$1,693 in the State Treasurer's Investment Pool.

Fair Value Measurements: The fair value framework uses a hierarchy that prioritizes the inputs to the valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). As of June 30, 2018, there are no items are required to be valued using valuation techniques.

Restricted Assets: Restricted assets are those that are set aside for restrictions resulting from enabling legislation for future capital outlay expenditures and debt service payments. The District's restricted assets are made up of all debt service funds.

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

STATE OF NEW MEXICO
Truth or Consequences Municipal Schools
Notes to Financial Statements
June 30, 2018

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Net Position or Equity (continued)

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

The District receives monthly income from a tax levy in Sierra County. The funds are collected by the County Treasurer and are remitted to the District in the following month. Under the modified accrual method of accounting, the amount remitted by the Sierra County Treasurer in July and August is considered 'measurable and available' and, accordingly, is recorded as revenue in the governmental fund financial statements during the year ended June 30, 2018. Period of availability is deemed to be sixty days subsequent to year end for property taxes and ninety days subsequent to year end for other nonexchange revenues.

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

Inventory: The District's method of accounting for inventory is the consumption method. Under the consumption approach, governments report inventories they purchase as an asset and defer the recognition of the expenditures until the period in which the inventories are actually consumed. Inventory is valued at cost. In the General Fund, inventory consists of expendable supplies held for consumption. Inventory in the Food Service Fund consists of U.S.D.A. commodities and other purchased food and non-food supplies.

The cost of purchased inventory is recorded as an expenditure at the time individual inventory items are consumed. Commodities consumed during the year are reported as revenues and expenditures; unused commodities are reported as inventories.

Capital Assets: Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000, per section 12-6-10 NMSA 1978, and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets, (retroactive to 1979) are to be included as part of the governmental capital assets reported in the government wide statements.

Donated capital assets are recorded at estimated fair market value at the date of donation. Information Technology Equipment including software is being capitalized and included in furniture, fixtures, and equipment in accordance with NMAC 2.20.1.9 C (5).

The District was a phase III government for purposes of implementing GASB Statement No. 34. However, the District does not have any infrastructure assets to report.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest was included as part of the cost of capital assets under construction during the year ended June 30, 2018.

Capital expenditures made on the District's building construction projects by the New Mexico Public School Facilities Authority are included in the District's capital assets as appropriate.

STATE OF NEW MEXICO
Truth or Consequences Municipal Schools
Notes to Financial Statements
June 30, 2018

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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

Buildings and improvements	20-50 years
Equipment and furniture	3-10 years

Accrued Payroll Liabilities: In the fund financial statements, governmental fund types recognize the accrual of unpaid salaries, wages, and benefits that employees earned prior to the end of the fiscal year. The amount recognized in the fund financial statements represents the amounts due to employees or due to third parties for the employee benefits.

Deferred Outflows of Resources: In addition to assets, the balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a use of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until that time. The District has four types of items that qualify for reporting in this category for reporting in this category related to the pension and OPEB plans which are discussed in Notes 10 and 11.

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

The District has one type of item, which arises under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue – property taxes, are reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District has recorded \$443,348 related to property taxes that are considered “unavailable”. The District also has items that qualify for reporting in this category for reporting in this category related to the pension and OPEB plans which are discussed in Notes 10 and 11.

Compensated Absences: Qualified employees are entitled to earn and accumulate annual leave and leave. For annual leave, twelve (12) month employees are granted annual days up front. Unused annual leave shall carry over as annual leave. If an employee leaves the District during the contract year, annual leave days will be pro-rated accordingly. Upon resignation, retirement or death, any twelve (12) month employee who has completed twenty-four (24) months of employment shall be entitled to and shall be paid for a maximum of forty (40) days of earned and unused annual leave at his or her regular rate of pay.

For leave, at the time of resignation, retirement or death, employees with at least five (5) consecutive years of service with the District may sell back up to fifty (50) days of accumulated leave at the following rates: 1. Certified employees (Bachelor’s Degree +): \$75.00/day, 2. Educational assistants and Non-certified paraprofessionals with at least an Associates’ Degree or equivalent: \$65.00/day, 3. All other bargaining unit employees: \$55.00/day

STATE OF NEW MEXICO
Truth or Consequences Municipal Schools
Notes to Financial Statements
June 30, 2018

NOTE 1. Summary of Significant Accounting Policies (continued)

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

The District's policies, regarding vacation time, permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources. These liabilities have typically been liquidated from general fund resources.

Long-term Obligations: In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. Bond premiums and discounts 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 inconsequential.

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

Net Position and Fund Equity: Governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The detail of the District's fund balances is presented on the face of the fund financial statements.

In the government-wide financial statements, fund equity is classified as net position and is displayed in three components:

Net investment in capital assets: Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position: Consist of net position with "legally enforceable" constraints placed on the use, either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation. Legally enforceable means that a government can be compelled by an external party – such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation, only for the purposes specified by the legislation. Generally, the enforceability of an enabling legislation restriction is determined by professional judgment.

If it is determined that the restrictions continue to be legally enforceable, then for the purposes of financial reporting, the restricted net position should not reflect any reduction for resources used for purposes not stipulated by the enabling legislation. Descriptions for the related restrictions for net position are restricted for "debt service or capital projects."

STATE OF NEW MEXICO
Truth or Consequences Municipal Schools
Notes to Financial Statements
June 30, 2018

NOTE 1. Summary of Significant Accounting Policies (continued)

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

Unrestricted Net Position: All other net positions that do not meet the definition of “restricted” or “net investment in capital assets”.

The government-wide Statement of Net Position reports \$8,625,546 of restricted net position related to grants, capital projects and debt service.

Fund Balance: In the fund financial statements, governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. For committed and assigned fund balance, the District’s highest level of decision-making authority is the Board of Education. Formal action by the Board of Education is required to establish a fund balance commitment or assignment.

For the classification of fund balances, the District considers restricted or unrestricted amounts to have been spent when an expenditure is incurred for the purposes for which both restricted and unrestricted fund balance is available. Also for the classification of fund balances, the District considers committed, assigned or unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

In the governmental fund financial statements, fund balance is classified and displayed in five components, as displayed below:

Nonspendable: Consists of amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. At June 30, 2018, the nonspendable fund balance of the District is comprised of inventory in the Food Service fund of \$13,156, which is not in spendable form.

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

Committed: Consist of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the District’s Board of Education. Those committed amounts cannot be used for any other purpose unless the District’s Board of Education removes or changes the specified use by taking formal action.

Assigned: Consist of amounts that are constrained by the District's *intent* to be used for specific purposes, but are neither restricted nor committed. Formal action by the District’s Board of Education is required to assign amounts to be used for specific purposes.

Unassigned: Represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund except for those other governmental funds reflecting a deficit.

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

STATE OF NEW MEXICO
Truth or Consequences Municipal Schools
Notes to Financial Statements
June 30, 2018

NOTE 1. Summary of Significant Accounting Policies (continued)

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

Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other inter-fund transfers are reported as operating transfers.

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

E. Revenues

State Equalization Guarantee: School districts in the State of New Mexico receive a 'state equalization guarantee distribution' which is defined as "that amount of money distributed to each school district to ensure that the school district's operating revenue, including its local and federal revenues as defined (in Chapter 22, Section 825, NMSA 1978) is at least equal to the school district's program cost. A school district's program costs are determined through the use of various formulas using 'program units' which take into consideration 1) early childhood education; 2) basic education; 3) special education; 4) bilingual-multicultural education; 5) size, etc. Payment is made from the public school fund under the authority of the Secretary of the Public Education Department. The District received \$10,237,539 in state equalization guarantee distributions during the year ended June 30, 2018.

Tax Revenues: The District receives mill levy and ad-valorem tax revenues primarily for debt service and capital outlay purposes. Tax revenues are recognized when they are in the hands of the collecting agency. The District records only the portion of the taxes considered to be 'measurable' and 'available' on a modified accrual basis. The District recognized \$2,544,878 in tax revenues during the year ended June 30, 2018. Descriptions of the individual debt service and capital outlay funds contained in these financial statements include information regarding the authority for the collection and use of these taxes. Property taxes attach an enforceable lien on property as of January 1. Tax notices are sent 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. Sierra County collects County, City, and School taxes and distributes them to each fund once per month except in June when the taxes are distributed twice to close out the fiscal year.

Transportation Distribution: School districts in the State of New Mexico receive student transportation distributions. The transportation distribution is allocated to each school district in accordance with formulas developed by the State Transportation Director and the Secretary of the Public Education Department. The funds shall be used only for the purpose of making payments to each school district for the to-and-from school transportation costs of students in grades K through twelve attending public school within the school district. The District received \$889,906 in transportation distributions during the year ended June 30, 2018.

Instructional Materials: The New Mexico Public Education Department (PED) receives federal mineral leasing funds from which it makes annual allocations to the various school districts for the purchase of educational materials. Of each allocation, fifty percent is restricted to the purchase of materials listed in the PED "Multiple List", while fifty percent of each allocation is available for purchases directly from vendors. Allocations received from the State for the year ended June 30, 2018 totaled \$39,657.

STATE OF NEW MEXICO
Truth or Consequences Municipal Schools
Notes to Financial Statements
June 30, 2018

NOTE 1. Summary of Significant Accounting Policies (continued)

E. Revenues (Continued)

Public School Capital Outlay: Under the provisions of Chapter 22, Article 24, a public school capital outlay fund was created. The money in the fund may be used only for capital expenditures deemed by the public school capital outlay council necessary for an adequate educational program, and the capital outlay expenditures are limited to the purchase, or construction of temporary or permanent classrooms.

The council shall approve an application for grant assistance from the fund when the council determines that:

1. A critical need exists requiring action;
2. The residents of the school districts have provided all available resources to the district to meet its capital outlay requirements;
3. The school district has used its resources in a prudent manner;
4. The school district is in a county or counties which have participated in the reappraisal program and the reappraised values are on the tax rolls, or will be used for the tax year 1979 as certified by the property tax division; and
5. The school district has provided insurance for buildings of the school district in accordance with the provisions of Section 13-5-3 NMSA 1978.

The council shall consider all applications for assistance from the fund and after public hearing shall either approve or deny the application. Applications for grant assistance shall only be accepted by the council after a district has complied with the provisions of this section. The council shall list all applications in order of priority and all allocations shall be made on a priority basis. Money in the fund shall be disbursed by warrant of the Department of Finance and Administration on vouchers signed by the Secretary of Finance and Administration following certification by the council that the application has been approved. During fiscal year 2018, the District did not receive special capital outlay funds.

SB-9 State Match: The Director shall distribute to any school district that has imposed a tax under the Public School Capital Outlay Improvements Act (22-25-1 to 22-25-10 NMSA 1978) an amount from the public school capital improvements fund that is equal to the amount by which the revenue estimated to be received from the imposed tax as specified in Subsection B of section 22-25-3 NMSA 1978, assuming a one hundred percent collection rate, is less than an amount calculated by multiplying the product obtained by the rate imposed in the District under the Public School Capital Improvements Act. The distribution shall be made by December 1, of each year that the tax is imposed in accordance with Section 22-25-3 NMSA 1978. Provided, however, in the event that sufficient funds are not available in the public school capital improvement funds to make the state distribution provided for in this section, the dollar per program unit figure shall be reduced as necessary. The district received \$42,484 in state SB-9 matching during the year end June 30, 2018.

Federal Grants: The District receives revenues from various Federal departments (both direct and indirect), which are legally restricted to expenditures for specific purposes. These programs are reported as Special Revenue Funds. Each program is operated under its own budget, which has been approved by the Federal Department or the flow-through agency (usually the New Mexico Public Education Department). The various budgets are approved by the Local School Board and the New Mexico Public Education Department.

The District also receives revenues from Federal departments which are unrestricted to expenditures for special purposes. These revenues are reported in the Operational Fund.

