

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

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

BOARD OF EDUCATION

Antonio Castillo	President
Rudy Martinez	Vice President
Floraida Tapia	Secretary
Antonia Martinez - Sanchez	Member
Christopher Matson	Member

SCHOOL OFFICIALS

Dr. Jack Props	Superintendent
Lyndsey Padilla	Principal
LaQuita Wheeler	Dean of Students
Trude Bauler	Business Manager



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparison for the general fund and major special revenue funds of Vaughn Municipal Schools (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with audit standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

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

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

Opinion

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

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis which is required to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information. Accounting principles generally accepted in the United States of America require 10 year schedules on pages 58 - 61 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements the combining and individual fund financial statements and any other schedule required by the Audit Rule that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2018 on our consideration of Vaughn Municipal Schools internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing in internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Vaughn Municipal Schools internal control over financial reporting and compliance.

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

BASIC FINANCIAL STATEMENTS

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

	<u>Governmental Activities</u>
ASSETS AND DEFERRED OUTFLOWS	
Current assets	
Cash and cash equivalents	\$ 863,812
Restricted cash	926,403
Property taxes receivable	4,444
Due from other governments	129,515
Inventory, at cost	<u>800</u>
Total current assets	1,924,974
Non-current assets	
Capital assets	10,747,594
Less accumulated depreciation	<u>(6,700,499)</u>
Total non-current assets	<u>4,047,095</u>
Total assets	5,972,069
Deferred outflows	
Contributions - subsequent contributions	127,091
Change in assumption	1,136,782
Change in proportion	238,019
Deferred outflows - RHCA	<u>18,287</u>
Total deferred outflows	<u>1,520,179</u>
Total assets and deferred outflows	<u>\$ 7,492,248</u>

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

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

	<u>Governmental Activities</u>
LIABILITIES AND DEFERRED INFLOWS	
Current liabilities	
Accounts payable	\$ 22,438
Accrued interest	11,355
Accrued compensated absences	7,324
Current portion of bonds payable	<u>370,000</u>
Total current liabilities	411,117
Long-term obligations	
Net pension liability	3,894,159
OPEB liability	1,051,801
Bonds payable	<u>2,390,000</u>
Total long-term liabilities	<u>7,335,960</u>
Total liabilities	7,747,077
Deferred inflows	
Deferred inflows - ERB	153,025
Deferred inflows - RHCA	<u>239,388</u>
Total deferred inflows	<u>392,413</u>
Total liabilities and deferred inflows	8,139,490
NET POSITION	
Net investment in capital assets	1,275,740
Restricted for	
Cafeteria fund (inventory)	800
Special revenue	461,335
Capital projects	230,646
Debt service	926,956
General fund	5,359
Unrestricted	<u>(3,548,078)</u>
Total net position (deficit)	<u>(647,242)</u>
Total liabilities, deferred inflows, and net position	<u>\$ 7,492,248</u>

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

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

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expenses) Revenue and Changes Net Assets
	Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	
Expenses - Governmental Activities:					
Instruction	\$ 1,458,304	\$ 9,207	\$ 82,412	\$ -	\$ (1,366,685)
Support services	566,123	7,200	70,028	-	(488,895)
Central services	99,281	-	5,600	-	(93,681)
Operation and maintenance of plant	339,792	-	26,655	-	(313,137)
Student transportation	63,506	-	63,506	-	-
Food services	45,111	5,113	1,938	-	(38,060)
Interest on long-term debt	30,101	-	-	-	(30,101)
Depreciation	213,842	-	-	-	(213,842)
Total governmental activities	<u>\$ 2,816,060</u>	<u>\$ 21,520</u>	<u>\$ 250,139</u>	<u>\$ -</u>	(2,544,401)
General Revenues:					
Taxes:					
Property taxes, levied for operating programs					298,838
Property taxes, levied for debt services					331,502
Property taxes, levied for capital projects					153,963
State equalization guarantee					1,683,871
Interest and investment earnings					5,840
Miscellaneous					<u>25,603</u>
Subtotal, general revenue					<u>2,499,617</u>
Change in net position					(44,784)
Net position - beginning of year as previously stated					646,912
Restatement					<u>(1,249,370)</u>
Net position - beginning of year					<u>(602,458)</u>
Net position - end of year					<u>\$ (647,242)</u>

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

GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

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

	<u>General Fund</u>	<u>Debt Service</u>	<u>Title XIX Medicaid 3/21 Years</u>	<u>Wind Farm Project</u>	<u>ED Tech Debt Service</u>
ASSETS					
Cash and cash equivalents	\$ 151,940	\$ 229,303	\$ 133,368	\$ 30,402	\$ 269,530
Restricted cash	-	-	-	-	387
Property taxes receivable	324	1,785	-	-	995
Due from other funds	129,515	-	-	-	-
Inventory	-	-	-	-	-
Due from grantors	-	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 281,779</u>	<u>\$ 231,088</u>	<u>\$ 133,368</u>	<u>\$ 30,402</u>	<u>\$ 270,912</u>
 LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES					
Liabilities:					
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	-	-	-	-	-
Deferred inflows:					
Deferred inflows - property tax	80	442	-	-	246
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total deferred inflows	80	442	-	-	246
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and deferred inflows	80	442	-	-	246
Fund balances:					
Restricted, reported in:					
Special revenue fund	-	-	133,368	30,402	270,666
Debt service funds	-	230,646	-	-	-
Capital projects funds	-	-	-	-	-
General fund	5,359	-	-	-	-
Unassigned, reported in:					
General fund	276,340	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	281,699	230,646	133,368	30,402	270,666
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities, deferred inflows and fund balances	<u>\$ 281,779</u>	<u>\$ 231,088</u>	<u>\$ 133,368</u>	<u>\$ 30,402</u>	<u>\$ 270,912</u>

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

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

	Capital Improvements SB-9	Other Governmental Funds	Total
ASSETS			
Cash and cash equivalents	\$ 22,157	\$ 27,112	\$ 863,812
Restricted cash	-	926,016	926,403
Property taxes receivable	1,340	-	4,444
Due from other funds	-	-	129,515
Inventory	-	800	800
Due from grantors	-	129,515	129,515
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 23,497</u>	<u>\$ 1,083,443</u>	<u>\$ 2,054,489</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ 22,438	\$ 22,438
Due to other funds	-	129,515	129,515
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	-	151,953	151,953
Deferred inflows:			
Deferred inflows - property tax	332	-	1,100
	<u> </u>	<u> </u>	<u> </u>
Total deferred inflows	332	-	1,100
Total liabilities and deferred inflows			
	332	151,953	153,053
Fund balances:			
Nonspendable - Inventory	-	800	800
Restricted, reported in:			
Special revenue fund	-	26,899	461,335
Debt service funds	-	-	230,646
Capital projects funds	23,165	903,791	926,956
General fund	-	-	5,359
Unassigned, reported in:			
General fund	-	-	276,340
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	23,165	931,490	1,901,436
Total liabilities, deferred inflows and fund balances			
	<u>\$ 23,497</u>	<u>\$ 1,083,443</u>	<u>\$ 2,054,489</u>

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

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

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

Fund balances - total governmental funds	\$ 1,901,436
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	4,047,095
Deferred outflows of resources related to pension, applicable to future periods and therefore, not reported in funds	1,501,892
Deferred outflows of resources related to OPEB, applicable to future periods and therefore, not reported in funds	18,287
Deferred inflows of resources related to pension, applicable to future periods and therefore, not reported in funds	(153,025)
Deferred inflows of resources related to OPEB, applicable to future periods and therefore, not reported in funds	(239,388)
Long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds - property tax	1,100
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:	
Net pension liability	(3,894,159)
OPEB liability	(1,051,801)
Accrued interest	(11,355)
Compensated absences	(7,324)
General obligation bonds	<u>(2,760,000)</u>
Total net position - governmental funds	<u>\$ (647,242)</u>

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

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

	<u>General Fund</u>	<u>Debt Service</u>	<u>Title XIX Medicaid 3/21 Years</u>	<u>Wind Farm Projects</u>	<u>ED Tech Debt Service</u>
REVENUES					
Taxes	\$ 38,645	\$ 212,823	\$ -	\$ 268,200	\$ 118,679
Charges for services	7,200	-	-	-	-
State share taxes	-	-	-	-	-
State sources	1,637,250	-	-	-	-
Federal sources	-	-	42,334	-	-
Transportation distribution	63,506	-	-	-	-
Miscellaneous	<u>25,603</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>387</u>
Total revenues	1,772,204	212,823	42,334	268,200	119,066
EXPENDITURES					
Current:					
Direct instruction	785,480	-	1,318	-	-
Instructional support	499,049	2,265	10,976	-	1,279
Central services	99,281	-	-	-	-
Operation and maintenance	170,425	-	-	107,788	-
Transportation	63,506	-	-	-	-
Food services	-	-	-	-	-
Capital outlay	-	-	-	230,140	-
Debt services:					
Principal payments	-	155,000	-	-	40,000
Interest	<u>-</u>	<u>29,711</u>	<u>-</u>	<u>-</u>	<u>390</u>
Total expenditures	<u>1,617,741</u>	<u>186,976</u>	<u>12,294</u>	<u>337,928</u>	<u>41,669</u>
Excess (deficiency) of revenues over expenditures	154,463	25,847	30,040	(69,728)	77,397
Other Finance Sources					
Bond proceeds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	154,463	25,847	30,040	(69,728)	77,397
Fund balance - beginning of year	<u>127,236</u>	<u>204,799</u>	<u>103,328</u>	<u>100,130</u>	<u>193,269</u>
Fund balance - end of year	<u>\$ 281,699</u>	<u>\$ 230,646</u>	<u>\$ 133,368</u>	<u>\$ 30,402</u>	<u>\$ 270,666</u>

