

Los Lunas Schools  
Financial Statements  
For the Year Ended June 30, 2018



**LOS LUNAS SCHOOLS**  
Every Student Matters, Every Moment Counts

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**STATE OF NEW MEXICO**

Los Lunas Schools

June 30, 2018

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June 30, 2018

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**STATE OF NEW MEXICO**

Los Lunas Schools

Official Roster

June 30, 2018

<u>Name</u>	<u>Board of Education</u>	<u>Title</u>
Frank A. Otero		President
Georgia Otero-Kirkham		Vice President
Sonya C' Moya		Secretary
Bryan C. Smith		Member
Brandon Campanella		Member
	<u>School Officials</u>	
Dana Sanders		Superintendent
Claire Cieremans		Chief Financial Officer
Sandy Traczyk		Director of Finance
Brian Baca		Asst. Superintendent/HR
Susan Chavez		Asst. Superintendent/Spec Svcs
Julie Romero-Benavidez		Asst. Superintendent/C&I

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## INDEPENDENT AUDITORS' REPORT

Board of Education and Management  
Los Lunas Schools  
Wayne Johnson  
New Mexico State Auditor  
U.S. Office of Management and Budget  
Los Lunas, New Mexico

### Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons of the General Fund of Los Lunas Schools (the Schools), as of and for the year ended June 30, 2018, and the related notes to the financial statements which collectively comprise the Schools' basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Schools' 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 Schools' internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## Opinions

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

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 11 through 24 and Schedules A-1 and A-2, the notes to the Required Supplementary Information and Schedules B-1 and B-2 on pages 78 through 85 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

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

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



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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2018, on our consideration of the 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 of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Schools' internal control over financial reporting and compliance.

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

Cordova CPAs LLC  
Albuquerque, New Mexico  
November 7, 2018

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**LOS LUNAS SCHOOLS**  
**Management Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2018**

The Management Discussion and Analysis is a required part of the School District's financial reporting and is an objective and easily readable discussion of the School District's financial activities. The reader will see two statements, a Statement of Net Position and a Statement of Activities. These statements provide the overall view of the financial activities of the School District. This discussion and analysis will provide a review of the School District's *overall* financial activities, using the accrual basis of accounting, for the year ending June 30, 2018. Fund financial statements are reported on a modified accrual basis of accounting. Rather than looking at specific areas of performance, this discussion and analysis focuses on the financial performance of the School District, as a whole. Whenever possible this discussion and analysis will provide the reader multi-year pictures of financial performance and other pertinent information through the use of tables and other graphics information.

This annual report consists of a series of detailed, audited financial statements and the notes to those statements. Also included is the Independent Auditor's Report; Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements performed in accordance with Government Auditing Standards; Report on Compliance with Requirements Applicable to each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133; and the Schedule of Findings and Questioned Costs.

**LOS LUNAS SCHOOLS ACCOUNTING AND FINANCE**

We believe this written analysis and the accompanying financial report will indicate to the reader that the Los Lunas Schools is in good financial health. Even though the economy has not fully recovered from the past few years, we are working to be able to maintain our fund balances, and cash on hand. This means our efforts have held strong with annual adjustments to our revenues and expenditures accordingly and we continue to take every precaution to stay ahead of the down turn in the economy. We are making a conscious effort to continue to increase fund balance and cash on hand in the operational fund. We are also still dealing with factors of continual budget declines due to loss of enrollment. Regardless of the difficult economic hard times, the School District maintains a financial and accounting staff with strong levels of technical experience and education.

In order to define and support internal controls, the School Business Office utilizes a comptrollership model organizational structure. A written Business Office Policies and Procedures Manual is in place to guide School District staff through the daily fiscal and business routines.

As an integral part of the School District accountability process, the Los Lunas Schools Board of Education monitors School District expenditures and budgets through a formal monthly reporting process to a Finance Committee and the full Board of Education. This reportage is provided at public meetings and becomes a part of the Los Lunas Schools Board of Education's permanent public record. These reports are public documents and through this public process, the financial reporting information is provided to the community and open to public inspection.

**SIGNIFICANT FINANCIAL HIGHLIGHTS FOR THE YEAR ENDING JUNE 30, 2018**

- The voters approved a \$25,000,000 bond election in February 2016. The voter approval was over 80%. The money will be used for funding the next wave of bond projects, which includes various site improvement projects. The Community continues to be supportive of all our bond and mil levy elections.

- Capital Outlay expenses decreased from \$14,093,140 in the year ending June 30, 2017 to \$9,823,307 for the year ending June 30, 2018. This decrease in construction expenditures is due to the completion of the new Performing Arts Center at Valencia High School in 2017. In addition, we had prioritized several smaller site improvement projects district wide. We funded a renovation project at Los Lunas Middle School Gym. The district has applied for money from the Public School Capital Outlay funds to match our local dollars to maximize the construction dollars available to the school district. We applied for Peralta Elementary and Los Lunas Middle School system-based funding. We also applied for security system upgrades at five of our elementary schools. Our current match from the Public School Facility Authority (PSFA) is 76%. This means we only pay 24% of the dollars allocated to capital projects approved by the PSFA. Projects we have participated in include a Classroom Addition at Katherine Gallegos Elementary, Sundance Elementary, renovation for Bosque Farms Elementary, and renovation for Los Lunas High School. Expenditures in capital outlay are expected to rise, as new projects are funded.
- As shown in the three-year comparison of the Statement of Net Position, total net position decreased from \$59,607,154 in the year ending June 30, 2017 to (\$14,577,975) in the year ending June 30, 2018. The overall decrease in net position of (\$74,185,129) is due to long term liabilities related to retirement and retiree health implementation of GASB statement No. 75.
- The overall adjusted fund balance shown in the Statement of Revenues and Expenditures and Changes in Fund Balances (GAAP), increased from \$25,979,889 for the year ending June 30, 2017 to \$27,981,974 for the period ending June 30, 2018. The Fund Balance of the General (Operations) Fund decreased from \$8,669,774 to \$6,966,632 during the same period. A result of mindful reduction in cash balance in our Operational fund.
- The State Equalization Guarantee Formula Unit Value increased overall by \$30.71 for the fiscal year ending June 30, 2018. Revenues from the State Equalization Guarantee Formula (SEG) for the fiscal year ending June 30, 2017 were \$54,117,769; revenues for the fiscal year ending June 30, 2018 were \$56,388,197. The reason revenue increase is due to increase in units at increase in unit value. We keep careful watch of the fluctuations in revenue.
- Total expenditures, *inclusive of all capital expenditures from general obligation bond proceeds*, decreased from \$103,157,326 for the year ending June 30, 2017 to \$90,154,290 for the year ending June 30, 2018, representing a 12.61% decrease.
- The School District's overall cash assets increased from \$21,730,580 on June 30, 2017 to \$22,975,526 on June 30, 2018. The largest cash balances were reflected in Debt Service (41000), Operational (11000), Bond Building (31100), and HB-33 (31600).
- The Operations Emergency Reserve was \$1,500,000 during the 2016/2017 fiscal year. This reserve account was increased to \$1,750,000 for the 2017/2018 fiscal year. The District will try to continue to work to maintain a healthy level of emergency reserves, and cash balance in the operational account.
- This was the ninth year in a row that the Operational budget had to supplement the transportation budget to avoid a negative balance. The District Transportation budget continues to not be able to sustain itself without the support of operational funding. The District has taken several measures to reduce the expenditures in Transportation including operating a New Eastside Transportation Dept., reducing bus routes, and reducing bus driver contracts.

**GOVERNMENT WIDE FINANCIAL STATEMENTS**

**STATEMENT OF NET POSITION**

This statement shows that as of June 30, 2018, the School District has total net position of (\$14,577,975) as compared to net position of \$59,607,154 as of June 30, 2017, and \$65,718,836 as of June 30, 2016. The School District had \$28,787,119 in cash and current assets on hand as of June 30, 2018 compared to \$26,809,818 as of June 30, 2017, and accounts payable/current liabilities and current long-term debt of \$12,400,163 compared to \$12,011,743 as of June 30, 2017. Cash Assets increased by \$1,244,946 while Other Current Assets increased by \$732,355. Long-term liabilities have increased from \$142,535,999 as of June 30, 2017 to \$247,763,492 as of June 30, 2018.

The School District retains maximum allowable levels of debt related to its assessed valuation; therefore, the increase in long-term liabilities is due to a relatively stagnant valuation. Net Assets totaling \$12,486,694 are “restricted” for debt service and capital projects.

	June 30, 2016	June 30, 2017	June 30, 2018
<b>Assets</b>			
Cash Assets	\$37,719,996	\$21,730,580	\$22,975,526
Other Current Assets	\$6,421,754	\$5,079,238	\$5,811,593
Bond Issuance Costs	\$	\$	\$
Capital Assets	\$228,278,084	\$246,307,772	\$251,803,425
Depreciation	(\$66,354,048)	(\$72,444,779)	(\$78,094,967)
<b>Total Assets</b>	<b>\$206,065,786</b>	<b>\$200,672,811</b>	<b>\$173,708,458</b>
<b>Deferred Outflows</b>			
Pension Related	\$ 9,217,232	\$14,689,298	\$55,724,579
<b>Total deferred Outflows</b>	<b>\$ 9,217,232</b>	<b>\$14,689,298</b>	<b>\$55,724,579</b>
<b>Liabilities</b>			
Accounts Payable	\$844,852	\$1,149,105	\$1,156,103
Other Current Liabilities	\$5,015,237	\$5,357,638	\$5,574,060
Current Portion/Long Term	\$5,367,872	\$5,505,000	\$5,670,000
Long Term Liabilities	\$136,197,426	\$142,535,999	\$247,763,492
<b>Total Liabilities</b>	<b>\$147,425,387</b>	<b>\$154,547,742</b>	<b>\$260,163,565</b>
<b>Deferred Inflows</b>			
Pension Related	\$ 2,138,795	\$1,207,213	\$12,634,566
<b>Total deferred Inflows</b>	<b>\$ 2,138,795</b>	<b>\$1,207,213</b>	<b>\$12,634,566</b>
<b>Net Position</b>			
Invested in Capital Assets	\$113,339,586	\$124,815,229	\$124,663,945
Restricted	\$24,543,036	\$16,077,850	\$16,942,089
Unrestricted	(\$72,163,786)	(\$81,285,925)	(\$156,184,009)
<b>Total Net Position</b>	<b>\$65,718,836</b>	<b>\$59,607,154</b>	<b>(\$14,577,975)</b>

**Statement of Activities**

The Statement of (Governmental) Activities is also a statement required by GASB 34, and is prepared using the accrual method of accounting. This report compliments the Statement of Net Assets by showing the overall change in the School District’s net assets for the fiscal year ending June 30, 2018. As of June 30, 2018, the School District had net assets of (\$14,577,975) as compared to net assets of \$59,607,154 as of June 30, 2017 and \$65,718,836 as of June 30, 2016.

	June 30, 2016	June 30, 2017	June 30, 2017
<b>Governmental Activities</b>			
Total Governmental Activities	\$84,218,952	\$88,124,387	\$106,227,593
Less Charges for Services	(\$776,955)	(\$916,276)	(\$976,799)
Less Operating Grants and Contributions	(\$14,989,464)	(\$15,259,004)	(\$14,802,311)
Less Capital Grants and Contributions	(\$3,004,504)	(\$687,434)	(\$587,477)
<b>Net (expenses) Revenues</b>	<b>(\$65,448,029)</b>	<b>(\$71,261,673)</b>	<b>(\$89,861,006)</b>
<b>General Revenues</b>			
Taxes-General, Debt Service, Capital Projects	\$10,497,245	\$10,850,018	\$11,160,919
State Aid not Restricted to Specific Purposes (State Equalization Guarantee - SEG)	\$59,042,860	\$54,117,769	\$56,388,197
Interest and Earnings in Investments	\$0	\$0	
Miscellaneous	\$99,602	\$51,599	\$168,696
<b>Subtotal, General Revenues</b>	<b>\$69,639,707</b>	<b>\$65,019,386</b>	<b>\$67,717,812</b>
<b>Changes in Net Position</b>	<b>\$4,191,678</b>	<b>(\$6,242,287)</b>	<b>(\$22,143,194)</b>
Restatement		\$130,605	(\$52,041,935)
Net Position Beginning	\$61,527,158	\$65,849,441	\$59,607,154
<b>Net Position Ending</b>	<b>\$65,718,836</b>	<b>\$59,607,154</b>	<b>(\$14,577,975)</b>

**FUND FINANCIAL STATEMENTS**

**STATEMENT OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCES**

Fund financial statements are based on a *modified accrual* basis of accounting. The Statement of Revenues and Expenditures and Changes in Fund Balances is *not a* new statement to the School District’s annual financial reports. This report guides the reader to a meaningful, overall, view of the District’s revenues, expenditures and fund balance and changes to the fund balance. This report also shows the revenue and expenditure activities of each major fund and the total of all “other” Governmental Funds. Total revenues from State, Local and Federal sources were \$83,982,146. Total expenditures for the School District was \$90,154,290. The total ending Fund Balance was \$27,981,974; an increase of \$2,002,085 from the prior year.

## **MULTI-YEAR DISTRICT REVENUES AND EXPENDITURES**

During the 2017/2018 fiscal year, revenues as shown in the chart below increased from prior year balances, revenue, increased by \$2,312,064 and expenditures decreased by \$13,003,036. This revenue increase is mainly due to an increase in State Direct funding. The decrease in expenditures is a direct relation to a decrease in capital outlay projects.

<b>Year</b>	<b>Total Revenues *</b>	<b>Increase %</b>	<b>Total Expenditures*</b>	<b>Increase %</b>
1998/1999	\$50,954,992	29%	\$53,870,029	9%
1999/2000	\$60,492,174	19%	\$56,085,681	4%
2000/2001	\$66,373,486	10%	\$65,727,785	17%
2001/2002	\$70,314,391	6%	\$72,028,003	10%
2002/2003	\$76,605,597	9%	\$76,347,148	6%
2003/2004	\$75,436,662	-1.50%	\$74,842,654	-2.00%
2004/2005 **	\$87,325,182	15.70%	\$86,718,047	15.90%
2005/2006	\$84,438,528	-3.31%	\$84,541,105	-2.00%
2006/2007***	\$99,216,680	17.50%	\$93,995,800	11.18%
2007/2008	\$101,792,107	2.60%	\$103,883,263	10.52%
2008/2009	\$105,507,566	4.00%	\$103,874,640	-0.01%
2009/2010	\$93,006,003	-11.80%	\$93,872,062	-11%
2010/2011	\$94,237,137	1.30%	\$89,898,017	-4.35%
2011/2012	\$100,074,994	6.20%	\$91,700,954	2.00%
2012/2013	\$96,377,306	-3.70%	\$96,279,388	5.00%
2013/2014	\$97,827,228	1.50%	\$95,456,914	-0.85%
2014/2015	\$102,819,368	5.10%	\$109,013,080	14.20%
2015/2016	\$88,605,199	-13.82%	\$88,100,708	-19.18%
2016/2017	\$81,670,082	-8%	\$103,157,326	17%
2017/2018	\$83,982,146	2.83%	\$90,154,290	-12.61%

\* **Note:** Revenues include proceeds from general obligation bonds and exclude cash carryovers; Expenditures include capital outlays.

\*\* **Note:** includes revenues and expenditures from November 2004 –Series 1995, 1996, 1997 G.O. Bond refunding; November 2004 G.O. Bond Sale; March 2005.

\*\*\* **Note:** includes an October 2006 BAN sale and a savings of \$122,327 in interest payments due the prior year’s refinancing of debt.

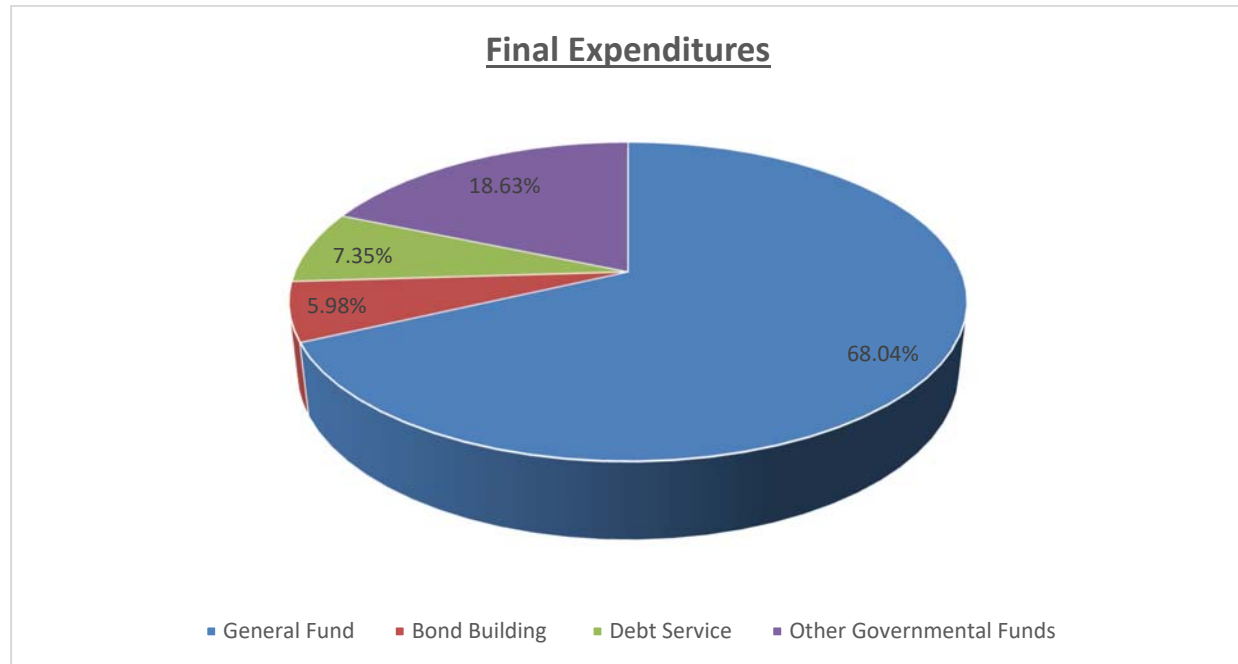
## **THE BUDGET**

The State of New Mexico school budget process is defined under New Mexico State Statutes (Section 22-8, Public School Finance) and the New Mexico Administrative Code (Section 6). To enhance the process of developing a budget at the school district level, the Los Lunas School District utilizes goals and objectives defined by the Los Lunas School Board, community/parent input meetings, the district’s five-year facility master plan, long term planning and input from various staff groups to develop the School District budget. School District priorities are well defined through this process.

GASB 34 does not require a statement presenting the overall result of the budget for each year. However, all major budgetary funds are required to be reported as separate statements.

Major budgetary funds in these reports are; The Operational Fund that includes the General, Transportation, and Instructional Materials funds (Operational Funds), Debt Service, Bond Building, and Other Governmental Funds.

Non-major Capital Project funds include HB33 (3 Mill levy), and SB-9 (2 Mill Levy). The following graphics and tables show the fiscal relationship of the major funds and the combined non-major funds.



The reader will note that the Operations Fund Final Expenditures represents 68.04% of the total fund dollar amount compared to 59.68% in FY 2016/2017. This fund provides the salary and benefits for the significant majority of the Instructional, Instructional Support and School Support, Maintenance and Administrative staff as well as classroom materials, special education consulting staff and fixed utility costs. Revenue from this fund is substantially derived from the State Equalization Guarantee, which is the funding formula appropriated for education by the State Legislature. The Operations Fund is explored later in the Management Discussion and Analysis.

The following table examines the summary budget performance of the major funds for the fiscal year ending June 30, 2018. Detail budget performance is examined through the Statement of Revenues and Expenditures, Budget and Actual for each major and non-major fund.

**The General (Operations) Fund**

The Operations Fund serves as the School District General (Operations) Fund and is the largest Fund. Because the Operations Fund revenues represent \$59,678,471 of the total \$83,982,146 of School District revenues (inclusive of bond proceeds), the significant impact of this fund on School District Operations must be kept in context.

The General (Operations) Fund is predominately funded by revenues from the State of New Mexico Equalization Guarantee Formula. This fund pays for teaching staff, teaching support staff, special education support staff, maintenance staff and administrative staff. The General (Operations) Fund provides the predominant funding for athletics and student activities.