STATE OF NEW MEXICO
Truth or Consequences Municipal Schools
Notes to Financial Statements
June 30, 2018

NOTE 1. Summary of Significant Accounting Policies (continued)

F. Pensions

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

G. Postemployment Benefits Other Than Pensions (OPEB)

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

NOTE 2. Stewardship, Compliance and Accountability

Budgetary Information

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

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

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

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

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

1. In April or May, the local school board submits to the School Budget and Finance Analysis Bureau (SBFAB) of the New Mexico Public Education Department, a proposed operating budget for the ensuing fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them. All budgets submitted to the State of New Mexico Public Education Department (PED) by the District shall contain headings and details as described by law and have been approved by the New Mexico Public Education Department.

STATE OF NEW MEXICO
Truth or Consequences Municipal Schools
Notes to Financial Statements
June 30, 2018

NOTE 2. Stewardship, Compliance and Accountability (continued)

2. *Budgetary Information - (Continued)*
3. In May or June of each year, the proposed “operating” budget will be reviewed and approved by the SBFAB and certified and approved by the local school board at a public hearing of which notice has been published by the local school board who fixes the estimated budget for the District for the ensuing fiscal year.
4. The school board meeting, while not intended for the general public, is open for the general public unless a closed meeting has been called.
5. The “operating” budget will be used by the District until they have been notified that the budget has been approved by the SBFAB and the local school board. The budget shall be integrated formally into the accounting system. Encumbrances shall be used as an element of control and shall be integrated into the budget system.
6. 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 SBFAB.
7. The superintendent is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the school board and the New Mexico Public Education Department.
8. Budget change requests are processed in accordance with Supplement 1 (Budget Preparation and Maintenance) of the Manual of Procedures Public School Accounting and Budgeting. Such changes are initiated by the District and approved by the SBFAB.
8. Legal budget control for expenditures is by function.
9. Appropriations lapse at fiscal year-end. Funds unused during the fiscal year may be carried over into the next fiscal year by budgeting those in the subsequent fiscal year’s budget. The budget of Truth or Consequences Municipal Schools 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.
10. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Capital Projects Funds and Debt Service Funds.
11. Budgets for the General, Special Revenue, Capital Projects, and Debt Service Funds are adopted on a basis not consistent with generally accepted accounting principles (GAAP). Encumbrances are treated the same way for GAAP purposes and for budget purposes.

The Board of Education may approve amendments to the appropriated budget, which are required when a change is made affecting budgeted ending fund balance. New Mexico state law prohibits a Governmental Agency from exceeding an individual function.

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

STATE OF NEW MEXICO
 Truth or Consequences Municipal Schools
 Notes to Financial Statements
 June 30, 2018

NOTE 2. Stewardship, Compliance and Accountability (continued)

Budgetary Information - (Continued)

The appropriated budget for the year ended June 30, 2018, was properly amended by the Board of Education throughout the year. These amendments resulted in the following changes:

	Excess (deficiency) of revenues over expenditures	
	Original Budget	Final Budget
Budgeted Funds:		
Operational Fund	\$ (1,486,419)	\$ (1,377,635)
Transportation Fund	\$ -	\$ (1,263)
Instructional Materials Fund	\$ (77,981)	\$ (88,796)
Title I Fund	\$ -	\$ -

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

The reconciliation between the Non-GAAP budgetary basis amounts and the financial statements on the GAAP basis for each governmental fund is included in the individual budgetary comparison. The District budgets on a modified cash basis with respect to payroll or held checks being accrued and expensed, therefore, fund balances on the budget statements do not reconcile to cash due to the District's accrued payroll which is presented on the accrual basis.

NOTE 3. Deposits and Investments

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

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

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

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

The collateral pledged is listed on Schedule II of this report. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico.

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

STATE OF NEW MEXICO
 Truth or Consequences Municipal Schools
 Notes to Financial Statements
 June 30, 2018

NOTE 3. Deposits and Investments (continued)

Deposits:

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of bank failure, the District’s deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk, other than the following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978.) At June 30, 2018, \$6,230,483 of the District’s deposits of \$7,226,497 was exposed to custodial credit risk. \$4,139,965 was uninsured and collateralized by collateral held by the pledging bank’s trust department, not in the District’s name. As of June 30, 2018, \$2,090,518 is uninsured and uncollateralized. As of June 30, 2018, the carrying amount of these deposits was \$7,056,603; total amount of deposits (and other cash equivalents) of \$7,226,497 less outstanding items of \$169,894. New Mexico State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the District for a least one half of the amount on deposit with the institution. The schedule listed below will meet the State of New Mexico, Office of the State Auditor’s requirements in reporting the insured portion of the deposits.

	<u>Bank of the Southwest</u>	<u>BBVA Compass</u>	<u>First Savings Bank</u>	<u>Citizens Bank of Las Cruces</u>	<u>Total</u>
Amount of deposits	\$ 2,082,120	\$ 246,014	\$ 462,214	\$ 4,436,149	\$ 7,226,497
FDIC Coverage	(250,000)	(246,014)	(250,000)	(250,000)	(996,014)
Total uninsured public funds	<u>1,832,120</u>	<u>-</u>	<u>212,214</u>	<u>4,186,149</u>	<u>6,230,483</u>
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the District's name	<u>1,504,387</u>	<u>-</u>	<u>212,214</u>	<u>2,423,364</u>	<u>4,139,965</u>
Uninsured and uncollateralized	<u>\$ 327,733</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,762,785</u>	<u>\$ 2,090,518</u>
Collateral requirement (50% of uninsured funds)	\$ 916,060	\$ -	\$ 106,107	\$ 2,093,075	\$ 3,115,242
Pledged Collateral	<u>1,504,387</u>	<u>80,000</u>	<u>289,651</u>	<u>2,423,364</u>	<u>4,297,402</u>
Over (Under) collateralized	<u>\$ 588,327</u>	<u>\$ 80,000</u>	<u>\$ 183,544</u>	<u>\$ 330,289</u>	<u>\$ 1,182,160</u>

Investments:

The District has investments held in U.S. Treasury Money Market Mutual Funds at the Bank of Albuquerque in connection with New Mexico Finance Authority (NMFA) for bonds in the amount of \$2,998,069. These funds are backed by the full faith and credit of the U.S. government, therefore, there is no custodial, foreign, or interest rate risk subject to disclosure for the District. These are classified as cash equivalents due the liquidity of the funds.

The District does not have a risk policy beyond that required by State Statute. The District invests in the State Treasurer Local Governmental Investment Pool, a New Mexico sponsored investment alternative.

The State Treasurer Local Government Investment Pool is not SEC registered. The State Treasurer, with the advice and consent of the State Board of Finance, is authorized to invest money held in the short-term investment fund in accordance with Sections 6-10-10P and Sections -10-10.1A and E, NMSA 1978. The Local

STATE OF NEW MEXICO
Truth or Consequences Municipal Schools
Notes to Financial Statements
June 30, 2018

NOTE 3. Deposits and Investments (continued)

Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments.

The pool does not have unit shares. Per Section 6-10-10.1F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the amounts were invested.

Investments are valued at fair value based on quoted market prices as of the valuation date.

Participation in the pool is voluntary. The District has \$1,693 on deposit in the pool at June 30, 2018, which is AAAM rated with a weighted average maturity of 50 days (WAM (R)) and 100 days (WAM (F)).

Reconciliation to the Statement of Net Position:

Cash and cash equivalents- Governmental Activities Exhibit A-1	\$ 7,233,482
Restricted cash and cash equivalents- Governmental Activities Exhibit A-1	2,545,150
Fiduciary funds - Exhibit D-1	<u>277,733</u>
Total cash and cash equivalents	10,056,365
Plus: reconciling items	<u>169,894</u>
Bank balance of deposits and other cash equivalents	<u><u>\$ 10,226,259</u></u>

STATE OF NEW MEXICO
 Truth or Consequences Municipal Schools
 Notes to Financial Statements
 June 30, 2018

NOTE 4. Receivables

Receivables as of June 30, 2018 are as follows:

	<u>General Fund</u>	<u>Title I</u>	<u>Bond Building</u>	<u>Capital Improvements SB-9 Local</u>
Property taxes receivable	\$ 18,447	\$ -	\$ -	\$ 59,233
Due from other governments:				
Federal sources	-	213,715	-	-
State sources	-	-	-	-
Other	17,290	-	-	-
	<u>\$ 35,737</u>	<u>\$ 213,715</u>	<u>\$ -</u>	<u>\$ 59,233</u>
		Other		
	Debt Service	Governmental		
	Fund	Funds	Total	
Property taxes receivable	\$ 208,804	\$ -	\$ 286,484	
Due from other governments:				
Federal sources	-	225,477	439,192	
State sources	-	241,832	241,832	
Other	-	3,880	21,170	
	<u>\$ 208,804</u>	<u>\$ 471,189</u>	<u>\$ 988,678</u>	

In accordance with GASB No. 33, property tax revenues in the amount of \$216,061, which were not collected within the period of availability have been reclassified as deferred inflows of resources-property taxes and grants in the governmental fund financial statements. All of the above receivables are deemed to be fully collectible.

NOTE 5. Interfund Receivables and Transfers

The District had operating transfers for the year ended June 30, 2018 as follows:

<u>Transfer from Other Funds</u>	<u>Transfers to Other Funds</u>	<u>Amount</u>
General Fund - 11000	Title I IASA - 24101	\$ 2,893
General Fund - 11000	Migrant Children Education - 24103	5,067
General Fund - 11000	New Mexico Autism Project - 24108	16
General Fund - 11000	Fresh Fruit & Vegetables- 24118	13,480
General Fund - 11000	Education of Homeless - 24113	2,899
General Fund - 11000	Teacher/Principal Training/Recruiting - 24154	209
General Fund - 11000	Rural / Low Income Schools - 24160	8,538
General Fund - 11000	2012 G.O. Bond Student Library - 27107	1,015
General Fund - 11000	Kindergarten - Three Plus - 27166	99,662
		<u>\$ 133,779</u>

STATE OF NEW MEXICO
 Truth or Consequences Municipal Schools
 Notes to Financial Statements
 June 30, 2018

NOTE 5. Interfund Receivables and Transfers (continued)

The District records temporary interfund receivable and payables to enable the funds to operate until grant monies are received. The composition of interfund balances as of June 30, 2018 is as follows:

<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Amount</u>
General Fund - 11000	Title I IASA - 24101	\$ 213,715
General Fund - 11000	Athletics - 22000	167
General Fund - 11000	Kindergarten - Three Plus - 27166	31,998
General Fund - 11000	Bond Building - 31100	21,163
General Fund - 11000	Migrant Children Education - 24103	2,949
General Fund - 11000	IDEA-B Entitlement - 24106	58,124
General Fund - 11000	New Mexico Autism Project - 24108	4,566
General Fund - 11000	IDEA-B Preschool - 24109	3,133
General Fund - 11000	IDEA-B Early Intervention - 24112	36,715
General Fund - 11000	Education of Homeless - 24113	8,743
General Fund - 11000	Teacher/Principal Training/Recruiting - 24154	73,174
General Fund - 11000	Rural / Low Income Schools - 24160	17,078
General Fund - 11000	Carl D Perkins Secondary - Current - 24174	7,617
General Fund - 11000	Spaceport - 26199	3,727
General Fund - 11000	Dual Credit Instructional Materials - 27103	88
General Fund - 11000	2012 G.O. Bond Student Library - 27107	15,448
General Fund - 11000	Capital Improvements SB-9 - 31700	42,484
General Fund - 11000	Pre-K Initiative - 27149	151,902
General Fund - 11000	College Counselor - 27189	9
	Total	<u>\$ 692,800</u>

All Interfund balances are to be paid within one year.

