

**STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOLS**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

JUNE 30, 2018

INTRODUCTORY SECTION

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ALAMOGORDO MUNICIPAL SCHOOLS
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JUNE 30, 2018**

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ALAMOGORDO MUNICIPAL SCHOOLS
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**STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOLS
OFFICIAL ROSTER
JUNE 30, 2018**

<u>Name</u>	<u>Title</u>
<u>Board of Education</u>	
David Weaver	President
Angela Cadwallader	Vice President
Timothy C. Wolfe	Secretary
David Borunda	Member
Carol Teweleit	Member
<u>Administrative Officials</u>	
Adrienne Salas	Superintendent
Vance Lee	Assistant Superintendent
Carol Genest	Director of Business and Finance
Tom Bregler	Comptroller

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

The Board of Education
Alamogordo Municipal School District
Alamogordo, New Mexico and
Wayne Johnson
New Mexico State Auditor
Santa Fe, New Mexico

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

The Board of Education
Alamogordo Municipal School District and
Wayne Johnson
New Mexico State Auditor

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.

Opinions

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

Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that the Required Supplementary Information on pages 53 through 57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements and other supplementary information as required by the New Mexico State Audit Rule (NMAC 2.2.2) are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The Board of Education
Alamogordo Municipal School District and
Wayne Johnson
New Mexico State Auditor

The combining and individual nonmajor fund financial statements, other supplementary information required by NMAC 2.2.2, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, other supplementary information required by NMAC 2.2.2, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

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

Jaramillo Accounting Group LLC (JAG)
Albuquerque, New Mexico
November 15, 2018

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

	Governmental Activities
ASSETS	
Current assets	
Cash and cash equivalents	\$ 9,671,540
Receivables	2,045,424
Inventory and other assets	156,507
Total current assets	11,873,471
Non-current assets	
Restricted cash	14,507,138
Capital assets, net	77,183,829
Total non-current assets	91,690,967
Total assets	103,564,438
DEFERRED OUTFLOWS OF RESOURCES	
Related to pensions and OPEB	39,136,905
LIABILITIES	
Current Liabilities	
Accounts payable and accrued liabilities	1,159,038
Accrued interest	324,835
Accrued compensated absences	225,666
Bonds payable, current	4,175,000
Total current liabilities	5,884,539
Non-current Liabilities	
Accrued compensated absences	409,957
Bonds payable	32,065,000
Bond premium, net	882,230
Net pension liability	113,295,140
Net OPEB liability	30,647,251
Total non-current liabilities	177,299,578
Total liabilities	183,184,117
DEFERRED INFLOWS OF RESOURCES	
Related to pensions and OPEB	9,442,519
NET POSITION	
Net investment in capital assets	40,061,599
Restricted for	
Debt service	5,150,549
Capital Projects	13,846,804
Special revenue	1,312,617
Other	185,825
Unrestricted (deficit)	(110,482,687)
Total net position (deficit)	\$ (49,925,293)

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

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities					
Instruction	\$ 42,152,245	\$ -	\$ 7,720,472	\$ -	\$ (34,431,773)
Support services					
Students	5,784,565	114,429	-	-	(5,670,136)
Instruction	4,574,551	-	-	-	(4,574,551)
General administration	1,864,973	-	-	-	(1,864,973)
School administration	2,516,689	-	-	-	(2,516,689)
Other support services	-	-	-	-	-
Central services	2,422,535	-	-	-	(2,422,535)
Operation & maintenance of plant	6,439,102	-	-	363,820	(6,075,282)
Student transportation	1,799,376	-	1,795,813	-	(3,563)
Food services operation	2,548,048	483,028	2,134,368	-	69,348
Interest on long-term debt	728,145	-	-	-	(728,145)
Total primary government	\$ 70,830,229	\$ 597,457	\$ 11,650,653	\$ 363,820	(58,218,299)
Property taxes:					
					301,963
					5,023,917
					1,525,960
					39,981,520
					229,563
					47,062,923
					(11,155,376)
					(2,365,859)
					(36,404,058)
					(38,769,917)
					\$ (49,925,293)