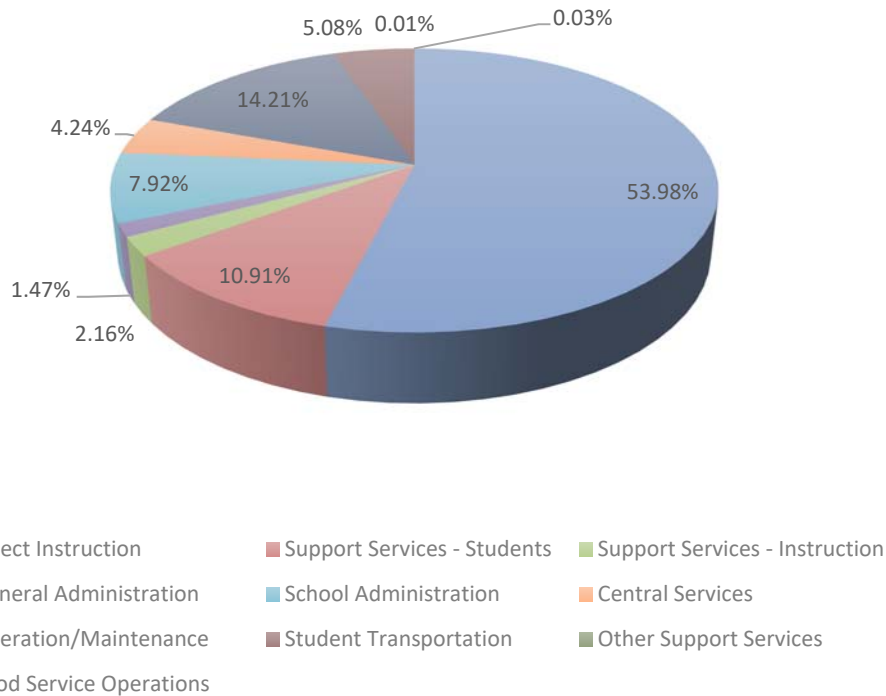


**GENERAL (OPERATIONS) FUND REVENUES**

<b>YEAR</b>	<b>REVENUES</b>	<b>INCREASE %</b>
2000/2001	\$42,095,896	8.92%
2001/2002	\$46,826,574	11.24%
2002/2003	\$46,398,919	-0.91%
2003/2004	\$48,454,893	4.43%
2004/2005	\$50,430,536	4.08%
2005/2006	\$54,254,563	7.58%
2006/2007	\$58,216,044	7.30%
2007/2008	\$62,026,642	6.55%
2008/2009	\$62,138,555	0.18%
2009/2010	\$54,295,485	-12.62%
2010/2011	\$54,991,153	1.28%
2011/2012	\$55,887,434	1.63%
2012/2013	\$55,340,239	-0.98%
2013/2014	\$57,142,252	3.26%
2014/2015	\$59,757,469	4.58%
2015/2016	\$59,757,469	0.00%
2016/2017	\$57,142,252	-4.38%
2017/2018	\$59,678,471	4.44%

Because the General (Operations) Fund is the main fund in which expenditures are significantly related to the educational process, \$61,337,778 was expended in the year ending June 30, 2018. The most significant inter-fund expense was for the function noted as "Instruction" (Direct Instruction). This expenditure was \$33,107,663 or 53.98% of all General (Operations) Fund expenditures, compared with fiscal year 2016/2017 of \$34,496,027 (56.03%). Expenditures included in this function are Regular Education, Special Education and Early Childhood Education teachers and educational assistants, benefits, payroll taxes, school supplies, training and miscellaneous instructional related contract services. Approximately 85% of all General (Operations) Fund expenditures are for employee salaries, payroll taxes and benefits.

### General Fund Expenditures by Function



The following discussion on the General (Operations) Fund budget will relate functional expenditures for the year ending June 30, 2018, exclusive of Capital Outlay expenditures, for the Operations Fund. Direct Instruction represents 53.98% of all General (Operations) Fund expenditures. This represents a 2.05% decrease compared to the year fiscal ending June 30, 2017. Direct Instruction expenditures account for regular education, vocational education, bilingual education, special education and kindergarten teachers and educational assistants' salaries, payroll taxes and benefits.

#### **PERCENTAGE OF DIRECT INSTRUCTION TO TOTAL EXPENDITURES OPERATIONS FUND (GAAP)**

Year	Direct Instruction Cost	Actual Expenditures	%
2004/2005	\$ 30,404,078	\$ 51,081,357	59.4%
2005/2006	\$ 31,909,199	\$ 53,742,851	59.4%
2006/2007	\$ 34,342,180	\$ 58,308,781	58.9%
2007/2008	\$ 36,685,109	\$ 62,703,997	58.8%
2008/2009	\$ 36,735,064	\$ 63,474,138	57.9%
2009/2010	\$ 32,264,185	\$ 54,618,319	59.1%
2010/2011	\$ 29,949,683	\$ 52,901,522	56.6%
2011/2012	\$ 31,014,174	\$ 54,367,566	57.0%
2012/2013	\$ 30,300,881	\$ 53,694,034	56.4%
2013/2014	\$ 31,015,237	\$ 54,572,031	56.8%
2014/2015	\$ 32,478,789	\$ 57,025,181	56.9%
2015/2016	\$ 32,102,162	\$ 56,253,808	57.07%
2016/2017	\$ 34,496,027	\$ 61,566,995	56.03%
2017/2018	\$ 33,107,663	\$ 61,337,778	53.98%

The table above has been included to convey to the reader the School District’s budgetary commitment to maximize expenditures in the “classroom”. The table shows that expenditures in the area of Direct Instruction average 57.45% since the 2004/2005 year.

**GENERAL (OPERATIONS) FUND EXPENDITURES BY FUNCTION  
(NON-GAAP)**

Function	Final Budget	Expenditure	Variance	Percentage (Expenditure) Note 1
Instruction (Direct)	\$35,537,065	\$32,722,291	\$2,814,774	55.665%
Support Services:				
Students	\$7,601,460	\$6,697,067	\$904,393	11.393%
Instruction	\$1,719,082	\$1,329,876	\$389,206	2.262%
General Administration	\$1,029,519	\$905,079	\$124,440	1.540%
School Administration	\$5,347,845	\$4,875,959	\$471,886	8.295%
Central Services	\$2,795,697	\$2,600,920	\$194,777	4.425%
Operations and Maintenance	\$9,948,913	\$8,825,395	\$1,123,518	15.013%
Other Support Services	\$2,250,000	\$7,164	\$2,242,836	0.012%
Transportation	\$1,187,848	\$817,625	\$370,223	1.391%
Food Services	\$6,000	\$2,801	\$3,199	0.005%
Capital Outlay	\$100,000	\$0	\$100,000	0.000%
<b>Total</b>	<b>\$67,523,429</b>	<b>\$58,784,177</b>	<b>\$8,739,252</b>	<b>100.000%</b>

**Note 1:** Percentage of expenditure to total expenditures. Statement of Revenues, Expenditures, and Changes in fund Balance

Instructional Support represents 21.95% (compared to 19.22% last fiscal year 2016/2017) of General (Operations) Fund expenditures, and accounts for expenditures for school principals, program coordinators, counselors, school nursing staff, librarians, special education ancillary staff and significant support to special education programs through contract ancillary support staff and contract programs. The Office of the Superintendent and the Business Office represent the overhead support for the entire operations of the School District; these programs combined represent 5.96% of the total General (Operations) Fund. Maintenance and Operations account for 15.01% of the General (Operations) Fund expenditures. Included in the Maintenance and Operations expenditures are salaries and benefits for maintenance staff, school custodians, fixed utility costs, maintenance and repairs, maintenance supplies/equipment, school custodial supplies/equipment, and safety and security staff and equipment. Because of the expansion/addition of school facilities and increases to the utility costs, this functional expenditure will need to be increased to meet school needs. Additional support for maintenance supplies and projects comes from the voter approved Two-Mill Levy Fund, which is also given a state matching grant. The General (Operations) Fund also supports expenditures for school athletics and student activities and Transportation.

**OPERATIONS BUDGET RESERVE FUNDS**

The School District maintains a Non-Operating function within the General (Operations) Fund as a reserve against unexpected emergency expenses or unexpected and unpredicted reductions in revenues. Most unexpected emergency expenses are those related to legal settlements or facility repairs. Facility issues can be addressed through the School District Two-Mill Levy Fund or insurance coverage that lessens the need for the School District to maintain a high Operations Fund reserve. The budget for the 2017/2018 fiscal year reflects a reserve fund of \$1,750,000. The budget for the 2016/2017 school year reflected a reserve amount of \$1,500,000. This is a budget increase of \$250,000. The increase was mainly due to Operational mid-year Budget Adjustment Request from the Public Education Dept. related to cash carryover difference from prior year budget vs. actual.

**CAPITAL ASSETS**

GASB 34 requires public entities to depreciate capital assets. As of June 30, 2018, the School District capital assets were valued at \$166,790,002 after depreciation. This statement includes total accumulated depreciation of the School District’s capital assets in the amount of \$78,094,967. The School District utilizes a “straight line” depreciation method in all cases and standardized lifetime tables in calculating this depreciation. Utilization of depreciation concepts by public entities allows the reader to know if the entity is replacing its assets at a rate in which they are being used. In accordance with State Statute, State Regulations and School Board Policy, all assets with a value in excess of \$5,000 are capitalized.

Because of past student growth and certain aging facilities, the School District has taken a planned and focused approach towards investing in equipment, and building new facilities as well as adding to and maintaining existing facilities. This effort is evidenced by the substantial and continuous investment in the “Capital Outlay” account. This planning includes applications for additional capital funding support from the Public School Capital Outlay Council (PSCOC).

In addition to construction, the School District continued planned efforts to replace old vehicles, enhance technology, and replace outdated school furnishings and equipment. In order to assure that aged equipment and vehicles are replaced on a routine basis, the Board of Education enacted a policy mandating that the replacement of equipment be funded, yearly, as a matter of routine. Schedules for equipment replacement will be included in future G.O. Bond elections and/or the Two Mill Levy.

The following table illustrates the three-year history of year-end balances for the School District’s investment in all capital assets:

**CAPITAL ASSETS**

<b>Asset Type</b>	<b>Balance June 30, 2016</b>	<b>Balance June 30, 2017</b>	<b>Balance June 30, 2017</b>
Land and Land Improvements	\$10,538,932	13,382,821	\$13,850,898
Buildings and Building Improvements	\$203,597,156	\$204,281,833	\$213,439,663
Furniture, Fixtures and Equipment	\$5,013,203	\$5,007,125	\$5,175,804
Vehicles	\$8,576,451	\$8,954,243	\$8,468,026
Construction in Progress	\$552,344	\$8,096,454	\$3,950,578
<b>Total Assets</b>	<b>\$228,278,086</b>	<b>\$239,722,476</b>	<b>\$244,884,969</b>
Less Accumulated Depreciation	(\$66,354,048)	(\$72,444,779)	(\$78,094,967)
Capital Assets - Net	\$161,924,036	\$167,277,697	\$166,790,002
<b>Net Change in Assets</b>	<b>\$333,084</b>	<b>\$5,353,661</b>	<b>(\$487,695)</b>

This table shows that the School District is, despite operational decreases and loss of students, still diligently replacing assets and building facilities to accommodate the student needs. As indicated with a decrease in the net change in Capital Assets in the amount of \$487,695 as of June 30, 2018.

**GENERAL LONG-TERM DEBT**

Article IX, Section 11 of the New Mexico Constitution limits the powers of a school district to incur general obligation debt beyond a school year. The School District can incur such debt for “the purpose of erecting, remodeling, making additions, and furnishing buildings or purchasing or improving school grounds or purchasing computer software or hardware for student use in public classrooms or any combination of these purposes”. The approval of the debt is subject to a vote of the local electors and may not exceed 6% of the assessed valuation of the taxable property within the School District. Currently, long-term debt may not exceed \$51,475,376. Total Long-Term Debt, on June 30, 2018 was \$48,166,730.

The School District has maintained a level of indebtedness to the maximum extent allowed. The policy to maintain this amount of debt is largely due to the need to add additional facilities in order to meet student population requirements upgrade and expand existing facilities, and to leverage additional funds available from Public School Capital Outlay. Public School Capital Outlay Fund awards give higher funding priorities to school districts with lower assessed valuations and higher levels of indebtedness. The most recent general obligation bond election was held on February 2, 2016 in which the School District’s voters approved a \$25.0 million, four-year, General Obligation Bond initiative by a margin exceeding 80%.

During the fiscal year ending June 30, 2018, the School District made one sale of General Obligation Bonds in the amount of \$7,500,000 in September 2017. The sale included \$7,500,000 for new debt. This bond sale was the second issuance of the 2016 General Obligation Bond election. As a result, of action taken by the 2002 legislature, a statute was enacted to allow school districts to complete sales of Bond Anticipation Notes (BANs). This legislation allows school districts to enter into short-term borrowing agreements and make repayments with the proceeds of future general obligation bond sales. Borrowing may not be longer than a one-year term and limited to the amount of the principal retirement for that year. The district did not enter into any BAN agreements for the fiscal year 2017-2018.

The School District maintained an A1 underlying rating for the September 2017 bond sale. Effective July 1, 2003 School District bonds also carry the *enhanced* State of New Mexico bond rating of Aa1. This action was authorized in Senate Bill 847. The effect of this bill will be to reduce the risk to bond holders and, as a consequence, reduce the interest costs to the taxpayer. The School District has never defaulted on any of its debt or other obligations. Listed below is the School District’s total general obligation debt as of June 30, 2018.

<b>YEAR ENDED JUNE 30</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>	<b>TOTAL</b>
2019	\$ 5,670,000	\$ 1,052,196	\$ 6,722,196
2020	\$ 5,185,000	\$ 996,475	\$ 6,181,475
2021	\$ 5,195,000	\$ 874,843	\$ 6,069,843
2022	\$ 4,920,000	\$ 755,069	\$ 5,675,069
2023	\$ 5,125,000	\$ 636,225	\$ 5,761,225
2024-2028	\$17,555,000	\$ 1,415,987	\$18,970,987
2029-2033	\$ 2,820,000	\$ 111,850	\$ 2,931,850
<b>Total</b>	<b>\$46,470,000</b>	<b>\$ 5,842,645</b>	<b>\$ 52,312,645</b>

The School District recommends the Official Statement, dated September 5, 2017 to a reader desiring to know more about the School District's long-term debt and community demographics. This Official Statement may be obtained by visiting our web site at [www.llschools.net](http://www.llschools.net) under the Business Office tab, or by contacting:

RBC Capital Markets.  
6301 Uptown Blvd. NE, Suite 110  
Albuquerque, NM 87110

In addition to the sale of General Obligation Bonds, the School District is eligible to receive awards from the Public Schools Capital Outlay Council (PSCOC) in accordance with Senate Bill 513, Chapter 147 Section 10(b) NMSA. The impact of these various awards is discussed throughout this Management Discussion and Analysis.

### **AGENCY FUNDS**

The School District, as a custodian, maintains and monitors special funds on behalf of the schools and school activity groups. Agency funds maintained by the School District are to benefit a specific activity or interest and are generally raised by students for student use.

While each school site is responsible for the administration of the agency funds, the custody and use of these funds are in accordance with Public Education Department Regulations and School District Policy. The management of these funds is in accordance with Business Office procedures and all banking is performed through School District accounts. The funds are also subject to annual review by the School District's Independent Auditor. The year ending June 30, 2018 states the accumulated balance of all agency funds was \$634,904.

### **FUTURE TRENDS**

The district continues to closely monitor positions and other expenditures in order to survive the fluctuations of enrollment and still try to increase our level of reserves in our Operational fund. The District was hopeful that we would enter the new fiscal year with additional students enrolled, however within the first weeks of school the opposite trend has occurred. The district will continue to look for saving opportunity and work to maintain within our budget constraints.

**Local Assessments General and Obligation Bonds:** Local property taxes serve as the revenue source for the repayment of general obligation bonds. Because of the slowed growth of both residential and commercial assessed valuation for properties in the Los Lunas School District, the School District has been able to concentrate on renovating older buildings, security upgrades for existing buildings, and HVAC upgrades to existing facilities as supposed to needing more new classroom space. The following table illustrates the slowed growth of the assessed valuation for both the Los Lunas Schools and Valencia County.

**VALUATION TABLE**

TAX YEAR	LOS LUNAS SCHOOLS	VALENCIA COUNTY
2017*	\$ 857,922,937	\$ 1,430,123,929
2016	\$ 827,696,531	\$ 1,382,830,758
2015	\$ 816,620,789	\$ 1,347,645,043
2014	\$ 794,414,792	\$ 1,172,408,288
2013	\$ 767,238,934	\$ 1,272,248,861
2012	\$ 753,216,929	\$ 1,259,299,759
2011	\$ 739,871,906	\$ 1,241,920,127
2010	\$ 720,675,864	\$ 1,203,236,710
2009	\$ 701,862,203	\$ 1,166,647,954
2008	\$ 653,498,879	\$ 1,055,871,740
2007	\$ 601,593,453	\$ 978,386,196
2006	\$ 524,498,886	\$ 875,594,467
2005	\$ 479,881,276	\$ 820,258,813
2004	\$ 447,871,070	\$ 771,579,462
2003	\$ 457,628,275	\$ 778,317,018
2002	\$ 412,948,320	\$ 687,197,444
2001	\$ 400,435,727	\$ 678,216,414
2000	\$ 378,025,851	\$ 601,120,398

\*Note: Preliminary Assessment

\* Source: Official Statement Dated September 5, 2017

Because of slow moving development in both the residential and commercial properties in the School District, it is expected that future assessed valuations will continue a flat or very small growth pattern. It is also expected that voter support for the Los Lunas Schools will continue to be strong and revenues from General Obligation Bond proceeds will continue to be an integral part of the School District Master Plan.

**Community Growth:** In the past year, the community has seen a minimal number of residential growth in our district. Most of the growth and homebuilding is focused on the West side of the District. We expect this trend to continue for the upcoming 2018/2019 fiscal year due to the current economic conditions in NM and the nation in general. All near future projections are expected to include, lower projected gas and oil revenues, a flat growth pattern in assessed valuation of taxable property within the School District, slight growth in student population and a cautious eye toward future bond and Mill Levy initiatives for the next two-five years.

**District Master Planning:** The District has contracted with Greer Stafford/SJCF Inc. to provide master planning for the Los Lunas School District. This project will help the District plan new school locations and provide analytical data for use by the District and the Public Schools Capital Outlay Council that will affect future capital funding needs. The District's current Master Plan was updated and Board approved in January 2017 approval will be good through 2017-2021.

### **Contacting the Los Lunas Schools**

This financial report is designed to provide our community, taxpayers, investors and creditors with an overview of the Los Lunas School District's financial condition and to provide accountability for the funds the School District receives. If you have questions about our report or about the operations of the Los Lunas School District, please visit our web site at [www.llschools.net](http://www.llschools.net), or contact:

**Dana Sanders**  
Superintendent  
Los Lunas Schools  
PO Drawer 1300  
Los Lunas, NM 87031  
[dsanders@llschools.net](mailto:dsanders@llschools.net)

**or**

**Claire Cieremans**  
Chief Financial Officer  
Los Lunas Schools  
PO Drawer 1300  
Los Lunas, NM 87031  
[ccieremans@llschools.net](mailto:ccieremans@llschools.net)



**BASIC  
FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO**  
 Los Lunas Schools  
 Statement of Net Position  
 June 30, 2018

	<b>Governmental Activities</b>
<b>Assets</b>	
Current assets	
Cash and cash equivalents	\$ 22,975,526
Receivables:	
Property taxes	2,291,187
Due from other governments	3,096,004
Other	7,202
Inventory	410,150
Prepaid expenses	7,050
	28,787,119
Total current assets	28,787,119
Noncurrent assets	
Restricted cash and cash equivalents	6,918,456
Capital assets	244,884,969
Less: accumulated depreciation	(78,094,967)
	173,708,458
Total noncurrent assets	173,708,458
<i>Total assets</i>	<i>202,495,577</i>
<b>Deferred outflows of resources</b>	
Deferred outflows - pension	54,884,756
Deferred outflows - OPEB	839,823
	55,724,579
<i>Total deferred outflows of resources</i>	<i>55,724,579</i>
<i>Total assets and deferred outflows of resources</i>	<i>\$ 258,220,156</i>

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

**Governmental  
Activities**

**Liabilities**

Current liabilities		
Accounts payable	\$	1,156,013
Accrued payroll		4,599,737
Accrued interest		537,867
Accrued compensated absences		436,456
Current portion of bonds payable		5,670,000
		12,400,073
 Noncurrent liabilities		
Accrued compensated absences		145,486
Bonds payable		40,800,000
Bond premium, net of accumulated amortization of \$245,268		1,114,788
Net pension liability		161,891,003
Net OPEB liability		43,812,215
		247,763,492
 <i>Total liabilities</i>		260,163,565
 <b>Deferred inflows of resources</b>		
Deferred inflows - pension		2,663,009
Deferred inflows - OPEB		9,971,557
		12,634,566
 <i>Total deferred inflows of resources</i>		12,634,566
 <b>Net position</b>		
Net investment in capital assets		124,663,945
Restricted for:		
Debt service		7,781,263
Capital projects		4,705,431
Special revenue		4,455,395
Unrestricted		(156,184,009)
		(14,577,975)
 <i>Total net position</i>		(14,577,975)
 <i>Total liabilities, deferred inflows of resources, and net position</i>	\$	258,220,156

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

**STATE OF NEW MEXICO**  
 Los Lunas Schools  
 Statement of Activities  
 For the Year Ended June 30, 2018

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
<b>Primary government:</b>			
<b>Governmental Activities:</b>			
Instruction	\$ 63,311,618	\$ 635,511	\$ 5,491,973
Support services - students	7,190,689	72,179	623,757
Support services - instruction	1,541,321	15,471	133,702
Support services - general administration	1,269,033	12,738	110,082
Support services - school administration	5,822,289	58,443	505,055
Central services	2,612,852	26,227	226,652
Operation and maintenance of plant	15,556,994	156,158	1,349,493
Student transportation	3,755,910	-	2,297,408
Other support services	7,164	72	621
Food services operations	4,137,189	-	4,063,568
Interest and other charges	1,022,534	-	-
<i>Total governmental activities</i>	<u>\$ 106,227,593</u>	<u>\$ 976,799</u>	<u>\$ 14,802,311</u>

**General Revenues:**

Taxes:

Property taxes, levied for operating programs

Property taxes, levied for debt services

Property taxes, levied for capital projects

State equalization guarantee

Investment income

Miscellaneous income

Gain on disposition of assets

Total general revenues

Change in net position

Net position, beginning

Net position - restatement (Note 12)

Net position - as restated

*Net position, ending*

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

<u>Program Revenues</u> <u>Capital Grants and</u> <u>Contributions</u>	<u>Net (Expense)</u> <u>Revenue and</u> <u>Changes in Net</u> <u>Position</u> <u>Governmental</u> <u>Activities</u>
\$ 382,216	\$ (56,801,918)
43,411	(6,451,342)
9,305	(1,382,843)
7,661	(1,138,552)
35,149	(5,223,642)
15,774	(2,344,199)
93,918	(13,957,425)
-	(1,458,502)
43	(6,428)
-	(73,621)
-	(1,022,534)
<u>\$ 587,477</u>	<u>(89,861,006)</u>