STATE OF NEW MEXICO
 Truth or Consequences Municipal Schools
 Notes to Financial Statements
 June 30, 2018

NOTE 6. Capital Assets

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

	Balance July 1, 2017	Additions and Adjustments	Dispositions	Balance June 30, 2018
Governmental activities:				
Capital assets not depreciated				
Land	\$ 243,455	\$ -	\$ -	\$ 243,455
Construction in process	1,898,075	313,051	(429,674)	1,781,452
Total assets not depreciated	2,141,530	313,051	(429,674)	2,024,907
Capital assets depreciated				
Buildings and improvements	50,773,110	300,801	(396,654)	50,677,257
Equipment and furniture	6,219,315	128,873	(834,696)	5,513,492
Total assets depreciated	56,992,425	429,674	(1,231,350)	56,190,749
Total assets	59,133,955	742,725	(1,661,024)	58,215,656
Less accumulated depreciation for:				
Buildings and improvements	17,679,385	1,404,470	(251,645)	18,832,210
Equipment and furniture	4,798,763	232,994	(844,859)	4,186,898
Total accumulated depreciation	22,478,148	1,637,464	(1,096,504)	23,019,108
Governmental activities capital assets, net	\$ 36,655,807	\$ (894,739)	\$ (564,520)	\$ 35,196,548

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

Instruction	\$ 753,234
Support Services – Students	110,529
Support Services – Instruction	130,997
Support Services – General Administration	24,562
Support Services – School Administration	45,031
Central Services	20,469
Operations / Maintenance of Plant	196,495
Transportation Services	225,181
Food Services	130,966
Total	\$ 1,637,464

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 Notes to Financial Statements
 June 30, 2018

NOTE 7. Long-Term Debt

General Obligation Bonds:

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. The original amount of the outstanding general obligation bonds as of June 30, 2018 was \$23,910,000. General obligation bonds are direct obligations and pledge the full faith and credit of the District. These bonds are issued with varying terms and varying amounts of principal maturing each year. All general obligation bonds as of June 30, 2018 are for governmental activities.

General obligation bonds outstanding at June 30, 2018, are comprised of the following:

	Series 8/1/2005	Series 3/28/2008	Series 10/23/2009	Series 9/8/2011
Original Issue:	\$1,750,000	\$1,750,000	\$1,500,000	\$3,410,000
Principal Due:	August 1	August 1	August 1	August 1
Interest Due:	February 1 August 1	February 1 August 1	February 1 August 1	February 1 August 1
Interest Rates:	2.376% - 3.29%	2.819% - 3.881%	0.65% - 3.52%	.27% - 1.84%
Maturity Date:	8/1/2017	8/1/2020	8/1/2023	8/1/2018
	Series 10/30/2012	Series 10/22/2013	Series 7/25/2014	Series 5/29/2014
Original Issue:	\$5,000,000	\$3,000,000	\$3,000,000	1,500,000
Principal Due:	August 1	August 1	August 1	August 1
Interest Due:	February 1 August 1	February 1 August 1	February 1 August 1	February 1 August 1
Interest Rates:	2.00% - 2.25%	2.00% - 3.35%	.10% - 3.38%	.10% - 2.486%
Maturity Date:	8/1/2027	8/1/2028	8/1/2029	8/1/2028
	Series 7/21/2017			
Original Issue:	\$3,000,000			
Principal Due:	August 1			
Interest Due:	February 1 August 1			
Interest Rates:	.10% - 3.38%			
Maturity Date:	8/1/2030			

STATE OF NEW MEXICO
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 June 30, 2018

NOTE 7. Long-Term Debt (continued)

During the year ended June 30, 2018 the following changes occurred in the liabilities reported in the government-wide Statement of Net Position:

	<u>Balance June 30, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2018</u>	<u>Due Within One Year</u>
General Obligation Bonds	\$ 10,940,000	\$ 3,000,000	\$ 1,175,000	\$ 12,765,000	\$ 1,640,000
Compensated Absences	356,408	104,185	190,347	270,246	-
Total long-term debt	<u>\$ 11,296,408</u>	<u>\$ 3,104,185</u>	<u>\$ 1,365,347</u>	<u>\$ 13,035,246</u>	<u>\$ 1,640,000</u>

The annual requirements to amortize the General Obligation Bonds as of June 30, 2018, including interest payments are as follows. The interest rates range from .10% to 4.00% with maturity dates until August 1, 2030.

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2019	\$ 1,640,000	\$ 271,993	\$ 1,911,993
2020	1,160,000	244,149	1,404,149
2021	1,155,000	213,411	1,368,411
2022	865,000	188,185	1,053,185
2023	1,000,000	167,863	1,167,863
2024-2028	5,375,000	472,792	5,847,792
2029-2031	1,570,000	11,907	1,581,907
	<u>\$ 12,765,000</u>	<u>\$ 1,570,300</u>	<u>\$ 14,335,300</u>

In prior years, the general fund was typically used to liquidate long-term liabilities other than general obligation bonds and lease purchase notes.

Compensated Absences – Administrative employees of the Schools are able to accrue a limited amount of annual leave and all employees are able to accrue an unlimited amount of general leave during the year. During fiscal year June 30, 2018, compensated absences decreased \$86,162 for annual leave over the prior year accrual.

Operating Leases – The District leases office equipment under short-term cancelable operating leases. Rental cost for the year ended June 30, 2018 was \$19,822.

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NOTE 8. Risk Management

The District is a member of the New Mexico Public Schools Insurance Authority (NMPSIA). The Authority was created to provide comprehensive core insurance programs by expanding the pool of subscribers to maximize cost containment opportunities for required insurance coverage. The District pays an annual premium to the NMPSIA based on claim experience and the status of the pool. The Risk Management Program includes Workers Compensation, General and Automobile Liability, Automobile Physical Damage, and Property and Crime coverage. Also included under the risk management program are Boiler and Machinery, Underground Storage Tanks and Catastrophic Student Accident Insurance.

The NMPSIA provides coverage for up to a maximum of \$750,000,000 for each property damage claim with a \$25,000 deductible for each building. General liability coverage is afforded to all employees, volunteers and school board members and the limit is subject to the NMSA Tort Claims Act on a per occurrence basis. The automobile and property liability limit is subject to the provisions of the Tort Claims Act. The crime limit is \$1,250,000 per occurrence for Faithful Performance. A limit of \$1,250,000 applies to Depositor's Forgery, Credit Card Forgery and Money Orders. A limit of \$100,000 applies to Money and Security, with all crime coverage subject to a \$750 deductible.

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

NOTE 9. Other Required Individual Fund Disclosures

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

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

Athletics - 22000	\$	167
Carl D. Perkins Secondary – Current - 24174		38
College Counselor – 27189		<u>9</u>
Total Governmental Funds		<u>\$ 214</u>

These deficits will have to be funded via a permanent cash transfer. This is expected to be resolved in this current year.

- B.** Excess of expenditures over appropriations: No funds of the District exceeded approved budgetary authority at the fund level for the year ended June 30, 2018.
- C.** Designated cash appropriations in excess of available balance: No funds of the District exceeded the budgeted cash appropriations for the year ended June 30, 2018.

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NOTE 10. Pension Plan – Educational Retirement Board

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.

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 years of earned service credit, or
- The member has service credit totaling 25 years or more.

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

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NOTE 10. Pension Plan – Educational Retirement Board (continued)

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 Straight Life benefit. The member's increased monthly benefit commences in the month following the beneficiary's death.

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

Cost of Living Adjustment (COLA) – All retired members and beneficiaries receiving benefits receive an automatic adjustment in their benefit on July 1 following the later of 1) the year a member retires, or 2) the year 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

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NOTE 10. Pension Plan – Educational Retirement Board (continued)

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 and 2017 educational employers contributed to the Plan based on the following rate schedule.

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

The contribution requirements 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 \$1,075,613 and \$1,164,418, 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 \$32,671,374 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2017 using generally accepted actuarial principles. The roll-forward incorporates the impact of the new assumptions adopted by the Board on April 21, 2017. There were no other significant events of changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2017. Therefore, the employer’s portion was established as of the measurement date of June 30, 2017. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating educational institutions, actuarially determined. At June 30, 2017, the District’s proportion was .29398 percent, which was an increase of .00435 percent from its proportion measured as of June 30, 2016.

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NOTE 10. Pension Plan – Educational Retirement Board (continued)

For the year ended June 30, 2018, the District recognized pension expense of \$5,250,729. At June 30, 2018, District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$ 58,648	\$ 503,333
Net difference between expected and actual investments on pension plan investments	-	4,482
Change of assumptions	9,537,416	-
Change in proportion	210,269	185,235
District's contributions subsequent to the measurement date	<u>1,075,613</u>	<u>-</u>
Total	<u>\$ 10,881,946</u>	<u>\$ 693,050</u>

\$1,075,613 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2018	\$ 3,401,300
2019	3,710,534
2020	2,270,474
2021	(269,025)
2022	-
Thereafter	-

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 of Expected Remaining Service Lives	Fiscal year	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
	Service life in years	3.35	3.77	3.92	3.88

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NOTE 10. Pension Plan – Educational Retirement Board (continued)

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

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

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

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NOTE 10. Pension Plan – Educational Retirement Board (continued)

Asset Class	Target Allocation	Long-term Expected Rate of Return
Equities	33%	
Fixed Income	26%	
Alternatives	40%	
Cash	1%	
Total	100%	7.25%

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

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

Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate. The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 5.90 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:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District’s proportionate share of the net pension liability	<u>\$ 42,530,004</u>	<u>\$ 32,671,374</u>	<u>\$ 24,612,746</u>

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued separately issued NMERB’S financial reports. The reports can be found on NMERB’s Web site at https://www.nmerb.org/Annual_reports.html.

Payables to the pension plan. At June 30, 2018, the District owed the ERB \$168,037 for the contributions withheld in the month of June 2018.

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NOTE 11. Post-Employment Benefits – State Retiree Health Care Plan

General Information about the OPEB

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

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

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

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

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

Contributions – Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee’s salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer’s participation in the Fund. Contributions to the Fund from the District were \$231,386 for the year ended June 30, 2018.

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NOTE 11. Post-Employment Benefits – State Retiree Health Care Plan (continued)

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 \$8,836,762 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2017. At June 30, 2017, the District's proportion was .19500 percent.

For the year ended June 30, 2018, the District recognized OPEB expense of \$351,317. At June 30, 2018 the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ -	\$ 339,108
Net difference between expected and actual investments on OPEB plan investments	-	127,123
Change of assumptions	-	1,544,995
District's contributions subsequent to the measurement date	154,262	-
Total	\$ 154,262	\$ 2,011,226

Deferred outflows of resources totaling \$154,262 represent District contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

2019	\$	(427,601)
2020		(427,601)
2021		(427,601)
2022		(427,601)
2023		(300,822)

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

Valuation Date	June 30, 2017
Actuarial cost method	Entry age normal, level percent of pay, calculated on individual employee basis
Asset valuation method	Market value of assets
Actuarial assumptions:	
Inflation	2.50% for ERB; 2.25% for PERA

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NOTE 11. Post-Employment Benefits – State Retiree Health Care Plan (continued)

Projected payroll increases	3.50%
Investment rate of return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation
Health care cost trend rate	8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 for Medicare medical plan costs

Rate of Return. The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which the expected future real rates of return (net of investment fees and inflation) are developed for each major asset class.

These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumptions.

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

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

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

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 June 30, 2018

NOTE 11. Post-Employment Benefits – State Retiree Health Care Plan (continued)

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

	1% Decrease (2.81%)	Current Discount Rate (3.81%)	1% Increase (4.81%)
District's proportionate share of the net OPEB liability	<u>\$ 10,718,855</u>	<u>\$ 8,836,762</u>	<u>\$ 7,360,091</u>

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

	Trend Rate Sensitivity Analysis		
	1% Decrease	Rate	1% Increase
District's proportionate share of the net OPEB liability	<u>\$ 7,516,275</u>	<u>\$ 8,836,762</u>	<u>\$ 9,866,416</u>

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

Payable Changes in the Net OPEB Liability. At June 30, 2018, the District reported a payable of \$20,607 for outstanding contributions due to NMRHCA for the year ended June 30, 2018.