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

	Operational Funds			
	11000	13000	14000	24101
	General	Transportation	Instructional Materials	Title I IASA
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 3,723,129	\$ 2,048	\$ 185,618	\$ -
Accounts receivable				
Taxes	18,862	-	-	-
Due from other governments	-	-	-	492,552
Other	-	-	-	-
Interfund receivables	1,479,354	-	-	-
Prepaid expenditures	-	-	-	-
Inventory	73,089	-	-	-
Total assets	<u>\$ 5,294,434</u>	<u>\$ 2,048</u>	<u>\$ 185,618</u>	<u>\$ 492,552</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES				
Current Liabilities				
Accounts payable	\$ 132,698	\$ -	\$ -	\$ -
Accrued payroll liabilities	783,110	1,841	-	20,534
Interfund payables	-	-	-	472,018
Total liabilities	<u>915,808</u>	<u>1,841</u>	<u>-</u>	<u>492,552</u>
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue - property taxes	12,270	-	-	-
FUND BALANCES				
Nonspendable	73,089	-	-	-
Restricted	-	207	185,618	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	4,293,267	-	-	-
Total fund balances	<u>4,366,356</u>	<u>207</u>	<u>185,618</u>	<u>-</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 5,294,434</u>	<u>\$ 2,048</u>	<u>\$ 185,618</u>	<u>\$ 492,552</u>

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

	24106 IDEA-B Entitlement	31100 Bond Building	41000 Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS					
Current Assets					
Cash and cash equivalents	\$ -	\$ 12,039,696	\$ 4,445,960	\$ 3,782,227	\$ 24,178,678
Accounts receivable					
Taxes	-	-	279,723	124,200	422,785
Due from other governments	402,040	-	-	728,047	1,622,639
Other	-	-	-	-	-
Interfund receivables	-	-	-	-	1,479,354
Prepaid expenditures	-	-	-	-	-
Inventory	-	-	-	83,418	156,507
Total assets	<u>\$ 402,040</u>	<u>\$ 12,039,696</u>	<u>\$ 4,725,683</u>	<u>\$ 4,717,892</u>	<u>\$ 27,859,963</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES					
Current Liabilities					
Accounts payable	\$ -	\$ 28,727	\$ -	\$ 78,702	\$ 240,127
Accrued payroll liabilities	31,933	-	-	81,493	918,911
Interfund payables	370,107	-	-	637,229	1,479,354
Total liabilities	<u>402,040</u>	<u>28,727</u>	<u>-</u>	<u>797,424</u>	<u>2,638,392</u>
DEFERRED INFLOWS OF RESOURCES					
Unearned revenue - property taxes	-	-	183,721	80,011	276,002
FUND BALANCES					
Nonspendable	-	-	-	83,418	156,507
Restricted	-	12,010,969	4,541,962	3,757,039	20,495,795
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	4,293,267
Total fund balances	<u>-</u>	<u>12,010,969</u>	<u>4,541,962</u>	<u>3,840,457</u>	<u>24,945,569</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 402,040</u>	<u>\$ 12,039,696</u>	<u>\$ 4,725,683</u>	<u>\$ 4,717,892</u>	<u>\$ 27,859,963</u>

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

	<u>Governmental Funds</u>
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Fund balances - total governmental funds	\$ 24,945,569
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	77,183,829
Defined benefit pension and OPEB plan deferred outflows are not financial resources and, therefore, are not reported in the funds.	39,136,905
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:	
Delinquent property taxes not collected within sixty days after year end are not considered "available" revenues and are considered to be unearned revenue in the fund financial statements, but are considered revenue in the Statement of Activities	276,002
Accrued Interest	(324,835)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:	
Net pension liability	(113,295,140)
Net OPEB liability	(30,647,251)
Accrued compensated absences	(635,623)
General obligation bonds	(36,240,000)
Bond premiums	(882,230)
Defined benefit pension and OPEB plans deferred inflows are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(9,442,519)</u>
Net Position (Deficit) - Total Governmental Activities	<u>\$ (49,925,293)</u>