218,593
7,023,359
3,918,967
56,388,197
29,566
110,785
28,345
<u>67,717,812</u>
<u>(22,143,194)</u>
59,607,154
<u>(52,041,935)</u>
<u>7,565,219</u>
<u>\$ (14,577,975)</u>

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

**STATE OF NEW MEXICO**

Los Lunas Schools  
Balance Sheet  
Governmental Funds  
June 30, 2018

	<b>General Fund 11000, 13000, 14000</b>	<b>Bond Building Capital Projects Fund 31100</b>
<i>Assets</i>		
Cash and cash equivalents	\$ 8,742,680	\$ 6,406,782
Receivables:		
Property taxes	51,481	-
Due from other governments	-	-
Other	7,202	-
Inventory	43,726	-
Prepaid expenditures	-	-
Due from other funds	2,815,191	-
<i>Total assets</i>	<u>\$ 11,660,280</u>	<u>\$ 6,406,782</u>
<i>Liabilities, deferred inflows of resources, and fund balances</i>		
<i>Liabilities</i>		
Accounts payable	\$ 116,035	\$ 948,051
Accrued payroll	4,533,107	-
Due to other funds	-	-
<i>Total liabilities</i>	<u>4,649,142</u>	<u>948,051</u>
<i>Deferred inflows of resources</i>		
Unavailable revenue - property taxes	44,506	-
<i>Total deferred inflows of resources</i>	<u>44,506</u>	<u>-</u>
<i>Fund balances</i>		
<i>Nonspendable:</i>		
Inventory	43,726	-
Prepaid expenditures	-	-
<i>Spendable:</i>		
<i>Restricted for:</i>		
Instructional materials	34,126	-
Food services	-	-
Extracurricular activities	-	-
Education	-	-
Capital acquisitions and improvements	-	5,458,731
Debt service	-	-
<i>Committed for:</i>		
Subsequent year's expenditures	4,883,917	-
Unassigned	2,004,863	-
<i>Total fund balances</i>	<u>6,966,632</u>	<u>5,458,731</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 11,660,280</u>	<u>\$ 6,406,782</u>

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

<b>Debt Service Fund 41000</b>	<b>Other Governmental Funds</b>	<b>Total</b>
\$ 6,918,456	\$ 7,826,064	\$ 29,893,982
1,400,674	839,032	2,291,187
-	3,096,004	3,096,004
-	-	7,202
-	366,424	410,150
-	7,050	7,050
-	-	2,815,191
<u>\$ 8,319,130</u>	<u>\$ 12,134,574</u>	<u>\$ 38,520,766</u>
\$ -	\$ 91,927	\$ 1,156,013
-	66,630	4,599,737
-	2,815,191	2,815,191
<u>-</u>	<u>2,973,748</u>	<u>8,570,941</u>
<u>1,198,429</u>	<u>724,916</u>	<u>1,967,851</u>
<u>1,198,429</u>	<u>724,916</u>	<u>1,967,851</u>
-	366,424	410,150
-	7,050	7,050
-	-	34,126
-	1,545,273	1,545,273
-	245,402	245,402
-	2,306,559	2,306,559
-	3,980,515	9,439,246
7,120,701	-	7,120,701
-	-	4,883,917
-	(15,313)	1,989,550
<u>7,120,701</u>	<u>8,435,910</u>	<u>27,981,974</u>
<u>\$ 8,319,130</u>	<u>\$ 12,134,574</u>	<u>\$ 38,520,766</u>

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

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**STATE OF NEW MEXICO**

Los Lunas Schools  
Governmental Funds

Exhibit B-1

Page 2 of 2

Reconciliation of the Balance Sheet to the Statement of Net Position  
June 30, 2018

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

Fund balances - total governmental funds	\$ 27,981,974
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds	166,790,002
Delinquent property taxes not collected within sixty days after year end are not considered "available" revenues and are considered to be unavailable revenue in the fund financial statements, but are considered revenue in the Statement of Activities	1,967,851
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and therefore, are not reported in funds:	
Deferred outflows related to pension	54,884,756
Deferred outflows related to OPEB	839,823
Deferred inflows related to pension	(2,663,009)
Deferred inflows related to OPEB	(9,971,557)
Original issue discounts and premiums are not current financial resources or obligations and, therefore, are not reported in the funds:	
Bond premiums (net of amortization)	(1,114,788)
Liabilities, including bonds payable, accrued compensated absences, net pension and OPEB liability are not due and payable in the current period and, therefore, are not reported in the funds:	
Accrued compensated absences not due and payable	(581,942)
Accrued interest payable	(537,867)
Bonds payable	(46,470,000)
Net pension liability	(161,891,003)
Net OPEB liability	(43,812,215)
<u>Total net position - governmental activities</u>	<u>\$ (14,577,975)</u>

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

**STATE OF NEW MEXICO**  
 Los Lunas Schools  
 Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Governmental Funds  
 For the Year Ended June 30, 2018

	<b>General Fund 11000, 13000, 14000</b>	<b>Bond Building Capital Projects Fund 31100</b>
<i>Revenues</i>		
Property taxes	\$ 218,320	\$ -
Intergovernmental revenue:		
Federal flowthrough	173,435	-
Federal direct	242,205	-
Local sources	17,049	-
State flowthrough	263,802	-
State direct	56,388,197	-
Transportation distribution	2,297,408	-
Charges for services	58,194	-
Investment income	8,576	20,363
Miscellaneous	11,285	82,000
<i>Total revenues</i>	<u>59,678,471</u>	<u>102,363</u>
<i>Expenditures</i>		
Current:		
Instruction	33,107,663	-
Support services - students	6,690,049	-
Support services - instruction	1,324,550	-
Support services - general administration	903,340	-
Support services - school administration	4,857,150	-
Central services	2,597,744	-
Operation and maintenance of plant	8,717,446	-
Student transportation	3,116,555	-
Other support services	7,164	-
Food services operations	16,117	-
Capital outlay	-	5,346,713
Debt service:		
Principal	-	-
Interest	-	-
Bond issuance costs	-	47,938
<i>Total expenditures</i>	<u>61,337,778</u>	<u>5,394,651</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(1,659,307)</u>	<u>(5,292,288)</u>
<i>Other financing sources (uses)</i>		
Proceeds from sale of capital assets	35,638	-
Transfers in	-	-
Transfers (out)	(79,473)	(56,372)
Bond premium	-	631,562
Bond proceeds	-	7,500,000
<i>Total other financing sources (uses)</i>	<u>(43,835)</u>	<u>8,075,190</u>
<i>Net change in fund balances</i>	(1,703,142)	2,782,902
<i>Fund balances - beginning</i>	<u>8,669,774</u>	<u>2,675,829</u>
<i>Fund balances - end of year</i>	<u>\$ 6,966,632</u>	<u>\$ 5,458,731</u>

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

<b>Debt Service Fund 41000</b>	<b>Other Governmental Funds</b>	<b>Total</b>
\$ 6,976,278	\$ 3,892,413	\$ 11,087,011
-	8,346,035	8,519,470
-	1,769,536	2,011,741
-	-	17,049
-	1,691,008	1,954,810
-	589,310	56,977,507
-	-	2,297,408
-	918,605	976,799
4	623	29,566
-	17,500	110,785
<u>6,976,282</u>	<u>17,225,030</u>	<u>83,982,146</u>
-	5,653,885	38,761,548
-	494,561	7,184,610
-	216,771	1,541,321
69,631	296,062	1,269,033
-	965,139	5,822,289
-	14,832	2,612,576
-	330,844	9,048,290
-	247,133	3,363,688
-	-	7,164
-	4,096,138	4,112,255
-	4,476,594	9,823,307
5,505,000	-	5,505,000
1,055,271	-	1,055,271
-	-	47,938
<u>6,629,902</u>	<u>16,791,959</u>	<u>90,154,290</u>
<u>346,380</u>	<u>433,071</u>	<u>(6,172,144)</u>
-	7,029	42,667
-	136,283	136,283
-	(438)	(136,283)
-	-	631,562
-	-	7,500,000
<u>-</u>	<u>142,874</u>	<u>8,174,229</u>
346,380	575,945	2,002,085
<u>6,774,321</u>	<u>7,859,965</u>	<u>25,979,889</u>
<u>\$ 7,120,701</u>	<u>\$ 8,435,910</u>	<u>\$ 27,981,974</u>

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

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**STATE OF NEW MEXICO**

Los Lunas Schools

Reconciliation of the Statement of Revenues, Expenditures, and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended June 30, 2018

Exhibit B-2

Page 2 of 2

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

Net change in fund balances - total governmental funds	\$ 2,002,085
--	--------------

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

Capital expenditures	6,484,247
Depreciation expense	(6,957,620)
Book value of assets disposed of during the year	(14,322)

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

Change in unavailable revenue related to property taxes receivable	73,908
--	--------

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

Schools pension contributions subsequent to the measurement date	5,843,871
Schools OPEB contributions subsequent to the measurement date	839,823
Net pension expense	(26,211,430)
Net OPEB expense	(1,741,837)

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

Current year amortization of bond premium	132,513
Original bond premiums	(631,562)
Bond proceeds	(7,500,000)
Decrease in accrued compensated absences not due and payable	83,968
Increase in accrued interest payable	(51,838)
Principal payments on bonds	5,505,000

<i>Change in net position of governmental activities</i>	<i>\$ (22,143,194)</i>
--	------------------------

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

## STATE OF NEW MEXICO

Exhibit C-1

Los Lunas Schools

General Fund - 11000, 13000, 14000

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable</u> <u>(Unfavorable)</u> <u>Final to Actual</u>
<i>Revenues</i>				
Property taxes	\$ 211,535	\$ 211,535	\$ 216,990	\$ 5,455
Intergovernmental revenue:				
Federal flowthrough	75,000	75,000	173,435	98,435
Federal direct	184,668	185,340	242,205	56,865
Local sources	7,500	7,500	17,049	9,549
State flowthrough	234,582	234,582	263,802	29,220
State direct	55,577,198	56,443,653	56,388,197	(55,456)
Transportation distribution	2,138,444	2,297,408	2,297,408	-
Charges for services	2,500	2,500	58,194	55,694
Investment income	1,001	1,001	8,576	7,575
Miscellaneous	-	-	11,285	11,285
<i>Total revenues</i>	<u>58,432,428</u>	<u>59,458,519</u>	<u>59,677,141</u>	<u>218,622</u>
<i>Expenditures</i>				
Current:				
Instruction	34,146,264	36,018,903	33,170,005	2,848,898
Support services - students	6,206,460	7,601,460	6,697,067	904,393
Support services - instruction	1,544,075	1,719,082	1,329,876	389,206
Support services - general administration	986,269	1,029,519	905,079	124,440
Support services - school administration	5,035,566	5,347,845	4,875,959	471,886
Central services	2,450,697	2,795,697	2,600,920	194,777
Operation and maintenance of plant	9,705,518	9,948,913	8,825,395	1,123,518
Student transportation	2,646,292	3,488,806	3,118,583	370,223
Other support services	1,249,014	2,250,000	7,164	2,242,836
Food services operations	-	6,000	2,801	3,199
Capital outlay	100,000	100,000	-	100,000
<i>Total expenditures</i>	<u>64,070,155</u>	<u>70,306,225</u>	<u>61,532,849</u>	<u>8,773,376</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(5,637,727)</u>	<u>(10,847,706)</u>	<u>(1,855,708)</u>	<u>8,991,998</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	5,632,727	10,839,156	-	(10,839,156)
Transfers (out)	-	-	(79,473)	(79,473)
Proceeds from sale of capital assets	5,000	8,550	30,590	22,040
<i>Total other financing sources (uses)</i>	<u>5,637,727</u>	<u>10,847,706</u>	<u>(48,883)</u>	<u>(10,896,589)</u>
<i>Net change in fund balance</i>	-	-	(1,904,591)	(1,904,591)
<i>Fund balance - beginning of year</i>	-	-	8,949,278	8,949,278
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,044,687</u>	<u>\$ 7,044,687</u>
Net change in fund balance (Non-GAAP Budgetary Basis)				\$ (1,904,591)
Adjustments to revenues for taxes and intergovernmental and property tax revenue				6,378
Adjustments to expenditures for supplies and payroll expenditures				195,071
<i>Net change in fund balance (GAAP Basis)</i>				<u>\$ (1,703,142)</u>

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

**STATE OF NEW MEXICO**  
Los Lunas Schools  
Statement of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2018

Exhibit D-1

	<u><b>Agency Funds</b></u>
<i>Current assets</i>	
Cash and cash equivalents	\$ 634,906
<i>Total current assets</i>	<u>634,906</u>
<i>Total assets</i>	<u><u>\$ 634,906</u></u>
 <i>Current liabilities</i>	
Accounts payable	\$ 7,464
Due to student organizations	<u>627,442</u>
<i>Total liabilities</i>	<u><u>\$ 634,906</u></u>

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

**STATE OF NEW MEXICO**  
Los Lunas Schools  
Notes to Financial Statements  
June 30, 2018

**NOTE 1. Summary of Significant Accounting Policies**

Los Lunas Schools was created under the provision of Chapter 22 Article 5, Paragraph 4, New Mexico Statutes 1978 to provide public education for the children within the local area. The School Board is authorized to establish policies and regulations for its own government consistent with the laws of the state of New Mexico and the regulations of the State Board of Education and the Legislative Finance Committee. The School Board is comprised of five members who are elected for terms of four years.

The School Board operates seventeen schools with a total enrollment of more than 8,500 pupils. In conjunction with the regular educational programs, some of these schools offer special education. In addition, the School Board provides transportation and school food services for the students.

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

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

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

*A. Financial Reporting Entity*

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

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



**STATE OF NEW MEXICO**  
Los Lunas Schools  
Notes to Financial Statements  
June 30, 2018

**NOTE 1. Summary of Significant Accounting Policies (continued)**

*A. Financial Reporting Entity (Continued)*

A third criterion used to evaluate the potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity.

Based upon the application of these criteria, there are no other primary governments with which the School Board Members are financially accountable. There are no other primary governments with which the Schools has a significant relationship.

*B. Government-wide and fund financial statements*

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

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

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

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

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

**STATE OF NEW MEXICO**  
Los Lunas Schools  
Notes to Financial Statements  
June 30, 2018

**NOTE 1. Summary of Significant Accounting Policies (continued)**

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

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.

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

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

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

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

*General Fund:*

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

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

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

*Capital Projects Funds:*

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

**STATE OF NEW MEXICO**  
Los Lunas Schools  
Notes to Financial Statements  
June 30, 2018

**NOTE 1. Summary of Significant Accounting Policies (continued)**

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

*Debt Service Funds:*

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

Additionally, the government reports the following fund types:

*Fiduciary Funds:*

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

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

Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the Schools' taxpayer or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the Schools' general revenues. Program revenues are categorized as (a) charges for services, which include revenues collected for cafeteria fees and lost books, etc., (b) program-specific operating grants, which includes revenues received from state and federal sources such as Title I and IDEA-B to be used as specified within each program grant agreement, and (c) program-specific capital grants and contributions, which include revenues from the state resources such as SB-9 and HB-33 funding to be used for capital projects. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and other items not properly included among program revenues.

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

*D. Assets, Liabilities and Net Position or Equity*

**Cash and Cash Equivalents:** The Schools' cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of twelve months or less from the date of acquisition.

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

Investments for the School are reported at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the Pool is the same as the fair value of the pool shares. As of June 30, 2018, the School did not hold any pool shares in the State Treasurer's Investment Pool.

**STATE OF NEW MEXICO**  
Los Lunas Schools  
Notes to Financial Statements  
June 30, 2018

**NOTE 1. Summary of Significant Accounting Policies (continued)**

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

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

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

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

Transfers between governmental or between proprietary funds are netted as part of the reconciliation to the government-wide financial statements. All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

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

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

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

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

**Capital Assets:** Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000, per section 12-6-10 NMSA 1978, and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

**STATE OF NEW MEXICO**  
Los Lunas Schools  
Notes to Financial Statements  
June 30, 2018

**NOTE 1. Summary of Significant Accounting Policies (continued)**

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

Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets, (retroactive to 1979) are to be included as part of the governmental capital assets reported in the government wide statements. Donated capital assets are recorded at estimated fair market value at the date of donation. Information Technology Equipment including software is being capitalized and included in furniture, fixtures, and equipment in accordance with NMAC 2.20.1.9 C (5).

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Library books are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest was included as part of the cost of capital assets under construction during the year ended June 30, 2018.

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

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

Land improvements	20 years
Buildings/building improvements	10-50 years
Equipment and furniture	5-20 years
Vehicles	5-7 years

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

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

**Deferred Inflows of Resources:** In addition to liabilities, the balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Revenue must be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period) to be recognized. If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding liability for deferred inflows of resources. The School has one type of item, which arises under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue – property taxes, are reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The School has recorded \$1,967,851 related to property taxes that are considered “unavailable”. The District also has items related to the pension and OPEB plans which are discussed at Notes 10 and 11.

**STATE OF NEW MEXICO**  
Los Lunas Schools  
Notes to Financial Statements  
June 30, 2018

**NOTE 1. Summary of Significant Accounting Policies (continued)**

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

**Compensated Absences:** Qualified employees are entitled to earn and accumulate annual leave according to a graduated leave schedule of up to 40 days per year, depending on length of service, the employee's hire date, and employment status. Employees may accumulate and carry forward, from one fiscal year to the next, up to 40 days of annual leave. Upon termination, employees will be paid for up to 40 days of accrued annual leave depending on employment status.

Qualified employees are entitled to accumulate general leave according to a graduated leave schedule of up to 15 days per year with no limit on the amount to be carried forward, depending on length of service, the employee's hire date, and employment status. Effective May 2013, employees will be paid for unused general leave upon retirement, on a graduated scale for accumulated days over 30, provided they meet specific criteria based on years of service.

Vested or accumulated 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 leave that are not expected to be liquidated with expendable available financial resources are reported in the government-wide statement of net position.

**Long-term Obligations:** In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method or the straight-line method if the difference from the effective interest method is inconsequential.

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

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

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

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

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

**STATE OF NEW MEXICO**  
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**NOTE 1. Summary of Significant Accounting Policies (continued)**

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

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

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

The government-wide Statement of Net Position reports \$16,942,089 of restricted net position related to grants, capital projects and debt service.

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

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

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

*Nonspendable:* Consists of amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. At June 30, 2018, the nonspendable fund balance of the School is comprised of inventory in the General and Food Service funds in the amounts of, \$43,726 and \$366,424, respectively, which are not in spendable form. In addition, \$7,050 of prepaid expenditures is reported in the nonmajor governmental funds that is not in spendable form.

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

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

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

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

**STATE OF NEW MEXICO**  
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June 30, 2018

**NOTE 1. Summary of Significant Accounting Policies (continued)**

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

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

All other inter-fund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other inter-fund transfers are reported as operating transfers.

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

*E. Revenues*

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

A school district's program costs are determined through the use of various formulas using 'program units' which take into consideration 1) early childhood education; 2) basic education; 3) special education; 4) bilingual-multicultural education; 5) size, etc. Payment is made from the public school fund under the authority of the Secretary of the Public Education Department. The School received \$56,388,197 in state equalization guarantee distributions during the year ended June 30, 2018.

**Tax Revenues:** The School receives mill levy and ad-valorem tax revenues primarily for debt service and capital outlay purposes. Tax revenues are recognized when they are in the hands of the collecting agency. The School records only the portion of the taxes considered to be 'measurable' and 'available' on a modified accrual basis. The School recognized \$11,087,011 in tax revenues during the year ended June 30, 2018. Descriptions of the individual debt service and capital outlay funds contained in these financial statements include information regarding the authority for the collection and use of these taxes.

Property taxes attach an enforceable lien on property as of January 1. Tax notices are sent to property owners by November 1<sup>st</sup> of each year to be paid in whole or in two installments by November 10<sup>th</sup> and April 10<sup>th</sup> of each year. Valencia County collects County, City, and School taxes and distributes them to each fund once per month except in June when the taxes are distributed twice to close out the fiscal year.



**STATE OF NEW MEXICO**  
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**NOTE 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 Secretary of the Public Education Department. The funds shall be used only for the purpose of making payments to each school district for the to-and-from school transportation costs of students in grades K through twelve attending public school within the school district. The Schools received \$2,297,408 in transportation distributions during the year ended June 30, 2018.

**Instructional Materials:** The New Mexico Public Education Department (PED) receives federal mineral leasing funds from which it makes annual allocations to the various school districts for the purchase of educational materials. Of each allocation, fifty percent is restricted to the purchase of materials listed in the PED "Multiple List", while fifty percent of each allocation is available for purchases directly from vendors. Allocations received from the State for the year ended June 30, 2018 totaled \$263,802.

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

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

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

The council shall consider all applications for assistance from the fund and after public hearing shall either approve or deny the application. Applications for grant assistance shall only be accepted by the council after a district has complied with the provisions of this section. The council shall list all applications in order of priority and all allocations shall be made on a priority basis.

Money in the fund shall be disbursed by warrant of the Department of Finance and Administration on vouchers signed by the Secretary of Finance and Administration following certification by the council that the application has been approved.

During fiscal year 2018, the Schools received \$200,000 in special capital outlay funds.

**STATE OF NEW MEXICO**  
Los Lunas Schools  
Notes to Financial Statements  
June 30, 2018

**NOTE 1. Summary of Significant Accounting Policies (continued)**

*E. Revenues (Continued)*

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

The Schools received \$369,977 in state SB-9 matching during the year end June 30, 2018.