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

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

	Capital Improvements SB-9	Other Governmental Funds	Total
REVENUES			
Taxes	\$ 153,963	\$ 44,234	\$ 836,544
Charges for services	-	14,320	21,520
State sources	-	50,806	1,688,056
Federal sources	-	95,880	138,214
Transportation distribution	-	-	63,506
Miscellaneous	-	5,453	31,443
	<u>153,963</u>	<u>210,693</u>	<u>2,779,283</u>
Total revenues	153,963	210,693	2,779,283
EXPENDITURES			
Current:			
Direct instruction	-	225,256	1,012,054
Instructional support	-	52,554	566,123
Central services	-	-	99,281
Operation and maintenance	61,579	-	339,792
Transportation	-	-	63,506
Food services	-	45,111	45,111
Capital outlay	182,799	180,483	593,422
Debt services:			
Principal payments	-	-	195,000
Interest	-	-	30,101
	<u>244,378</u>	<u>503,404</u>	<u>2,944,390</u>
Total expenditures	244,378	503,404	2,944,390
Excess (deficiency) of revenues over expenditures	(90,415)	(292,711)	(165,107)
Other Finance Sources			
Bond proceeds	<u>-</u>	<u>1,200,000</u>	<u>1,200,000</u>
Net change in fund balance	(90,415)	907,289	1,034,893
Fund balance - beginning of year	<u>113,580</u>	<u>24,201</u>	<u>866,543</u>
Fund balance - end of year	<u>\$ 23,165</u>	<u>\$ 931,490</u>	<u>\$ 1,901,436</u>

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

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

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

Change in fund balances - total governmental funds	\$	1,034,893
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Capital outlay to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which depreciation expense exceeds capital outlays in the period.

Depreciation expense		(213,842)
Capital outlay		593,422

Governmental funds report District pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense:

Deferred outflows - ERB		1,179,446
Deferred outflows - RHCA		(1,643)
Change in deferred inflows - ERB		111,711
Change in deferred inflows - RHCA		(239,388)
OPEB liability		217,499
Net pension liability		(1,716,518)

Property taxes that do not provide current financial resources, made available to pay for the current period's expenditures, reported as deferred inflows in the funds.		(8,007)
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The issuance of long-term debt (e.g. bonds, notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Issuance of bond		(1,200,000)
Change in accrued interest		1,937
Change in accrued compensated absences		706
Principal payment on bond		195,000
		195,000

Change in net position of governmental activities	\$	(44,784)
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See independent auditors' report and accompanying notes to financial statements.

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenues:				
Taxes	\$ 36,834	\$ 36,834	\$ 38,321	\$ 1,487
Charges for services	6,600	6,600	7,200	600
State sources	1,607,491	1,619,861	1,637,250	17,389
Transportation Distribution	63,506	63,506	63,506	-
Miscellaneous	-	15,000	25,603	10,603
Total revenues	<u>1,714,431</u>	<u>1,741,801</u>	<u>1,771,880</u>	<u>30,079</u>
Expenditures:				
Current:				
Direct instruction	954,676	960,736	785,480	175,256
Instructional support	112,000	112,000	100,134	11,866
Central services	113,000	113,000	99,281	13,719
Operation and maintenance	126,669	183,863	170,425	13,438
Transportation	63,506	63,506	63,506	-
General administration	292,850	292,850	256,216	36,634
School administration	140,000	140,000	142,699	(2,699)
Total expenditures	<u>1,802,701</u>	<u>1,865,955</u>	<u>1,617,741</u>	<u>248,214</u>
Excess (deficiency) of revenues over expenditures	<u>(88,270)</u>	<u>(124,154)</u>	<u>154,139</u>	<u>278,293</u>
Net change in fund balance	(88,270)	(124,154)	154,139	278,293
Fund balance - beginning of year	<u>127,236</u>	<u>127,236</u>	<u>127,236</u>	<u>127,236</u>
Fund balance - end of year	<u>\$ 38,966</u>	<u>\$ 3,082</u>	<u>\$ 281,375</u>	<u>\$ 405,529</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 154,139	
Net revenue accruals			324	
Net expenditure accruals			-	
Net changes in fund balance GAAP basis			<u>\$ 154,463</u>	

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

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenues:				
Federal sources	\$ -	\$ -	\$ -	\$ -
Federal sources	16,000	16,000	42,334	26,334
Total revenues	<u>16,000</u>	<u>16,000</u>	<u>42,334</u>	<u>26,334</u>
Expenditures:				
Current:				
Direct instruction	27,500	36,744	1,318	35,426
Instructional support	82,584	82,584	10,976	71,608
Total expenditures	<u>110,084</u>	<u>119,328</u>	<u>12,294</u>	<u>107,034</u>
Excess (deficiency) of revenues over expenditures	<u>(94,084)</u>	<u>(103,328)</u>	<u>30,040</u>	<u>133,368</u>
Other financing sources (uses)				
Designated cash	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>(94,084)</u>	<u>(103,328)</u>	<u>30,040</u>	<u>133,368</u>
Fund balance - beginning of year	<u>-</u>	<u>-</u>	<u>103,328</u>	<u>103,328</u>
Fund balance - end of year	<u>\$ (94,084)</u>	<u>\$ (103,328)</u>	<u>\$ 133,368</u>	<u>\$ 236,696</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 30,040	
Net revenue accruals			-	
Net expenditure accruals			<u>-</u>	
Net changes in fund balance GAAP basis			<u>\$ 30,040</u>	

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

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenues:				
Charges for services	\$ 268,200	\$ 268,200	\$ 268,200	\$ -
Expenditures:				
Current:				
Direct instruction	-	-	-	-
Capital Outlay	175,000	186,267	230,140	(43,873)
Operation and maintenance	132,063	132,063	84,474	47,589
Food services	50,000	50,000	23,314	26,686
Total expenditures	<u>357,063</u>	<u>368,330</u>	<u>337,928</u>	<u>30,402</u>
Excess (deficiency) of revenues over expenditures	<u>(88,863)</u>	<u>(100,130)</u>	<u>(69,728)</u>	<u>30,402</u>
Other financing sources (uses)				
Designated cash	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(88,863)	(100,130)	(69,728)	30,402
Fund balance - beginning of year	<u>100,130</u>	<u>100,130</u>	<u>100,130</u>	<u>-</u>
Fund balance - end of year	<u>\$ 11,267</u>	<u>\$ -</u>	<u>\$ 30,402</u>	<u>\$ 30,402</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ (69,728)	
Net revenue accruals			-	
Net expenditure accruals			-	
Net changes in fund balance GAAP basis			<u>\$ (69,728)</u>	

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

FIDUCIARY FUND FINANCIAL STATEMENTS

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

ASSETS

Current Assets

Cash \$ 22,019

Total assets \$ 22,019

LIABILITIES

Current Liabilities

Deposits held in trust for others \$ 22,019

Total liabilities \$ 22,019

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

This summary of significant accounting policies of the District is presented to assist in the understanding of the District's financial statements. The financial statements and notes are the representation of Vaughn Public Schools' management who is responsible for their integrity and objectivity. The financial statements and disclosures of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

A. Reporting Entity

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

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

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

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

A. Reporting Entity (Continued)

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

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by State Equalization Guarantee, taxes and intergovernmental revenues.

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

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

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

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

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

C. Measurement Focus, Basis of Accounting

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

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

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

The District reports the following major governmental funds:

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

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

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

C. Measurement Focus, Basis of Accounting (Continued)

Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. The resources of this fund are generated by a tax levy based upon property values.

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

Wind Farm Project To use for PILOT moneys from Wind Turbines in the District. PILOT - Payment in Lieu of Taxes. This Fund is used in the same manner as 11000

ED Tech Debt to repay the General Obligation Education Technology Capital Improvement Note with NMFA. This note is used to acquire education technology equipment.

Capital Improvements SB-9 Fund is used to account for resources received through Senate Bill 9 and local tax levies obtained for the purpose of building, remodeling, and equipping classroom facilities. Also to account for resources received from the State of New Mexico General Fund.

Additionally, the District reports the following agency fund:

Fiduciary Funds account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds.

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

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

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

Deposits and Investments - The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. State statutes authorize the District to invest in Certificates of Deposit, obligations of the U.S. Government, and the State Treasurer's Investment Pool.

Investments for the District are reported at fair value. The State Treasurer's Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

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

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

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

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

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

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

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 Guadalupe and Torrance County. The funds are collected by the County Treasurers and are remitted to the District the following month.

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

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

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

Inventory is valued at cost utilizing the consumption basis of accounting. Inventory in the Food Service Fund consists of U.S.D.A. commodities and other purchased food and non-food supplies. The cost of purchased food is recorded as an expenditure at the time individual inventory items are consumed.

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

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

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

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

Capital Assets - Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Information Technology Equipment including software is being capitalized and included in furniture, fixtures and equipment in accordance with NMAC 2.20.1.9 C(5). The District was a phase II government for purposes of implementing GASB 34 however, the District does not have any infrastructure asset to report. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest was included as part of the cost of capital assets under construction.

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

<u>Assets</u>	<u>Years</u>
Building and improvements	20-50
Furniture, Equipment Vehicles and Library Books	3-15

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

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

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

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

Compensated Absences - Twelve month employees are entitled to accumulate annual leave up to 10 days per year for the first five years. After five years of service, they will earn one and one quarter days per month for a total of 15 days per year. Qualified employees are entitled to accumulate sick leave. There is no limit to the amount of sick leave which an employee may accumulate; however, no payment is due to the employee upon termination of employment.