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

	Operational Fund		
	11000	13000	14000
	General	Transportation	Instructional Materials
REVENUES			
Property taxes	\$ 304,650	\$ -	\$ -
State grants	40,082,364	1,795,813	187,937
Federal grants	1,256,192	-	-
Miscellaneous	214,139	-	2,198
Interest	-	-	-
Total revenues	<u>41,857,345</u>	<u>1,795,813</u>	<u>190,135</u>
EXPENDITURES			
Current			
Instruction	24,232,651	-	271,715
Support services			
Students	4,279,673	-	-
Instruction	617,707	-	-
General administration	1,227,595	-	-
School administration	2,431,079	-	-
Central services	2,236,169	-	-
Operation & maintenance of plant	6,073,673	-	-
Student transportation	-	1,795,606	-
Other support services	-	-	-
Food services operations	-	-	-
Capital outlay	-	-	-
Debt service			
Principal	-	-	-
Interest	-	-	-
Total expenditures	<u>41,098,547</u>	<u>1,795,606</u>	<u>271,715</u>
Excess (deficiency) of revenues over (under) expenditures	<u>758,798</u>	<u>207</u>	<u>(81,580)</u>
Other financing sources			
Remittal of cash balances to PED	-	-	-
Bond underwriter premium	-	-	-
Proceeds from bond issues	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	<u>758,798</u>	<u>207</u>	<u>(81,580)</u>
Fund balances, beginning of year	3,607,558	-	267,198
Restatement	-	-	-
Fund balances, beginning of year as restated	<u>3,607,558</u>	<u>-</u>	<u>267,198</u>
Fund balances, end of year	<u>\$ 4,366,356</u>	<u>\$ 207</u>	<u>\$ 185,618</u>

See Notes to Financial Statements.

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

	24101 Title I IASA	24106 IDEA-B Entitlement	31100 Bond Building
REVENUES			
Property taxes	\$ -	\$ -	\$ -
State grants	-	-	-
Federal grants	1,232,892	1,528,151	-
Miscellaneous	-	-	-
Interest	-	-	4,047
Total revenues	<u>1,232,892</u>	<u>1,528,151</u>	<u>4,047</u>
EXPENDITURES			
Current			
Instruction	544,583	694,487	-
Support services			
Students	159,462	561,530	-
Instruction	270,582	41,909	-
General administration	197,538	184,210	-
School administration	664	-	-
Central services	60,063	42,745	-
Operation & maintenance of plant	-	-	-
Student transportation	-	3,270	-
Other support services	-	-	-
Food services operations	-	-	-
Capital outlay	-	-	1,794,102
Debt service			
Principal	-	-	-
Interest	-	-	-
Total expenditures	<u>1,232,892</u>	<u>1,528,151</u>	<u>1,794,102</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(1,790,055)</u>
Other financing sources			
Remittal of cash balances to PED	-	-	-
Bond underwriter premium	-	-	-
Proceeds from bond issues	-	-	5,059,612
Total other financing sources	<u>-</u>	<u>-</u>	<u>5,059,612</u>
Net changes in fund balances	<u>-</u>	<u>-</u>	<u>3,269,557</u>
Fund balances, beginning of year	-	-	8,741,412
Restatement	-	-	-
Fund balances, beginning of year as restated	<u>-</u>	<u>-</u>	<u>8,741,412</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,010,969</u>

See Notes to Financial Statements.

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

	41000 Debt Service	Other Governmental Funds	Total Governmental Funds
REVENUES			
Property taxes	\$ 4,466,288	\$ 2,131,021	\$ 6,901,959
State grants	-	821,097	42,887,211
Federal grants	-	5,091,547	9,108,782
Miscellaneous	-	604,232	820,569
Interest	1,105	1,299	6,451
Total revenues	<u>4,467,393</u>	<u>8,649,196</u>	<u>59,724,972</u>
EXPENDITURES			
Current			
Instruction	-	1,264,401	27,007,837
Support services			
Students	-	778,611	5,779,276
Instruction	-	976,431	1,906,629
General administration	44,869	161,608	1,815,820
School administration	-	84,946	2,516,689
Central services	-	20,108	2,359,085
Operation & maintenance of plant	-	1,711	6,075,384
Student transportation	-	500	1,799,376
Other support services	-	-	-
Food services operations	-	2,530,118	2,530,118
Capital outlay	-	1,271,232	3,065,334
Debt service			
Principal	3,875,000	200,000	4,075,000
Interest	797,945	24,100	822,045
Total expenditures	<u>4,717,814</u>	<u>7,313,766</u>	<u>59,752,593</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(250,421)</u>	<u>1,335,430</u>	<u>(27,621)</u>
Other financing sources			
Remittal of cash balances to PED	-	-	-
Bond underwriter premium	14,601	-	14,601
Proceeds from bond issues	-	-	5,059,612
Total other financing sources	<u>14,601</u>	<u>-</u>	<u>5,074,213</u>
Net changes in fund balances	<u>(235,820)</u>	<u>1,335,430</u>	<u>5,046,592</u>
Fund balances, beginning of year	4,777,782	2,505,027	19,898,977
Restatement	-	-	-
Fund balances, beginning of year as restated	<u>4,777,782</u>	<u>2,505,027</u>	<u>19,898,977</u>
Fund balances, end of year	<u>\$ 4,541,962</u>	<u>\$ 3,840,457</u>	<u>\$ 24,945,569</u>

See Notes to Financial Statements.