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

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

*F. Pensions*

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

*G. Postemployment Benefits Other Than Pensions (OPEB)*

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

**STATE OF NEW MEXICO**  
Los Lunas Schools  
Notes to Financial Statements  
June 30, 2018

**NOTE 2. Stewardship, Compliance and Accountability**

*Budgetary Information*

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

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

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

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

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

1. In April or May, the local school board submits to the School Budget and Finance Analysis Bureau (SBFAB) of the New Mexico Public Education Department, a proposed operating budget for the ensuing fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them. All budgets submitted to the State of New Mexico Public Education Department (PED) by the Schools shall contain headings and details as described by law and have been approved by the New Mexico Public Education Department.
2. In May or June of each year, the proposed "operating" budget will be reviewed and approved by the SBFAB and certified and approved by the local school board at a public hearing of which notice has been published by the local school board who fixes the estimated budget for the Schools for the ensuing fiscal year.
3. The school board meeting, while not intended for the general public, is open for the general public unless a closed meeting has been called.
4. The "operating" budget will be used by the Schools until they have been notified that the budget has been approved by the SBFAB and the local school board. The budget shall be integrated formally into the accounting system. Encumbrances shall be used as an element of control and shall be integrated into the budget system.
5. The Schools shall make corrections, revisions and amendments to the estimated budgets fixed by the local school board to recognize actual cash balances and carryover funds, if any. These adjustments shall be reviewed and approved by the SBFAB.
6. The superintendent is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the school board and the New Mexico Public Education Department.

**STATE OF NEW MEXICO**  
 Los Lunas Schools  
 Notes to Financial Statements  
 June 30, 2018

**NOTE 2. Stewardship, Compliance and Accountability (continued)**

*Budgetary Information - (Continued)*

7. Budget change requests are processed in accordance with Supplement 1 (Budget Preparation and Maintenance) of the Manual of Procedures Public School Accounting and Budgeting. Such changes are initiated by the Schools and approved by the SBFAB.
8. Legal budget control for expenditures is by function.
9. Appropriations lapse at fiscal year-end. Funds unused during the fiscal year may be carried over into the next fiscal year by budgeting those in the subsequent fiscal year's budget. The budget of the Schools has been amended during the current fiscal year in accordance with these procedures. The budget schedules included in the accompanying financial statements reflect the approved budget and amendments thereto.
10. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Capital Projects Funds and Debt Service Funds.
11. Budgets for the General, Special Revenue, Capital Projects, and Debt Service Funds are adopted on a basis not consistent with generally accepted accounting principles (GAAP). Encumbrances are treated the same way for GAAP purposes and for budget purposes.

The Board of Education may approve amendments to the appropriated budget, which are required when a change is made affecting budgeted ending fund balance. New Mexico state law prohibits a Governmental Agency from exceeding an individual function. The accompanying Statements of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual present comparisons of the legally adopted budget with actual data on a budgetary basis.

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of resultant basis, perspective, equity, and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2018, is presented. The appropriated budget for the year ended June 30, 2018, was properly amended by the Board of Education throughout the year. These amendments resulted in the following changes:

	<b>Excess (deficiency) of revenues over expenditures</b>	
	<b>Original Budget</b>	<b>Final Budget</b>
Budgeted Funds:		
Operational Funds	\$ (5,631,019)	\$ (10,596,900)
Transportation Funds	\$ -	\$ (3,550)
Instructional Materials Fund	\$ (6,708)	\$ (247,256)

The Schools is required to balance its budgets each year. Accordingly, amounts in excess or deficient are presented as changes in cash designated for expenditures, not as an excess or deficiency of revenues over expenditures. The reconciliation between the Non-GAAP budgetary basis amounts and the financial statements on the GAAP basis for each governmental fund is included in the individual budgetary comparison. The Schools budgets on a modified cash basis with respect to payroll or held checks being accrued and expensed, therefore, fund balances on the budget statements do not reconcile to cash due to the Schools' accrued payroll which is presented on the accrual basis.

**STATE OF NEW MEXICO**  
Los Lunas Schools  
Notes to Financial Statements  
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**NOTE 3. Deposits**

State statutes authorize the investment of the Schools' 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 Schools 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 Schools. Deposits may be made to the extent that they are insured by an agency of the United States or by collateral deposited as security or by bond given by the financial institution.

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

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

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

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

**Deposits:**

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of bank failure, the Schools' deposits may not be returned to it. The Schools does not have a deposit policy for custodial credit risk, other than the following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978.) At June 30, 2018, \$31,939,219 of the Schools' deposits of \$32,439,219 was exposed to custodial credit risk. \$25,770,862 of the uninsured funds were collateralized by collateral held by the pledging bank's trust department, not in the Schools' name. As of June 30, 2018, \$6,168,357 was uninsured and uncollateralized. As of June 30, 2018, the carrying amount of these deposits was \$30,524,778; total amount of deposits of \$32,439,219 less outstanding items of \$1,914,441. New Mexico State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the District for a least one half of the amount on deposit with the institution. The schedule listed below will meet the State of New Mexico, Office of the State Auditor's requirements in reporting the insured portion of the deposits.

**STATE OF NEW MEXICO**  
 Los Lunas Schools  
 Notes to Financial Statements  
 June 30, 2018

**NOTE 3. Deposits (continued)**

	<u>US Bank</u>	<u>Wells Fargo</u>	<u>Total</u>
Amount of deposits	\$ 31,418,357	\$ 1,020,862	\$ 32,439,219
FDIC Coverage	<u>(250,000)</u>	<u>(250,000)</u>	<u>(500,000)</u>
Total uninsured public funds	<u>31,168,357</u>	<u>770,862</u>	<u>31,939,219</u>
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the School's name	<u>25,000,000</u>	<u>770,862</u>	<u>25,770,862</u>
Uninsured and uncollateralized	<u>\$ 6,168,357</u>	<u>\$ -</u>	<u>\$ 6,168,357</u>
Collateral requirement (50% of uninsured funds)	\$ 15,584,179	\$ 385,431	\$ 15,969,610
Pledged Collateral	<u>25,000,000</u>	<u>863,697</u>	<u>25,863,697</u>
Over (Under) collateralized	<u>\$ 9,415,821</u>	<u>\$ 478,266</u>	<u>\$ 9,894,087</u>

Certificates of deposits with maturity dates of three months or less were included in the total amount of deposits and included as cash equivalents in the Statement of Net Position.

Reconciliation to the Statement of Net Position:

Cash and cash equivalents- Governmental Activities Exhibit A-1	\$ 22,975,526
Restricted cash and cash equivalents- Governmental Activities Exhibit A-1	6,918,456
Fiduciary funds - Exhibit D-1	<u>634,906</u>
Total cash and cash equivalents	30,528,888
Plus: reconciling items	1,914,441
Less: petty cash	<u>(4,110)</u>
Bank balance of deposits	<u>\$ 32,439,219</u>

**STATE OF NEW MEXICO**  
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 June 30, 2018

**NOTE 4. Receivables**

Receivables as of June 30, 2018 are as follows:

	<u>General Fund</u>	<u>Bond Building</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Property taxes receivable	\$ 51,481	\$ -	\$ 1,400,674	\$ 839,032	\$ 2,291,187
Due from other governments:					
Federal sources	-	-	-	2,152,814	2,152,814
State sources	-	-	-	943,190	943,190
Other receivables:					
Miscellaneous	7,202	-	-	-	7,202
	<u>\$ 58,683</u>	<u>\$ -</u>	<u>\$ 1,400,674</u>	<u>\$ 3,935,036</u>	<u>\$ 5,394,393</u>

In accordance with GASB No. 33, property tax revenues in the amount of \$1,967,851, which were not collected within the period of availability have been reclassified as deferred inflows of resources-property taxes and grants in the governmental fund financial statements. All of the above receivables are deemed to be fully collectible.

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

The Schools transferred funds to remove old outstanding fund balances and to properly reflect fund balances in the following respective funds:

<u>Transfer from Other Funds</u>	<u>Transfers to Other Funds</u>	<u>Amount</u>
Operational Fund - 11000	English Language Acquisition - 24153	\$ 53,879
Operational Fund - 11000	Immigrant Funding - Title III - 24163	26,026
Operational Fund - 11000	GEAR UP NM State Initiatives - 25205	6
Safe & Drug Free Schools & Communities - 24157	Operational Fund - 11000	(206)
Smaller Learning Communities - 25217	Operational Fund - 11000	(183)
Federal Equalization Stabilization Federal Stimulus - 25250	Operational Fund - 11000	(2)
Legislative Appropriations of 2007 - 27165	Operational Fund - 11000	(32)
2008 Library Book Fund - 27549	Operational Fund - 11000	(2)
GRADS Child Care - 28189	Operational Fund - 11000	(13)
Bond Building Capital Projects Fund - 31100	Special Capital Outlay - State - 31400	56,372
		<u>\$ 135,845</u>

**STATE OF NEW MEXICO**  
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 June 30, 2018

**NOTE 5. Interfund Receivables, Payables, and Transfers (Continued)**

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

<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Amount</u>
Operational Fund - 11000	Title I IASA - 24101	\$ 753,945
Operational Fund - 11000	IDEA-B Entitlement - 24106	792,887
Operational Fund - 11000	New Mexico Autism Project - 24108	3,459
Operational Fund - 11000	IDEA-B Preschool - 24109	7,241
Operational Fund - 11000	Education of Homeless - 24113	5,964
Operational Fund - 11000	English Language Acquisition - 24153	18,658
Operational Fund - 11000	Teacher/Principal Training/Recruiting - 24154	159,607
Operational Fund - 11000	Title I School Improvement - 24162	1,581
Operational Fund - 11000	Carl D Perkins Secondary - Current - 24174	19,400
Operational Fund - 11000	Carl D Perkins Secondary Redistribution - 24176	14,791
Operational Fund - 11000	Student Support Academic Achievement Title IV -24189	4,473
Operational Fund - 11000	Indian Ed Formual Grant - 25184	9,968
Operational Fund - 11000	GEAR UP NM State Initiatives - 25205	108,979
Operational Fund - 11000	Dual Credit Instructional Materials -27103	8,566
Operational Fund - 11000	2012 G.O. Bond Student Library Fund - 27107	39,541
Operational Fund - 11000	NM Reads to Lead K-3 Initiative - 27114	70,425
Operational Fund - 11000	Recruitment Support Fund -27128	14,832
Operational Fund - 11000	Pre-K Initiative - 27149	309,439
Operational Fund - 11000	Indian Education Act - 27150	5,188
Operational Fund - 11000	Kindergarten - Three Plus - 27166	227,051
Operational Fund - 11000	GRADS Instructional -28190	94
Operational Fund - 11000	Special Capital Outlay - State - 31400	200,000
Operational Fund - 11000	Capital Improvements SB-9 - 31700	39,102
	Total	<u><u>\$ 2,815,191</u></u>

All Interfund balances are expected to be paid within one year.



**STATE OF NEW MEXICO**  
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**NOTE 6. Capital Assets**

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

	<b>Balance July 1, 2017</b>	<b>Additions</b>	<b>Dispositions</b>	<b>Balance June 30, 2018</b>
<b>Governmental activities:</b>				
Capital assets not depreciated				
Land	\$ 4,595,430	\$ -	\$ -	\$ 4,595,430
Construction in process	8,096,454	3,891,153	(8,037,029)	3,950,578
Total assets not depreciated	12,691,884	3,891,153	(8,037,029)	8,546,008
Capital assets depreciated				
Land improvements	8,787,391	478,207	(10,130)	9,255,468
Buildings and building improvements	204,281,833	9,497,853	(340,023)	213,439,663
Equipment and furniture	5,007,125	324,558	(155,879)	5,175,804
Vehicles	8,954,243	329,505	(815,722)	8,468,026
Total assets depreciated	227,030,592	10,630,123	(1,321,754)	236,338,961
Total assets	239,722,476	14,521,276	(9,358,783)	244,884,969
Less accumulated depreciation for:				
Land improvements	4,674,404	455,994	(7,812)	5,122,586
Buildings and building improvements	57,499,791	5,621,408	(340,074)	62,781,125
Equipment and furniture	3,890,164	372,448	(155,879)	4,106,733
Vehicles	6,380,420	507,770	(803,667)	6,084,523
Total accumulated depreciation	72,444,779	6,957,620	(1,307,432)	78,094,967
<b>Governmental activities capital assets, net</b>	<b>\$ 167,277,697</b>	<b>\$ 7,563,656</b>	<b>\$ (8,051,351)</b>	<b>\$ 166,790,002</b>

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

Instruction	\$ 3,364,465
Support Services – Students	6,079
Central Services	276
Operations / Maintenance of Plant	3,169,644
Transportation Services	392,222
Food Services	24,934
Total	<b>\$ 6,957,620</b>

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**NOTE 7. Long-Term Debt**

*General Obligation Bonds:*

The Schools issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. The original amount of the outstanding general obligation bonds as of June 30, 2018 was \$76,140,000. General obligation bonds are direct obligations and pledge the full faith and credit of the Schools. These bonds are issued with varying terms and varying amounts of principal maturing each year. All general obligation bonds as of June 30, 2018 are for governmental activities.

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

	Series 2009	Series 2010	Series 2011	Series 2012
Original Issue:	\$6,750,000	\$9,175,000	\$15,795,000	\$5,915,000
Principal Due:	July 15	July 15	July 15	July 15
Interest Due:	January 15 December 1	January 15 July 15	January 15 July 15	January 15 July 15
Interest Rates:	2.50% - 3.625%	2.00% - 3.00%	2.00% - 3.00%	1.00% - 2.00%
Maturity Date:	7/15/2022	7/15/2023	7/15/2024	7/15/2025
	Series 2013	Series 2014A	Series 2014B	Series 2015
Original Issue:	\$6,000,000	\$6,100,000	\$3,565,000	\$6,000,000
Principal Due:	July 15	July 15	July 15	July 15
Interest Due:	January 15 July 15	January 15 July 15	January 15 July 15	January 15 July 15
Interest Rates:	1.25% - 3.20%	2.00% - 2.50%	2.00%	2.00% - 4.00%
Maturity Date:	7/15/2026	7/15/2027	7/15/2019	7/15/2028
	Series 2016 A	Series 2016 B	Series 2017	
Original Issue:	\$1,600,000	\$7,740,000	\$7,500,000	
Principal Due:	July 15	July 15	July 15	
Interest Due:	January 15 July 15	January 15 July 15	January 15 July 15	
Interest Rates:	2.00%	2.00%	3.00% - 4.00%	
Maturity Date:	7/15/2029	7/15/2022	7/15/2030	

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**NOTE 7. Long-Term Debt (continued)**

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

	Balance June 30, 2017	Additions	Retirements	Balance June 30, 2018	Due Within One Year
General Obligation Bonds	\$ 44,475,000	\$ 7,500,000	\$ 5,505,000	\$ 46,470,000	\$ 5,670,000
Bond Premium	615,739	631,562	132,513	1,114,788	-
Compensated Absences	665,910	669,267	753,235	581,942	436,456
<b>Total long-term debt</b>	<b>\$ 45,756,649</b>	<b>\$ 8,800,829</b>	<b>\$ 6,390,748</b>	<b>\$ 48,166,730</b>	<b>\$ 6,106,456</b>

The annual requirements to amortize the General Obligation Bonds as of June 30, 2018, including interest payments are as follows. The interest rates range from 1.00% to 4.00% with maturity dates until July 15, 2030.

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2019	\$ 5,670,000	\$ 1,052,196	\$ 6,722,196
2020	5,185,000	996,475	6,181,475
2021	5,195,000	874,843	6,069,843
2022	4,920,000	755,069	5,675,069
2023	5,125,000	636,225	5,761,225
2024-2028	17,555,000	1,415,987	18,970,987
2029-2033	2,820,000	111,850	2,931,850
	<b>\$ 46,470,000</b>	<b>\$ 5,842,645</b>	<b>\$ 52,312,645</b>

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

Compensated Absences – Administrative employees of the Schools are able to accrue a limited amount of annual leave and all employees are able to accrue an unlimited amount of general leave during the year. During fiscal year June 30, 2018, compensated absences decreased \$83,968 for annual leave over the prior year accrual. See Note 1 for more details.

Operating Leases – The Schools leases office equipment under short-term cancelable operating leases. Rental cost for the year ended June 30, 2018 was \$215,481.

**NOTE 8. Risk Management**

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

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**NOTE 8. Risk Management (continued)**

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

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

**NOTE 9. Other Required Individual Fund Disclosures**

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

- A.** Deficit fund balance of individual funds: The Schools reported the following deficit fund balance at June 30, 2018:

Student Support Academic Achievement Title IV	\$ 518
GEAR UP NM State Initiatives	2,463
Indian Education Act	5,188
GRADS Instructional	<u>94</u>
Total	<u><u>\$ 8,263</u></u>

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

**NOTE 10. Pension Plan – Educational Retirement Board**

**General Information about the Pension Plan**

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

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

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

The Plan is a pension trust fund of the State of New Mexico. The ERA assigns the authority to establish and amend benefit provisions to a seven-member Board of Trustees (Board); the state legislature has the authority to set or amend contribution rates and other terms of the Plan. NMERB is self-funded through investment income and educational employer contributions. The Plan does not receive General Fund Appropriations from the State of New Mexico.

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

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

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

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

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

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

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

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

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

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

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

- **Option A – Straight Life Benefit** – The single life annuity option has no reductions to the monthly benefit, and there is no continuing benefit due to a beneficiary or estate, except the balance, if any, of member contributions plus interest less benefits paid prior to the member's death.
- **Option B – Joint 100% Survivor Benefit** – The single life annuity monthly benefit is reduced to provide for a 100% survivor's benefit. The reduced benefit is payable during the life of the member, with the provision that, upon death, the same benefit is paid to the beneficiary for his or her lifetime. If the beneficiary predeceases the member, the member's monthly benefit is increased to the amount the member would have received under Option A Straight Life benefit. The member's increased monthly benefit commences in the month following the beneficiary's death.
- **Option C – Joint 50% Survivor Benefit** – The single life annuity monthly benefit is reduced to provide for a 50% survivor's benefit. The reduced benefit is payable during the life of the member, with the provision that, upon death, the reduced 50% benefit is paid to the beneficiary for his or her lifetime. If the beneficiary predeceases the member, the member's monthly benefit is increased to the amount the member would have received under Option A Straight Life benefit. The member's increased monthly benefit commences in the month following the beneficiary's death.

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

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

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

As of July 1, 2013, for current and future retirees the COLA is immediately reduced until the Plan is 100% funded. The COLA reduction is based on the median retirement benefit of all retirees excluding disability retirements. Retirees with benefits at or below the median and with 25 or more years of service credit will have a 10% COLA reduction; their average COLA will be 1.5%. Once the funding is greater than 90%, the COLA reductions will decrease. The retirees with benefits at or below the median and with 25 or more years of service credit will have a 5% COLA reduction; their average COLA will be 1.7%.

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

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

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

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

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

The contribution requirements are established in statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the New Mexico Legislature. For the fiscal years ended June 30, 2018 and 2017, the Schools paid employee and employer contributions of \$10,138,402 and \$9,973,935, which equal the amount of the required contributions for each fiscal year.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** – At June 30, 2018, the Schools reported a liability of \$161,891,003 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2017 using generally accepted actuarial principles. The roll-forward incorporates the impact of the new assumptions adopted by the Board on April 21, 2017. There were no other significant events of changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2017. Therefore, the employer’s portion was established as of the measurement date of June 30, 2017. The Schools’ proportion of the net pension liability was based on a projection of the Schools’ long-term share of contributions to the pension plan relative to the projected contributions of all participating educational institutions, actuarially determined. At June 30, 2017, the Schools’ proportion was 1.45671% percent, which was an increase of .0002845% percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Schools recognized pension expense of \$26,211,430. At June 30, 2018, the Schools reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

	<b>Deferred Outflow of Resources</b>	<b>Deferred Inflow of Resources</b>
Differences between expected and actual experience	\$ 290,610	\$ 2,494,084
Net difference between expected and actual investments on pension plan investments	-	22,208
Change of assumptions	47,259,165	-
Change in proportion	1,491,110	146,717
Schools' contributions subsequent to the measurement date	5,843,871	-
Total	\$ 54,884,756	\$ 2,663,009

\$5,843,871 reported as deferred outflows of resources related to pensions resulting from the Schools contributions subsequent to the measurement date will be recognized as a net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2018	\$	17,675,220
2019		18,703,456
2020		11,332,250
2021		(1,333,050)
2022		-
Thereafter		-

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

Inflation	2.50%
Salary increases	3.25% composed of 2.50% inflation, plus a 0.75% productivity increase rate, plus a step-rate promotional increase for members with less than 10 years of service.
Investment rate of return	7.25% compounded annually, net of expenses. This is made up of a 2.50% inflation rate and a 4.75 real rate of return.

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



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

Mortality	<p><b>Healthy males:</b> Based on the RP-2000 Combined Mortality Table with White Collar adjustments, not set back. Generational mortality improvements with Scale BB from the table’s base year of 2000.</p> <p><b>Healthy females:</b> Based on GRS Southwest Region Teacher Mortality Table, set back one year. Generational mortality improvements in accordance with Scale BB from the table’s base year of 2012.</p> <p><b>Disabled males:</b> RP-2000 Disabled Mortality Table for males, set back three years, projected to 2016 with Scale BB.</p> <p><b>Disabled females:</b> RP-2000 Disabled Mortality Table for females, no set back, projected to 2016 with Scale BB.</p> <p><b>Active members:</b> RP-2000 Employee Mortality Tables, with males set back two years and scaled at 80%, and females set back five years and scaled at 70%. Static mortality improvement from the table’s base year of 2000 to the year 2016 in accordance with Scale BB. No future improvement was assumed for preretirement mortality.</p>
Retirement Age	Experience-based table rates based on age and service, adopted by the Board on June 12, 2015 in conjunction with the six-year experience study for the period ending June 30, 2014.
Cost-of-living increases	1.90% per year, compounded annually.
Payroll growth	3.00% per year (with no allowance for membership growth).
Contribution accumulation	The accumulated member account balance with interest is estimated at the valuation date by assuming that member contributions increased 5.50% per year for all years prior to the valuation date. Contributions are credited with 4.00% interest, compounded annually, applicable to the account balances in the past as well as the future.
Disability Incidence	Approved rates applied to eligible members with at least 10 years of service.