NOTE 12. Construction and Other Significant Commitments

The District has committed to pay for construction contracts related to the new Wellness Center that was not completed at June 30, 2018 in the amount of \$1,594,745.

NOTE 13. 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.

NOTE 14. Subsequent Events

The date to which events occurring after June 30, 2018, the date of the most recent Statement of Net Position, have been evaluated for possible adjustment to the financial statements or disclosures is November 13, 2018 which is the date on which the financial statements were available to be issued.

STATE OF NEW MEXICO
Truth or Consequences Municipal Schools
Notes to Financial Statements
June 30, 2018

NOTE 15. Contingent Liabilities

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

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

NOTE 16. Prior Period Adjustments

The District has a prior period adjustment of (\$10,496,671) which was required for implementation of GASB Statement No. 75. The adjustment reflects a beginning net OPEB liability of (\$10,664,091) and a beginning of deferred outflow of resources- employer contributions subsequent to the measurement date of \$167,420.

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO

Schedule A-1

Truth or Consequences Municipal Schools
 Schedule of Proportionate Share of the Net Pension Liability
 Educational Retirement Board (ERB) Pension Plan
 Last 10 Fiscal Years*

	2018	2017	2016	2015
	Measurement	Measurement	Measurement	Measurement
	Date (As of and	Date (As of and	Date (As of and	Date (As of and
	for the Year	for the Year	for the Year	for the Year
	Ended June 30,	Ended June 30,	Ended June 30,	Ended June 30,
	2017)	2016)	2015)	2014)
Truth or Consequences Municipal Schools proportion of the net pension liability (asset)	0.29398%	0.28963%	0.2936%	0.2981%
Truth or Consequences Municipal Schools proportionate share of the net pension liability (asset)	\$ 32,671,374	\$ 32,671,374	\$ 19,015,325	\$ 17,007,632
Truth or Consequences Municipal Schools covered payroll	8,393,694	8,271,424	8,342,192	7,770,122
Truth or Consequences Municipal Schools proportionate share of the net pension liability (asset) as a percentage of its covered payroll	389%	395%	228%	219%
Plan fiduciary net position as a percentage of the total pension liability	52.95%	61.58%	63.97%	66.54%

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

See independent auditors' report.
 See notes to required supplementary information.

STATE OF NEW MEXICO
 Truth or Consequences Municipal Schools
 Schedule of Contributions
 Educational Retirement Board (ERB) Pension Plan
 Last 10 Fiscal Years*

Schedule A-2

	<u>As of and for the Year Ended June 30, 2018</u>	<u>As of and for the Year Ended June 30, 2017</u>	<u>As of and for the Year Ended June 30, 2016</u>	<u>As of and for the Year Ended June 30, 2015</u>
Contractually required contribution	\$ 1,075,613	\$ 1,164,418	\$ 1,148,816	\$ 1,159,563
Contributions in relation to the contractually required contribution	<u>1,075,613</u>	<u>1,164,418</u>	<u>1,148,816</u>	<u>1,159,563</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Truth or Consequences Municipal Schools' covered payroll	7,745,840	8,393,694	8,271,424	8,342,192
Contribution as a percentage of covered payroll	13.9%	13.9%	13.9%	13.9%

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

See independent auditors' report.
 See notes to required supplementary information.

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STATE OF NEW MEXICO
Truth or Consequences Municipal Schools
Notes to Required Supplementary Information
June 30, 2018

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

Changes in assumptions and methods. Actuarial assumptions and methods are set by the Board of Trustee, based upon recommendation made by the Plan's actuary. The Board adopted new assumptions on April 21, 2017 in conjunction with the six-year actuarial experience study period ending June 30, 2016. At that time, The Board adopted a number of economic assumption changes, including a decrease in the inflation assumption from 3.00% to 2.50%. The 0.50% decrease in the inflation assumption also led to decreases in the nominal investment return assumption from 7.75% to 7.25%, the assumed annual wage inflation rate from 3.75% to 3.25%, the payroll growth assumption from 3.5% to 3.00%, and the annual assumed COLA from 2.00% to 1.90%.

See independent auditors' report.
See notes to required supplementary information.

STATE OF NEW MEXICO
 Truth or Consequences Municipal Schools
 Schedule of Proportionate Share of the Net OPEB Liability
 Retiree Health Care OPEB Plan
 Last 10 Fiscal Years*

Schedule B-1

	2018 Measurement Date (As of and for the Year Ended June 30, 2017)
Truth or Consequences Municipal School's proportion of the net OPEB liability (asset)	0.19500%
Truth or Consequences Municipal School's proportionate share of the net OPEB liability (asset)	\$ 8,836,762
Truth or Consequences Municipal School's covered payroll	8,370,949
Truth or Consequences Municipal School's proportionate share of the net OPEB liability as a percentage of its covered payroll	106%
Plan fiduciary net position as a percentage of the total OPEB liability	11.34%

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

See independent auditors' report.
 See notes to required supplementary information.

STATE OF NEW MEXICO
 Truth or Consequences Municipal Schools
 Schedule of Contributions
 Retiree Health Care OPEB Plan
 Last 10 Fiscal Years*

Schedule B-2

	As of and for the Year Ended June 30, 2018
Contractually required contribution	\$ 154,262
Contributions in relation to the contractually required contribution	154,262
Contribution deficiency (excess)	\$ -
Truth or Consequences Municipal School's covered payroll	7,712,857
Contribution as a percentage of covered payroll	2.00%

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

See independent auditors' report.
 See notes to required supplementary information.

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SUPPLEMENTARY INFORMATION

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NONMAJOR GOVERNMENTAL FUNDS

STATE OF NEW MEXICO
Truth or Consequences Municipal Schools
Nonmajor Governmental Fund Descriptions
June 30, 2018

SPECIAL REVENUE FUNDS

Food Services (21000) – The Food Service Fund is used to account for income from meal sales, State and Federal reimbursements and to make cash disbursements for activities dealing with preparation and serving of meals. Authority for the creation of this fund is the New Mexico Public Education Department.

Athletics (22000) – This fund is used to account for fees generated at athletic activities throughout the School District. The gate receipts are obtained from the general public and are expended in this fund. Authority for creation of this fund is 6.20.2 NMAC.

Migrant Children Education (24103) – To account for federal resources administered by the State Public Education Department to provide for special educational needs of migratory agricultural workers. Authorized by the Elementary and Secondary Education Act (ESEA) of 1965, as amended by the No Child Left Behind Act of 2001, Title I, Part C (Public Law 107-110).

IDEA-B Entitlement (24106) - To account for a program funded by a Federal grant to assist the schools in providing free appropriate public education to all handicapped children. Authorized by the Individuals with Disabilities Education Act of 2004, Title I, Part B (Public Law 108-446).

New Mexico Autism Project (24108) – To account for a sub-grant to be used to support the District's implementation of the New Mexico Autism Project and improve the outcomes for students with Autism Spectrum Disorders. Authority for creation of this fund is the New Mexico Public Education Department.

IDEA-B Preschool and IDEA-B Early Intervention (24109 and 24112) – The objective of the Assistance to States for the Education of Handicapped Children Program is to assist in providing free, appropriate public education to all handicapped children from ages three to five. Authorized by the Individuals with Disabilities Education Act of 2004, Title I, Part B (Public Law 108-446).

Education of Homeless (24113) – To ensure that homeless children and youth have equal access to the same free, appropriate public education as other children; to provide activities for and services to ensure that these children enroll in, attend, and achieve success in school; to establish or designate an office in each State educational agency (SEA) for the coordination of education for homeless children and youth; to develop and implement programs for school personnel to heighten awareness of specific problems of homeless children and youth; and to provide grants to local educational agencies (LEAs). Authorized by McKinney-Vento Homeless Assistance Act, Title VII-B, as reauthorized by the No Child Left Behind Act of 2001 (Public Law 107-110).

Fresh Fruit & Vegetables (24118) – To assist States, through cash grants, in providing free fresh fruits and vegetables to school children in designated participating schools. Authorized by National School Lunch Act, as amended, 42 U.S.C. 1769.

Teacher/Principal Training & Recruiting (24154) – To improve the skills of teachers and the quality of instruction in mathematics and science, and also to increase the accessibility of such instruction to all students. Authorized by the Elementary and Secondary Education Act of 1965, as amended by the No Child Left Behind Act of 2001, Title II, Part A, Sec. 2101-2151 (Public Law 107-110).

Rural / Low Income Schools (24160) – To account for funds used to provide financial assistance to rural districts to carry out activities to help improve the quality of teaching and learning in their schools. Elementary and Secondary Education Act of 1964 (ESEA), Title VI, Part B, as amended.

STATE OF NEW MEXICO
Truth or Consequences Municipal Schools
Nonmajor Governmental Fund Descriptions
June 30, 2018

SPECIAL REVENUE FUNDS (continued)

Carl D. Perkins (Secondary – Current - 24174) (Secondary Redistribution - 24176) - The objective of this grant is to provide secondary and post-secondary educational institutions the opportunity to develop, implement, and operate programs using different models of curricula that integrate vocational and academic learning. Authorized by the Carl D. Perkins Vocational and Technical Education Act of 1998 (Public Law 105-332).

Title XIX Medicaid 3/21 Years (25153) – To account for funds to provide school-based screening, diagnostic services and other related health services and administrative activities in conformance with the approved Medicaid State Plan in order to improve health and developmental outcomes for children. Authority for creation of this fund is the New Mexico Public Education Department.

ROTC (25200) – provide Federal funding for the implementation of R.O.T.C. programs. Authority for creation of this fund is the New Mexico Public Education Department.

Spaceport (26199) – To account for funds received from Sierra County to be used to supplement science, technology, engineering, and math programs for Grades 6 through 12. Authority for creation of this fund is the New Mexico Public Education Department.

Dual Credit Instructional Materials (27103) – To account for legislative appropriations for dual credit instructional materials. Instructional materials are for courses approved by the NM Higher Education Department and through an approved agreement between the District and a college/university. Authority for the creation of this fund is the New Mexico Public Education Department.

2012 GO Bond Student Library (27107) – To account for funds provided to be used for library resource acquisitions, including library books for public school libraries. Authority for the creation of this fund is the New Mexico Public Education Department.

Pre-K Initiative (27149) – To account for legislative appropriations for the purpose of providing high quality Pre-K services that align to NM Pre-K standards to underserved 4-year-olds in the District. To expand early childhood educational capacity so that all families of 4-year-olds in the district who want to enroll their child in a high quality Pre-K program can do so, regardless of income or ethnicity. Authority for the creation of this fund is the New Mexico Public Education Department.

Kindergarten - Three Plus (27166) – To account for legislative appropriations to provide an extended school year for kindergarten through third grade students. The program focuses on acclimating young students to the structure of a classroom environment and spending additional instructional time to prepare students for the next grade level. Authority for the creation of this fund is the New Mexico Public Education Department.

College Counselor (27189) – To account for funding awarded to assist with the transition from secondary education to higher education. Authority for the creation of this fund is the New Mexico Public Education Department.

NM Highway Grant (29135) - To account for funds received from the NM Department of Transportation to assist with surface needs such as paving school parking areas and bus areas.

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STATE OF NEW MEXICO
Truth or Consequences Municipal Schools
Nonmajor Governmental Fund Descriptions
June 30, 2018

CAPITAL PROJECTS FUND

Capital Improvement SB-9 (31700) – To account for erecting, remodeling, making additions to and furnishing of school buildings, or purchasing or improving school grounds or any combination thereof as identified by the local school board. Pursuant to Chapter 338 of Laws of 2001, a portion of the proceeds from supplemental severance tax bonds are dedicated for the Public School Capital Improvements Act (22-25-1 to 22-25-10 NMSA 1978) as it pertains to the State Match.