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

	Governmental Funds
Amounts reported for governmental activities in the Statement of Activities are different because:	
Net changes in fund balances - total governmental funds	\$ 5,046,592
<p>Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities. This is the amount by which depreciation exceeds capital outlays for the period.</p>	
Depreciation expense	(3,955,271)
Capital outlays	2,606,463
Revenues that do not provide current financial resources are not reported as revenues in the fund statements but are reporting in the Statement of Activities	
Change in unavailable revenue related to property tax receivable	(50,119)
<p>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 assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities:</p>	
Change in accrued interest payable	8,837
Change in accrued compensated absences	(133,493)
Bond proceeds	(5,059,612)
Principal payments on bonds	4,075,000
Premium on bond issuance	(14,601)
Amortization of bond premium	85,063
Contributions to pension and OPEB plans subsequent to measurement date	4,521,549
Pension and OPEB expenses	(18,285,784)
Changes in Net Position - Total Governmental Activities	\$ (11,155,376)

STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
GENERAL FUND (11000)
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
REVENUES				
Property taxes	\$ 293,749	\$ 293,749	\$ 305,967	\$ (12,218)
State grants	39,954,435	40,248,301	40,082,364	165,937
Federal grants	516,103	953,318	1,256,192	(302,874)
Miscellaneous	77,000	77,000	214,139	(137,139)
Interest	-	-	-	-
Total revenues	<u>40,841,287</u>	<u>41,572,368</u>	<u>41,858,662</u>	<u>(286,294)</u>
EXPENDITURES				
Current				
Instruction	25,975,395	26,595,150	24,211,849	2,383,301
Support services				
Students	4,549,810	4,555,998	4,279,673	276,325
Instruction	772,910	759,110	616,747	142,363
General administration	1,134,284	1,388,923	1,227,024	161,899
School administration	2,510,171	2,510,171	2,431,151	79,020
Central services	2,338,282	2,415,883	2,308,268	107,615
Operation & maintenance of plant	6,506,744	6,611,712	6,078,733	532,979
Student transportation	5,000	5,000	-	5,000
Other support services	50,467	50,467	-	50,467
Food services operations	-	-	-	-
Community services	-	-	-	-
Capital outlay	5,000	56,326	-	56,326
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>43,848,063</u>	<u>44,948,740</u>	<u>41,153,445</u>	<u>3,795,295</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>705,217</u>	<u>3,509,001</u>
Other financing sources				
Designated cash	-	-	-	-
Operating transfers	-	-	-	-
Proceeds from bond issues	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	-	-	705,217	3,509,001
Fund balances - beginning of year	-	-	3,737,094	3,737,094
Fund balances - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,442,311</u>	<u>\$ 7,246,095</u>
Reconciliation to GAAP Basis				
Adjustments to revenues			(1,317)	
Adjustments to expenditures			54,898	
Changes in fund balances			<u>\$ 758,798</u>	

See Notes to Financial Statements.

STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
PUPIL TRANSPORTATION FUND (13000)
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	1,487,852	1,795,813	1,795,813	-
Federal grants	-	-	-	-
Miscellaneous	-	-	-	-
Interest	-	-	-	-
Total revenues	<u>1,487,852</u>	<u>1,795,813</u>	<u>1,795,813</u>	<u>-</u>
EXPENDITURES				
Current				
Instruction	-	-	-	-
Support services				
Students	-	-	-	-
Instruction	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Central services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	1,487,852	1,795,813	1,795,606	207
Other support services	-	-	-	-
Food services operations	-	-	-	-
Community services	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>1,487,852</u>	<u>1,795,813</u>	<u>1,795,606</u>	<u>207</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>207</u>	<u>207</u>
Other financing sources				
Designated cash	-	-	-	-
Operating transfers	-	-	-	-
Proceeds from bond issues	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	-	-	207	207
Fund balances - beginning of year	-	-	-	-
Fund balances - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 207</u>	<u>\$ 207</u>
Reconciliation to GAAP Basis				
Adjustments to revenues			-	
Adjustments to expenditures			-	
Changes in fund balances			<u>\$ 207</u>	

See Notes to Financial Statements.