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

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

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

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

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

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

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

***Sensitivity of the Schools’ proportionate share of the net pension liability to changes in the discount rate.***

The following presents the Schools’ proportionate share of the net pension liability calculated using the discount rate of 5.90 percent, as well as what the Schools’ proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1- percentage-point lower (4.90 percent) or 1- percentage-point higher (6.90 percent) than the current rate:

	<b>1% Decrease (4.90%)</b>	<b>Current Discount Rate (5.90%)</b>	<b>1% Increase (6.90%)</b>
School's proportionate share of the net pension liability	<u>\$ 210,741,826</u>	<u>\$ 161,891,003</u>	<u>\$ 121,959,430</u>

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

**Payables to the pension plan.** At June 30, 2018, the Schools owed the ERB \$2,053,946 for the contributions withheld in the month of June 2018.

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

*General Information about the OPEB*

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

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

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

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

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

**Contributions** – Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee’s salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer’s participation in the Fund. Contributions to the Fund from the Schools were \$1,263,634 for the year ended June 30, 2018.

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

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

At June 30, 2018, the Schools reported a liability of \$43,812,215 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Schools' proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2017. At June 30, 2017, the Schools' proportion was 0.96680 percent.

For the year ended June 30, 2018, the Schools recognized OPEB expense of \$1,741,837. At June 30, 2018 the Schools reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflow of Resources</b>	<b>Deferred Inflow of Resources</b>
Differences between expected and actual experience	\$ -	\$ 1,681,280
Net difference between expected and actual investments on OPEB plan investments	-	630,269
Change of assumptions	-	7,660,008
Schools' contributions subsequent to the measurement date	839,823	-
Total	\$ 839,823	\$ 9,971,557

Deferred outflows of resources totaling \$839,823 represent the Schools contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

2019	\$	(2,120,023)
2020		(2,120,023)
2021		(2,120,023)
2022		(2,120,023)
2023		(1,491,465)

**STATE OF NEW MEXICO**  
Los Lunas Schools  
Notes to Financial Statements  
June 30, 2018

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

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

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

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

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

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

**STATE OF NEW MEXICO**  
 Los Lunas Schools  
 Notes to Financial Statements  
 June 30, 2018

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

**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 Schools, as well as what the Schools’ 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:

	<b>1% Decrease (2.81%)</b>	<b>Current Discount Rate (3.81%)</b>	<b>1% Increase (4.81%)</b>
Schools' proportionate share of the net OPEB liability	\$ 53,143,534	\$ 43,812,215	\$ 36,490,956

The following presents the net OPEB liability of the Schools, as well as what the Schools’ 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:

	<b>Trend Rate Sensitivity Analysis</b>		
	<b>1% Decrease</b>	<b>Rate</b>	<b>1% Increase</b>
Schools' proportionate share of the net OPEB liability	\$ 37,265,306	\$ 43,812,215	\$ 48,917,185

**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 Schools reported a payable of \$254,292 for outstanding contributions due to NMRHCA for the year ended June 30, 2018.

**NOTE 12. Prior Period Adjustments**

The Schools has a prior period adjustment of (\$52,041,935) which was required for implementation of GASB Statement No. 75. The adjustment reflects a beginning net OPEB liability of (\$52,872,018) and a beginning of deferred outflow of resources- employer contributions subsequent to the measurement date of \$830,083.

**STATE OF NEW MEXICO**  
 Los Lunas Schools  
 Notes to Financial Statements  
 June 30, 2018

**NOTE 13. Construction and Other Significant Commitments**

The Schools has committed to pay for several construction contracts that were not completed at June 30, 2018 in the amount of \$3,416,923 as follows:

<u>Project</u>	<u>Year Ending</u>	<u>Amount</u>
General Contractor for Los Lunas Middle School Renovation	2018	\$ 1,486,736
Design professional services for Facility master plan projects	2018	52,394
Design professional for the VHS Performing Arts Center (PAC)	2018	347,787
General Contracting of the VHS PAC	2018	68,828
LLHS Pressboxes	2018	404,381
Relocate Portables to Sundance Elem.	2018	193,934
Peralta Elementary Roof improvement	2018	24,116
KG Elementary Roof improvement	2018	16,945
Repace and resurface Los Lunas High School Running Track	2018	527,873
LLHS Scoreboards with installation	2018	82,947
Activity Bus	2018	<u>210,982</u>
Total Outstanding Commitments		<u><u>\$ 3,416,923</u></u>

**NOTE 14. Concentrations**

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

**NOTE 15. Subsequent Events**

The date to which events occurring after June 30, 2018, the date of the most recent Statement of Net Position, have been evaluated for possible adjustment to the financial statements or disclosures is November 7, 2018 which is the date on which the financial statements were available to be issued.

On September 28, 2018 the Los Lunas Schools sold Series 2018 General Obligation Bonds as detailed below:

Series 2018 General Obligation School Building Bonds  
 Bond Amount: \$7,500,000  
 Closing Date: September 28, 2018  
 Maturity Date: July 15, 2031  
 Interest Rate: 1.68% to 3.10%  
 Purpose: Capital, equipment, and other improvements throughout Los Lunas Schools

**STATE OF NEW MEXICO**  
 Los Lunas Schools  
 Notes to Financial Statements  
 June 30, 2018

**NOTE 16. Contingent Liabilities**

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

The Schools 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 Schools' legal counsel that resolution of these matters will not have a material adverse effect on the financial condition of the Schools.

**NOTE 17. Tax Abatements**

In accordance with GASB Statement No. 77, the Schools provides the following disclosures regarding foregone tax revenue due to various agreements:

<b>Agency number for Agency making the disclosure (Abating Agency)</b>	6110
<b>Abating Agency Name</b>	Village of Los Lunas
<b>Abating Agency Type</b>	Local Government
<b>Tax Abatement Agreement Name</b>	Industrial Revenue Bond Project Agreement
<b>Name of agency affected by abatement agreement (Affected Agency)</b>	Los Lunas Schools
<b>Agency number of Affected Agency</b>	7053
<b>Agency type of Affected Agency</b>	School District
<b>Recipient(s) of tax abatement</b>	Property Tax
<b>Tax abatement program (name and brief description)</b>	Industrial Revenue Bonds - Fresenius Medical Care Project-Series 2005; \$6,000,000
<b>Specific Tax(es) Being Abated</b>	Property Tax
<b>Authority under which abated tax would have been paid to Affected Agency</b>	Sections 3-32-1 to 3-32-16 New Mexico Statutes Annotated, 1978 Compilation
<b>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</b>	\$30,000
<b>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</b>	\$16,700
<b>If the Abating Agency is omitting any information required in this spreadsheet or by GASB 77, cite the legal basis for such omission</b>	None



**STATE OF NEW MEXICO**  
 Los Lunas Schools  
 Notes to Financial Statements  
 June 30, 2018

**NOTE 17. Tax Abatements (continued)**

<b>Agency number for Agency making the disclosure (Abating Agency)</b>	6110
<b>Abating Agency Name</b>	Village of Los Lunas
<b>Abating Agency Type</b>	Local Government
<b>Tax Abatement Agreement Name</b>	Industrial Revenue Bond Project Agreement
<b>Name of agency affected by abatement agreement (Affected Agency)</b>	Los Lunas Schools
<b>Agency number of Affected Agency</b>	7053
<b>Agency type of Affected Agency</b>	School District
<b>Recipient(s) of tax abatement</b>	Property Tax
<b>Tax abatement program (name and brief description)</b>	Industrial Revenue Bonds - Greater Kudu LLC Project, Series 2016; not to exceed \$5,000,000,000
<b>Specific Tax(es) Being Abated</b>	Property Tax
<b>Authority under which abated tax would have been paid to Affected Agency</b>	Sections 3-32-1 to 3-32-16 New Mexico Statutes Annotated, 1978 Compilation
<b>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</b>	Under construction
<b>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</b>	NA
<b>If the Abating Agency is omitting any information required in this spreadsheet or by GASB 77, cite the legal basis for such omission</b>	None

**STATE OF NEW MEXICO**  
 Los Lunas Schools  
 Notes to Financial Statements  
 June 30, 2018

**NOTE 17. Tax Abatements (continued)**

<b>Agency number for Agency making the disclosure (Abating Agency)</b>	6110
<b>Abating Agency Name</b>	Village of Los Lunas
<b>Abating Agency Type</b>	Local Government
<b>Tax Abatement Agreement Name</b>	Industrial Revenue Bond Project Agreement
<b>Name of agency affected by abatement agreement (Affected Agency)</b>	Los Lunas Schools
<b>Agency number of Affected Agency</b>	7053
<b>Agency type of Affected Agency</b>	School District
<b>Recipient(s) of tax abatement</b>	Property Tax
<b>Tax abatement program (name and brief description)</b>	Industrial Revenue Bonds - Wal-Mart Stores East, Inc. Project-Series 1997; \$50,000,000
<b>Specific Tax(es) Being Abated</b>	Property Tax
<b>Authority under which abated tax would have been paid to Affected Agency</b>	Sections 3-32-1 to 3-32-16 New Mexico Statutes Annotated, 1978 Compilation
<b>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</b>	\$50,000
<b>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</b>	None
<b>If the Abating Agency is omitting any information required in this spreadsheet or by GASB 77, cite the legal basis for such omission</b>	None

**STATE OF NEW MEXICO**  
 Los Lunas Schools  
 Notes to Financial Statements  
 June 30, 2018

**NOTE 17. Tax Abatements (continued)**

<b>Agency number for Agency making the disclosure (Abating Agency)</b>	6110
<b>Abating Agency Name</b>	Village of Los Lunas
<b>Abating Agency Type</b>	Local Government
<b>Tax Abatement Agreement Name</b>	Industrial Revenue Bond Project Agreement
<b>Name of agency affected by abatement agreement (Affected Agency)</b>	Los Lunas Schools
<b>Agency number of Affected Agency</b>	7053
<b>Agency type of Affected Agency</b>	School District
<b>Recipient(s) of tax abatement</b>	Property Tax
<b>Tax abatement program (name and brief description)</b>	Industrial Revenue Bonds - ACIM Project, Series 2014; \$30,000,000
<b>Specific Tax(es) Being Abated</b>	Property Tax
<b>Authority under which abated tax would have been paid to Affected Agency</b>	Sections 3-32-1 to 3-32-16 New Mexico Statutes Annotated, 1978 Compilation
<b>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</b>	\$50,000
<b>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</b>	\$8,298
<b>If the Abating Agency is omitting any information required in this spreadsheet or by GASB 77, cite the legal basis for such omission</b>	None

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**REQUIRED SUPPLEMENTARY INFORMATION**

**STATE OF NEW MEXICO**  
 Los Lunas Schools  
 Schedule of Proportionate Share of the Net Pension Liability  
 Educational Retirement Board (ERB) Pension Plan  
 Last 10 Fiscal Years\*

	<b>2018 Measurement Date (As of and for the Year Ended June 30, 2017)</b>	<b>2017 Measurement Date (As of and for the Year Ended June 30, 2016)</b>
Los Lunas Schools proportion of the net pension liability (asset)	1.45671%	1.42830%
Los Lunas Schools proportionate share of the net pension liability (asset)	\$ 161,891,003	\$ 102,783,782
Los Lunas Schools covered payroll	41,485,259	40,739,209
Los Lunas Schools proportionate share of the net pension liability (asset) as a percentage of its covered payroll	390%	252%
Plan fiduciary net position as a percentage of the total pension liability	52.95%	61.58%

\* 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, Los Lunas Schools will present information for those years for which information is available.

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

<b>2016 Measurement Date (As of and for the Year Ended June 30, 2015)</b>	<b>2015 Measurement Date (As of and for the Year Ended June 30, 2014)</b>
1.4331%	1.4253%
\$ 92,828,294	\$ 81,324,343
39,129,000	39,287,000
237%	207%
63.97%	66.54%

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

**STATE OF NEW MEXICO**  
Los Lunas Schools  
Schedule of Contributions  
Educational Retirement Board (ERB) Pension Plan  
Last 10 Fiscal Years\*

	<b>As of and for the Year Ended June 30, 2018</b>	<b>As of and for the Year Ended June 30, 2017</b>
Contractually required contribution	\$ 5,843,871	\$ 5,743,399
Contributions in relation to the contractually required contribution	5,843,871	5,743,399
Contribution deficiency (excess)	\$ -	\$ -
Los Lunas Schools' covered payroll	42,172,830	41,485,259
Contribution as a percentage of covered payroll	13.9%	13.8%

\* 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, Los Lunas Schools will present information for those years for which information is available.

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



<b>As of and for the Year Ended June 30, 2016</b>	<b>As of and for the Year Ended June 30, 2015</b>
\$ 5,662,750	\$ 5,166,199
<u>5,662,750</u>	<u>5,166,199</u>
<u>\$ -</u>	<u>\$ -</u>
40,739,209	39,129,000
13.9%	13.2%

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

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**STATE OF NEW MEXICO**  
Los Lunas Schools  
Notes to Required Supplementary Information  
June 30, 2018

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

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

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

**STATE OF NEW MEXICO**  
 Los Lunas Schools  
 Schedule of Proportionate Share of the Net OPEB Liability  
 Retiree Health Care OPEB Plan  
 Last 10 Fiscal Years\*

Schedule B-1

	<b>2018 Measurement Date (As of and for the Year Ended June 30, 2017)</b>
Los Lunas Schools's proportion of the net OPEB liability (asset)	0.96680%
Los Lunas Schools's proportionate share of the net OPEB liability (asset)	\$ 43,812,215
Los Lunas Schools's covered payroll	40,273,478
Los Lunas Schools's proportionate share of the net OPEB liability as a percentage of its covered payroll	109%
Plan fiduciary net position as a percentage of the total OPEB liability	11.34%

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

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

**STATE OF NEW MEXICO**  
 Los Lunas Schools  
 Schedule of Contributions  
 Retiree Health Care OPEB Plan  
 Last 10 Fiscal Years\*

Schedule B-2

	<b>As of and for the Year Ended June 30, 2018</b>
Contractually required contribution	\$ 839,823
Contributions in relation to the contractually required contribution	839,823
Contribution deficiency (excess)	\$ -
Los Lunas Schools's covered payroll	42,121,130
Contribution as a percentage of covered payroll	1.99%

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

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

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## **SUPPLEMENTARY INFORMATION**

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**NONMAJOR GOVERNMENTAL FUNDS**

**STATE OF NEW MEXICO**  
Los Lunas Schools  
Nonmajor Governmental Fund Descriptions  
June 30, 2018

**Special Revenue Funds**

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

**Food Service (21000)** – This fund is used to account for the cost of operating a student breakfast, lunch, snack bar and summer lunch program and is financed with federal grants and fees paid by program users.

**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.

**Non-Instruction Support (23000)** – To account for budgeted revenues and expenditures which relate to student activities other than athletics.

**Title I – IASA (24101)** – Used to provide supplemental educational opportunity for academically disadvantaged children in the area of residing. Campuses are identified for program participation by the percentage of students on free or reduced-price lunches. Any school with a free and reduced-price lunch percentage that is equal to or greater than the total district percentage becomes eligible for program participation. Any student whose test scores fall below District established criteria and who is attending a Title I campus is eligible to receive Title I services. Poverty is the criterion that identifies a campus; educational need determines the students to be served. Federal revenues accounted for in this fund are allocated to the Schools through the New Mexico Department of Education. Authority for creation of this fund is Part A of Chapter I of Title I of Elementary and Secondary Education Act (ESEA) of 1965, as amended, Public Law 103-383.

**IDEA-B Entitlement (24106)**– To account for a program funded by a Federal grant to assist the Schools in providing free appropriate public education to all handicapped children. Program 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.

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

**IDEA-B Preschool (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 Schools through the New Mexico Department of Children, Youth and Families. Authority for creation of this fund is Public Law 105- 17.

**Education of Homeless (24113)** – To ensure that homeless children and youth have equal access to the same free, appropriate public education as other children; to provide activities for and services to ensure that these children enroll in, attend, and achieve success in school; to establish or designate an office in each State educational agency (SEA) for the coordination of education for homeless children and youth; to develop and implement programs for school personnel to heighten awareness of specific problems of homeless children and youth; and to provide grants to local educational agencies (LEAs). Program funding is authorized by authorized by McKinney-Vento Homeless Assistance Act, Title VII, Subtitle B.

**English Language Acquisition (24153)** – To provide funds to improve the educational performance of limited English proficient students by assisting the children to learn English and meet State academic content standards. This program is authorized by Title III, Part A of the ESEA, as amended.

**STATE OF NEW MEXICO**  
Los Lunas Schools  
Nonmajor Governmental Fund Descriptions  
June 30, 2018

**Special Revenue Funds**

**Teacher / Principal Training & Recruiting (24154)** – To improve the skills of teachers and the quality of instruction in mathematics and science, and also to increase the accessibility of such instruction to all students. This program is authorized by Title II, Part A, subparts 1-3 of the ESEA as amended.

**Safe & Drug Free Schools & Community (24157)** – To establish a local program of alcohol and drug abuse education and prevention coordinated with related community efforts and resources. This program is authorized by Title IV, Part A, Subpart 1 of the Elementary and Secondary Education Act of 1965, as amended.

**Title I School Improvement (24162)** – To account for Title I Program Improvement funding designated to assist with the implementation of approved school improvement corrective action plans. This funding was authorized by the Elementary and Secondary Education Act (ESEA), as amended, Executive Order Section 1003(g), 115 Stat. 1442, 20 U.S.C 6303(g).

**Immigrant Funding – Title III (24163)** – Funds allocated to the Schools to support additional programs to improve the education performance of limited English proficient students by assisting the children to learn English and meet State academic content standards. Authorized by the Elementary and Secondary Education Act of 1965, as amended by the No Child Left Behind Act of 2001, Title III, Part B (Public Law 107-110).

**Carl D. Perkins Secondary - Current (24174), Carl D. Perkins Secondary – PY Unliquidated (24175) and Carl D. Perkins Secondary Redistributions (24176)** - The objective of this grant is to provide secondary educational institutions the opportunity to develop, implement, and operate programs using different models of curricula that integrate vocational and academic learning. Funds are acquired from federal sources through the New Mexico Department of Education. This program is authorized by the Carl D. Perkins Career and Technical Education Act of 2006.

**Teen Dating Violence (24184)** - The objective of this grant is to provide support for expectant parenting teens, women, fathers and their families for the State of New Mexico. The fund enables Los Lunas Schools to vary out is Teen Dating Violence Prevention and Campaign Awareness program. Authorized by U.S. Department of Health and Human Services (1SP1AH000021-02-00).

**Student Support Academic Achievement Title IV (24189)** – This fund is a sub-award for funding through the Student Support and Academic Enrichment Program. This sub-award supports well-rounded educational opportunities, safe and healthy students and effective use of technology. CFDA number- 84.424A

**Impact Aid - Special Education (25145) and Indian Education (25147)** – To account for funding of a Federal program to provide financial assistance to local educational agencies (LEA's) where enrollments or availability of revenue are adversely affected by Federal activities, i.e. where the tax base of a district is reduced through the Federal acquisition of real property (Section 2), or where there are a significant number of children who reside on Federal (including Indian) lands and/or children whose parents are employed on Federal property or in the Uniformed Services (Section 3(a) and 3(b)); where there is a significant decrease (Section 3(c)) or a sudden and substantial increase (Section 4) in school enrollment as the result of Federal activities; to provide disaster assistance for reduced or increased operating costs (Section 7(a)), for replacing or repairing damaged or destroyed supplies, equipment, and books, and for repairing minor damage to facilities. Funding authorized by Public Law 81-874.

**Title XIX MEDICAID 3/21 Years (25153)** – 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. Program funding is authorized by Social Security Act, Title XIX, as amended.

**STATE OF NEW MEXICO**  
Los Lunas Schools  
Nonmajor Governmental Fund Descriptions  
June 30, 2018

**Special Revenue Funds**

**Child Care Block Grant CYFD (25157)** – To account for funds received for the transition assistance program funding through the Children, Youth and Families Department and the State of New Mexico. Program funding is authorized by Child Care and Development Block Grant Act of 1990, as amended.

**Indian Education Formula Grant (25184)** – To account for a program funded by a Federal grant to develop and carry out supplementary elementary and secondary school programs designed to meet the special educational and culturally related academic needs of Indian children, for example to: 1) Improve academic performance, 2) Reduce school dropout rates and improve attendance, and 3) Integrate the value of cultural education into the school curriculum for Indian children. Funding authorized by Indian Education Act of 1988, Title V, Part C, Subpart 1, as amended, Public Law 100-297 and 93-638, 25 U.S.C. 2601-2606.

**GEAR UP NM State Initiatives (25205), and GEAR UP USDE (25211)** –To encourage eligible entities to provide or maintain a guarantee to eligible low-income students who obtain a secondary diploma, of the financial assistance necessary to permit the student to attend an institution of higher education; and provide additional support services to students who are at risk of dropping out of school. Higher Education act, Title IV, Part A, Subpart 2, Chapter 2, Public Law 105-244.

**Smaller Learning Communities (25217)** - To conduct nationally significant programs to improve the quality of education, assist all students to meet challenging State content standards, and contribute to the achievement of the National Education Goals. Elementary and Secondary Education Act of 1965; Title X, Part A, as amended, 20 U.S.C. 8001-8007.

**Federal Equalization Stabilization Federal Stimulus (25250)** - Education stabilization funds are used to restore state funding to public schools and higher education institutions for FY09, FY10 and FY11 for the purpose of stimulating the economy as authorized by Title XIV of the American Recovery and Reinvestment Act (ARRA).

**Dual Credit Instructional Materials (27103)** – To purchase college textbooks for students who dual enroll in college credited courses while still attending high school. Program is authorized by state statute.

**2012 G.O. Bond Student Library Fund (SB1) (27107)** – Funds used to purchase library books and library supplies for all school sites. Program is authorized by state statute.