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. In prior years, substantially all of the related expenditures have been liquidated by the general fund. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the government-wide statement of net assets.

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

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

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

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

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

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

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

Nonspendable - fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts. It also includes amounts to be held in perpetuity.

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

- a. Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments;
or
- b. Imposed by law through constitutional provisions or enabling legislation. Enabling legislation, as the term is used in this Statement, authorizes the government to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that a government can be compelled by an external party-such as citizens, public interest groups, or the judiciary - to use resources created by enabling legislation only for the purposes specified by the legislation.

Unassigned - fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

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

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

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

The District's policy is to apply restricted resources first, committed sources second, assigned resources third, and unassigned resources last when an expense is incurred for purposes for which all or any fund balance classification is available.

Equity Classifications

Government-Wide Statements

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

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

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

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

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

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

E. Revenues

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

A school district's program costs are determined through the use of various formulas using program units' which take into consideration 1) early childhood education; 2) basic education; 3) special education; 4) bilingual-multicultural education; 5) size, etc. Payment is made from the public school fund under the authority of the Director of Public School Finance. The District received \$1,635,257 in state equalization guarantee distributions during the year ended June 30, 2018.

Tax Revenues - The District receives mill levy and ad-valorem tax revenues primarily for debt service and capital outlay purposes. Property taxes are assessed on January 1st of each year and are payable in two equal installments, on November 10th of the year in which the tax bill is prepared and April 10th of the following year with the levies becoming delinquent 30 days (one month) thereafter. The District recognizes tax revenues in the period for which they are levied in the government-wide financial statements. The District records only the portion of the taxes considered 'measurable' and 'available' in the governmental fund financial statements. The District recognized \$792,697 in tax revenues in the governmental fund financial statements during the year ended June 30, 2018. Descriptions of the individual debt service and capital outlay funds contained in these financial statements include information regarding the authority for the collection and use of these taxes. The School collects property tax from two different counties, Guadalupe County may attach an enforceable lien on the property thirty days after delinquency and Torrance County considers delinquencies on December 10th, at which point they can attach an enforceable lien.

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

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

E. Revenues (Continued)

Transportation Distribution - School districts in the State of New Mexico receive student transportation distributions. The transportation distribution is allocated to each school district in accordance with formulas developed by the State Transportation Director and the Director of Public School Finance. The funds shall be used only for the purpose of making payments to each school district for the to-and-from school transportation costs of students in grades K through twelve attending public school within the school district. The District received \$63,506 in transportation distributions during the year ended June 30, 2018.

Public School Capital Outlay - Under the provisions of Chapter 22, Article 24, a public school capital outlay fund was created. The money in the fund may be used for capital expenditures deemed by the public school capital outlay council necessary for an adequate educational program per Section 22-24-4(B), core administrative function of the public school facilities authority and for project management expenses upon approval of the council per Section 22-24-4 (0); and for the purpose of demolishing abandoned school district facilities, upon application by a school district to the council, per Section 22-24-4(L).

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

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

In April 2018, GASB No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements, was issued. Effective date: The provisions of this Statement are effective for financial statements for the objective of this Statement is to improve the information that is disclosed in notes to government financial

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

statements related to debt, including direct borrowings and direct placements related to debt for periods beginning after June 15, 2018. Furthermore, GASB No. 88 clarifies which liabilities governments should include when disclosing information. Earlier application is encouraged. The District is still evaluating how this pronouncement will affect the financial statements

In June 2018, GASB No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period, was issued. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The District is still evaluating how this pronouncement will affect the financial statements.

In December 2018, GASB No. 90, Majority Equity Interests, was issued. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

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

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

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

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

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

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

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

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

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2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

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

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

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

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

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

3. DEPOSIT AND INVESTMENTS

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

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

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.

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3. DEPOSIT AND INVESTMENTS (CONTINUED)

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

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

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

	Everyone's Federal Credit Union	New Mexico Finance Authority	Total
	<u> </u>	<u> </u>	<u> </u>
Cash on deposit at June 30, 2018	\$ 998,010	\$ 926,403	\$ 1,924,413
FDIC coverage	<u>(250,000)</u>	<u>(926,403)</u>	<u>(1,176,403)</u>
Total uninsured public funds	<u>\$ 748,010</u>	<u>\$ -</u>	<u>\$ 748,010</u>
Pledged collateral	\$ 550,000	\$ -	\$ 550,000
Collateral requirement (50% of uninsured public funds)	<u>374,005</u>	<u>-</u>	<u>374,005</u>
Over collateralization	<u>\$ 175,995</u>	<u>\$ -</u>	<u>\$ 175,995</u>

Custodial Credit Risk-Deposits - Custodial Credit Risk is the risk that in the event of bank failure, the School's deposits may not be returned to it. The School does not have a deposit policy for custodial credit risk other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). As of June 30, 2018, \$748,010 of the District's bank balance of \$998,010 was exposed to custodial credit risk because or was uninsured and the collateral was held by the pledging bank's trust department, not in the District's name. At June 30, 2018, the carrying amount of these deposits was \$1,812,234.

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3. DEPOSIT AND INVESTMENTS (CONTINUED)

Reconciliation of Cash and Cash Equivalents

Cash and cash equivalents per Governmental Funds - balance sheet	\$ 863,812
Restricted cash and cash equivalents - balance sheet	<u>926,403</u>
Total	<u>1,790,215</u>
Statement of Fiduciary Net Assets - cash	<u>22,019</u>
Total cash and cash equivalents	1,812,234
Add outstanding checks and other reconciling items	<u>112,179</u>
Bank balance of deposits and investments	<u>\$ 1,924,413</u>
Cash source:	
Everyone's Federal Credit Union	\$ 998,010
New Mexico Finance Authority	<u>926,403</u>
Total cash and cash equivalents	<u>\$ 1,924,413</u>

Credit and Interest Rate Risk

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

4. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

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

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 VAUGHN MUNICIPAL SCHOOLS
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4. **INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED)**

Governmental Activities	Due from other funds	Due to other funds
General fund	\$ 129,515	\$ -
REAP	-	36,067
Teacher/Training	-	16,770
Title I	-	14,532
Entitlement IDEA B	-	14,583
Teacher/PRIN	-	5,600
Student Library	-	6,072
Teachers	-	635
Pre-K Initiative	-	12,387
Breakfast After the Bell	-	585
Teacher and School Leader Incentive Pay	-	22,284
Totals	<u>\$ 129,515</u>	<u>\$ 129,515</u>

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

5. **ACCOUNTS RECEIVABLE**

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

	General	Major Governmental Funds	Non-Major Governmental Funds	Total
Government grants	\$ -	\$ 129,515	\$ -	\$ 129,515
Property taxes	<u>324</u>	<u>4,120</u>	<u>-</u>	<u>4,444</u>
Total	<u>\$ 324</u>	<u>\$ 133,635</u>	<u>\$ -</u>	<u>\$ 133,959</u>

The above receivables are deemed 100% collectible.

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6. CAPITAL ASSETS

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

	Balance June 30, 2017	Additions	Retirements	Transfer	Balance June 30, 2018
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$ 169,045	\$ -	\$ -	\$ -	\$ 169,045
Construction in progress	<u>-</u>	<u>22,438</u>	<u>-</u>	<u>-</u>	<u>22,438</u>
Total capital assets not being depreciated	169,045	22,438	-	-	191,483
Capital assets being depreciated:					
Buildings & building improvements	8,406,723	565,484	(37,422)	-	8,934,785
Equipment, vehicles, information technology equipment, software & books	<u>1,617,873</u>	<u>5,500</u>	<u>(2,047)</u>	<u>-</u>	<u>1,621,326</u>
Total capital assets being depreciated	10,024,596	570,984	(39,469)	-	10,556,111
Less accumulated depreciation for:					
Buildings & building improvements	5,261,688	139,517	(37,422)	-	5,363,783
Equipment, vehicles, information technology equipment, software & books	<u>1,264,438</u>	<u>74,325</u>	<u>(2,047)</u>	<u>-</u>	<u>1,336,716</u>
Total accumulated depreciation	<u>6,526,126</u>	<u>213,842</u>	<u>(39,469)</u>	<u>-</u>	<u>6,700,499</u>
Total capital assets being depreciated, net	<u>3,498,470</u>	<u>357,142</u>	<u>-</u>	<u>-</u>	<u>3,855,612</u>
Governmental activities capital assets, net	<u>\$ 3,667,515</u>	<u>\$ 379,580</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,047,095</u>

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6. CAPITAL ASSETS (CONTINUED)

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

Governmental Activities	
Instruction	\$ 44,819
Support services	154,957
Operations and maintenance of plant	<u>14,066</u>
 Total	 <u>\$ 213,842</u>

7. LONG-TERM OBLIGATIONS

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. The original amount of general obligation bonds issued was \$3,755,000. General obligation bonds are direct obligations and pledge the full faith and credit of the District. These bonds are issued with varying terms and varying amounts of principal maturing each year. All general obligation bonds as of June 30, 2018 are for governmental activities.