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

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	167,319	257,795	187,937	69,858
Federal grants	-	-	-	-
Miscellaneous	-	-	2,198	(2,198)
Interest	-	-	-	-
Total revenues	<u>167,319</u>	<u>257,795</u>	<u>190,135</u>	<u>67,660</u>
EXPENDITURES				
Current				
Instruction	340,946	524,993	271,715	253,278
Support services				
Students	-	-	-	-
Instruction	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Central services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other support services	-	-	-	-
Food services operations	-	-	-	-
Community services	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>340,946</u>	<u>524,993</u>	<u>271,715</u>	<u>253,278</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(173,627)</u>	<u>(267,198)</u>	<u>(81,580)</u>	<u>(185,618)</u>
Other financing sources				
Designated cash	-	-	-	-
Operating transfers	-	-	-	-
Proceeds from bond issues	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	<u>(173,627)</u>	<u>(267,198)</u>	<u>(81,580)</u>	<u>(185,618)</u>
Fund balances - beginning of year	<u>-</u>	<u>-</u>	<u>267,198</u>	<u>267,198</u>
Fund balances - end of year	<u>\$ (173,627)</u>	<u>\$ (267,198)</u>	<u>\$ 185,618</u>	<u>\$ 81,580</u>
Reconciliation to GAAP Basis				
Adjustments to revenues			-	
Adjustments to expenditures			-	
Changes in fund balances			<u>\$ (81,580)</u>	

See Notes to Financial Statements.

STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
TITLE I IASA (24101)
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	-	-	-	-
Federal grants	1,524,199	1,524,199	1,174,182	350,017
Miscellaneous	-	-	-	-
Interest	-	-	-	-
Total revenues	<u>1,524,199</u>	<u>1,524,199</u>	<u>1,174,182</u>	<u>350,017</u>
EXPENDITURES				
Current				
Instruction	665,097	665,097	544,583	120,514
Support services				
Students	148,487	170,592	159,462	11,130
Instruction	485,221	392,227	270,582	121,645
General administration	143,748	213,137	197,538	15,599
School administration	1,500	1,500	664	836
Central services	80,146	81,646	60,063	21,583
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other support services	-	-	-	-
Food services operations	-	-	-	-
Community services	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>1,524,199</u>	<u>1,524,199</u>	<u>1,232,892</u>	<u>291,307</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(58,710)</u>	<u>58,710</u>
Other financing sources				
Designated cash	-	-	-	-
Operating transfers	-	-	-	-
Proceeds from bond issues	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	-	-	(58,710)	58,710
Fund balances - beginning of year	-	-	(433,842)	(433,842)
Fund balances - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (492,552)</u>	<u>\$ (375,132)</u>
Reconciliation to GAAP Basis				
Adjustments to revenues			58,710	
Adjustments to expenditures			-	
Changes in fund balances			<u>\$ -</u>	

See Notes to Financial Statements.

STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
IDEA B (24106)
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	-	-	-	-
Federal grants	1,720,567	1,720,567	1,485,166	235,401
Miscellaneous	-	-	-	-
Interest	-	-	-	-
Total revenues	<u>1,720,567</u>	<u>1,720,567</u>	<u>1,485,166</u>	<u>235,401</u>
EXPENDITURES				
Current				
Instruction	876,650	750,407	694,485	55,922
Support services				
Students	668,136	662,886	561,914	100,972
Instruction	41,916	41,916	41,909	7
General administration	85,642	213,885	184,210	29,675
School administration	-	-	-	-
Central services	47,223	47,223	42,745	4,478
Operation & maintenance of plant	-	-	-	-
Student transportation	1,000	4,250	3,270	980
Other support services	-	-	-	-
Food services operations	-	-	-	-
Community services	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>1,720,567</u>	<u>1,720,567</u>	<u>1,528,533</u>	<u>192,034</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(43,367)</u>	<u>43,367</u>
Other financing sources				
Designated cash	-	-	-	-
Operating transfers	-	-	-	-
Proceeds from bond issues	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	-	-	(43,367)	43,367
Fund balances - beginning of year	-	-	(358,672)	(358,672)
Fund balances - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (402,039)</u>	<u>\$ (315,305)</u>
Reconciliation to GAAP Basis				
Adjustments to revenues			42,985	
Adjustments to expenditures			<u>382</u>	
Changes in fund balances			<u>\$ -</u>	

See Notes to Financial Statements.