**NM Reads to Lead K-3 Initiative (27114)** – Funds appropriated by the NM Legislature to support the implementation of the New Mexico Reads to Lead initiative for grades K-3. Authority for the creation of this fund is the New Mexico Public Education Department.

**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, updates to your district website with regard to recruitment, or the cost of placing advertisements in a newspaper or external website.

**Pre-K Initiative (27149)** – To account for monies received from the State of New Mexico to be used to provide direct services to 20 4-year-old children in Pre-Kindergarten programs at Mariposa Elem., and Tome Elem. Program is authorized by state statute.

**Indian Education Act (27150)** – To account for funds to help support the educational reform initiatives outlined in the schools' Educational Plan for Student Success (EPSS). The grant expenditures must support how the identified EPSS focus areas/ activities/ strategies will be deployed for addressing the needs of American Indian students to ensure improved academic performance and closing of the achievement gap.

**STATE OF NEW MEXICO**  
Los Lunas Schools  
Nonmajor Governmental Fund Descriptions  
June 30, 2018

**Special Revenue Funds**

**Legislative Appropriations of 2007 (27165)** –To provide funds for college readiness and high school redesign initiative. Program is authorized by state statute.

**Kindergarten - Three Plus (27166)** –the funding is part of a pilot project for Kindergarten through third grade students at both Ann Parish Elementary and Desert View Elementary. Funds used for teachers, educational assistants, nurses, an academic coach, and PE coach at both schools.

**Library Book Fund (27549)** – Funds for the purpose of purchasing library books for all school sites. Program is authorized by state statute.

**Office of Cultural Affairs (28177)** – to account for monies received from the State of New Mexico to be used for preserving and promoting New Mexico’s culture. Program is authorized by state statute.

**GRADS Child Care (28189)** – To provide grants to States, Territories, or Tribes to assist needy families with children so that children can be cared for in their own homes; to reduce dependency by promoting job preparation, work, and marriage; to reduce and prevent out of wedlock pregnancies; and to encourage the formation and maintenance of two-parent families. Social Security Act, Title IV, Part A, as amended; Personal Responsibility and Work Opportunity Reconciliation Act of 1996, Public Law 104-193.

**GRADS-Instructional (28190)** - To account for an agreement to provide child care services in conjunction with the Graduation, Reality and Dual Role Skills Program. Funding is provided by State of New Mexico Children Youth and Families Department. Program is authorized by state statute.

**Capital Projects Funds**

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. The Schools has the following separate funds classified as Capital Projects Funds:

**Special Capital Outlay State (31400)** – To account for special appropriations monies received from the State of New Mexico under Chapter 4, Laws of 1996 for the purpose of upgrading the school facilities.

**Capital Improvements HB-33 Capital Projects Fund (31600)** – Is used to account for monies received from the State of New Mexico under Chapter 4, Laws of 1996 for the purpose of purchasing technology assets and supplies.

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

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

**STATE OF NEW MEXICO**  
Los Lunas Schools  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2018

Statement A-1

	<b>Special Revenue</b>	<b>Capital Projects</b>	<b>Total</b>
<i>Assets</i>			
Cash and cash equivalents	\$ 3,924,874	\$ 3,901,190	\$ 7,826,064
Receivables:			
Property taxes	-	839,032	839,032
Due from other governments	2,823,332	272,672	3,096,004
Inventory	366,424	-	366,424
Prepaid expenditures	7,050	-	7,050
	<u>\$ 7,121,680</u>	<u>\$ 5,012,894</u>	<u>\$ 12,134,574</u>
<i>Total assets</i>			
<i>Liabilities, deferred inflows of resources, and fund balances</i>			
<i>Liabilities</i>			
Accounts payable	\$ 23,566	\$ 68,361	\$ 91,927
Accrued payroll	66,630	-	66,630
Due to other funds	2,576,089	239,102	2,815,191
	<u>2,666,285</u>	<u>307,463</u>	<u>2,973,748</u>
<i>Total liabilities</i>			
<i>Deferred inflows of resources</i>			
Unavailable revenue - property taxes	-	724,916	724,916
	<u>-</u>	<u>724,916</u>	<u>724,916</u>
<i>Total deferred inflows of resources</i>			
<i>Fund balances</i>			
<i>Nonspendable:</i>			
Inventory	366,424	-	366,424
Prepaid expenditures	7,050	-	7,050
<i>Spendable:</i>			
<i>Restricted for:</i>			
Food services	1,545,273	-	1,545,273
Extracurricular activities	245,402	-	245,402
Education	2,306,559	-	2,306,559
Capital acquisitions and improvements	-	3,980,515	3,980,515
Unassigned	(15,313)	-	(15,313)
	<u>4,455,395</u>	<u>3,980,515</u>	<u>8,435,910</u>
<i>Total fund balances</i>			
<i>Total liabilities, deferred inflows of resources, and fund balances</i>			
	<u>\$ 7,121,680</u>	<u>\$ 5,012,894</u>	<u>\$ 12,134,574</u>

See independent auditors' report.

## STATE OF NEW MEXICO

Statement A-2

Los Lunas Schools

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended June 30, 2018

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total</u>
<i>Revenues</i>			
Property taxes	\$ -	\$ 3,892,413	\$ 3,892,413
Intergovernmental revenue:			
Federal flowthrough	8,346,035	-	8,346,035
Federal direct	1,769,536	-	1,769,536
State flowthrough	1,691,008	-	1,691,008
State direct	1,833	587,477	589,310
Charges for services	918,605	-	918,605
Investment income	-	623	623
Miscellaneous income	17,500	-	17,500
<i>Total revenues</i>	<u>12,744,517</u>	<u>4,480,513</u>	<u>17,225,030</u>
<i>Expenditures</i>			
Current:			
Instruction	5,653,885	-	5,653,885
Support services - students	494,561	-	494,561
Support services - instruction	216,771	-	216,771
Support services - general administration	257,205	38,857	296,062
Support services - school administration	965,139	-	965,139
Central services	14,832	-	14,832
Operation and maintenance of plant	-	330,844	330,844
Student transportation	247,133	-	247,133
Food services operations	4,096,138	-	4,096,138
Capital outlay	-	4,476,594	4,476,594
<i>Total expenditures</i>	<u>11,945,664</u>	<u>4,846,295</u>	<u>16,791,959</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>798,853</u>	<u>(365,782)</u>	<u>433,071</u>
<i>Other financing sources (uses)</i>			
Transfers in	79,911	56,372	136,283
Transfers (out)	(438)	-	(438)
Proceeds from sale of assets	-	7,029	7,029
<i>Total other financing sources (uses)</i>	<u>79,473</u>	<u>63,401</u>	<u>142,874</u>
<i>Net change in fund balances</i>	878,326	(302,381)	575,945
<i>Fund balances - beginning</i>	<u>3,577,069</u>	<u>4,282,896</u>	<u>7,859,965</u>
<i>Fund balances - end of year</i>	<u>\$ 4,455,395</u>	<u>\$ 3,980,515</u>	<u>\$ 8,435,910</u>

See independent auditors' report.

**STATE OF NEW MEXICO**  
Los Lunas Schools  
Combining Balance Sheet  
Nonmajor Special Revenue Funds  
June 30, 2018

	<b>Food Service 21000</b>	<b>Athletics 22000</b>	<b>Non Instructional Support 23000</b>	<b>Title I IASA 24101</b>
<i>Assets</i>				
Cash and cash equivalents	\$ 1,466,201	\$ 26,613	\$ 238,838	\$ -
Receivables:				
Due from other governments	93,880	-	-	771,720
Inventory	366,424	-	-	-
Prepaid expenditures	-	-	-	-
<i>Total assets</i>	<u>\$ 1,926,505</u>	<u>\$ 26,613</u>	<u>\$ 238,838</u>	<u>\$ 771,720</u>
<i>Liabilities, deferred inflows of resources, and fund balances</i>				
<i>Liabilities</i>				
Accounts payable	\$ -	\$ -	\$ -	\$ 9,305
Accrued payroll	14,808	-	20,049	8,470
Due to other funds	-	-	-	753,945
<i>Total liabilities</i>	<u>14,808</u>	<u>-</u>	<u>20,049</u>	<u>771,720</u>
<i>Fund balances</i>				
<i>Nonspendable:</i>				
Inventory	366,424	-	-	-
Prepaid expenditures	-	-	-	-
<i>Spendable:</i>				
<i>Restricted for:</i>				
Food services	1,545,273	-	-	-
Extracurricular activities	-	26,613	218,789	-
Education	-	-	-	-
Unassigned	-	-	-	-
<i>Total fund balances</i>	<u>1,911,697</u>	<u>26,613</u>	<u>218,789</u>	<u>-</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 1,926,505</u>	<u>\$ 26,613</u>	<u>\$ 238,838</u>	<u>\$ 771,720</u>

See independent auditors' report.



<b>IDEA-B Entitlement 24106</b>	<b>New Mexico Autism Project 24108</b>	<b>IDEA-B Preschool 24109</b>	<b>Education of Homeless 24113</b>	<b>English Language Acquisition 24153</b>
\$ -	\$ -	\$ -	\$ -	\$ -
802,043	3,459	8,267	5,964	21,804
-	-	-	-	-
4,819	-	-	-	-
<u>\$ 806,862</u>	<u>\$ 3,459</u>	<u>\$ 8,267</u>	<u>\$ 5,964</u>	<u>\$ 21,804</u>
\$ -	\$ -	\$ -	\$ -	\$ -
13,975	-	1,026	-	3,146
792,887	3,459	7,241	5,964	18,658
<u>806,862</u>	<u>3,459</u>	<u>8,267</u>	<u>5,964</u>	<u>21,804</u>
-	-	-	-	-
4,819	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
(4,819)	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 806,862</u>	<u>\$ 3,459</u>	<u>\$ 8,267</u>	<u>\$ 5,964</u>	<u>\$ 21,804</u>

See independent auditors' report.

**STATE OF NEW MEXICO**  
 Los Lunas Schools  
 Combining Balance Sheet  
 Nonmajor Special Revenue Funds  
 June 30, 2018

	<b>Teacher/ Principal Training &amp; Recruitment 24154</b>	<b>Safe &amp; Drug Free Schools &amp; Communities 24157</b>	<b>Title I School Improvement 24162</b>	<b>Immigrant Funding - Title III 24163</b>
<i>Assets</i>				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Receivables:				
Due from other governments	164,685	-	1,581	-
Inventory	-	-	-	-
Prepaid expenditures	850	-	-	-
<i>Total assets</i>	<u>\$ 165,535</u>	<u>\$ -</u>	<u>\$ 1,581</u>	<u>\$ -</u>
<i>Liabilities, deferred inflows of resources, and fund balances</i>				
<i>Liabilities</i>				
Accounts payable	\$ 5,775	\$ -	\$ -	\$ -
Accrued payroll	153	-	-	-
Due to other funds	159,607	-	1,581	-
<i>Total liabilities</i>	<u>165,535</u>	<u>-</u>	<u>1,581</u>	<u>-</u>
<i>Fund balances</i>				
<i>Nonspendable:</i>				
Inventory	-	-	-	-
Prepaid expenditures	850	-	-	-
<i>Spendable:</i>				
<i>Restricted for:</i>				
Food services	-	-	-	-
Extracurricular activities	-	-	-	-
Education	-	-	-	-
Unassigned	(850)	-	-	-
<i>Total fund balances</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 165,535</u>	<u>\$ -</u>	<u>\$ 1,581</u>	<u>\$ -</u>

See independent auditors' report.

<b>Carl D Perkins Secondary - Current 24174</b>	<b>Carl D Perkins Secondary - PY Unliquidated 24175</b>	<b>Carl D Perkins Secondary Redistribution 24176</b>	<b>Teen Dating Violence 24184</b>	<b>Student Support Academic Achievement Title IV 24189</b>
\$ -	\$ -	\$ -	\$ 33	\$ -
19,400	2,143	14,791	-	3,955
-	-	-	-	-
-	-	-	-	-
<u>\$ 19,400</u>	<u>\$ 2,143</u>	<u>\$ 14,791</u>	<u>\$ 33</u>	<u>\$ 3,955</u>
\$ -	\$ 2,143	\$ -	\$ -	\$ -
-	-	-	-	-
19,400	-	14,791	-	4,473
<u>19,400</u>	<u>2,143</u>	<u>14,791</u>	<u>-</u>	<u>4,473</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	33	-
-	-	-	-	(518)
-	-	-	33	(518)
<u>\$ 19,400</u>	<u>\$ 2,143</u>	<u>\$ 14,791</u>	<u>\$ 33</u>	<u>\$ 3,955</u>

See independent auditors' report.

**STATE OF NEW MEXICO**  
Los Lunas Schools  
Combining Balance Sheet  
Nonmajor Special Revenue Funds  
June 30, 2018

	<b>Impact Aid Special Education 25145</b>	<b>Impact Aid Indian Education 25147</b>	<b>Title XIX Medicaid 3/21 Years 25153</b>	<b>Child Care Block Grant CYFD 25157</b>
<i>Assets</i>				
Cash and cash equivalents	\$ 45,334	\$ 118,143	\$ 2,012,512	\$ 10,526
Receivables:				
Due from other governments	-	-	121,678	-
Inventory	-	-	-	-
Prepaid expenditures	-	-	-	-
<i>Total assets</i>	<u>\$ 45,334</u>	<u>\$ 118,143</u>	<u>\$ 2,134,190</u>	<u>\$ 10,526</u>
<i>Liabilities, deferred inflows of resources, and fund balances</i>				
<i>Liabilities</i>				
Accounts payable	\$ -	\$ 2,667	\$ 2,500	\$ -
Accrued payroll	-	1,739	1,150	285
Due to other funds	-	-	-	-
<i>Total liabilities</i>	<u>-</u>	<u>4,406</u>	<u>3,650</u>	<u>285</u>
<i>Fund balances</i>				
<i>Nonspendable:</i>				
Inventory	-	-	-	-
Prepaid expenditures	-	-	-	-
<i>Spendable:</i>				
<i>Restricted for:</i>				
Food services	-	-	-	-
Extracurricular activities	-	-	-	-
Education	45,334	113,737	2,130,540	10,241
Unassigned	-	-	-	-
<i>Total fund balances</i>	<u>45,334</u>	<u>113,737</u>	<u>2,130,540</u>	<u>10,241</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 45,334</u>	<u>\$ 118,143</u>	<u>\$ 2,134,190</u>	<u>\$ 10,526</u>

See independent auditors' report.

<b>Indian Ed Formula Grant 25184</b>	<b>GEAR UP NM State Initiatives 25205</b>	<b>GEAR UP USDE 25211</b>	<b>Smaller Learning Communities 25217</b>	<b>Federal Equalization Stabilization Federal Stimulus 25250</b>
\$ -	\$ -	\$ 6,398	\$ -	\$ -
11,133	106,311	-	-	-
-	-	-	-	-
-	1,381	-	-	-
<u>\$ 11,133</u>	<u>\$ 107,692</u>	<u>\$ 6,398</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ 1,176	\$ -	\$ -	\$ -
1,165	-	-	-	-
9,968	108,979	-	-	-
<u>11,133</u>	<u>110,155</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-
-	1,381	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	6,398	-	-
-	(3,844)	-	-	-
-	(2,463)	6,398	-	-
<u>\$ 11,133</u>	<u>\$ 107,692</u>	<u>\$ 6,398</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditors' report.

**STATE OF NEW MEXICO**  
Los Lunas Schools  
Combining Balance Sheet  
Nonmajor Special Revenue Funds  
June 30, 2018

	<b>Dual Credit Instructional Materials 27103</b>	<b>2012 G.O. Bond Student Library Fund 27107</b>	<b>NM Reads to Lead K-3 Initiative 27114</b>	<b>Recruitment Support Fund 27128</b>
<i>Assets</i>				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Receivables:				
Due from other governments	8,566	39,541	70,425	14,832
Inventory	-	-	-	-
Prepaid expenditures	-	-	-	-
<i>Total assets</i>	<b>\$ 8,566</b>	<b>\$ 39,541</b>	<b>\$ 70,425</b>	<b>\$ 14,832</b>
<i>Liabilities, deferred inflows of resources, and fund balances</i>				
<i>Liabilities</i>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll	-	-	-	-
Due to other funds	8,566	39,541	70,425	14,832
<i>Total liabilities</i>	<b>8,566</b>	<b>39,541</b>	<b>70,425</b>	<b>14,832</b>
<i>Fund balances</i>				
<i>Nonspendable:</i>				
Inventory	-	-	-	-
Prepaid expenditures	-	-	-	-
<i>Spendable:</i>				
<i>Restricted for:</i>				
Food services	-	-	-	-
Extracurricular activities	-	-	-	-
Education	-	-	-	-
Unassigned	-	-	-	-
<i>Total fund balances</i>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<b>\$ 8,566</b>	<b>\$ 39,541</b>	<b>\$ 70,425</b>	<b>\$ 14,832</b>

See independent auditors' report.

<b>Pre-K Initiative 27149</b>	<b>Indian Education Act 27150</b>	<b>Legislative Appropriations of 2007 27165</b>	<b>Kindergarten - Three Plus 27166</b>	<b>2008 Library Book Fund 27549</b>
\$ -	\$ -	\$ -	\$ -	\$ -
309,353	-	-	227,801	-
-	-	-	-	-
-	-	-	-	-
<u>\$ 309,353</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 227,801</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -
(86)	-	-	750	-
309,439	5,188	-	227,051	-
<u>309,353</u>	<u>5,188</u>	<u>-</u>	<u>227,801</u>	<u>-</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	(5,188)	-	-	-
-	(5,188)	-	-	-
<u>\$ 309,353</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 227,801</u>	<u>\$ -</u>

See independent auditors' report.

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**STATE OF NEW MEXICO**  
 Los Lunas Schools  
 Combining Balance Sheet  
 Nonmajor Special Revenue Funds  
 June 30, 2018

	<b>Office of Cultural Affairs 28177</b>	<b>GRADS Child Care 28189</b>	<b>GRADS Instructional 28190</b>	<b>Total</b>
<i>Assets</i>				
Cash and cash equivalents	\$ 276	\$ -	\$ -	\$ 3,924,874
Receivables:				
Due from other governments	-	-	-	2,823,332
Inventory	-	-	-	366,424
Prepaid expenditures	-	-	-	7,050
	<b>\$ 276</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 7,121,680</b>
<i>Total assets</i>	<b>\$ 276</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 7,121,680</b>
 <i>Liabilities, deferred inflows of resources, and fund balances</i>				
<i>Liabilities</i>				
Accounts payable	\$ -	\$ -	\$ -	\$ 23,566
Accrued payroll	-	-	-	66,630
Due to other funds	-	-	94	2,576,089
	-	-	94	2,666,285
<i>Total liabilities</i>	-	-	94	2,666,285
 <i>Fund balances</i>				
<i>Nonspendable:</i>				
Inventory	-	-	-	366,424
Prepaid expenditures	-	-	-	7,050
<i>Spendable:</i>				
<i>Restricted for:</i>				
Food services	-	-	-	1,545,273
Extracurricular activities	-	-	-	245,402
Education	276	-	-	2,306,559
Unassigned	-	-	(94)	(15,313)
	<b>276</b>	<b>-</b>	<b>(94)</b>	<b>4,455,395</b>
<i>Total fund balances</i>	<b>276</b>	<b>-</b>	<b>(94)</b>	<b>4,455,395</b>
 <i>Total liabilities, deferred inflows of resources, and fund balances</i>	<b>\$ 276</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 7,121,680</b>

See independent auditors' report.

**STATE OF NEW MEXICO**  
 Los Lunas Schools  
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Nonmajor Special Revenue Funds  
 For the Year Ended June 30, 2018

	<b>Food Services 21000</b>	<b>Athletics 22000</b>	<b>Non Instructional Support 23000</b>	<b>Title I IASA 24101</b>
<i>Revenues</i>				
Intergovernmental revenue:				
Federal flowthrough	\$ 4,063,568	\$ -	\$ -	\$ 1,966,754
Federal direct	-	-	-	-
State flowthrough	-	-	-	-
State direct	-	-	-	-
Charges for services	356,105	114,055	448,445	-
Miscellaneous income	-	-	17,500	-
<i>Total revenues</i>	<u>4,419,673</u>	<u>114,055</u>	<u>465,945</u>	<u>1,966,754</u>
<i>Expenditures</i>				
Current:				
Instruction	-	123,371	381,027	1,454,977
Support services - students	-	-	-	12,712
Support services - instruction	-	-	-	8,691
Support services - general administrati	-	-	-	134,738
Support services - school administratic	-	-	-	355,636
Central services	-	-	-	-
Student transportation	-	-	-	-
Food services operations	4,096,138	-	-	-
<i>Total expenditures</i>	<u>4,096,138</u>	<u>123,371</u>	<u>381,027</u>	<u>1,966,754</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>323,535</u>	<u>(9,316)</u>	<u>84,918</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	323,535	(9,316)	84,918	-
<i>Fund balances - beginning</i>	<u>1,588,162</u>	<u>35,929</u>	<u>133,871</u>	<u>-</u>
<i>Fund balances - end of year</i>	<u>\$ 1,911,697</u>	<u>\$ 26,613</u>	<u>\$ 218,789</u>	<u>\$ -</u>

See independent auditors' report.

<b>IDEA-B Entitlement 24106</b>	<b>New Mexico Autism Project 24108</b>	<b>IDEA-B Preschool 24109</b>	<b>Education of Homeless 24113</b>	<b>English Language Acquisition 24153</b>
\$ 1,689,296	\$ 7,605	\$ 38,490	\$ 21,495	\$ 42,625
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>1,689,296</u>	<u>7,605</u>	<u>38,490</u>	<u>21,495</u>	<u>42,625</u>
1,068,669	7,605	11,908	21,495	39,471
141,355	-	-	-	-
-	-	-	-	-
60,838	-	1,309	-	1,403
375,418	-	25,273	-	1,751
-	-	-	-	-
43,016	-	-	-	-
-	-	-	-	-
<u>1,689,296</u>	<u>7,605</u>	<u>38,490</u>	<u>21,495</u>	<u>42,625</u>
-	-	-	-	-
-	-	-	-	53,879
-	-	-	-	-
-	-	-	-	<u>53,879</u>
-	-	-	-	53,879
-	-	-	-	<u>(53,879)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditors' report.