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

	<u>Series 9/15/2009</u>	<u>Series 6/21/2013</u>	<u>Series 5/25/2015</u>	<u>Series 9/18/2015</u>	<u>Series 07/28/2017</u>	<u>Series 07/28/2017</u>	<u>Series 05/04/2018</u>
Original issue	\$855,000	\$850,000	\$750,000	\$100,000	\$200,000	\$250,000	\$750,000
Maturity	8/1/2019	8/1/2025	8/1/2027	8/1/2020	8/1/2018	8/1/2027	8/1/2031
Principal	August 1	February 1	February 1	February 1	February 1	February 1	February 1
Interest rate	4.00% - 4.25%	0.10% - 2.45%	0.10% - 1.37%	0.1991%	0.1991%	0.1991%	0.1991%
Interest	February 1 & August 1	January 1 & July 1	August 1 & February 1	August 1 & February 1	August 1 & February 1	August 1 & February 1	August 1 & February 1

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

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7. LONG-TERM OBLIGATIONS (CONTINUED)

	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018	Due Within One Year
Governmental Activities:					
Bonds payable	\$ 1,755,000	\$ 1,200,000	\$ 195,000	\$ 2,760,000	\$ 370,000
Compensated absences	8,030	-	706	7,324	7,324
Total governmental activities	\$ 1,763,030	\$ 1,200,000	\$ 195,706	\$ 2,767,324	\$ 377,324

The annual requirements to amortize the Series 9/15/2009 general obligation bond outstanding as of June 30, 2018, including interest payments are as follows:

Years ending June 30,	Principal	Interest	Total
2019	\$ 100,000	\$ 6,200	\$ 106,200
2020	105,000	2,100	107,100
2021	-	-	-
	\$ 205,000	\$ 8,300	\$ 213,300

The annual requirements to amortize the Series 6/21/2013 general obligation bond outstanding as of June 30, 2018, including interest payments are as follows:

Years ending June 30,	Principal	Interest	Total
2019	\$ 40,000	\$ 8,277	\$ 48,277
2020	40,000	7,795	47,795
2021	75,000	7,201	82,201
2023	75,000	5,863	80,863
2022	75,000	4,353	79,353
2023-2025	300,000	2,954	302,954
	\$ 605,000	\$ 36,443	\$ 641,443

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7. LONG-TERM OBLIGATIONS (CONTINUED)

The annual requirements to amortize the Series 5/25/2015 general obligation bond outstanding as of June 30, 2018, including interest payments are as follows:

Years ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 10,000	\$ 10,730	\$ 20,730
2020	15,000	10,614	25,614
2021	65,000	10,397	75,397
2023	80,000	9,329	89,329
2022	90,000	7,854	97,854
2023-2028	<u>445,000</u>	<u>12,867</u>	<u>457,867</u>
	<u>\$ 705,000</u>	<u>\$ 61,791</u>	<u>\$ 766,791</u>

The annual requirements to amortize the Series 9/18/2015 general obligation bond outstanding as of June 30, 2018, including interest payments are as follows:

Years ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 20,000	\$ 35	\$ 20,035
2020	15,000	18	15,018
2021	10,000	5	10,005
2023	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 45,000</u>	<u>\$ 58</u>	<u>\$ 45,058</u>

The annual requirements to amortize the Series 07/28/2017 general obligation bond outstanding as of June 30, 2018, including interest payments are as follows:

Years ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 200,000	\$ 277	\$ 200,277
2020	-	-	-
2021	-	-	-
2023	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 200,000</u>	<u>\$ 277</u>	<u>\$ 200,277</u>

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7. LONG-TERM OBLIGATIONS (CONTINUED)

The annual requirements to amortize the Series 07/28/2017 general obligation bond outstanding as of June 30, 2018, including interest payments are as follows:

Years ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ -	\$ 496	\$ 496
2020	15,000	481	15,481
2021	-	-	-
2022	-	-	-
2023 - 2028	<u>735,000</u>	<u>-</u>	<u>735,000</u>
	<u>\$ 750,000</u>	<u>\$ 977</u>	<u>\$ 750,977</u>

The annual requirements to amortize the Series 05/04/2018 general obligation bond outstanding as of June 30, 2018, including interest payments are as follows:

Years ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ -	\$ 12,559	\$ 12,559
2020	80,000	16,342	96,342
2021	100,000	14,940	114,940
2022	50,000	13,690	63,690
2023	50,000	12,770	62,770
2024 - 2028	<u>470,000</u>	<u>61,132</u>	<u>531,132</u>
	<u>\$ 750,000</u>	<u>\$ 131,433</u>	<u>\$ 881,433</u>

Compensated Absences - Administrative employees of the District are able to accrue a limited amount of vacation and other compensatory time during the year. During fiscal year June 30, 2018, compensated absences decreased a net of \$706 from the prior year accrual. In prior years, the general fund was typically used to liquidate long-term liabilities other than debt.

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8. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors omissions; and natural disasters, for which the District is a member of the New Mexico Public School Insurance Authority (NMPSIA). The Authority was created to provide comprehensive core insurance programs by expanding the pool of subscribers to maximize cost containment opportunities for required insurance coverage. The District pays an annual premium to the NMPSIA based on claim experience and the status of the pool. The Risk Management Program includes Workers Compensation, General and Automobile Liability, Automobile Physical Damage, and Property and Crime coverage. Also included under the risk management program are Boiler, Machinery and Student Accident Insurance.

The NMPSIA provides coverage for up to a maximum of \$500,000 for each property damage claim with a \$750 deductible to each building. General liability coverage is afforded to all employees, volunteers and school board members and the limit is subject to the NMSA Tort Claims Act on a per occurrence basis. The automobile and property liability limit is subject to the provisions of the Tort Claims Act. The crime limit is \$250,000 per occurrence for Faithful Performance. A limit of \$250,000 applies to Depositor's Forgery, Credit Card Forgery, and Money Orders. A limit of \$100,000 applies to Money and Securities, which include a \$750 deductible.

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

9. PENSION PLAN- EDUCATIONAL RETIREMENT BOARD

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

STATE OF NEW MEXICO
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9. PENSION PLAN- EDUCATIONAL RETIREMENT BOARD (CONTINUED)

Funding Policy

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

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

The contribution requirements of plan members and the Vaughn Municipal Schools are established in State statute under Chapter 22, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. Vaughn Municipal School's contributions to ERB for the fiscal years ending June 30, 2018, 2017, and 2016, were \$126,686, \$138,684, and \$118,309, respectively, which equal the amount of the required contributions for each fiscal year.

GASB 68, Accounting and Financial Reporting for Pensions, requires contributing employers of cost-sharing multiple employer defined benefit pension plans to include the net pension liability, pension expense, and pension-related deferred inflows and outflows of resources related to their share of the pension plan in their government-wide financial statement presentation. ERB engaged their financial statement auditors to prepare a schedule allocating these obligations to the contributing employers as of the year ended June 30, 2016. As part of adopting GASB 68, the District recognized a Net Pension Liability (NPL), which represents the District's share of the underfunded pension obligation at June 30, 2018.

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9. PENSION PLAN- EDUCATIONAL RETIREMENT BOARD (CONTINUED)

For the year ended June 30, 2018, the District recognized pension expense of \$552,452. At the June 30, 2018, the District reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Differences between expected and actual experience	\$ -	\$ 60,527
Changes in assumptions	1,136,782	-
Net difference between projected and actual earnings on pension plan investments	-	-
Difference between expected and actual experience	6,990	-
District contributions subsequent to the measurement date	127,091	-
Change in proportion and differences between employer contributions and proportionate share of contributions	<u>231,029</u>	<u>92,498</u>
Total	<u>\$ 1,501,892</u>	<u>\$ 153,025</u>

\$127,091 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date of June 30, 2017, will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

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9. PENSION PLAN- EDUCATIONAL RETIREMENT BOARD (CONTINUED)

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

Year ended June 30:

2019	\$	439,658
2020		493,042
2021		321,142
2022		(32,066)
2023		-

Actuarial assumptions. As described above, the total ERB pension liability and net pension liability are based on an actuarial valuation performed as of June 30, 2017. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2017 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2017. Specifically, the liabilities measured as of June 30, 2017 incorporate the following assumptions:

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

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9. PENSION PLAN- EDUCATIONAL RETIREMENT BOARD (CONTINUED)

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

Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay, open
Amortization period	Solved for based on statutory rates
Asset valuation method	4 Year smoothed Market Value
Actuarial assumptions	
* Investment rate of return	7.51% annual rate, net of investment expense
* Projected benefit payment	100 years
* Payroll growth	2.75% for the first 9 years, then 3.25% annual rate
* Projected salary increases	2.75% to 14.00% annual rate
* Includes inflation at	2.25% annual rate, first 9 years, then 2.75% thereafter
* Mortality Assumption	PR-2000 Mortality Tables (combined table for healthy post-retirements, Employee Table for active members, and Disabled table for disabled retirees before retirement age) with projection to 2018 using Scale AA.
* Experience Study Dates	July 1, 2008 to June 30, 2013 (demographic) and July 1, 2010 through June 20, 2016 (economic)

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

Discount rate: A single discount rate of 5.90% was used to measure the total ERB pension liability as of June 30, 2017. This single discount rate was based on the expected rate of return on pension plan investments of 7.75%. Based on the stated assumptions and the projection of cash flows, the Plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current pension plan members. Therefore the long term expected rate of return on Plan investments was applied to all

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9. periods of projected benefit payments to determine the total pension liability.
PENSION PLAN- EDUCATIONAL RETIREMENT BOARD (CONTINUED)

The projection of cash flows used to determine this single discount rate assumed that Plan contributions will be made at the current statutory levels. Additionally, contributions received through the Alternative Retirement Plan (ARP), ERB's defined contribution plan, are included in the projection of cash flows.

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

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following table shows the sensitivity of the net pension liability to changes in the discount rate as of the fiscal year end 2016. In particular, the table presents the (employer's) net pension liability under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (4.90%) or one percentage point higher (6.90%) than the single discount rate.