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

	Agency Funds
ASSETS	
Current Assets	
Cash	\$ 741,325
Total assets	\$ 741,325
 LIABILITIES	
Current Liabilities	
Accounts Payable	\$ 17,336
Deposits held in trust for others	723,989
Total liabilities	\$ 741,325

**STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The 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 Legislative Finance Committee. The Board is comprised of five members who are elected for terms of four years. The District operates 16 schools within the District, with a total enrollment of approximately 6,000 pupils. In conjunction with the regular educational programs, some of these schools offer special education. In addition, the Board provides transportation and school food services for the students.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standard Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of the District's accounting policies are described below.

A. Reporting entity

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units for which the District may be financially accountable and, as such, should be included within the District's financial statements. The District (the primary government) is financially accountable if (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the District. Organizations for which the District is not financially accountable are also included when doing so is necessary in order to prevent the District's financial statements from being misleading. 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 Statements No. 39 and 16. Blended component units, although legally separate entities, are in substance part of the government's operations. Discretely presented Component Units are reported in separate columns 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

**STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Based upon the application of these criteria, the District has no component units and is not a component unit of another governmental agency.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities and changes in net position) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District does not have any business-type activities.

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

Deferred outflows of resources – a consumption of net position by the government that is applicable to a future reporting period. It has a positive effect on net position, similar to assets.

Deferred inflows of resources – an acquisition of net position by the government that is applicable to a future reporting period. It has a negative effect on net position, similar to liabilities.

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

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

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

**STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 statement. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are billed. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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

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

**STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT
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)

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

The District reports the following major governmental funds:

The General Fund is the primary operating fund of the District and accounts for all financial resources of the general government, except those required to be accounted for in other funds. Revenues are provided by the District's school tax levy, state equalization and transportation funds, state instructional material allocations, and earnings from investments. Expenditures include all costs associated with the daily operations of the school except for those items included in other funds. The general fund includes the Pupil Transportation Fund, which is used to pay for the costs associated with transporting school-age children. It also includes the Instructional Materials Fund, which is used to account for the monies received from the New Mexico Public Education Department for the purposes of purchasing instructional materials (books, manuals, periodical, etc.) used in the education of students.

The Title I IASA Fund is used to account for a program funded by a federal grant to assist the District in providing supplemental education opportunities for academically disadvantaged children in the area in which they reside. Funding is allocated to the District through the New Mexico Public Education Department. Authority for the creation of this fund is Part A, Chapter I, Title I of the Elementary and Secondary Education Act (ESEA) of 1965, as amended, Public Law 102-383.

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 purchase or improving school grounds or any combination thereof, as approved by the voters of the District. Authority for the creation of this fund is the New Mexico Public Education Department.

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

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

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

Additionally, the District reports the following agency fund:

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

**STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT
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)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the District's taxpayer or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the District's general revenues.

Private-sector standards of accounting and financial reporting issued prior to November 30, 1989, generally are followed in both the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

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, IDEA-B, Charter Schools, and other State and Federal funding to be used as specified within each program grant agreement, and (c) program-specific capital grants and contributions, which include revenues from state sources such as bond building, SB-9 and special capital outlay 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.

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

Deposits and Investments: The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Money market investments and participating interest-earning investment contracts that have a remaining maturity at the time of purchase of one year or less and are held by governments other than external investment pools should be measured at amortized cost as provided in paragraph 9 of GASB No. 72.

**STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position or equity

State statutes authorize the District to invest in Certificates of Deposit, obligations of the U.S. Government, and the State Treasurer's Local Government Investment Pool (LGIP). The LGIP operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Restricted Assets: The Debt Service Fund is used to report resources set aside for the payment of long-term debt principal and interest.

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

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. There is no allowance for doubtful account in the current year. The District receives monthly income from a tax levy in Otero County. The funds are collected by the County Treasurer and are remitted to the School District the following month. Under the modified accrual method of accounting, the amount remitted by the County Treasurer in July and August 2018 is considered "measurable and available" and, accordingly, is recorded as revenue in the governmental fund statements during the year ended June 30, 2018. Period of availability is deemed to be 60 days subsequent to year end.

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.

Instructional Materials: The New Mexico State Department of Education receives federal material leasing funds from which it makes annual allocations to the various school districts for the purchase of educational materials. Of each allocation, 70% is restricted to the requisition of material listed in the State Board of Education 'State Adopted Instructional Material' list, while 30% of each allocation is available for purchases directly from vendors, for which the school district receives cash draw-downs, or transfer to the 70% account for requisition of material from the adopted list.