**STATE OF NEW MEXICO**  
Los Lunas Schools  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Special Revenue Funds  
For the Year Ended June 30, 2018

	<b>Teacher/ Principal Training &amp; Recruitment 24154</b>	<b>Safe &amp; Drug Free Schools &amp; Communities 24157</b>	<b>Title I School Improvement 24162</b>	<b>Immigrant Funding - Title III 24163</b>
<i>Revenues</i>				
Intergovernmental revenue:				
Federal flowthrough	\$ 398,317	\$ -	\$ 20,916	\$ -
Federal direct	-	-	-	-
State flowthrough	-	-	-	-
State direct	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous income	-	-	-	-
<i>Total revenues</i>	<u>398,317</u>	<u>-</u>	<u>20,916</u>	<u>-</u>
<i>Expenditures</i>				
Current:				
Instruction	362,111	-	20,916	-
Support services - students	-	-	-	-
Support services - instruction	-	-	-	-
Support services - general administrati	15,348	-	-	-
Support services - school administratic	20,858	-	-	-
Central services	-	-	-	-
Student transportation	-	-	-	-
Food services operations	-	-	-	-
<i>Total expenditures</i>	<u>398,317</u>	<u>-</u>	<u>20,916</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Transfers in	-	-	-	26,026
Transfers (out)	-	(206)	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>(206)</u>	<u>-</u>	<u>26,026</u>
<i>Net change in fund balances</i>	-	(206)	-	26,026
<i>Fund balances - beginning</i>	<u>-</u>	<u>206</u>	<u>-</u>	<u>(26,026)</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditors' report.

<b>Carl D Perkins Secondary - Current 24174</b>	<b>Carl D Perkins Secondary - PY Unliquidated 24175</b>	<b>Carl D Perkins Secondary Redistribution 24176</b>	<b>Teen Dating Violence 24184</b>	<b>Student Support Academic Achievement Title IV 24189</b>
\$ 75,314	\$ 2,143	\$ 14,791	\$ 45	\$ 4,676
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>75,314</u>	<u>2,143</u>	<u>14,791</u>	<u>45</u>	<u>4,676</u>
73,051	2,143	14,791	-	5,194
-	-	-	-	-
-	-	-	-	-
2,493	-	-	-	-
(250)	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>75,294</u>	<u>2,143</u>	<u>14,791</u>	<u>-</u>	<u>5,194</u>
20	-	-	45	(518)
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
20	-	-	45	(518)
(20)	-	-	(12)	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33</u>	<u>\$ (518)</u>

See independent auditors' report.

**STATE OF NEW MEXICO**  
 Los Lunas Schools  
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Nonmajor Special Revenue Funds  
 For the Year Ended June 30, 2018

	<b>Impact Aid Special Education 25145</b>	<b>Impact Aid Indian Education 25147</b>	<b>Title XIX Medicaid 3/21 Years 25153</b>	<b>Child Care Block Grant CYFD 25157</b>
<i>Revenues</i>				
Intergovernmental revenue:				
Federal flowthrough	\$ -	\$ -	\$ -	\$ -
Federal direct	28,796	55,806	1,191,515	60,242
State flowthrough	-	-	-	-
State direct	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous income	-	-	-	-
<b>Total revenues</b>	<b>28,796</b>	<b>55,806</b>	<b>1,191,515</b>	<b>60,242</b>
<i>Expenditures</i>				
Current:				
Instruction	24,079	11,050	323,754	72,448
Support services - students	4,940	-	305,646	-
Support services - instruction	-	-	43,753	-
Support services - general administrati	1,123	374	27,593	-
Support services - school administratic	2,877	-	110,752	-
Central services	-	-	-	-
Student transportation	-	-	-	-
Food services operations	-	-	-	-
<b>Total expenditures</b>	<b>33,019</b>	<b>11,424</b>	<b>811,498</b>	<b>72,448</b>
<i>Excess (deficiency) of revenues over expenditures</i>	<b>(4,223)</b>	<b>44,382</b>	<b>380,017</b>	<b>(12,206)</b>
<i>Other financing sources (uses)</i>				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(4,223)</b>	<b>44,382</b>	<b>380,017</b>	<b>(12,206)</b>
<b>Fund balances - beginning</b>	<b>49,557</b>	<b>69,355</b>	<b>1,750,523</b>	<b>22,447</b>
<b>Fund balances - end of year</b>	<b>\$ 45,334</b>	<b>\$ 113,737</b>	<b>\$ 2,130,540</b>	<b>\$ 10,241</b>

See independent auditors' report.

<b>Indian Ed Formula Grant 25184</b>	<b>GEAR UP NM State Initiatives 25205</b>	<b>GEAR UP USDE 25211</b>	<b>Smaller Learning Communities 25217</b>	<b>Federal Equalization Stabilization Federal Stimulus 25250</b>
\$ -	\$ -	\$ -	\$ -	\$ -
76,892	356,285	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>76,892</u>	<u>356,285</u>	<u>-</u>	<u>-</u>	<u>-</u>
22,668	230,094	-	-	-
29,908	-	-	-	-
21,682	91,789	-	-	-
2,634	-	-	-	-
-	36,871	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>76,892</u>	<u>358,754</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	(2,469)	-	-	-
-	6	-	-	-
-	-	-	(183)	(2)
<u>-</u>	<u>6</u>	<u>-</u>	<u>(183)</u>	<u>(2)</u>
-	(2,463)	-	(183)	(2)
-	-	6,398	183	2
<u>\$ -</u>	<u>\$ (2,463)</u>	<u>\$ 6,398</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditors' report.

**STATE OF NEW MEXICO**  
 Los Lunas Schools  
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Nonmajor Special Revenue Funds  
 For the Year Ended June 30, 2018

	<b>Dual Credit Instructional Materials 27103</b>	<b>2012 G.O. Bond Student Library Fund 27107</b>	<b>NM Reads to Lead K-3 Initiative 27114</b>	<b>Recruitment Support Fund 27128</b>
<i>Revenues</i>				
Intergovernmental revenue:				
Federal flowthrough	\$ -	\$ -	\$ -	\$ -
Federal direct	-	-	-	-
State flowthrough	28,996	50,856	217,610	14,832
State direct	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous income	-	-	-	-
<b>Total revenues</b>	<b>28,996</b>	<b>50,856</b>	<b>217,610</b>	<b>14,832</b>
<i>Expenditures</i>				
Current:				
Instruction	28,996	-	217,610	-
Support services - students	-	-	-	-
Support services - instruction	-	50,856	-	-
Support services - general administrati	-	-	-	-
Support services - school administratic	-	-	-	-
Central services	-	-	-	14,832
Student transportation	-	-	-	-
Food services operations	-	-	-	-
<b>Total expenditures</b>	<b>28,996</b>	<b>50,856</b>	<b>217,610</b>	<b>14,832</b>
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	-	-
<i>Other financing sources (uses)</i>				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<i>Net change in fund balances</i>	-	-	-	-
<i>Fund balances - beginning</i>	-	-	-	-
<i>Fund balances - end of year</i>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

See independent auditors' report.



<b>Pre-K Initiative 27149</b>	<b>Indian Education Act 27150</b>	<b>Legislative Appropriations of 2007 27165</b>	<b>Kindergarten - Three Plus 27166</b>	<b>2008 Library Book Fund 27549</b>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
943,550	-	-	435,164	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>943,550</u>	<u>-</u>	<u>-</u>	<u>435,164</u>	<u>-</u>
718,245	5,238	-	411,047	-
-	-	-	-	-
-	-	-	-	-
9,352	-	-	-	-
35,953	-	-	-	-
-	-	-	-	-
180,000	-	-	24,117	-
-	-	-	-	-
<u>943,550</u>	<u>5,238</u>	<u>-</u>	<u>435,164</u>	<u>-</u>
-	(5,238)	-	-	-
-	-	-	-	-
-	-	(32)	-	(2)
-	-	(32)	-	(2)
-	(5,238)	(32)	-	(2)
-	50	32	-	2
<u>\$ -</u>	<u>\$ (5,188)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditors' report.

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## STATE OF NEW MEXICO

Los Lunas Schools

Statement B-2

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Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Nonmajor Special Revenue Funds  
 For the Year Ended June 30, 2018

	<b>Office of Cultural Affairs 28177</b>	<b>GRADS Child Care 28189</b>	<b>GRADS Instructional 28190</b>	<b>Total</b>
<i>Revenues</i>				
Intergovernmental revenue:				
Federal flowthrough	\$ -	\$ -	\$ -	\$ 8,346,035
Federal direct	-	-	-	1,769,536
State flowthrough	-	-	-	1,691,008
State direct	-	-	1,833	1,833
Charges for services	-	-	-	918,605
Miscellaneous income	-	-	-	17,500
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>1,833</u>	<u>12,744,517</u>
<i>Expenditures</i>				
Current:				
Instruction	-	-	1,927	5,653,885
Support services - students	-	-	-	494,561
Support services - instruction	-	-	-	216,771
Support services - general administrati	-	-	-	257,205
Support services - school administratio	-	-	-	965,139
Central services	-	-	-	14,832
Student transportation	-	-	-	247,133
Food services operations	-	-	-	4,096,138
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>1,927</u>	<u>11,945,664</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>(94)</u>	<u>798,853</u>
<i>Other financing sources (uses)</i>				
Transfers in	-	-	-	79,911
Transfers (out)	-	(13)	-	(438)
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>(13)</u>	<u>-</u>	<u>79,473</u>
<i>Net change in fund balances</i>	-	(13)	(94)	878,326
<i>Fund balances - beginning</i>	<u>276</u>	<u>13</u>	<u>-</u>	<u>3,577,069</u>
<i>Fund balances - end of year</i>	<u>\$ 276</u>	<u>\$ -</u>	<u>\$ (94)</u>	<u>\$ 4,455,395</u>

See independent auditors' report.

**STATE OF NEW MEXICO**  
Los Lunas Schools  
Combining Balance Sheet  
Nonmajor Capital Project Funds  
June 30, 2018

	<b>Special Capital Outlay - State 31400</b>	<b>Capital Improvements HB-33 31600</b>	<b>Capital Improvements SB-9 31700</b>
	<u>          </u>	<u>          </u>	<u>          </u>
<i>Assets</i>			
Cash and cash equivalents	\$ -	\$ 3,676,045	\$ -
Receivables:			
Property taxes	-	503,082	-
Due from other governments	200,000	-	72,672
	<u>200,000</u>	<u>-</u>	<u>72,672</u>
<i>Total assets</i>	<u>\$ 200,000</u>	<u>\$ 4,179,127</u>	<u>\$ 72,672</u>
<i>Liabilities, deferred inflows of resources, and fund balances</i>			
<i>Liabilities</i>			
Accounts payable	\$ -	\$ 9,946	\$ 33,570
Due to other funds	200,000	-	39,102
	<u>200,000</u>	<u>-</u>	<u>39,102</u>
<i>Total liabilities</i>	<u>200,000</u>	<u>9,946</u>	<u>72,672</u>
<i>Deferred inflows of resources</i>			
Unavailable revenue - property taxes	-	434,625	-
	<u>-</u>	<u>434,625</u>	<u>-</u>
<i>Total deferred inflows of resources</i>	<u>-</u>	<u>434,625</u>	<u>-</u>
<i>Fund balances</i>			
Spendable:			
Restricted for:			
Capital acquisitions and improvements	-	3,734,556	-
	<u>-</u>	<u>3,734,556</u>	<u>-</u>
<i>Total fund balances</i>	<u>-</u>	<u>3,734,556</u>	<u>-</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 200,000</u>	<u>\$ 4,179,127</u>	<u>\$ 72,672</u>

See independent auditors' report.

<b>Capital Improvements SB-9 Local 31701</b>	<b>Total</b>
\$ 225,145	\$ 3,901,190
335,950	839,032
-	272,672
<u>\$ 561,095</u>	<u>\$ 5,012,894</u>
\$ 24,845	\$ 68,361
-	239,102
<u>24,845</u>	<u>307,463</u>
<u>290,291</u>	<u>724,916</u>
<u>290,291</u>	<u>724,916</u>
<u>245,959</u>	<u>3,980,515</u>
<u>245,959</u>	<u>3,980,515</u>
<u>\$ 561,095</u>	<u>\$ 5,012,894</u>

See independent auditors' report.

**STATE OF NEW MEXICO**  
 Los Lunas Schools  
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Nonmajor Capital Project Funds  
 For the Year Ended June 30, 2018

	<b>Special Capital Outlay - State 31400</b>	<b>Capital Improvements HB-33 31600</b>	<b>Capital Improvements SB-9 31700</b>
<i>Revenues</i>			
Property taxes	\$ -	\$ 2,335,281	\$ -
Intergovernmental revenue:			
State direct	200,000	-	369,977
Investment income	-	623	-
<i>Total revenues</i>	<u>200,000</u>	<u>2,335,904</u>	<u>369,977</u>
<i>Expenditures</i>			
Current:			
Support services - general administration	-	23,313	-
Operation and maintenance of plant	-	-	330,844
Capital outlay	200,000	2,138,462	39,133
<i>Total expenditures</i>	<u>200,000</u>	<u>2,161,775</u>	<u>369,977</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>174,129</u>	<u>-</u>
<i>Other financing sources (uses)</i>			
Transfers in	56,372	-	-
Proceeds from sale of assets	-	7,029	-
<i>Total other financing sources (uses)</i>	<u>56,372</u>	<u>7,029</u>	<u>-</u>
<i>Net change in fund balances</i>	56,372	181,158	-
<i>Fund balances - beginning</i>	<u>(56,372)</u>	<u>3,553,398</u>	<u>-</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ 3,734,556</u>	<u>\$ -</u>

See independent auditors' report.

<b>Capital Improvements SB-9 Local 31701</b>	<b>Total</b>
\$ 1,557,132	\$ 3,892,413
17,500	587,477
-	623
<u>1,574,632</u>	<u>4,480,513</u>
15,544	38,857
-	330,844
2,098,999	4,476,594
<u>2,114,543</u>	<u>4,846,295</u>
<u>(539,911)</u>	<u>(365,782)</u>
-	56,372
-	7,029
-	<u>63,401</u>
(539,911)	(302,381)
<u>785,870</u>	<u>4,282,896</u>
<u>\$ 245,959</u>	<u>\$ 3,980,515</u>

See independent auditors' report.

**STATE OF NEW MEXICO**  
Los Lunas Schools  
Combining Balance Sheet  
General Fund  
June 30, 2018

Statement D-1

	<b>Operational 11000</b>	<b>Pupil Transportation 13000</b>	<b>Instructional Materials 14000</b>	<b>Total</b>
<i>Assets</i>				
Cash and cash equivalents	\$ 8,708,554	\$ -	\$ 34,126	\$ 8,742,680
Receivables:				
Property taxes	51,481	-	-	51,481
Other	7,202	-	-	7,202
Inventory	-	43,726	-	43,726
Due from other funds	2,815,191	-	-	2,815,191
<i>Total assets</i>	<b>\$ 11,582,428</b>	<b>\$ 43,726</b>	<b>\$ 34,126</b>	<b>\$ 11,660,280</b>
 <i>Liabilities, deferred inflows of resources, and fund balances</i>				
<i>Liabilities</i>				
Accounts payable	\$ 112,929	\$ 3,106	\$ -	\$ 116,035
Accrued payroll	4,520,056	13,051	-	4,533,107
<i>Total liabilities</i>	4,632,985	16,157	-	4,649,142
 <i>Deferred inflows of resources</i>				
Unavailable revenue - property taxes	44,506	-	-	44,506
<i>Total deferred inflows of resources</i>	44,506	-	-	44,506
 <i>Fund Balances</i>				
Nonspendable:				
Inventory	-	43,726	-	43,726
Spendable:				
Restricted for:				
Transportation	-	-	-	-
Instructional materials	-	-	34,126	34,126
Committed for:				
Subsequent year's expenditures	4,883,917	-	-	4,883,917
Unassigned	2,021,020	(16,157)	-	2,004,863
<i>Total fund balances</i>	6,904,937	27,569	34,126	6,966,632
 <i>Total liabilities, deferred inflows of resources, and fund balances</i>	<b>\$ 11,582,428</b>	<b>\$ 43,726</b>	<b>\$ 34,126</b>	<b>\$ 11,660,280</b>

See independent auditors' report.



**STATE OF NEW MEXICO**  
 Los Lunas Schools  
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 General Fund  
 For the Year Ended June 30, 2018

Statement D-2

	<b>Operational 11000</b>	<b>Pupil Transportation 13000</b>	<b>Instructional Materials 14000</b>	<b>Total</b>
<i>Revenues</i>				
Property taxes	\$ 218,320	\$ -	\$ -	\$ 218,320
Intergovernmental revenue:				
Federal flowthrough	173,435	-	-	173,435
Federal direct	242,205	-	-	242,205
Local sources	17,049	-	-	17,049
State flowthrough	-	-	263,802	263,802
State direct	56,388,197	-	-	56,388,197
Transportation distribution	-	2,297,408	-	2,297,408
Charges for services	58,194	-	-	58,194
Investment income	8,576	-	-	8,576
Miscellaneous	11,285	-	-	11,285
<i>Total revenues</i>	<u>57,117,261</u>	<u>2,297,408</u>	<u>263,802</u>	<u>59,678,471</u>
<i>Expenditures</i>				
Current:				
Instruction	32,742,709	-	364,954	33,107,663
Support services - students	6,690,049	-	-	6,690,049
Support services - instruction	1,324,550	-	-	1,324,550
Support services - general administration	903,340	-	-	903,340
Support services - school administration	4,857,150	-	-	4,857,150
Central services	2,597,744	-	-	2,597,744
Operation and maintenance plant	8,717,446	-	-	8,717,446
Student transportation	813,049	2,303,506	-	3,116,555
Other support services	7,164	-	-	7,164
Food services operations	16,117	-	-	16,117
<i>Total expenditures</i>	<u>58,669,318</u>	<u>2,303,506</u>	<u>364,954</u>	<u>61,337,778</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(1,552,057)</u>	<u>(6,098)</u>	<u>(101,152)</u>	<u>(1,659,307)</u>
<i>Other financing sources (uses):</i>				
Proceeds from sale of capital assets	32,088	3,550	-	35,638
Transfers (out)	(79,473)	-	-	(79,473)
<i>Total other financing sources (uses)</i>	<u>(47,385)</u>	<u>3,550</u>	<u>-</u>	<u>(43,835)</u>
<i>Net change in fund balances</i>	(1,599,442)	(2,548)	(101,152)	(1,703,142)
<i>Fund balances - beginning of year</i>	<u>8,504,379</u>	<u>30,117</u>	<u>135,278</u>	<u>8,669,774</u>
<i>Fund balances - end of year</i>	<u>\$ 6,904,937</u>	<u>\$ 27,569</u>	<u>\$ 34,126</u>	<u>\$ 6,966,632</u>

See independent auditors' report.

## STATE OF NEW MEXICO

Statement D-3

Los Lunas Schools

Operational Fund - 11000

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

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Property taxes	\$ 211,535	\$ 211,535	\$ 216,990	\$ 5,455
Intergovernmental revenue:				
Federal flowthrough	75,000	75,000	173,435	98,435
Federal direct	184,668	185,340	242,205	56,865
Local sources	7,500	7,500	17,049	9,549
State direct	55,577,198	56,443,653	56,388,197	(55,456)
Charges for services	2,500	2,500	58,194	55,694
Investment income	1,001	1,001	8,576	7,575
Miscellaneous	-	-	11,285	11,285
<i>Total revenues</i>	<u>56,059,402</u>	<u>56,926,529</u>	<u>57,115,931</u>	<u>189,402</u>
<i>Expenditures</i>				
Current:				
Instruction	33,904,974	35,537,065	32,722,291	2,814,774
Support services - students	6,206,460	7,601,460	6,697,067	904,393
Support services - instruction	1,544,075	1,719,082	1,329,876	389,206
Support services - general administration	986,269	1,029,519	905,079	124,440
Support services - school administration	5,035,566	5,347,845	4,875,959	471,886
Central services	2,450,697	2,795,697	2,600,920	194,777
Operation and maintenance of plant	9,705,518	9,948,913	8,825,395	1,123,518
Student transportation	507,848	1,187,848	817,625	370,223
Other support services	1,249,014	2,250,000	7,164	2,242,836
Food services operations	-	6,000	2,801	3,199
Capital outlay	100,000	100,000	-	100,000
<i>Total expenditures</i>	<u>61,690,421</u>	<u>67,523,429</u>	<u>58,784,177</u>	<u>8,739,252</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(5,631,019)</u>	<u>(10,596,900)</u>	<u>(1,668,246)</u>	<u>8,928,654</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	5,626,019	10,591,900	-	(10,591,900)
Transfers (out)	-	-	(79,473)	(79,473)
Proceeds from sale of capital assets	5,000	5,000	27,040	22,040
<i>Total other financing sources (uses)</i>	<u>5,631,019</u>	<u>10,596,900</u>	<u>(52,433)</u>	<u>(10,649,333)</u>
<i>Net change in fund balance</i>	-	-	(1,720,679)	(1,720,679)
<i>Fund balance - beginning of year</i>	-	-	8,731,240	8,731,240
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,010,561</u>	<u>\$ 7,010,561</u>
Net change in fund balance (Non-GAAP Budgetary Basis)				\$ (1,720,679)
Adjustments to revenues for taxes and intergovernmental revenue				6,378
Adjustments to expenditures for supplies and payroll expenditures				114,859
<i>Net change in fund balance (GAAP Basis)</i>				<u>\$ (1,599,442)</u>

See independent auditors' report.