	1% Decrease (4.90%)	Current Discount Rate (5.90%)	1% Increase (6.90%)
District's proportionate share of net pension	<u>\$ 5,069,227</u>	<u>\$ 3,894,159</u>	<u>\$ 2,933,637</u>

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

Payables to the pension plan. The District remits the legally required employer and employee contributions on a monthly basis to ERB. The ERB requires that the contributions be remitted by the 15th day of the month following the month for which contributions are withheld. At June 30, 2017 the District did not owe ERB any funds.

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

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

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

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

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

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

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

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2016, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2016, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

Vaughn Municipal Schools contributions to the RHCA for the years ended June 30, 2018, 2017 and 2016 were \$18,228, \$29,894, and \$25,923, respectively, which equal the required contributions for each year.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ -	\$ 183,894
Net difference between projected and actual earnings on OPEB plan investments	-	15,131
Difference between expected and actual experience	-	40,363
Contributions made after the measurement date	<u>18,287</u>	<u>-</u>
	<u>\$ 18,287</u>	<u>\$ 239,388</u>

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

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

Deferred outflows of resources totaling \$18,287 represent School contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year Ending		
2019	\$	(50,895)
2020		(50,895)
2021		(50,895)
2022		(50,895)
2023		(35,808)
		(239,388)
	\$	(239,388)

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

Actuarial valuation date	June 30, 2017
Actuarial cost method	Entry age normal , level percent of pay,calculated on individual employee basis
Asset valuation method	Market Value of assets
Actuarial assumptions	
Inflation	2.50% for ERB; 2.25% for PERA
Projected payroll increases	3.50%
Investment rate of return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation.
Healthcare 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:

STATE OF NEW MEXICO
 VAUGHN MUNICIPAL SCHOOLS
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10. POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN (CONTINUED)

Assets Class	Long-Term Rate of Return
U.S. core of fixed income	4.1%
U.S equity - large cap	9.10%
Non U.S. - emerging markets	12.2%
Non U.S. - developed equities	9.8%
Private equity	13.8%
Credit and structured finance	7.3%
Real estate	6.9%
Absolute return	6.1%
U.S. equity - small/mid cap	9.1%

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

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates – The following presents the net OPEB liability of the Authority, as well as what the Authority’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%
\$ <u>1,275,819</u>	\$ <u>1,051,801</u>	\$ <u>876,040</u>

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 VAUGHN MUNICIPAL SCHOOLS
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 JUNE 30, 2018

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

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

1% Decrease	Current Trend Rate	1% Increase
\$ <u>894,629</u>	\$ <u>1,051,801</u>	\$ <u>1,174,357</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 Authority reported a payable of \$1,169 for outstanding contributions due to NMRHCA for the year ended June 30, 2018.

11. LOSS CONTINGENCIES

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

11. LOSS CONTINGENCIES (CONTINUED)

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.

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

12. OPERATING LEASES

On November 17 2016, the District entered into a lease agreement to lease three copy machines. The lease has a 60 month term with payment of \$866 monthly. The first payment was made on November 17, 2016 and the last payment is due November 17, 2021. Future annual rent receipts are as follows:

Years ending June 30,	Amount
2019	\$ 10,395
2020	10,395
2021	10,395
2022	<u>-</u>
	<u>\$ 31,185</u>

13. ANALYSIS FOR IMPAIRMENT

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

14. SUBSEQUENT EVENTS

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

15. RESTATEMENT

A restatement of \$1,249,370 was recorded for in the government wide financial statements. The restatement was made to adjust beginning balances due to implement GASB 75, as follows:

	<u>Government-Wide</u>
OPEB restatment	\$ <u>(1,249,370)</u>
Total restatement	\$ <u>(1,249,370)</u>

STATE OF NEW MEXICO
 VAUGHN MUNICIPAL SCHOOLS
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 JUNE 30, 2018

16. TAX ABATEMENT

Torrance County Property tax revenue were reduced by an unestimable amount under agreements entered into by the County. Below is the information available to Vaughn Municipal Schools in relation to this abatement.

Abating Agency Number	5030
Abating Agency Name	Torrance County
Abating Agency Type	County
Tax Abatement Agreement Name	El Cabo Wind, LLC
Name of agency affected by abatement agreement (Affected Agency)	Vaughn Municipal Schools
Agency number of Affected Agency	7087
Agency type of Affected Agency	School District
Recipient(s) of tax abatement	Yes
Tax abatement program (name and brief description)	Industrial Revenue Bond - Renewable Engery (Wind Farm)
Specific Tax(es) Being Abated	Property Tax
Authority under which abated tax would have been paid to Affected Agency	Property Tax Distribution
Gross dollar amount, on an accrual basis, by which the Affected Agency's tax revenues were reduced during the reporting period as a result of the tax abatement agreement	This was set up in 2013 and the County Assessor's office has no record of any values used to determine any reductions.
For any Payments in Lieu of Taxes (PILOTS) or similar payments receivable by the Affected Agency in association with the foregone tax revenue, list the amount of payments received in the current fiscal year	Vaughn Municipal Schools will receive \$268,200 annually for 30 years starting in 2016. In the fiscal year under audit they received \$134,000 in December 2017 the other \$134,000 in May 2018, thus recognized in prior year.
If the Abating Agency is omitting any information required in this spreadsheet or by GASB 77, cite the legal basis for such omission	N/A

REQUIRED SUPPLEMENTARY INFORMATION

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
The Vaughn Municipal Schools' proportion of the net pension liability	\$ 1,934,234	\$ 2,123,878	\$ 2,177,641	\$ 3,894,159
The Vaughn Municipal Schools' proportionate share of the net pension liability	0.0339%	0.0328%	0.0303%	0.0350%
The Vaughn Municipal Schools' covered-employee payroll	\$ 934,484	\$ 895,272	\$ 997,728	\$ 997,728
The Vaughn Municipal Schools's proportionate share of the net pension liability as a percentage of its covered-employee payroll	206.98 %	237.23 %	218.26 %	390.30 %
Plan fiduciary net position as a percentage of the total pension liability	66.54 %	63.97 %	61.58 %	52.95 %

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

See independent auditors' report

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually required contribution	\$ 129,581	\$ 118,309	\$ 138,684	\$ 127,091
Contributions in relation to the contractually required contribution	<u>129,581</u>	<u>118,309</u>	<u>138,684</u>	<u>127,091</u>
Contribution deficiency (excess)	-	-	-	-
The Vaughn Municipal Schools' covered-employee payroll	<u>\$ 934,484</u>	<u>\$ 895,272</u>	<u>\$ 997,728</u>	<u>\$ 997,728</u>
Contributions as a percentage of covered-employee payroll	<u>13.87 %</u>	<u>13.21 %</u>	<u>13.90 %</u>	<u>12.74 %</u>

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

See independent auditors' report

VAUGHN MUNICIPAL SCHOOLS
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
 LAST 10 FISCAL YEARS

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

	2018
Vaughn Municipal Schools's proportion of the net OPEB liability	0.02321%
Vaughn Municipal Schools's proportionate share of the net OPEB liability	\$ 1,051,801
Vaughn Municipal Schools's covered-employee payroll	\$ 966,847
Vaughn Municipal Schools's proportionate share of net OPEB liability as a percentage of its covered - employee payroll	108.79%
Plan fiduciary net pension as a percentage of the total OPEB liability	11.34%

VAUGHN MUNICIPAL SCHOOLS
 SCHEDULE OF CONTRIBUTIONS OF THE NET OPEB LIABILITY
 LAST 10 FISCAL YEARS

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

	2018
Contractually required contribution	\$ 73,703
Contributions in relation to the contractually required contribution	\$ <u>36,991</u>
Contribution deficiency (excess)	\$ <u>36,712</u>
Vaughn Municipal Schools's covered-employee payroll	\$ 966,847
Contribution as a percentage of covered-employee payroll	3.83%

SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

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

	Special Revenue	Capital Projects	Total
ASSETS			
Cash on deposit	\$ 26,899	\$ 213	\$ 27,112
Restricted Cash	-	926,016	926,016
Property taxes receivable	-	-	-
Accounts receivable	17,990	-	17,990
Inventory, at cost	800	-	800
Due from grantors	111,525	-	111,525
	<u>157,214</u>	<u>926,229</u>	<u>1,083,443</u>
Total assets	<u>\$ 157,214</u>	<u>\$ 926,229</u>	<u>\$ 1,083,443</u>
LIABILITIES DEFERRED INFLOWS, AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ 22,438	\$ 22,438
Due to other funds	\$ 129,515	-	\$ 129,515
Accounts payable	-	-	-
Total liabilities	129,515	22,438	151,953
Deferred inflows:			
Property tax	-	-	-
Total deferred inflows	-	-	-
Total deferred inflows and liabilities	129,515	22,438	151,953
Fund balances:			
Nonspendable - inventory	800	-	800
Restricted, reported in:			
Special revenue funds	26,899	-	26,899
Capital project funds	-	903,791	903,791
Total fund balance	<u>27,699</u>	<u>903,791</u>	<u>931,490</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 157,214</u>	<u>\$ 926,229</u>	<u>\$ 1,083,443</u>

See independent auditors' report

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

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total</u>
Revenues:			
Charges for services	\$ 14,320	\$ -	\$ 14,320
Taxes	50,806	-	50,806
State sources	44,234	-	44,234
Federal sources	95,880	-	95,880
Bond proceeds	-	1,200,000	1,200,000
Miscellaneous	-	5,453	5,453
	<u>205,240</u>	<u>1,205,453</u>	<u>1,410,693</u>
Total revenues			
Expenditures:			
Current:			
Direct instruction	103,513	121,743	225,256
Instructional support	52,554	-	52,554
Food services	45,111	-	45,111
Capital outlay	-	180,483	180,483
	<u>201,178</u>	<u>302,226</u>	<u>503,404</u>
Total expenditures			
Net changes in fund balances	4,062	903,227	907,289
Fund balance - beginning of year	<u>23,637</u>	<u>564</u>	<u>24,201</u>
Fund balance - end of year	<u>\$ 27,699</u>	<u>\$ 903,791</u>	<u>\$ 931,490</u>

See independent auditors' report

SPECIAL REVENUE FUNDS

STATE OF NEW MEXICO
VAUGHN MUNICIPAL SCHOOLS
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

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

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

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

TITLE I IASA (24101 ENTITLEMENT), (24201 FEDERAL STIMULUS) - The Title I project provides remedial instruction in language arts for educationally deprived students in low income areas. The project is funded by the Federal Government through the New Mexico State Department of Education, under the Elementary and Secondary Education Act of 1965, Title I, Chapter 1, Part A, 20 U.S.C. 2701 et seq.