STATE OF NEW MEXICO
 Truth or Consequences Municipal Schools
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2018

Statement A-1

	Special Revenue	Capital Projects	Total
<i>Assets</i>			
Cash and cash equivalents	\$ 518,069	\$ -	\$ 518,069
Receivables:			
Due from other governments	424,825	42,484	467,309
Other	3,880	-	3,880
Inventory	13,156	-	13,156
<i>Total assets</i>	\$ 959,930	\$ 42,484	\$ 1,002,414
 <i>Liabilities, deferred inflows of resources, and fund balances</i>			
<i>Liabilities</i>			
Accounts payable	\$ 6,293	\$ -	\$ 6,293
Due to other funds	415,438	42,484	457,922
<i>Total liabilities</i>	421,731	42,484	464,215
 <i>Fund balances</i>			
<i>Nonspendable:</i>			
Inventory	13,156	-	13,156
<i>Spendable:</i>			
<i>Restricted for:</i>			
Food services	459,056	-	459,056
Education	66,201	-	66,201
Unassigned	(214)	-	(214)
<i>Total fund balances</i>	538,199	-	538,199
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	\$ 959,930	\$ 42,484	\$ 1,002,414

See independent auditors' report.

STATE OF NEW MEXICO
 Truth or Consequences Municipal Schools
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2018

Statement A-2

	Special Revenue	Capital Projects	Total
<i>Revenues</i>			
Intergovernmental revenue:			
Federal flowthrough	\$ 1,335,768	\$ -	\$ 1,335,768
Federal direct	159,464	-	159,464
Local sources	81,577	-	81,577
State flowthrough	428,979	42,484	471,463
State direct	16,220	-	16,220
Charges for services	43,226	-	43,226
Investment income	206	-	206
<i>Total revenues</i>	2,065,440	42,484	2,107,924
<i>Expenditures</i>			
Current:			
Instruction	881,528	-	881,528
Support services - students	371,519	-	371,519
Support services - instruction	15,448	-	15,448
Support services - general administrati	22,575	-	22,575
Support services - school administratio	505	-	505
Operation and maintenance of plant	-	9,261	9,261
Student transportation	21,459	-	21,459
Food services operations	722,784	-	722,784
Community service operations	1,857	-	1,857
Capital outlay	14,788	33,223	48,011
<i>Total expenditures</i>	2,052,463	42,484	2,094,947
<i>Excess (deficiency) of revenues over expenditures</i>	12,977	-	12,977
<i>Other financing sources (uses)</i>			
Transfers in	130,886	-	130,886
<i>Total other financing sources (uses)</i>	130,886	-	130,886
<i>Net change in fund balances</i>	143,863	-	143,863
<i>Fund balances - beginning</i>	394,336	-	394,336
<i>Fund balances - end of year</i>	\$ 538,199	\$ -	\$ 538,199

See independent auditors' report.

STATE OF NEW MEXICO
 Truth or Consequences Municipal Schools
 Combining Balance Sheet
 Nonmajor Special Revenue Funds
 June 30, 2018

	Food Services 21000	Athletics 22000	Migrant Children Education 24103	IDEA-B Entitlement 24106
<i>Assets</i>				
Cash and cash equivalents	\$ 462,129	\$ -	\$ -	\$ -
Receivables:				
Due from other governments	-	-	2,949	72,013
Other	3,220	-	-	-
Inventory	13,156	-	-	-
<i>Total assets</i>	\$ 478,505	\$ -	\$ 2,949	\$ 72,013
 <i>Liabilities, deferred inflows of resources, and fund balances</i>				
<i>Liabilities</i>				
Accounts payable	\$ 6,293	\$ -	\$ -	\$ -
Due to other funds	-	167	2,949	58,124
<i>Total liabilities</i>	6,293	167	2,949	58,124
 <i>Fund balances</i>				
Nonspendable:				
Inventory	13,156	-	-	-
Spendable:				
Restricted for:				
Food services	459,056	-	-	-
Education	-	-	-	13,889
Unassigned	-	(167)	-	-
<i>Total fund balances</i>	472,212	(167)	-	13,889
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	\$ 478,505	\$ -	\$ 2,949	\$ 72,013

See independent auditors' report.

New Mexico Autism Project 24108	IDEA-B Preschool 24109	IDEA-B Early Intervention 24112	Education of Homeless 24113	Fresh Fruit & Vegetables 24118
\$ -	\$ -	\$ -	\$ -	\$ -
4,589	3,133	36,715	8,743	-
-	-	-	-	-
-	-	-	-	-
<u>\$ 4,589</u>	<u>\$ 3,133</u>	<u>\$ 36,715</u>	<u>\$ 8,743</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -
4,566	3,133	36,715	8,743	-
<u>4,566</u>	<u>3,133</u>	<u>36,715</u>	<u>8,743</u>	<u>-</u>
-	-	-	-	-
-	-	-	-	-
23	-	-	-	-
-	-	-	-	-
<u>23</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 4,589</u>	<u>\$ 3,133</u>	<u>\$ 36,715</u>	<u>\$ 8,743</u>	<u>\$ -</u>

See independent auditors' report.

STATE OF NEW MEXICO
 Truth or Consequences Municipal Schools
 Combining Balance Sheet
 Nonmajor Special Revenue Funds
 June 30, 2018

	Teacher/ Principal Training & Recruitment 24154	Rural / Low Income Schools 24160	Carl D Perkins Secondary - Current 24174	Carl D Perkins Secondary Redistribution 24176
<i>Assets</i>				
Cash and cash equivalents	\$ -	\$ 496	\$ -	\$ 331
Receivables:				
Due from other governments	73,174	16,582	7,579	-
Other	-	-	-	-
Inventory	-	-	-	-
<i>Total assets</i>	<u>\$ 73,174</u>	<u>\$ 17,078</u>	<u>\$ 7,579</u>	<u>\$ 331</u>
<i>Liabilities, deferred inflows of resources, and fund balances</i>				
<i>Liabilities</i>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	73,174	17,078	7,617	-
<i>Total liabilities</i>	<u>73,174</u>	<u>17,078</u>	<u>7,617</u>	<u>-</u>
<i>Fund balances</i>				
Nonspendable:				
Inventory	-	-	-	-
Spendable:				
Restricted for:				
Food services	-	-	-	-
Education	-	-	-	331
Unassigned	-	-	(38)	-
<i>Total fund balances</i>	<u>-</u>	<u>-</u>	<u>(38)</u>	<u>331</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 73,174</u>	<u>\$ 17,078</u>	<u>\$ 7,579</u>	<u>\$ 331</u>

See independent auditors' report.

Title XIX Medicaid 3/21 Years 25153	ROTC 25200	Spaceport 26199	Dual Credit Instructional Materials 27103	2012 GO Bond Student Library 27107
\$ 28,345	\$ 1,945	\$ 17,873	\$ -	\$ -
-	-	-	-	15,448
-	-	-	660	-
-	-	-	-	-
<u>\$ 28,345</u>	<u>\$ 1,945</u>	<u>\$ 17,873</u>	<u>\$ 660</u>	<u>\$ 15,448</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	3,727	88	15,448
-	-	3,727	88	15,448
-	-	-	-	-
-	-	-	-	-
28,345	1,945	14,146	572	-
-	-	-	-	-
<u>28,345</u>	<u>1,945</u>	<u>14,146</u>	<u>572</u>	<u>-</u>
<u>\$ 28,345</u>	<u>\$ 1,945</u>	<u>\$ 17,873</u>	<u>\$ 660</u>	<u>\$ 15,448</u>

See independent auditors' report.

STATE OF NEW MEXICO
 Truth or Consequences Municipal Schools
 Combining Balance Sheet
 Nonmajor Special Revenue Funds
 June 30, 2018

	Pre-K Initiative 27149	Kindergarten - Three Plus 27166	College Counselor 27189	NM Highway Grant 28120
<i>Assets</i>				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 6,950
Receivables:				
Due from other governments	151,902	31,998	-	-
Other	-	-	-	-
Inventory	-	-	-	-
<i>Total assets</i>	<u>\$ 151,902</u>	<u>\$ 31,998</u>	<u>\$ -</u>	<u>\$ 6,950</u>
<i>Liabilities, deferred inflows of resources, and fund balances</i>				
<i>Liabilities</i>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	151,902	31,998	9	-
<i>Total liabilities</i>	<u>151,902</u>	<u>31,998</u>	<u>9</u>	<u>-</u>
<i>Fund balances</i>				
Nonspendable:				
Inventory	-	-	-	-
Spendable:				
Restricted for:				
Food services	-	-	-	-
Education	-	-	-	6,950
Unassigned	-	-	(9)	-
<i>Total fund balances</i>	<u>-</u>	<u>-</u>	<u>(9)</u>	<u>6,950</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 151,902</u>	<u>\$ 31,998</u>	<u>\$ -</u>	<u>\$ 6,950</u>

See independent auditors' report.

<u>Total</u>	
\$	518,069
	424,825
	3,880
	<u>13,156</u>
\$	<u><u>959,930</u></u>

\$	6,293
	<u>415,438</u>
	<u>421,731</u>

	13,156
	459,056
	66,201
	<u>(214)</u>
	<u>538,199</u>
\$	<u><u>959,930</u></u>

See independent auditors' report.

STATE OF NEW MEXICO
 Truth or Consequences Municipal Schools
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Special Revenue Funds
 For the Year Ended June 30, 2018

	Food Services 21000	Athletics 22000	Migrant Children Education 24103	IDEA-B Entitlement 24106
<i>Revenues</i>				
Intergovernmental revenue:				
Federal flowthrough	\$ 785,255	\$ -	\$ 3,840	\$ 292,792
Federal direct	-	-	-	-
Local sources	-	-	-	-
State flowthrough	-	-	-	-
State direct	-	-	-	-
Charges for services	9,778	33,448	-	-
Investment income	206	-	-	-
<i>Total revenues</i>	<u>795,239</u>	<u>33,448</u>	<u>3,840</u>	<u>292,792</u>
<i>Expenditures</i>				
Current:				
Instruction	-	43,340	3,840	104,304
Support services - students	-	-	-	172,414
Support services - instruction	-	-	-	-
Support services - general administration	-	-	-	14,187
Support services - school administration	-	-	-	-
Student transportation	-	-	-	-
Food services operations	722,784	-	-	-
Community service operations	-	-	-	1,857
Capital outlay	-	-	-	-
<i>Total expenditures</i>	<u>722,784</u>	<u>43,340</u>	<u>3,840</u>	<u>292,762</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>72,455</u>	<u>(9,892)</u>	<u>-</u>	<u>30</u>
<i>Other financing sources (uses)</i>				
Transfers in	-	-	5,067	-
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>5,067</u>	<u>-</u>
<i>Net change in fund balances</i>	72,455	(9,892)	5,067	30
<i>Fund balances - beginning</i>	<u>399,757</u>	<u>9,725</u>	<u>(5,067)</u>	<u>13,859</u>
<i>Fund balances - end of year</i>	<u>\$ 472,212</u>	<u>\$ (167)</u>	<u>\$ -</u>	<u>\$ 13,889</u>

See independent auditors' report.

New Mexico Autism Project 24108	IDEA-B Preschool 24109	IDEA-B Early Intervention 24112	Education of Homeless 24113	Fresh Fruit & Vegetables 24118
\$ 4,589	\$ 8,321	\$ 41,581	\$ 8,769	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>4,589</u>	<u>8,321</u>	<u>41,581</u>	<u>8,769</u>	<u>-</u>
4,566	8,321	41,581	8,769	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>4,566</u>	<u>8,321</u>	<u>41,581</u>	<u>8,769</u>	<u>-</u>
23	-	-	-	-
16	-	-	2,899	13,480
-	-	-	-	-
<u>16</u>	<u>-</u>	<u>-</u>	<u>2,899</u>	<u>13,480</u>
39	-	-	2,899	13,480
<u>(16)</u>	<u>-</u>	<u>-</u>	<u>(2,899)</u>	<u>(13,480)</u>
<u>\$ 23</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditors' report.