## STATE OF NEW MEXICO

Statement D-4

Los Lunas Schools

Pupil Transportation Fund - 13000

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

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Intergovernmental revenue:				
Transportation distribution	\$ 2,138,444	\$ 2,297,408	\$ 2,297,408	\$ -
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>2,138,444</u>	<u>2,297,408</u>	<u>2,297,408</u>	<u>-</u>
<i>Expenditures</i>				
Current:				
Student transportation	2,138,444	2,300,958	2,300,958	-
<i>Total expenditures</i>	<u>2,138,444</u>	<u>2,300,958</u>	<u>2,300,958</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>(3,550)</u>	<u>(3,550)</u>	<u>-</u>
<i>Other financing sources (uses):</i>				
Proceeds from sale of capital assets	-	3,550	3,550	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>3,550</u>	<u>3,550</u>	<u>-</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (Non-GAAP Budgetary Basis)				\$ -
No adjustments to revenues				-
Adjustments to expenditures for student transportation				(2,548)
<i>Net change in fund balance (GAAP Basis)</i>				<u>\$ (2,548)</u>

See independent auditors' report.

## STATE OF NEW MEXICO

Statement D-5

Los Lunas Schools

Instructional Materials Fund - 14000

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

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Intergovernmental revenue:				
State flowthrough	\$ 234,582	\$ 234,582	\$ 263,802	\$ 29,220
<i>Total revenues</i>	<u>234,582</u>	<u>234,582</u>	<u>263,802</u>	<u>29,220</u>
<i>Expenditures</i>				
Current:				
Instruction	241,290	481,838	447,714	34,124
<i>Total expenditures</i>	<u>241,290</u>	<u>481,838</u>	<u>447,714</u>	<u>34,124</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(6,708)</u>	<u>(247,256)</u>	<u>(183,912)</u>	<u>63,344</u>
<i>Other financing sources (uses):</i>				
Designated cash (budgeted increase in cash)	6,708	247,256	-	(247,256)
<i>Total other financing sources (uses)</i>	<u>6,708</u>	<u>247,256</u>	<u>-</u>	<u>(247,256)</u>
<i>Net change in fund balance</i>	-	-	(183,912)	(183,912)
<i>Fund balance - beginning of year</i>	-	-	218,038	218,038
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,126</u>	<u>\$ 34,126</u>
Net change in fund balance (Non-GAAP Budgetary Basis)				\$ (183,912)
No adjustments to revenues				-
Adjustments to expenditures for instructional expenditures				82,760
<i>Net change in fund balance (GAAP Basis)</i>				<u>\$ (101,152)</u>

See independent auditors' report.

## **SUPPORTING SCHEDULES**

**STATE OF NEW MEXICO**  
 Los Lunas Schools  
 Schedule of Changes in Fiduciary Assets and Liabilities  
 Agency Funds  
 For the Year Ended June 30, 2018

Schedule I

	<u>Balance</u> <u>June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
Ann Parish Elementary	\$ 11,496	\$ 23,901	\$ 22,662	\$ 12,735
Bosque Farms Elementary	43,763	54,136	54,439	43,460
Century High School	8,343	8,839	7,418	9,764
Desert View Elementary	7,874	12,841	10,619	10,096
Katherine Gallegos Elementary	13,449	26,263	29,799	9,913
Los Lunas Elementary	24,015	28,776	27,527	25,264
Los Lunas High	159,794	226,120	230,156	155,758
Los Lunas Middle School	16,349	60,019	54,914	21,454
Peralta Elementary	4,328	8,257	6,969	5,616
Project Keys	48,514	98,849	89,268	58,095
Raymond Gabaldon Elementary	17,666	22,373	26,021	14,018
Sundance Elementary	23,344	30,019	28,164	25,199
Tome Elementary	23,343	17,494	16,931	23,906
Valencia Elementary	17,585	13,510	12,081	19,014
Valencia High School	143,733	99,443	90,065	153,111
Valencia Middle School	49,178	63,400	65,075	47,503
Total	<u>\$ 612,774</u>	<u>\$ 794,240</u>	<u>\$ 772,108</u>	<u>\$ 634,906</u>

See independent auditors' report.

**STATE OF NEW MEXICO**  
 Los Lunas Schools  
 Schedule of Collateral Pledged by Depository for Public Funds  
 June 30, 2018

Schedule II

<u>Name of Depository</u>	<u>Description of Pledged Collateral</u>	<u>Maturity</u>	<u>CUSIP Number</u>	<u>Fair Market June 30, 2018</u>
<b>US Bank</b>	Line of Credit	2/2/2019	LOC No.: 522413	\$ 25,000,000
			<b>Total US Bank</b>	<u>25,000,000</u>
	Name and location of safekeeper for above pledged collateral: Federal Home Loan Bank of Cincinnati			
<b>Wells Fargo</b>	FMAC FMAR 3.500%	12/1/2041	3128LLACO	786,655
	FNMA FNMS 3.000%	3/1/2043	3138W7C51	<u>77,042</u>
			<b>Total Wells Fargo</b>	<u>863,697</u>
	Name and location of safekeeper for above pledged collateral: Bank of New York Mellon			
	<i>Total collateral pledged</i>			<u>\$ 25,863,697</u>

See independent auditors' report.

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**STATE OF NEW MEXICO**  
 Los Lunas Schools  
 Schedule of Deposits and Investments  
 June 30, 2018

Schedule III

<u>Bank Account Type/ Name</u>	<u>Wells Fargo</u>	<u>US Bank</u>	<u>Total</u>
Cash Deposits:			
Checking - Operational	\$ -	\$ 25,179,018	\$ 25,179,018
Checking - Payroll Clearing	-	56,116	56,116
Money Market Account	-	3,157,546	3,157,546
Certificate of Deposit - Operational	1,020,862	3,025,677	4,046,539
	<hr/>	<hr/>	<hr/>
Total Deposits and Investments	1,020,862	31,418,357	32,439,219
Reconciling items	-	(1,914,441)	(1,914,441)
Plus: Cash on hand			4,110
	<hr/>	<hr/>	<hr/>
<i>Reconciled balance June 30, 2018</i>	<u>\$ 1,020,862</u>	<u>\$ 29,503,916</u>	<u>\$ 30,528,888</u>
Reconciliation to financial statements:			
Cash and cash equivalents:			
Government-wide statement of net position - Exhibit A-1			\$ 22,975,526
Restricted cash and cash equivalents:			
Government-wide statement of net position - Exhibit A-1			6,918,456
Statement of fiduciary net position agency funds - Exhibit D-1			634,906
			<hr/>
<i>Cash and cash equivalents per Financial Statements</i>			<u>\$ 30,528,888</u>

See independent auditors' report.

**STATE OF NEW MEXICO**  
 Los Lunas Schools  
 Cash Reconciliation  
 For the Year Ended June 30, 2018

	<b>Operational 11000</b>	<b>Transportation 13000</b>	<b>Instructional Materials 14000</b>	<b>Food Services 21000</b>
Audited Cash June 30, 2017	\$ 10,591,900	\$ -	\$ 218,038	\$ 1,308,956
Add:				
2017-2018 receipts	57,142,971	2,300,958	263,802	4,004,142
Prior year Warrants Voided	798	-	-	-
Total cash available	<u>67,735,669</u>	<u>2,300,958</u>	<u>481,840</u>	<u>5,313,098</u>
Less:				
2017-2018 expenditures	(58,784,974)	(2,300,958)	(447,714)	(3,846,935)
Transfers in/(out)	<u>(79,473)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Cash	<u>8,871,222</u>	<u>-</u>	<u>34,126</u>	<u>1,466,163</u>
Add/Less other reconciling items:				
Change in accruals/adjustments	216,037	-	-	38
Change in outstanding loans	<u>(378,705)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Cash per financial statement</i>	<u><u>\$ 8,708,554</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 34,126</u></u>	<u><u>\$ 1,466,201</u></u>

See independent auditors' report.

<b>Athletics 22000</b>	<b>Non-Instructional Support 23000</b>	<b>Federal Flowthrough 24000</b>	<b>Federal Direct 25000</b>	<b>State Flowthrough 27000</b>
\$ 36,149	\$ 153,975	\$ 206	\$ 1,817,763	\$ 34
114,126	465,945	3,945,794	1,697,961	1,419,109
30	-	118	-	-
150,305	619,920	3,946,118	3,515,724	1,419,143
(123,692)	(381,068)	(4,314,212)	(1,392,469)	(1,696,540)
-	-	79,699	(179)	(34)
26,613	238,852	(288,395)	2,123,076	(277,431)
-	(14)	4,590	(476)	(86)
-	-	283,838	70,313	277,517
<u>\$ 26,613</u>	<u>\$ 238,838</u>	<u>\$ 33</u>	<u>\$ 2,192,913</u>	<u>\$ -</u>

See independent auditors' report.

**STATE OF NEW MEXICO**  
 Los Lunas Schools  
 Cash Reconciliation  
 For the Year Ended June 30, 2018

	<b>State Direct 28000</b>	<b>Bond Building 31100</b>	<b>Special Capital Outlay State 31400</b>	<b>Capital Improvements HB-33 31600</b>
Audited Cash June 30, 2017	\$ 289	\$ 3,338,289	\$ -	\$ 3,518,295
Add:				
2017-2018 receipts	5,227	8,185,987	-	2,338,917
Prior year Warrants Voided	-	-	-	-
Total cash available	<u>5,516</u>	<u>11,524,276</u>	<u>-</u>	<u>5,857,212</u>
Less:				
2017-2018 expenditures	(1,928)	(5,061,122)	(200,000)	(2,181,167)
Transfers in/(out)	<u>(13)</u>	<u>(56,372)</u>	<u>56,372</u>	<u>-</u>
Total Cash	<u>3,575</u>	<u>6,406,782</u>	<u>(143,628)</u>	<u>3,676,045</u>
Add/Less other reconciling items:				
Change in accruals/adjustments	-	-	-	-
Change in outstanding loans	<u>(3,299)</u>	<u>-</u>	<u>143,628</u>	<u>-</u>
<i>Cash per financial statement</i>	<u><u>\$ 276</u></u>	<u><u>\$ 6,406,782</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,676,045</u></u>

See independent auditors' report.

<b>Capital Improvements SB-9 31700</b>	<b>Capital Improvements SB-9 Local 31701</b>	<b>Debt Service 41000</b>	<b>Total</b>
\$ -	\$ 746,686	\$ 6,585,296	\$ 28,315,876
730,373	1,571,951	6,963,062	91,150,325
-	-	-	946
730,373	2,318,637	13,548,358	119,467,147
(337,081)	(2,093,492)	(6,629,902)	(89,793,254)
-	-	-	-
393,292	225,145	6,918,456	29,673,893
-	-	-	220,089
(393,292)	-	-	-
<u>\$ -</u>	<u>\$ 225,145</u>	<u>\$ 6,918,456</u>	<u>\$ 29,893,982</u>

See independent auditors' report.

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## **COMPLIANCE SECTION**

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

**INDEPENDENT AUDITORS' REPORT**

Board of Education and Management  
Los Lunas Schools  
Wayne Johnson  
New Mexico State Auditor  
U.S. Office of Management and Budget  
Los Lunas, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons of the General Fund of Los Lunas Schools (the Schools), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Schools' basic financial statements, and have issued our report thereon dated November 7, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Schools' 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 Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of the Schools' internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. 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.



## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Schools' 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*.

We noted certain matters that are required to be reported per section 12-6-5 NMSA 1978 that we have described in the accompanying schedule of Section 12-6-5 NMSA 1978 findings as items 2014-001 and 2018-001.

## **Schools' Responses to Findings**

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

## **Purpose of this Report**

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

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

Cordova CPAs LLC  
Albuquerque, New Mexico  
November 7, 2018

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**FEDERAL FINANCIAL ASSISTANCE**

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

### INDEPENDENT AUDITORS' REPORT

Board of Education and Management  
Los Lunas Schools  
Wayne Johnson  
New Mexico State Auditor  
U.S. Office of Management and Budget  
Los Lunas, New Mexico

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

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

#### Management's Responsibility

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

#### Auditors' Responsibility

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

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

#### Opinion on Each Major Federal Program

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

## Report on Internal Control Over Compliance

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

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

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

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



Cordova CPAs LLC  
Albuquerque, New Mexico  
November 7, 2018

**STATE OF NEW MEXICO**  
 Los Lunas Schools  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2018

Federal Grantor or Pass-Through Grantor / Program Title	Pass Thru Numbe	Federal CFDA Number		Federal Expenditures	Funds Provided to Subrecipients	Noncash Assistance
<b>U.S. Department of Education</b>						
<i>Passed through New Mexico Public Education Department</i>						
IDEA-B Entitlement	24106	84.027	(1)	\$ 1,689,296	\$ -	\$ -
IDEA-B Competitive	24108	84.027	(1)	7,605	-	-
IDEA-B Preschool	24109	84.173	(1)	38,490	-	-
<i>Total IDEA Cluster</i>				1,735,391		
Title I - IASA	24101	84.010	*	1,966,754	-	-
School Improvement	24162	84.010	*	20,916	-	-
Education of Homeless	24113	84.196		21,495	-	-
Title III English Language Acquisition	24153	84.365		42,625	-	-
Teacher/ Principal Training /Recruiting	24154	84.367A		398,317	-	-
Carl Perkins - Current	24174	84.048		75,294	-	-
Carl Perkins - Unliquidated	24175	84.048		2,143	-	-
Carl Perkins - Redistribution	24176	84.048		14,791	-	-
Student Support Academic Achievement Title IV	24189	84.424A		5,194	-	-
<i>Subtotal - Passed through New Mexico Public Education Department</i>				4,282,920	-	-
 Direct U.S. Department of Education						
Impact Aid - General Fund	11000	84.041		223,224	-	-
Impact Aid - Special Education	25145	84.041		33,019	-	-
Impact Aid - Indian Education	25147	84.041		11,424	-	-
Indian Education Formula Grant	25184	84.060A		76,892	-	-
GEAR UP	25205	84.334		358,754	-	-
<i>Subtotal - Direct U.S. Department of Education</i>				703,313	-	-
 <i>Total U.S. Department of Education</i>						
				4,986,233	-	-
<b>U.S. Department of Health and Human Services</b>						
<i>Passed through New Mexico Public Education Department</i>						
Child Care Block Grant	25157	93.575		72,448	-	-
<i>Subtotal - Passed through New Mexico Public Education Department</i>				72,448	-	-
 <i>Total U.S. Department of Health and Human Services</i>						
				72,448	-	-
<b>U.S. Department of Agriculture</b>						
<i>Federal Direct Payments</i>						
Forest Reserve	11000	10.665		6,995	-	-
 <i>Passed through New Mexico Public Education Department</i>						
School Breakfast Program	21000	10.553	(2)*	758,399	-	-
National School Lunch Program	21000	10.555	(2)*	321,651	-	321,651
National School Lunch Program	21000	10.555	(2)*	3,016,088	-	-
<i>Subtotal - Passed through New Mexico Public Education Department</i>				4,096,138	-	321,651
 <i>Total U.S. Department of Agriculture</i>						
				4,103,133	-	321,651
<i>Total Federal Financial Assistance</i>				\$ 9,161,814	\$ -	\$ 321,651

\* Denotes Major Federal Financial Assistance Program

() Denotes Cluster

See independent auditors' report.

See accompanying notes to schedule of expenditures of federal awards.

**Notes to Schedule of Expenditures of Federal Awards****1 Basis of Presentation**

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

**2 Loans**

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

**3 10% de minimus Indirect Cost Rate**

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

**4 Federally Funded Insurance**

The Schools has no federally funded insurance.

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

Total federal awards expended per Schedule of Expenditures of Federal Awards	\$ 9,156,620
Total expenditures funded by other sources	<u>80,997,670</u>
<i>Total expenditures (Exh B-2)</i>	<u><u>\$ 90,154,290</u></u>

See independent auditors' report.

**STATE OF NEW MEXICO**  
 Los Lunas Schools  
 Schedule of Findings and Questioned Costs  
 For the Year Ended June 30, 2018

**SECTION I - SUMMARY OF AUDITORS' RESULTS**

*Financial Statements:*

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

*Federal Awards:*

- |   |            |
|---|------------|
| 1. Internal control over major programs:  |            |
| a. Material weaknesses identified?  | None noted |
| b. Significant deficiencies identified not considered to be material weaknesses?                              | None noted |
| 2. Type of auditors' report issued on compliance for major programs   | Unmodified |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? | No         |
| 4. Identification of major programs:  |            |

CFDA Number	Federal Program
10.553 and 10.555 84.010	Student Nutrition Cluster Title I IASA

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



**STATE OF NEW MEXICO**  
Los Lunas Schools  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2018

**SECTION II. FINANCIAL STATEMENT FINDINGS**

**None**

**SECTION III. FEDERAL AWARD FINDINGS**

**None**

**SECTION IV. SECTION 12-6-5 NMSA FINDINGS**

**2014-001 Controls over Activity Funds and Cash Receipts (Findings that do not rise to the level of significant deficiency) Revised and Repeated**

*Condition:* The Schools has various decentralized locations that are not in compliance with the 24 hour deposit rule as set forth by NMAC 6.20.2.14 (C). During testwork performed, we noted the following:

- 1 deposit out of 5 deposits tested at Valencia Elementary in October 2017 was not deposited within 24 hours.
- 2 deposit out of 10 deposits tested at Los Lunas High in September and December 2017 were not deposited within 24 hours.

The Schools have implemented the corrective action plan as stated in previous years, however with the decentralized dynamic of student activity funds and personnel simply not adhering to the set policies and procedures, it is very difficult to have preventative controls if employees either purposely or accidentally not adhere. Annually (like in previous years), every July the 24 hour rule is addressed with the site Secretaries or anyone who makes deposits for a site or department and this meeting is mandatory and the rule is stress about the importance – the Director of Finance is responsible for making sure the Rule is addressed and the corrective plan has already been put in place.

*Criteria:* According to NMAC 6.20.2.14 (C) states that deposits must be made within a 24 hour period from the receipt of the monies or by the end of the next business day.

Also, according to NMAC 6.20.2.11(B) Internal Control Structure Standards- Each school district shall develop, establish and maintain a structure of internal accounting controls and written procedures to provide for segregation of duties, a system of authorization and recording procedures, and sound accounting practices in performance of duties and functions.

*Effect:* Monies that are collected at decentralized locations which are not deposited timely and did not adhere to the Schools policies and procedures in place, creates an increased risk of errors, fraud or abuse.

*Cause:* Personnel at the school sites noted above did not adhere to the policies in place during the year.

*Auditors' Recommendations:* We recommend that the Schools continue emphasizing the importance of following proper procedures to school site administration. In addition, management should continue conducting internal trainings on the importance and ramifications of not following state statutes and laws.

*Agency Response:* We are emphasizing the importance of depositing within 24 hours by reviewing every single deposit and its backup for any errors. If any errors are found, we are addressing them at that time by emailing the responsible person for an explanation of how it happened so we can offer a solution. If anyone ends up with multiple problems we will go to the site to provide a personal training. The Director of Finance continues to enforce this and will continue to communicate with each school site as to the plan to resolve this matter. Implementation completed immediately after the finding - before the audit was completed. We are reviewing every single deposit and contacting the person involved right away and finding out what happened to cause the mistake so we can offer solutions, so we make them aware that their excuse is not allowable.

**STATE OF NEW MEXICO**  
Los Lunas Schools  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2018

**SECTION IV. SECTION 12-6-5 NMSA FINDINGS (continued)**

**2018-001 Fringe Benefits Taxability (Other Noncompliance)**

*Condition:* During audit procedures over taxable fringe benefits, we noted 3 individuals that received fringe benefits that were not properly taxed as the fringe benefits were not included in taxable wages.

*Criteria:* IRS Publication 15B requires the Schools to ensure all taxable fringe benefits are properly accounted for and taxed during the processing of payroll.

*Effect:* The Schools are not in compliance with IRS federal requirements and could potentially be penalized by the US government for noncompliance with payroll tax laws.

*Cause:* The Schools set up these individuals incorrectly during the hiring process and there was no review in place to capture these errors.

*Auditors' Recommendation:* We recommend that all fringe benefits are reviewed once entered into iVisions to ensure all payroll items are properly coded to ensure any fringe benefits that should be taxable be accounted for accurately and taxed in accordance with IRS Publication 15B.

*Agency Response:* Due to movement within the department (change in positions/duties) one step of a two step process was missed. We have corrected these employees and now have a better review process in place for every time a new fringe benefit employee is added. Also, a semi-annual review will be completed for all fringe benefits employees. The Director of Finance will continue to monitor to ensure this plan is in place.

**STATE OF NEW MEXICO**  
Los Lunas Schools  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2018

Schedule VI

**SECTION V. PRIOR YEAR AUDIT FINDINGS**

**ES 2017-001 Cafeteria Plan Deductions (Material Weakness and Material Noncompliance) - Resolved**

**FA 2017-001 Data Collection Form Not Filed Timely (Material Noncompliance) - Resolved**

**NM 2014-001 Controls over Activity Funds and Cash Receipts (Findings that do not rise to the level of significant deficiency) - Revised and Repeated**

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

**NM 2017-002 Deficiencies of IT Controls - User Access (Findings that do not rise to the level of significant deficiency) - Resolved**

**STATE OF NEW MEXICO**

Los Lunas Schools

Other Disclosures

June 30, 2018

**OTHER DISCLOSURES**

**Exit Conference**

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

**Representing Los Lunas Schools:**

Bryan Smith – Board Member and Audit Committee

Milo Moody – Board Member and Audit Committee

Rebecca Newport – Audit Committee

Dana Sanders – Superintendent

Claire Cieremans – Chief Financial Officer

Sandy Traczyk – Director of Finance

**Representing Cordova CPAs LLC:**

Robert Cordova, CPA – Principal

**Auditor Prepared Financial Statements**

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