IDEA-B ENTITLEMENT SPECIAL (24106), (24206 FEDERAL STIMULUS) - This fund is used to account for a program funded by a Federal grant to assist the District in providing free appropriate public education to all handicapped children. Funding authorized by Individuals with Disabilities Education Act, Part B, Section 611-620, as amended, Public Laws 91-230, 93-380, 94-142, 98-199, 99-457, 100,639, and 101-476, 20 U.S.C. 1411-1420.

IDEA-B PRESCHOOL (24109) - The objective of the Assistance to States for the Education of Handicapped Children Program is to assist in providing free, appropriate public education to all handicapped children from ages three to five. Federal revenues accounted for in this fund are allocated to the District through the New Mexico Department of Children, Youth and Families. Authority for creation of this fund is Public Law 105-17.

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

ENMR PLATEAU - EDUCATION FOUNDATION SCHOOL GRANT (26191) - To account for monies received to purchase equipment needed to use the Accelerated Math Program.

STATE OF NEW MEXICO
VAUGHN MUNICIPAL SCHOOLS
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

2012 GO BOND LIBRARY (27107) - To account for monies received from, Laws of 2012 to be used to improve the library, acquire library books or library resources that support the library program.

BEGINNING TEACHER MENTORING (27154) - To account for monies appropriated by the State Legislature to be used for stipends to mentors, for professional development opportunities, release time; including payment of substitutes, materials and supplies and for minor administrative costs. Financing and authority is provided by the State Legislature.

Pre- K Initiative (27149) - The pre-k program shall address the total development needs of preschool children, including physical, cognitive, social and emotional needs, and shall include health care, nutrition, safety and multicultural sensitivity.

BREAKFAST AFTER THE BELL (27155) - is a school breakfast program in which food shall be served or consumed, at no charge, after the instructional day has begun, provided that instruction occurs simultaneously, to all students attending that elementary school through a school breakfast program that meets the federal school breakfast program standards as authorized by Section 4 of the Child Nutrition Act of 1966 and operated in accordance with all applicable policies, guidance, and law, including the requirements listed in 7 CFR Part 220.

Rural Education Achievement Program Fund (25233) - is used to provide financial assistance to rural district to carry out activities to help improve the quality of teaching and learning in their schools. Elementary and Secondary Education Act of 1965 (ESEA), Title VI, Part B, as amended.

K-3-Plus Fund (27166) - To account for funds received to provide the opportunity for the district to address early literacy. The full-day kindergarten program is the first step in the implementation of a sequential early literacy approach to teaching reading.

Recruitment Support Fund (27128) - The funding under this award must be used for teacher recruitment efforts such as signing bonuses for new teachers, covering the costs of travel to a recruiting/hiring event.

Teacher and School Leader Incentive Fund (27188) - Individuals - To support LEAs with the design and development of locally-crafted opportunities to champion and retain educator. Through this opportunity, LEAs will have a powerful tool to ensure that educators who demonstrate the ability to positively impact the academic trajectory of their within their students will be recognized for their excellence and, furthermore, be incentivized to continue their work within their classrooms and schools.

STATE OF NEW MEXICO
VAUGHN MUNICIPAL SCHOOLS
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

Teacher and School Leader Incentive Fund (27190) - Group - To support LEAs with the design and development of locally-crafted opportunities to champion and retain educator. Through this opportunity, LEAs will have a powerful tool to ensure that educators who demonstrate the ability to positively impact the academic trajectory of their within their students will be recognized for their excellence and, furthermore, be incentivized to continue their work within their classrooms and schools.

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

Special Revenue Funds							
	Food Service 21000	Athletics 22000	Title I 24101	Entitlement IDEA-B 24106	IDEA-B Preschool 24109	Teacher/Princi pal Training & Recruiting 24154	ENMR Education Foundation School Grant 26191
ASSETS							
Cash on deposit	\$ 5,788	\$ 17,851	\$ -	\$ -	\$ -	\$ -	\$ 693
Restricted cash	-	-	-	-	-	-	-
Inventory, at cost	800	-	-	-	-	-	-
Due from grantors	-	-	14,532	14,583	-	5,600	-
Total assets	<u>\$ 6,588</u>	<u>\$ 17,851</u>	<u>\$ 14,532</u>	<u>\$ 14,583</u>	<u>\$ -</u>	<u>\$ 5,600</u>	<u>\$ 693</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Due to other funds	\$ -	\$ -	\$ 14,532	\$ 14,583	\$ -	\$ 5,600	\$ -
Accounts payable	-	-	-	-	-	-	-
Total liabilities	-	-	14,532	14,583	-	5,600	-
Fund balances:							
Nonspendable - inventory	800	-	-	-	-	-	-
Restricted, reported in:							
Special revenue funds	<u>5,788</u>	<u>17,851</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>693</u>
Total fund balance	<u>6,588</u>	<u>17,851</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>693</u>
Total liabilities and fund balances	<u>\$ 6,588</u>	<u>\$ 17,851</u>	<u>\$ 14,532</u>	<u>\$ 14,583</u>	<u>\$ -</u>	<u>\$ 5,600</u>	<u>\$ 693</u>

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

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

	Special Revenue Funds						
	2012 GO Bond Student Library 27107	Beginning Teacher Mentoring 27154	Pre K Initiative 27149	Teacher and School Leader Incentive 27190	Rural Education Achievement Program 25233	K-3 Plus 27166	Teacher and School Leader Incentive Pay 27188
ASSETS							
Cash on deposit	\$ -	\$ 2,567	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted cash	-	-	-	-	-	-	-
Inventory, at cost	-	-	-	-	-	-	-
Due from grantors	6,072	-	12,387	-	36,067	22,284	-
Total assets	\$ 6,072	\$ 2,567	\$ 12,387	\$ -	\$ 36,067	\$ -	\$ -
LIABILITIES AND FUND BALANCES							
Liabilities:							
Due to other funds	\$ 6,072	\$ -	\$ 12,387	\$ -	\$ 36,067	\$ 22,284	\$ -
Accounts payable	-	-	-	-	-	-	-
Total liabilities	6,072	-	12,387	-	36,067	-	-
Fund balances:							
Nonspendable - inventory	-	-	-	-	-	-	-
Restricted, reported in:							
Special revenue funds	-	2,567	-	-	-	-	-
Total fund balance	-	2,567	-	-	-	-	-
Total liabilities and fund balances	\$ 6,072	\$ 2,567	\$ 12,387	\$ -	\$ 36,067	\$ -	\$ -

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

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

	<u>Special Revenue Funds</u>			
	<u>Breakfast After Bells 27155</u>	<u>Teacher 27128</u>	<u>Teacher/Principal Training 24132</u>	<u>Total Special Revenue Funds</u>
ASSETS				
Cash on deposit	\$ -	\$ -	\$ -	\$ 26,899
Accounts receivable	585	635	16,770	17,990
Inventory, at cost	-	-	-	800
Due from grantors	-	-	-	111,525
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 585</u>	<u>\$ 635</u>	<u>\$ 16,770</u>	<u>\$ 157,214</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Due to other funds	\$ 585	\$ 635	\$ 16,770	\$ 129,515
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	585	635	16,770	129,515
Fund balances:				
Nonspendable - inventory	-	-	-	800
Restricted, reported in:				
Special revenue funds	-	-	-	26,899
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,699</u>
Total liabilities and fund balances	<u>\$ 585</u>	<u>\$ 635</u>	<u>\$ 16,770</u>	<u>\$ 157,214</u>

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

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

	Special Revenue Funds						
	Food Service 21000	Athletics 22000	Title I 24101	Entitlement IDEA-B 24106	IDEA-B Preschool 24109	Teacher/Princ ipal Training & Recruiting 24154	ENMR Education Foundation School Grant 26191
Revenues:							
Charges for services	\$ 1,333	\$ 12,987	\$ -	\$ -	\$ -	\$ -	\$ -
Federal sources	41,924	-	33,528	14,828	-	5,600	-
Total revenues	<u>43,257</u>	<u>12,987</u>	<u>33,528</u>	<u>14,828</u>	<u>-</u>	<u>5,600</u>	<u>-</u>
Expenditures:							
Current:							
Direct instruction	-	7,896	33,528	14,828	-	5,600	-
Instructional support	-	-	-	-	-	-	1,113
Food services	43,173	-	-	-	-	-	-
Total expenditures	<u>43,173</u>	<u>7,896</u>	<u>33,528</u>	<u>14,828</u>	<u>-</u>	<u>5,600</u>	<u>1,113</u>
Net changes in fund balances	84	5,091	-	-	-	-	(1,113)
Fund balance - beginning of	<u>6,504</u>	<u>12,760</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,806</u>
Fund balance - end of year as restated	<u>\$ 6,588</u>	<u>\$ 17,851</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 693</u>