STATE OF NEW MEXICO
 Truth or Consequences Municipal Schools
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Special Revenue Funds
 For the Year Ended June 30, 2018

	Teacher/ Principal Training & Recruitment 24154	Rural / Low Income Schools 24160	Carl D Perkins Secondary - Current 24174	Carl D Perkins Secondary Redistribution 24176
<i>Revenues</i>				
Intergovernmental revenue:				
Federal flowthrough	\$ 157,511	\$ 16,582	\$ 16,528	\$ -
Federal direct	-	-	-	-
Local sources	-	-	-	-
State flowthrough	-	-	-	-
State direct	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
<i>Total revenues</i>	<u>157,511</u>	<u>16,582</u>	<u>16,528</u>	<u>-</u>
<i>Expenditures</i>				
Current:				
Instruction	153,511	15,967	15,810	-
Support services - students	-	-	-	-
Support services - instruction	-	-	-	-
Support services - general administration	3,495	615	744	-
Support services - school administration	505	-	-	-
Student transportation	-	-	-	-
Food services operations	-	-	-	-
Community service operations	-	-	-	-
Capital outlay	-	-	-	-
<i>Total expenditures</i>	<u>157,511</u>	<u>16,582</u>	<u>16,554</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>(26)</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Transfers in	209	8,538	-	-
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>209</u>	<u>8,538</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	209	8,538	(26)	-
<i>Fund balances - beginning</i>	<u>(209)</u>	<u>(8,538)</u>	<u>(12)</u>	<u>331</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (38)</u>	<u>\$ 331</u>

See independent auditors' report.

Title XIX Medicaid 3/21 Years 25153	ROTC 25200	Spaceport 26199	Dual Credit Instructional Materials 27103	2012 GO Bond Student Library 27107
\$ -	\$ -	\$ -	\$ -	\$ -
122,672	36,792	-	-	-
-	-	81,577	-	-
-	-	-	660	15,448
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>122,672</u>	<u>36,792</u>	<u>81,577</u>	<u>660</u>	<u>15,448</u>
-	34,701	58,280	660	-
104,875	-	94,230	-	-
-	-	-	-	15,448
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>104,875</u>	<u>34,701</u>	<u>152,510</u>	<u>660</u>	<u>15,448</u>
<u>17,797</u>	<u>2,091</u>	<u>(70,933)</u>	<u>-</u>	<u>-</u>
-	-	-	-	1,015
-	-	-	-	-
-	-	-	-	<u>1,015</u>
17,797	2,091	(70,933)	-	1,015
10,548	(146)	85,079	572	(1,015)
<u>\$ 28,345</u>	<u>\$ 1,945</u>	<u>\$ 14,146</u>	<u>\$ 572</u>	<u>\$ -</u>

See independent auditors' report.

STATE OF NEW MEXICO
 Truth or Consequences Municipal Schools
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Special Revenue Funds
 For the Year Ended June 30, 2018

	Pre-K Initiative 27149	Kindergarten - Three Plus 27166	College Counselor 27189	NM Highway Grant 28120
<i>Revenues</i>				
Intergovernmental revenue:				
Federal flowthrough	\$ -	\$ -	\$ -	\$ -
Federal direct	-	-	-	-
Local sources	-	-	-	-
State flowthrough	346,548	66,323	-	-
State direct	-	-	-	16,220
Charges for services	-	-	-	-
Investment income	-	-	-	-
<i>Total revenues</i>	<u>346,548</u>	<u>66,323</u>	<u>-</u>	<u>16,220</u>
<i>Expenditures</i>				
Current:				
Instruction	326,080	61,798	-	-
Support services - students	-	-	-	-
Support services - instruction	-	-	-	-
Support services - general administration	3,534	-	-	-
Support services - school administration	-	-	-	-
Student transportation	16,934	4,525	-	-
Food services operations	-	-	-	-
Community service operations	-	-	-	-
Capital outlay	-	-	-	14,788
<i>Total expenditures</i>	<u>346,548</u>	<u>66,323</u>	<u>-</u>	<u>14,788</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,432</u>
<i>Other financing sources (uses)</i>				
Transfers in	-	99,662	-	-
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>99,662</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	-	99,662	-	1,432
<i>Fund balances - beginning</i>	<u>-</u>	<u>(99,662)</u>	<u>(9)</u>	<u>5,518</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (9)</u>	<u>\$ 6,950</u>

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<u>Total</u>	
\$	1,335,768
	159,464
	81,577
	428,979
	16,220
	43,226
	206
	<u>2,065,440</u>

	881,528
	371,519
	15,448
	22,575
	505
	21,459
	722,784
	1,857
	14,788
	<u>2,052,463</u>

	<u>12,977</u>
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	130,886
	-
	<u>130,886</u>

	143,863
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	<u>394,336</u>
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\$	<u>538,199</u>
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See independent auditors' report.

STATE OF NEW MEXICO
 Truth or Consequences Municipal Schools
 Combining Balance Sheet
 Nonmajor Capital Project Funds
 June 30, 2018

Statement C-1

		Capital Improvements SB- 9 31700
<i>Assets</i>		
Cash and cash equivalents	\$	-
Receivables:		
Property taxes		-
Due from other governments		42,484
<i>Total assets</i>	\$	42,484
<i>Liabilities, deferred inflows of resources, and fund balances</i>		
<i>Liabilities</i>		
Due to other funds	\$	42,484
<i>Total liabilities</i>		42,484
<i>Fund balances</i>		
Spendable:		
Restricted for:		
Capital acquisitions and improvements		-
<i>Total fund balances</i>		-
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	\$	42,484

See independent auditors' report.

STATE OF NEW MEXICO
 Truth or Consequences Municipal Schools
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Capital Project Funds
 For the Year Ended June 30, 2018

	Capital Improvements SB-9 31700
<i>Revenues</i>	
State flowthrough	\$ 42,484
<i>Total revenues</i>	42,484
<i>Expenditures</i>	
Current:	
Operation and maintenance of plant	9,261
Capital outlay	33,223
<i>Total expenditures</i>	42,484
<i>Net change in fund balances</i>	-
<i>Fund balances - beginning</i>	-
<i>Fund balances - end of year</i>	\$ -

See independent auditors' report.

STATE OF NEW MEXICO
 Truth or Consequences Municipal Schools
 Combining Balance Sheet
 General Fund
 June 30, 2018

Statement D-1

	Operational 11000	Pupil Transportation 13000	Instructional Materials 14000	Total
<i>Assets</i>				
Cash and cash equivalents	\$ 1,670,213	\$ 7,237	\$ 113,387	\$ 1,790,837
Receivables:				
Property taxes	18,447	-	-	18,447
Other	17,290	-	-	17,290
Due from other funds	692,800	-	-	692,800
<i>Total assets</i>	<u>\$ 2,398,750</u>	<u>\$ 7,237</u>	<u>\$ 113,387</u>	<u>\$ 2,519,374</u>
 <i>Liabilities, deferred inflows of resources, and fund balances</i>				
<i>Liabilities</i>				
Accounts payable	\$ 47,380	\$ 3,504	\$ -	\$ 50,884
Accrued payroll	548,357	-	-	548,357
<i>Total liabilities</i>	<u>595,737</u>	<u>3,504</u>	<u>-</u>	<u>599,241</u>
 <i>Deferred inflows of resources</i>				
Unavailable revenue - property taxes	13,932	-	-	13,932
<i>Total deferred inflows of resources</i>	<u>13,932</u>	<u>-</u>	<u>-</u>	<u>13,932</u>
 <i>Fund Balances</i>				
<i>Spendable:</i>				
<i>Restricted for:</i>				
Transportation	-	3,733	-	3,733
Instructional materials	-	-	113,387	113,387
<i>Committed for:</i>				
Subsequent year's expenditures	1,637,698	-	-	1,637,698
Unassigned	151,383	-	-	151,383
<i>Total fund balances</i>	<u>1,789,081</u>	<u>3,733</u>	<u>113,387</u>	<u>1,906,201</u>
 <i>Total liabilities, deferred inflows of resources, and fund balances</i>	 <u>\$ 2,398,750</u>	 <u>\$ 7,237</u>	 <u>\$ 113,387</u>	 <u>\$ 2,519,374</u>

See independent auditors' report.

STATE OF NEW MEXICO
 Truth or Consequences Municipal Schools
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 General Fund
 For the Year Ended June 30, 2018

Statement D-2

	Operational 11000	Pupil Transportation 13000	Instructional Materials 14000	Total
<i>Revenues</i>				
Property taxes	\$ 158,154	\$ -	\$ -	\$ 158,154
Intergovernmental revenue:				
Federal flowthrough	193,776	-	-	193,776
State flowthrough	53,221	-	39,657	92,878
State direct	10,237,539	-	-	10,237,539
Transportation distribution	-	889,906	-	889,906
Charges for services	2,981	-	-	2,981
Investment income	1,181	-	-	1,181
<i>Total revenues</i>	<u>10,646,852</u>	<u>889,906</u>	<u>39,657</u>	<u>11,576,415</u>
<i>Expenditures</i>				
Current:				
Instruction	6,733,992	-	23,830	6,757,822
Support services - students	761,596	-	-	761,596
Support services - instruction	35,497	-	-	35,497
Support services - general administration	425,069	-	-	425,069
Support services - school administration	523,924	-	-	523,924
Central services	463,598	-	-	463,598
Operation and maintenance plant	1,326,591	-	-	1,326,591
Student transportation	-	886,173	-	886,173
Community services operations	974	-	-	974
<i>Total expenditures</i>	<u>10,271,241</u>	<u>886,173</u>	<u>23,830</u>	<u>11,181,244</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>375,611</u>	<u>3,733</u>	<u>15,827</u>	<u>395,171</u>
<i>Other financing sources (uses):</i>				
Remittal to PED	-	(1,263)	-	(1,263)
Transfers (out)	(133,779)	-	-	(133,779)
<i>Total other financing sources (uses)</i>	<u>(133,779)</u>	<u>(1,263)</u>	<u>-</u>	<u>(135,042)</u>
<i>Net change in fund balances</i>	241,832	2,470	15,827	260,129
<i>Fund balances - beginning</i>	<u>1,547,249</u>	<u>1,263</u>	<u>97,560</u>	<u>1,646,072</u>
<i>Fund balances - end of year</i>	<u>\$ 1,789,081</u>	<u>\$ 3,733</u>	<u>\$ 113,387</u>	<u>\$ 1,906,201</u>

See independent auditors' report.