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

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

	Special Revenue Funds						
	2012 GO Bond Student Library 27107	Beginning Teacher Mentoring 27154	Pre K Initiative 27149	Teacher and School Leader Incentive 27190	Rural Education Achievement Program 25233	K-3 Plus 27166	Teacher and School Leader Incentive Pay 27188
Revenues:							
Charge for services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State share taxes	-	-	32,063	-	-	-	18,743
State sources	-	-	-	6,055	-	8,951	-
Federal sources	-	-	-	-	-	-	-
Total revenues	-	-	32,063	6,055	-	8,951	18,743
Expenditures:							
Current:							
Direct instruction	-	-	-	6,055	-	8,951	-
Instructional support	-	-	32,063	-	-	-	18,743
Food services	-	-	-	-	-	-	-
Total expenditures	-	-	32,063	6,055	-	8,951	18,743
Net changes in fund balances	-	-	-	-	-	-	-
Fund balance - beginning	-	2,567	-	-	-	-	-
Fund balance - end of year	\$ -	\$ 2,567	\$ -	\$ -	\$ -	\$ -	\$ -

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

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

	Special Revenue Funds			
	Breakfast After Bells 27155	Teacher 27128	Teacher/Princi pal Training 24132	Total Special Revenue Funds
Revenues:				
Charge for services	\$ -	\$ -	\$ -	\$ 14,320
State share taxes	-	-	-	50,806
State sources	1,938	635	26,655	44,234
Federal sources	-	-	-	95,880
Total revenues	<u>1,938</u>	<u>635</u>	<u>26,655</u>	<u>205,240</u>
Expenditures:				
Current:				
Direct instruction	-	-	26,655	103,513
Instructional support	-	635	-	52,554
Food services	1,938	-	-	45,111
Total expenditures	<u>1,938</u>	<u>635</u>	<u>26,655</u>	<u>201,178</u>
Net changes in fund balances	-	-	-	4,062
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,637</u>
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,699</u>

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

STATE OF NEW MEXICO
VAUGHN MUNICIPAL SCHOOLS
CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

EDUCATION TECHNOLOGY EQUIPMENT ACT (31900) - To ensure that American children have the skills they need to succeed in the information-intensive 21st century, the federal government is committed to working with the private sector to promote four major developments in American education: making modern computer technology an integral part of every classroom; creation of this fund is the Federal Property and Administrative Services Act of 1949., Ch. 288, 63 Stat 377, and the National Defense Authorization Act for the fiscal year 1996, Public Law 104-106.

BOND BUILDING CAPITAL FUND (31100) – This fund accounts for the revenue received from bonds sold by the school to be used for improvements and additions to school owned property.

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

	Education Technology Equipment Act 31900	Bond Building 31100	Total
ASSETS			
Cash on deposit	\$ 46	\$ 167	\$ 213
Restricted cash	89,328	836,688	926,016
Total assets	\$ 89,374	\$ 836,855	\$ 926,229
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payables	\$ -	\$ 22,438	\$ 22,438
Total liabilities	-	22,438	22,438
Fund balances:			
Reserve for retirement of long- term debt	-	-	-
Reserved for inventory	-	-	-
Restricted, reported in:			
Capital projects funds	89,374	814,417	903,791
Total fund balance	89,374	814,417	903,791
Total liabilities and fund balances	\$ 89,374	\$ 836,855	\$ 926,229

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

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

	Education Technology Equipment Act 31900	Bond Building 31100	Total
Revenues:			
Interest income	1,296	4,157	5,453
Proceeds from sale of bond	\$ 200,000	\$ 1,000,000	1,200,000
Total revenues	201,296	1,004,157	1,205,453
Expenditures:			
Current:			
Direct instruction	60,320	61,423	121,743
Capital outlay	51,985	128,498	180,483
Total expenditures	112,305	189,921	302,226
Net changes in fund balances	88,991	814,236	903,227
Fund balance - beginning of year	383	181	564
Fund balance - end of year	\$ 89,374	\$ 814,417	\$ 903,791

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

GENERAL FUND

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

	Operational 11000	Teacherage 12000	Transportation 13000	Instructional Material 14000	Total
ASSETS					
Cash	\$ 138,430	\$ 8,151	\$ -	\$ 5,359	\$ 151,940
Taxes receivable	324	-	-	-	324
Due from other funds	129,515	-	-	-	129,515
Total assets	\$ 268,269	\$ 8,151	\$ -	\$ 5,359	\$ 281,779
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES					
Deferred inflows:					
Property tax	\$ 80	\$ -	\$ -	\$ -	\$ 80
Total deferred inflows	80	-	-	-	80
Fund balances:					
Restricted fund	-	-	-	5,359	5,359
Unassigned, reported in:					
General fund	268,189	8,151	-	-	276,340
Total fund balances	268,189	8,151	-	5,359	281,699
Total liabilities, deferred inflows, and fund balances	\$ 268,269	\$ 8,151	\$ -	\$ 5,359	\$ 281,779

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

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

	Operational 11000	Teacherage 12000	Transportation 13000	Instructional Material 14000	Total
REVENUES					
Taxes	\$ 38,645	\$ -	\$ -	\$ -	\$ 38,645
Charges for services	-	7,200	-	-	7,200
State sources	1,635,257	-	-	1,993	1,637,250
Transportation distribution	-	-	63,506	-	63,506
Miscellaneous	<u>25,603</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,603</u>
 Total revenues	 1,699,505	 7,200	 63,506	 1,993	 1,772,204
 EXPENDITURES					
Current:					
Direct instruction	783,183	-	-	2,297	785,480
Instructional support	499,049	-	-	-	499,049
Central services	99,281	-	-	-	99,281
Operation and maintenance	164,495	5,930	-	-	170,425
Transportation	<u>-</u>	<u>-</u>	<u>63,506</u>	<u>-</u>	<u>63,506</u>
 Total expenditures	 <u>1,546,008</u>	 <u>5,930</u>	 <u>63,506</u>	 <u>2,297</u>	 <u>1,617,741</u>
 Net change in fund balance	 153,497	 1,270	 -	 (304)	 154,463
 Fund balance at beginning of year	 <u>114,692</u>	 <u>6,881</u>	 <u>-</u>	 <u>5,663</u>	 <u>127,236</u>
 Fund balance at end of year	 <u>\$ 268,189</u>	 <u>\$ 8,151</u>	 <u>\$ -</u>	 <u>\$ 5,359</u>	 <u>\$ 281,699</u>

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

SUPPLEMENTAL INFORMATION

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

	23001	23002	23003	23004	23008	23009	23010	23012	23005	
	Class of 2019	Class of 2020	Class of 2015	Class of 2016	Cheerleaders	High School Student Council	General Activity Account	Golden Apple Grant	Class of 2023	
Beginning Cash	\$ 2,025	\$ 1,566	\$ 163	\$ 18	\$ 1,259	\$ 640	\$ 64	\$ 1,352	\$ -	
Additions	813	-	10	854	-	-	2,000	-	329	
Deletions	(1,390)	-	-	(638)	-	1,593	3,651	-	(213)	
Ending Cash	\$ 1,448	\$ 1,566	\$ 173	\$ 234	\$ 1,259	\$ 2,233	\$ 5,715	\$ 1,352	\$ 116	
Beginning Liabilities	\$ 2,025	\$ 1,566	\$ 163	\$ 18	\$ 1,259	\$ 640	\$ 64	\$ 1,352	\$ -	
Additions	813	-	10	854	-	-	2,000	-	329	
Deletions	(1,390)	-	-	(638)	-	1,593	3,651	-	(213)	
Ending Liabilities	\$ 1,448	\$ 1,566	\$ 173	\$ 234	\$ 1,259	\$ 2,233	\$ 5,715	\$ 1,352	\$ 116	
	23013	23016	23020	23025	23026	23035	23040	23015	23014	
	Elementary Student Council	Shop Fund	Fiesta Fund	Class of 2017	Class of 2018	Athletic Fundraising Acct	FFA	BPA	Class of 2021	TOTAL
Beginning Cash	\$ 1,920	\$ 1,242	\$ 901	\$ 48	\$ 146	\$ 5,862	\$ 1,078	\$ 2,216	\$ 789	\$ 21,289
Additions	-	-	-	-	50	-	2,005	-	-	6,061
Deletions	(1,920)	-	(901)	(48)	(149)	(633)	(1,678)	(2,216)	(789)	(4,542)
Ending Cash	\$ -	\$ 1,242	\$ -	\$ -	\$ 47	\$ 5,229	\$ 1,405	\$ -	\$ -	\$ 22,019
Beginning Liabilities	\$ 1,920	\$ 1,242	\$ 901	\$ 48	\$ 146	\$ 5,862	\$ 1,078	\$ 2,216	\$ 789	\$ 20,500
Additions	-	-	-	-	50	-	2,005	-	-	6,061
Deletions	(1,920)	-	(901)	(48)	(149)	(633)	(1,678)	(2,216)	(789)	(4,542)
Ending Liabilities	\$ -	\$ 1,242	\$ -	\$ -	\$ 47	\$ 5,229	\$ 1,405	\$ -	\$ -	\$ 22,019

STATE OF NEW MEXICO
 VAUGHN MUNICIPAL SCHOOLS
 SCHEDULE OF PLEDGED COLLATERAL
 JUNE 30, 2018

Everyone's Federal Credit Union

Description of Pledge Collateral	<u>Market Value</u>	<u>Maturity Date</u>	<u>CUSIP#</u>
Tiered Maturities			
Fed Hom Loan Mtg Corp	\$ 150,000	01/27/22	3134GAT61
Fed Nat Mtg Assoc	300,000	08/28/20	3136G4LP6
Fed Hom Loan Mtg Corp	<u>100,000</u>	03/29/22	3134GA7H1
Total	<u>\$ 550,000</u>		

Vaughn Municipal Schools secures their public monies in United States Securities as listed above. The Schools are in compliance as disclosed in Note 3.

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

	Account Type	Amount Per Bank	Net Reconciling Items	Balance Per Books
Everyone's Federal Credit Union				
General Operational	Checking	\$ 975,976	\$ (112,164)	\$ 863,812
Activity Fund	Checking	<u>22,034</u>	<u>(15)</u>	<u>22,019</u>
Total EFCU		998,010	(112,179)	885,831
New Mexico Finance Authority				
Restricted Cash	Savings	<u>926,403</u>	<u>-</u>	<u>926,403</u>
Total NMFA		<u>926,403</u>	<u>-</u>	<u>926,403</u>
Total deposits		<u>\$ 1,924,413</u>	<u>\$ (112,179)</u>	<u>\$ 1,812,234</u>

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

	<u>Operational 11000</u>	<u>Teacherage 12000</u>	<u>Transportation 13000</u>	<u>Instructional Materials 14000</u>	<u>Food Service 21000</u>	<u>Athletics Account 22000</u>	<u>Federal Flowthrough 24000</u>	<u>Federal Direct 25000</u>	
Cash, June 30, 2017	\$ 111,860	\$ 6,881	\$ -	\$ 5,663	\$ 5,694	\$ 12,760	\$ (30,777)	\$ 67,261	
Cash receipts, 2017-2018	1,702,094	7,200	63,506	1,993	43,257	12,987	111,387	42,334	
Cash disbursements, 2017-2018	<u>(1,636,889)</u>	<u>(5,930)</u>	<u>(63,506)</u>	<u>(2,297)</u>	<u>(43,163)</u>	<u>(7,896)</u>	<u>(80,610)</u>	<u>(12,294)</u>	
Cash balance, June 30, 2018	<u>\$ 177,065</u>	<u>\$ 8,151</u>	<u>\$ -</u>	<u>\$ 5,359</u>	<u>\$ 5,788</u>	<u>\$ 17,851</u>	<u>\$ -</u>	<u>\$ 97,301</u>	
	<u>State Flowthrough 26000</u>	<u>State Flowthrough 27000</u>	<u>Local / State 29000</u>	<u>Bond Building 31100</u>	<u>Cap. Impro. SB 9 31700 & 37101</u>	<u>ED Tech Equip Act 31900</u>	<u>Debt Service Fund 41000</u>	<u>Ed. Tech. Debt Service 43000</u>	<u>Total</u>
Cash, June 30, 2017	\$ 1,806	\$ (38,338)	\$ 100,130	\$ 181	\$ 101,999	\$ 383	\$ 189,770	\$ 183,236	\$ 718,509
Cash receipts, 2017-2018	-	106,722	268,200	167,483	164,537	112,326	226,509	127,963	3,158,498
Cash disbursements, 2017-2018	<u>(1,113)</u>	<u>(68,384)</u>	<u>(337,928)</u>	<u>(167,497)</u>	<u>(244,379)</u>	<u>(112,663)</u>	<u>(186,976)</u>	<u>(41,670)</u>	<u>(3,013,195)</u>
Cash balance, June 30, 2018	<u>\$ 693</u>	<u>\$ -</u>	<u>\$ 30,402</u>	<u>\$ 167</u>	<u>\$ 22,157</u>	<u>\$ 46</u>	<u>\$ 229,303</u>	<u>\$ 269,529</u>	<u>\$ 863,812</u>

STATE OF NEW MEXICO
 VAUGHN MUNICIPAL SCHOOLS
 JOINT POWERS AGREEMENTS
 JUNE 30, 2018

<u>Other Principal</u>	<u>Agreement Description</u>	<u>Effective Date</u>	<u>Ending Date</u>	<u>Project Cost</u>	<u>Fiscal Year Contribution</u>	<u>Party Responsible for Operations/Revenues and Expenditure Reporting/ Audit Responsibility (if Any)</u>
Town of Vaughn	Exchange of Equipment	8/16/2017	8/15/2018	-	-	Each their own/annual renewal
Red Cross	Emergency Shelter	-	No end date	Utilities/Sanitary Supplies	-	Vaughn Schools - no reimbursement

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**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue funds of Vaughn Municipal Schools (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and the combined and individual funds and related budgetary comparisons presented as supplementary information, and have issued our report thereon dated November 15, 2018.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. (2018-001, 2018-002, 2018-003)

Our consideration of internal control over financial reporting 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies.)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Management Responses to Findings

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

Purpose of this Report

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

Handwritten signature in black ink that reads "Beasley Mitchell & Co LLP".

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

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

PRIOR AUDIT FINDINGS		Current status
2017-001	Lack of supporting documents for payroll	Resolved
CURRENT AUDIT FINDINGS		Current status
2018-001	Expenditures in Excess of Budget	New
2018-002	Certified Procurement Officer	New
2018-003	Subsidiary Records and Inventory	New

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

Expenditures in Excess of Budget (Significant Deficiency) - 2018-001

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

<u>Fund</u>	<u>Reason</u>	<u>Budget Expenses</u>	<u>Actual Expenses</u>	<u>Difference</u>
General Fund	School Administration	\$ 140,000	\$ 142,699	\$ 2,699
Wind Farm Projects	Capital Outlay	186,267	230,140	43,873
Capital Improvements SB-9	General Administration	<u>1,500</u>	<u>1,645</u>	<u>145</u>
Totals		<u>\$ 327,767</u>	<u>\$ 374,484</u>	<u>\$ 46,717</u>

CRITERIA Section 6-6-6 of the New Mexico State Statutes restricts all officials and governing authorities from approving claims in excess of the approved budget. Additionally, Section 6-6-6 prohibits any payment in excess of the approved budget. The District has the obligation to follow applicable state statutes.

CAUSE The school did not have enough time to make a resolution for budget adjustment at the end of the year.

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

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

RESPONSE After the June 2018 Board meeting, Business Manager submitted BAR's to PED through OBMS to correct negative line items to avoid negative function totals. Budget Analyst disapproved the adjustments because the final date for BAR's admission was June 1, 2018.

EXPECTED COMPLETION: 06/30/2019

Responsible Employee: Business Manager

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

Certified Procurement Officer (Significant Deficiency) - 2018-002

CONDITION During our compliance testwork, it was noted that the District did not have a Chief Procurement Officer.

CRITERIA Section 13-1-97 of NMSA 1978 requires that purchases be made through a central purchasing office which properly authorizes and approves the purchase prior to payment. An authorized official should indicate that the goods or services have been received prior to payment for the goods or services.

CAUSE The District failed to renew her CPO certification.

EFFECT The District did not implement a proper purchasing process which exposes the District to the risk of following an improper purchasing process and increases the risk of errors in payments issued by District due to the lack of proper supervision and monitoring by the Chief Procurement Officer.

RECOMMENDATION The District should designate an agent to become certified and registered as a Chief Procurement Officer for the District. The District should also implement procedures to ensure certifications are renewed timely.

RESPONSE Management will ensure to renew the business manager certificate during FY19.

EXPECTED COMPLETION: 06/30/2019

Responsible Employee: Business Manager

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

Subsidiary Records and Inventory (Significant Deficiency) - 2018-003

CONDITION The District did not perform an annual physical inventory of capital assets for the fiscal year ended June 30, 2018.

CRITERIA Sections 13-6-1 and 13-6-2 NMSA 1978 govern the disposition of tangible personal property owned by state agencies, local public bodies, school districts, and state educational institutions. At least 30 days prior to any disposition of property included on the agency inventory list described at Subsection W of Section .2.2.10 NMAC, written notification of the official finding and proposed disposition duly sworn and subscribed under oath by each member of the authority approving the action shall be sent to the state auditor. Agencies shall conduct an annual physical inventory of chattels and equipment on the inventory list at the end of each fiscal year in accordance with the requirements of Section 12-6-10 NMSA 1978. The agency shall certify the correctness of the inventory after the physical inventory. This certification shall be provided to the agency's auditors. The IPA shall audit the inventory listing for correctness and compliance with the requirements of the Audit Act.

CAUSE Management oversight, lack of effective internal control surrounding the process to identify capital assets for year-end reporting.

EFFECT The capital assets may include items that are no longer held by the district or that are obsolete.

RECOMMENDATION We recommend the District maintain its capital assets subsidiary ledgers as prescribed by the New Mexico State Administrative Code, and institute policies and procedures to conduct an annual inventory of all assets owned by the District.

RESPONSE Management will ensure to perform an inventory of all capital assets before the close of the 2019 to insure the capital asset subsidiary ledger reflects the proper activity.

EXPECTED COMPLETION: 06/30/2019

Responsible Employee: Business Manager

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

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

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

An entrance conference was conducted September 25, 2018 in a closed meeting of the Vaughn Municipal School pursuant to Section 12-6-5 NMSA, 1978 with the following individuals in attendance:

Vaughn Municipal Schools

Jack Props
Floraida Tapia
Trude Bauler
Denise Castillo

Superintendent
Secretary of the board
Business Manager
Assistant Business Manager

Beasley, Mitchell & Co., LLP

Amr Sakka, CPA

Audit Senior

An exit conference was conducted November 14, 2018 in a closed meeting of the Vaughn Municipal School pursuant to Section 12-6-5 NMSA, 1978 with the following individuals in attendance:

Vaughn Municipal Schools

Lyndsey Padilla
Rudy Martinez
Trude Bauler
Denise Castillo

Principal
Vice Board President
Business Manager
Assistant Business Manager

Beasley, Mitchell & Co., LLP

Amr Sakka, CPA

Audit Senior