STATE OF NEW MEXICO
 Truth or Consequences Municipal Schools
 Operational Fund - 11000
 Statement of Revenues, Expenditures, and Changes in
 Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual
 For the Year Ended June 30, 2018

Statement D-3

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Property taxes	\$ 155,843	\$ 155,843	\$ 159,957	\$ 4,114
Intergovernmental revenue:				
Federal flowthrough	53,703	199,979	193,776	(6,203)
Federal direct	-	-	-	-
Local sources	-	-	-	-
State flowthrough	7,375	7,375	35,931	28,556
State direct	10,191,790	10,350,367	10,237,539	(112,828)
Transportation distribution	-	-	-	-
Charges for services	1,078	1,078	2,981	1,903
Investment income	1,280	1,280	1,181	(99)
Miscellaneous	-	-	-	-
Total revenues	10,411,069	10,715,922	10,631,365	(84,557)
<i>Expenditures</i>				
Current:				
Instruction	7,085,749	6,918,985	6,732,299	186,686
Support services - students	832,036	832,036	772,503	59,533
Support services - instruction	35,834	41,821	35,497	6,324
Support services - general administration	365,443	521,499	423,395	98,104
Support services - school administration	628,974	605,392	523,924	81,468
Central services	453,819	453,819	450,378	3,441
Operation and maintenance of plant	1,357,484	1,357,484	1,321,192	36,292
Student transportation	-	-	-	-
Other support services	18,862	18,862	-	18,862
Food services operations	-	-	-	-
Community services operations	3,719	3,719	974	2,745
Capital Outlay	1,115,568	1,339,940	-	1,339,940
Total expenditures	11,897,488	12,093,557	10,260,162	1,833,395
<i>Excess (deficiency) of revenues over expenditures</i>	(1,486,419)	(1,377,635)	371,203	1,748,838
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	1,486,419	1,377,635	-	(1,377,635)
Transfers (out)	-	-	(133,779)	(133,779)
Total other financing sources (uses)	1,486,419	1,377,635	(133,779)	(1,511,414)
<i>Net change in fund balance</i>	-	-	237,424	237,424
<i>Fund balance - beginning of year</i>	-	-	1,577,232	1,577,232
<i>Fund balance - end of year</i>	\$ -	\$ -	\$ 1,814,656	\$ 1,814,656
Net change in fund balance (Non-GAAP Budgetary Basis)				\$ 237,424
Adjustments to revenues for taxes and intergovernmental revenue				15,487
Adjustments to expenditures for supplies and payroll expenditures				(11,079)
Net change in fund balance (GAAP Basis)				\$ 241,832

See independent auditors' report.

STATE OF NEW MEXICO
 Truth or Consequences Municipal Schools
 Pupil Transportation Fund - 13000
 Statement of Revenues, Expenditures, and Changes in
 Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual
 For the Year Ended June 30, 2018

Statement D-4

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue:				
Federal flowthrough	-	-	-	-
Federal direct	-	-	-	-
Local sources	-	-	-	-
State flowthrough	-	-	-	-
State direct	-	-	-	-
Transportation distribution	889,947	889,947	888,643	(1,304)
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	889,947	889,947	888,643	(1,304)
<i>Expenditures</i>				
Current:				
Instruction	-	-	-	-
Support services - students	-	-	-	-
Support services - instruction	-	-	-	-
Support services - general administration	-	-	-	-
Support services - school administration	-	-	-	-
Central services	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Student transportation	889,947	891,210	882,669	8,541
Other support services	-	-	-	-
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	889,947	891,210	882,669	8,541
<i>Excess (deficiency) of revenues over expenditures</i>	-	(1,263)	5,974	7,237
<i>Other financing sources (uses):</i>				
Designated cash (budgeted increase in cash)	-	1,263	-	(1,263)
Remittal to PED	-	-	(1,263)	(1,263)
Total other financing sources (uses)	-	1,263	(1,263)	(2,526)
<i>Net change in fund balance</i>	-	-	4,711	4,711
<i>Fund balance - beginning of year</i>	-	-	2,526	2,526
<i>Fund balance - end of year</i>	\$ -	\$ -	\$ 7,237	\$ 7,237
Net change in fund balance (Non-GAAP Budgetary Basis)				\$ 4,711
Adjustments for amounts paid back to NM PED				1,263
Adjustments to expenditures for supplies and payroll expenditures				(3,504)
Net change in fund balance (GAAP Basis)				\$ 2,470

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STATE OF NEW MEXICO
 Truth or Consequences Municipal Schools
 Instructional Materials Fund - 14000
 Statement of Revenues, Expenditures, and Changes in
 Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual
 For the Year Ended June 30, 2018

Statement D-5

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue:				
Federal flowthrough	-	-	-	-
Federal direct	-	-	-	-
Local sources	-	-	-	-
State flowthrough	35,376	35,376	39,657	4,281
State direct	-	-	-	-
Transportation distribution	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	35,376	35,376	39,657	4,281
<i>Expenditures</i>				
Current:				
Instruction	113,357	124,172	23,830	100,342
Support services - students	-	-	-	-
Support services - instruction	-	-	-	-
Support services - general administration	-	-	-	-
Support services - school administration	-	-	-	-
Central services	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Food services operations	-	-	-	-
Community services operations	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	113,357	124,172	23,830	100,342
Excess (deficiency) of revenues over expenditures	(77,981)	(88,796)	15,827	104,623
<i>Other financing sources (uses):</i>				
Designated cash (budgeted increase in cash)	77,981	88,796	-	(88,796)
Total other financing sources (uses)	77,981	88,796	-	(88,796)
Net change in fund balance	-	-	15,827	15,827
Fund balance - beginning of year	-	-	97,560	97,560
Fund balance - end of year	\$ -	\$ -	\$ 113,387	\$ 113,387
Net change in fund balance (Non-GAAP Budgetary Basis)				\$ 15,827
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP Basis)				\$ 15,827

See independent auditors' report.

SUPPORTING SCHEDULES

STATE OF NEW MEXICO
 Truth or Consequences Municipal Schools
 Agency Funds
 Schedule of Changes in Fiduciary Assets and Liabilities
 For the Year Ended June 30, 2018

Schedule I

	<u>Balance June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>
T or C Elementary	\$ 41,259	\$ 67,012	\$ 71,411	\$ 36,860
SEC Elementary	4,445	7,253	6,823	4,875
Arrey Elementary	5,959	15,384	11,848	9,495
T or C Middle School	30,262	19,560	23,181	26,641
Hot Springs High School	104,782	154,261	153,293	105,750
Transportation	166	-	-	166
Special Ed Department	950	-	-	950
Athletics	32,292	84,071	83,587	32,776
Central Office	<u>17,821</u>	<u>23,651</u>	<u>19,903</u>	<u>21,569</u>
Total	<u>\$ 237,936</u>	<u>\$ 371,192</u>	<u>\$ 370,046</u>	<u>\$ 239,082</u>

STATE OF NEW MEXICO
 Truth or Consequences Municipal Schools
 Schedule of Collateral Pledged by Depository for Public Funds
 June 30, 2018

Schedule II

<u>Name of Depository</u>	<u>Description of Pledged Collateral</u>	<u>Maturity</u>	<u>CUSIP Number</u>	<u>Fair Market June 30, 2018</u>
Bank of the Southwest				
	GNMA II Pool #80119	10/20/2027	Not Provided	\$ 4,387
	Letter of Credit	11/2/2018	Not Provided	<u>1,500,000</u>
	Total Bank of the Southwest			<u>1,504,387</u>
	Name and location of safekeeper for above pledged collateral: Federal Home Loan Bank, Irving, Texas			
BBVA Compass				
	FHLB Atlanta #117114	10/23/2018	Not Provided	<u>80,000</u>
	Total BBVA Compass			<u>80,000</u>
	Name and location of safekeeper for above pledged collateral: Bank of the West, Birmingham Alabama			
First Savings Bank				
	GNR 2012-96 AD	8/20/2027	38378HAU0	58,645
	FHLMC 15 YR	8/1/2031	3132KFNN8	<u>231,006</u>
	Total First Savings Bank			<u>289,651</u>
	Name and location of safekeeper for above pledged collateral: First Savings Bank, Beresford, South Dakota			
Citizens Bank of Las Cruces				
	FFCB Letter of Credit	7/9/2021	Not Provided	<u>2,423,364</u>
	Total Citizens Bank of Las Cruces			<u>2,423,364</u>
	Name and location of safekeeper for above pledged collateral: Federal Home Loan Bank, Irving, Texas			
	Total Collateral Pledged			<u>\$ 4,297,402</u>

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STATE OF NEW MEXICO
 Truth or Consequences Municipal Schools
 Schedule of Deposits and Investments
 June 30, 2018

Schedule III

<u>Bank Account Type/ Name</u>	<u>Bank of the Southwest</u>	<u>BBVA Compass</u>	<u>First Savings Bank</u>	<u>Citizens Bank of Las Cruces</u>	<u>Total</u>
Cash Deposits:					
Checking - Operational	\$ 1,396,639	\$ -	\$ -	\$ -	\$ 1,396,639
Checking - Payroll	646,830	-	-	-	646,830
Checking - Audrey Lang	38,651	-	-	-	38,651
Checking - Activity	-	246,014	-	-	246,014
Checking - Food Services	-	-	462,214	-	462,214
Checking - Capital	-	-	-	1,892,386	1,892,386
Checking - Debt Service	-	-	-	2,543,763	2,543,763
Total Cash Deposits	<u>2,082,120</u>	<u>246,014</u>	<u>462,214</u>	<u>4,436,149</u>	<u>7,226,497</u>
Other investments (cash equivalents):					
NMFA US MM					2,998,069
LGIP					<u>1,693</u>
Total other investments (cash equivalents)					<u>2,999,762</u>
Total Deposits and Investments					10,226,259
Reconciling items					<u>(169,894)</u>
<i>Reconciled balance June 30, 2018</i>					<u><u>\$ 10,056,365</u></u>
Reconciliation to financial statements:					
Cash and cash equivalents:					
Government-wide statement of net position - Exhibit A-1					\$ 7,233,482
Restricted cash and cash equivalents:					
Government-wide statement of net position - Exhibit A-1					2,545,150
Statement of fiduciary net position agency funds - Exhibit D-1					<u>277,733</u>
<i>Cash and cash equivalents per Financial Statements</i>					<u><u>\$ 10,056,365</u></u>

See independent auditors' report.

STATE OF NEW MEXICO
 Truth or Consequences Municipal Schools
 Cash Reconciliation
 For the Year Ended June 30, 2018

	Operational 11000	Teachergage 12000	Transportation 13000	Instructional Materials 14000	Food Services 21000
Audited Cash June 30, 2017	\$ 1,529,724	\$ -	\$ 2,526	\$ 97,560	\$ 513,740
Add:					
2017-2018 receipts	10,631,365	-	889,947	39,657	726,507
Total cash available	12,161,089	-	892,473	137,217	1,240,247
Less:					
2017-2018 expenditures	(10,237,544)	-	(885,236)	(23,830)	(778,118)
Permanent cash transfers	(133,779)	-	-	-	-
Cash per PED	1,789,766	-	7,237	113,387	462,129
Add / Less:					
Negative cash loans from (to)	(667,910)	-	-	-	-
NMFA cash	-	-	-	-	-
Change in payroll accruals	548,357	-	-	-	-
<i>Cash per financial statement</i>	<u>\$ 1,670,213</u>	<u>\$ -</u>	<u>\$ 7,237</u>	<u>\$ 113,387</u>	<u>\$ 462,129</u>

See independent auditors' report.

(Exhibit D-1)					
Athletics 22000	Non-Instructional Support 23000	Federal Flowthrough 24000	Federal Direct 25000	Local Grants 26000	State Flowthrough 27000
\$ 9,725	\$ 237,936	\$ 331	\$ 10,548	\$ 73,226	\$ 572
<u>33,449</u>	<u>333,649</u>	<u>986,780</u>	<u>159,464</u>	<u>97,157</u>	<u>367,120</u>
<u>43,174</u>	<u>571,585</u>	<u>987,111</u>	<u>170,012</u>	<u>170,383</u>	<u>367,692</u>
(43,341)	(332,503)	(1,445,200)	(139,722)	(152,510)	(667,814)
-	-	33,102	-	-	100,677
<u>(167)</u>	<u>239,082</u>	<u>(424,987)</u>	<u>30,290</u>	<u>17,873</u>	<u>(199,445)</u>
167	-	425,814	-	-	199,445
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 239,082</u>	<u>\$ 827</u>	<u>\$ 30,290</u>	<u>\$ 17,873</u>	<u>\$ -</u>

See independent auditors' report.

STATE OF NEW MEXICO
 Truth or Consequences Municipal Schools
 Cash Reconciliation
 For the Year Ended June 30, 2018

	State Direct 28000	Bond Building 31100	Capital Improvements SB-9 31700	(See Note 5) Capital Improvements SB-9 Local 31701
Audited Cash				
Cash per financial statement	\$ 5,518	\$ 1,391,476	\$ -	\$ 860,162
Add:				
2017-2018 receipts	16,220	22,629	-	603,312
Total cash available	<u>21,738</u>	<u>1,414,105</u>	<u>-</u>	<u>1,463,474</u>
Less:				
2017-2018 expenditures	(14,788)	(387,800)	(42,484)	(561,579)
Permanent cash transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash per PED	<u>6,950</u>	<u>1,026,305</u>	<u>(42,484)</u>	<u>901,895</u>
Add / Less:				
Negative cash loans from (to)	-	-	42,484	-
NMFA cash	-	2,998,069	-	-
Change in payroll accruals	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Cash per financial statement</i>	<u><u>\$ 6,950</u></u>	<u><u>\$ 4,024,374</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 901,895</u></u>

See independent auditors' report.

Debt Service 41000	(Exhibit D-1) Agency	Total
\$ 2,195,937	\$ 38,632	\$ 6,967,613
<u>1,817,243</u>	<u>19</u>	<u>16,724,518</u>
<u>4,013,180</u>	<u>38,651</u>	<u>23,692,131</u>
(1,469,723)	-	(17,182,192)
<u>-</u>	<u>-</u>	<u>-</u>
<u>2,543,457</u>	<u>38,651</u>	<u>6,509,939</u>
-	-	-
-	-	2,998,069
<u>-</u>	<u>-</u>	<u>548,357</u>
<u>\$ 2,543,457</u>	<u>\$ 38,651</u>	<u>\$ 10,056,365</u>

See independent auditors' report.

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COMPLIANCE SECTION

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

INDEPENDENT AUDITORS' REPORT

Board of Education and Management
Truth or Consequences Municipal Schools
Wayne Johnson
New Mexico State Auditor
U.S. Office of Management and Budget
Truth or Consequences, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons of the General Fund and the major special revenue fund of the Truth or Consequences Municipal Schools (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 13, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal controls that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs, that we consider to be a significant deficiency as item 2017-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests did not disclose instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted a certain matter that is required to be reported per section 12-6-5 NMSA 1978 that we have described in the accompanying schedule of Section 12-6-5 NMSA 1978 findings as item 2018-001.

District's Responses to Findings

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

Purpose of this Report

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

A handwritten signature in blue ink that reads "Cordova CPAs LLC". The signature is written in a cursive, flowing style.

Cordova CPAs LLC
Albuquerque, NM
November 13, 2018

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FEDERAL FINANCIAL ASSISTANCE

REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

INDEPENDENT AUDITORS' REPORT

Board of Education and Management
Truth or Consequences Municipal Schools
Wayne Johnson
New Mexico State Auditor
U.S. Office of Management and Budget
Truth or Consequences, New Mexico

Report on Compliance for Each Major Federal Program

We have audited Truth or Consequences Municipal School's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2018. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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



Cordova CPAs LLC
Albuquerque, NM
November 13, 2018

STATE OF NEW MEXICO
 Truth or Consequences Municipal Schools
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2018

Federal Grantor or Pass-Through Grantor / Program Title	Pass Thru Number	Federal CFDA Number		Federal Expenditures	Funds Provided to Subrecipients	Noncash Assistance
U.S. Department of Education						
<i>Passed through New Mexico Public Education Department</i>						
IDEA-B Entitlement	24106	84.027	(1)*	\$ 292,762	\$ -	\$ -
IDEA-B Preschool	24109	84.173	(1)*	8,321	-	-
IDEA-B Early Intervention	24112	84.027	(1)*	41,581	-	-
<i>Total IDEA Cluster</i>				<u>342,664</u>		
Title I - IASA	24101	84.010		554,619	-	-
Migrant Children Education	24103	84.011		3,840	-	-
Education of Homeless	24113	84.196		8,769	-	-
Teacher/ Principal Training /Recruiting	24154	84.367A		157,511	-	-
Rural Education	24160	84.358		16,582	-	-
Carl Perkins	24174	84.048		16,554	-	-
<i>Subtotal - Passed through New Mexico Public Education Department</i>				<u>1,100,539</u>	<u>-</u>	<u>-</u>
<i>Total U.S. Department of Education</i>				<u>1,100,539</u>	<u>-</u>	<u>-</u>
U.S. Department of Health and Human Services						
<i>Passed through New Mexico Human Services Department</i>						
Autism and other disabilities	24108	93.998		4,566	-	-
<i>Total U.S. Department of Health and Human Services</i>				<u>4,566</u>	<u>-</u>	<u>-</u>
U.S. Department of Defense						
<i>Federal Direct Payments</i>						
ROTC	25200	12.100		34,701	-	-
<i>Total U.S. Department of Defense</i>				<u>34,701</u>	<u>-</u>	<u>-</u>
U.S. Department of Agriculture						
<i>Federal Direct Payments</i>						
Schools and Roads - Grants to States	None	10.665		146,277	-	-
<i>Passed through New Mexico Public Education Department</i>						
Student Nutrition Cluster	21000	10.553	(2)*	65,512	-	65,512
Student Nutrition Cluster	21000	10.555	(2)*	657,272	-	-
<i>Subtotal - Passed through New Mexico Public Education Department</i>				<u>722,784</u>	<u>-</u>	<u>65,512</u>
<i>Total U.S. Department of Agriculture</i>				<u>869,061</u>	<u>-</u>	<u>65,512</u>
<i>Total Federal Financial Assistance</i>				<u>\$ 2,008,867</u>	<u>\$ -</u>	<u>\$ 65,512</u>

* Denotes Major Federal Financial Assistance Program

() Denotes Cluster

See independent auditors' report.
 See accompanying notes to schedule of expenditures of federal awards.

Notes to Schedule of Expenditures of Federal Awards

1 Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of Truth or Consequences Municipal Schools and is presented on the modified accrual basis of accounting, which is the same basis as was used to prepare the fund financial statements. The information in this Schedule is presented in accordance with the requirements of *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

2 Loans

The District did not expend federal awards related to loans or loan guarantees during the year.

3 10% de minimus Indirect Cost Rate

The District did not elect to use the allowed 10% indirect cost rate.

4 Federally Funded Insurance

The District has no federally funded insurance.

Reconciliation of Schedule of Expenditures of Federal Awards to Financial Statements:

Total federal awards expended per Schedule of Expenditures of Federal Awards	\$ 2,008,867
Total expenditures funded by other sources	<u>14,421,625</u>
<i>Total expenditures (Exh B-2)</i>	<u><u>\$ 16,430,492</u></u>

See independent auditors' report.

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STATE OF NEW MEXICO
 Truth or Consequences Municipal Schools
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2018

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements:

- | | |
|--|------------|
| 1. Type of auditors' report issued | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | None noted |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes |
| c. Noncompliance material to the financial statements noted? | None noted |

Federal Awards:

- | | |
|---|------------|
| 1. Internal control over major programs: | |
| a. Material weaknesses identified? | None noted |
| b. Significant deficiencies identified not considered to be material weaknesses? | None noted |
| 2. Type of auditors' report issued on compliance for major programs | Unmodified |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? | None noted |

4. Identification of major programs:

CFDA Number	Federal Program
10.553 and 10.555 84.027 and 84.173	Student Nutrition Cluster Special Education Cluster

- | | |
|---|-----------|
| 5. Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| 6. Auditee qualified as low-risk auditee? | No |

STATE OF NEW MEXICO
Truth or Consequences Municipal Schools
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

SECTION II - FINANCIAL STATEMENT FINDINGS

2017-001 Financial Close and Adjustments (Significant Deficiency) (Repeat Modified)

Condition: During our audit, we noted that material audit adjustments were necessary to fairly present account balances as follows:

- During our review of the accounts payable listing, the initial listing provided, was not correct and was missing 3 transactions which were considered accounts payable in the amount of \$222,875.
- During procedures over cash, we noted that the District did not record an expense in the amount of \$17,746 related to their NMFA loan. This adjustment also reduced the Districts reconciled cash in the same amount.

The District has implemented several internal controls as part of the corrective action plan as stated in prior years, however, had an oversight in the close process in current year over the accounts payable listing and NMFA statements. The Business Manager is responsible for making sure proper internal controls in the financial close process are in place, and has updated the corrective action plan to include controls to mitigate the risks and errors noted above.

Criteria: The Committee of Sponsoring Organizations (COSO) COSO Internal Control – Integrated Framework (2013), consists of five critical elements that must be present in carrying out the achievement objectives of an organization. These elements are known as the control environment, risk assessment, control activities, information and communication and monitoring, which includes the implementation of internal controls with financial close functions to produce accurate and timely financial information in accordance with generally accepted accounting principles and the budgetary basis of accounting (in accordance with NM PED Public Schools Accounting and Budgeting Manual of Procedures).

Effect: Account balances in the accounts noted above were not adjusted as part of the monthly and/or annual financial close, and audit adjustments not identified by management were required to fairly present balances.

Cause: During the financial close, the accounts noted above were inadvertently overlooked as part of the monthly and year end required adjustments.

Auditors' Recommendations: We recommend that the District perform a thorough year end analysis on all account balances prior to closing out the fiscal year to ensure all required adjustments are reflected for year-end reporting, including all NMFA transactions.

Agency's Response: The Business Manager will coordinate with the Accounts Payable Department to ensure a thorough year end analysis on all account balances prior to closing out the fiscal year. The Business Manager will also ensure that any NMFA transactions are recorded accordingly per the NMFA Statement.

STATE OF NEW MEXICO
Truth or Consequences Municipal Schools
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

SECTION III - FEDERAL AWARD FINDINGS

None noted

SECTION IV – SECTION 12-6-5 NMSA FINDINGS

2018-001 Travel and Per Diem (Other Noncompliance)

Condition: During testwork we noted the following condition:

- In 1 out of 10 samples tested, the District did not pre-authorize the travel beforehand. The training took place on February 22, however the authorization form was not signed and approved until March 15, 2018.

Criteria: The District is required to comply with the Per Diem and Mileage Act, Sections 10-8-1 through 10-8-4, for all per diem and reimbursement rates.

Effect: The District has paid monies for reimbursements using public funds that are not in compliance with State Per Diem and Mileage Act.

Cause: The Per Diem and Mileage Act was not being referenced when approving and paying travel forms and reimbursements.

Auditors' Recommendation: We recommend the District follow the Per Diem and Mileage Act when paying per diem and travel reimbursements.

Agency Response: The Business Manager will coordinate with Accounts Payable and District employees to ensure that any travel reimbursements are compliant with the Per Diem and Mileage Act, Sections 10-8-1 through 10-8-4.

STATE OF NEW MEXICO
Truth or Consequences Municipal Schools
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

ES 2017-001 (2017-001) Financial Close and Adjustments (Significant Deficiency) – (Repeat Modified)

ES 2017-002 Capital Assets (Material Weakness) – Resolved

FA 2017-001 Noncompliance with Cash Management and Reporting Requirements (Material Noncompliance and Material Weakness Over Internal Controls Over Compliance) – Resolved

NM 2017-001 Stale-dated Checks (Other Noncompliance) – Resolved

NM 2017-002 Anti-Donation (Other Noncompliance) – Resolved

STATE OF NEW MEXICO
Truth or Consequences Municipal Schools
Other Disclosures
June 30, 2018

OTHER DISCLOSURES

Exit Conference

An exit conference was held on November 13, 2018. In attendance were the following:

Representing Truth or Consequences Municipal Schools:

Brett Smith – Board President
Randall M. Piper – Superintendent
Sabrina Bierner – Business Manager
Barbara Chavez – Payroll Specialist
Robert Chavez – Accounts Payable Clerk

Representing Cordova CPAs LLC:

Robert Gonzales, CPA – Principal

Auditor Prepared Financial Statements

Cordova CPAs LLC prepared the GAAP-basis financial statements and footnotes of Truth or Consequences Municipal Schools from the original books and records asserted by management. The responsibility for the financial statements remains with Truth or Consequences Municipal Schools.