Inventory: The District's method of accounting for inventory is the consumption method. Under the consumption approach, governments report inventories they purchase as an asset and defer the recognition of the expenditures until the period in which the inventories actually are consumed. Inventory is valued at cost and

**STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, deferred outflows or resources, liabilities, deferred inflows of resources, and net position or equity (Continued)

consist of USDA commodities and other purchased food and non-food supplies. The cost of purchased food is recorded as an expenditure at the time individual inventory items are consumed.

Inventory in the Special Revenue Funds consists of USDA commodities and other purchased food and non-food supplies. 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. Donated capital assets received prior to June 15, 2016 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2016 are recorded at acquisition value. Information Technology Equipment, including software, is being capitalized and included in furniture, fixtures, and equipment in accordance with NMAC 2.20.1.9 C (5). The District was a Phase II government for purposes of implementing GASB Statement No. 34. However, the District does not have any infrastructure assets to report.

The cost of normal maintenance and repairs that do not add to the value of the asset, or materially extend asset lives, are not capitalized. Library books are not capitalized because they are considered to have a useful life of less than one year.

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 financial statements. However, infrastructure assets have not been included in the June 30, 2018 financial statements of the District since the District did not own any infrastructure assets as of June 30, 2018. Information technology equipment, including software, is being capitalized and included in furniture and equipment as the District did not maintain internally-developed software. The District expenses the cost of library books when purchased. Donated capital assets are recorded at estimated fair market value at the date of donation. 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.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Construction projects paid for by the Public School Capital Outlay Council are included in the District's capital assets.

Capital expenditures made on the District's building construction projects by the NM Public School Facilities Authority have been recorded as a revenue and expenditure in the fund financial statements and have been included as capital assets in the District's government-wide financial statements.

STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, deferred outflows or resources, liabilities, deferred inflows of resources, and net position or equity (Continued)

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

Land Improvements	20-50 years
Buildings and improvements	20-50 years
Furniture, fixtures, & equipment	5-10 years

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

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 future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Revenue must be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period) to be recognized. If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding liability for deferred inflows of resources. The District has two types of items which arise under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue-property taxes is 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. In addition, the District has pension-related deferred inflows of resources items that qualify for reporting in this category.

Unearned Revenues: The District recognizes grant revenue at the time the related expense is made if the expenditure of funds is the prime factor for determining eligibility for reimbursement; therefore, amounts received and not expended in the Special Revenue Funds are shown as unearned revenues. Amounts receivable from the property taxes levied for the current year that are not considered to be "available" under the current financial resource's measurement focus are reported as unearned revenues in the governmental fund financial statements.

Compensated Absences: It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Twelve-month employees may accumulate up to 20 days of vacation leave; any leave beyond these limits must be used by June 30 of the current contract year unless carryover approval is obtained from the Superintendent. Qualified employees are entitled to accumulate sick leave. There is no limit to the amount of sick leave which an employee may accumulate; however, upon termination, sick leave is not paid out to the employee. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they are matured, for example, as a result of employee resignations and retirements. In the past, the liability has been paid from the general fund.

STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, deferred outflows or resources, liabilities, deferred inflows of resources, and net position or equity (Continued)

Accrued Payroll: In the fund financial statements, governmental fund types recognize the accrual of unpaid wages and benefits that employees have earned at the close of each fiscal year. The amount recognized in the fund financial statements represents checks that were held at year end in relation to employees' summer payroll.

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 minimal.

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

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

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.

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

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

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

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

**STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**D. Assets, deferred outflows or resources, liabilities, deferred inflows of resources, and net position or equity
(Continued)**

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

Minimum Fund Balance Policy: The District's policy for maintaining a minimum amount of fund balance for operations is to minimize any sudden and unplanned discontinuity to programs and operations and for unforeseen contingencies. At a minimum, the budget shall ensure that the District holds cash reserves of 5% of the general fund cash balance.

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

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: Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation. Descriptions for the related restrictions for net position are restricted for "special revenue, debt service, and capital projects."

Unrestricted Net Position: All other net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates for the District are management's estimate of depreciation on assets over their estimated useful lives, net pension liability calculations, and the current portion of accrued compensated absences.

**STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, deferred outflows or resources, liabilities, deferred inflows of resources, and net position or equity (Continued)

Pensions: For the purpose 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 New Mexico Educational Retirement Board (ERB), and additions to/deductions from ERB's fiduciary net position have been determined on the same basis as they are reported by the ERB; on the economic resource's measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

E. Revenues

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 (Article 8, Section 22-8-25, NMSA 1978) is at least equal to the school district's program costs."

A school district's program costs are determined through the use of various formulas using 'program units' which take into consideration 1) early childhood education, 2) basic education, 3) special education, 4) bilingual-multicultural education, 5) size, etc. Payment is made from the public school fund under the authority of the Director of Public School Finance.

Tax Revenues: The District receives mill levy and ad-valorem tax revenues primarily for debt service and capital outlay purposes. Property taxes are assessed on January 1 of each year and are payable in two equal installments: on November 10 of the year in which the tax bill is prepared and April 10 of the following year with the levies becoming delinquent 30 days (one month) thereafter. The District recognizes tax revenues in the period for which they are levied. In the governmental funds, the District records only the portion of the taxes considered to be 'measurable' and 'available'. The District records all taxes receivable on the government-wide financial statements. 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.

Tax notices are sent to property owners by November 1 of each year to be paid in whole or in two installments by November 10 and April 10 of each year. Otero 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
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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 Director of Public School Finance. The funds shall be used only for the purpose of making payments to each school district for the to-and-from school transportation costs of students in grades K through 12 attending public school within the school district.

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, 70% is restricted to the requisition of materials listed in the State Board of Education "State Adopted Instructional Material" list, while 30% of each allocation is available for purchases directly from vendors.

SB-9 State Match: The Director shall distribute to any school district that has imposed a tax under the Public School Capital Improvements Act (22-25-1 to 22-25-10 NMSA 1978) an amount from the public school capital improvements fund that is equal to the amount by which the revenue estimated to be received from the imposed tax as specified in Subsection B of Section 22-25-3 NMSA 1978, assuming a 100% collection rate, is less than an amount calculated by multiplying the product obtained by the rate imposed in the District under the Public School Capital Improvements Act. The distribution shall be made by December 1 of each year that the tax is imposed in accordance with Section 22-25-3 NMSA 1978. 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.

Public School Capital Outlay: The public school capital outlay fund was created under the provisions of Chapter 22, Article 24, NMSA 1978. The money in the fund may be used for: capital expenditures deemed by the public school capital outlay council to be necessary for an adequate educational program per Section 22-24-4(B); core administrative functions of the public school facilities authority and for project management expenses upon approval of the council per Section 22-24-2(G); and for the purpose of demolishing abandoned school district facilities, upon application by a school district to the council, per Section 22-24-4(L).

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

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

**STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT
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 basis, excluding encumbrances, and secure appropriation of funds for only one year and reconciled to the modified accrual GAAP financial statements. 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 restricted fund balance.

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

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

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

1. In April or May, the local Board submits to the District Budget Planning Unit (DBPU) of the New Mexico Public Education Department (PED) a proposed operating budget for the ensuing fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them. All budgets are submitted to the PED.
2. In May or June of each year, the proposed “operating” budget will be reviewed and approved by the DBPU and certified and approved by the local Board at a public hearing of which notice has been published by the local Board, which fixes the estimated budget for the school district for the ensuing fiscal year.
3. The Board meeting, while not intended for the general public, is open for the general public unless a closed meeting has been called.
4. The “operating” budget will be used by the District until they have been notified that the budget has been approved by the DBPU and the local 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. The District shall make corrections, revisions and amendments to the estimated budgets fixed by the local Board to recognize actual cash balances and carryover funds, if any. These adjustments shall be reviewed and approved by the DBPU.

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 Board and the PED.

**STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

Budgetary Information (Continued)

5. Budget change requests are processed in accordance with Supplement 1 (Budget Preparation and Maintenance) of the Manual of Procedures Public School Accounting and Budgeting. Such changes are initiated by the school district and approved by the DBPU.
6. Legal budget control for expenditures is by function.
7. Appropriations lapse at fiscal year-end. Funds unused during the fiscal year may be carried over into the next fiscal year by budgeting those in the subsequent fiscal year's budget. The budget schedules included in the accompanying financial statements reflect the approved budget and the final budget.
8. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Fund, and Capital Projects Funds.

Budgets for the General, Special Revenue, Capital Projects, and Debt Service Funds are adopted on a cash basis and are reconciled on a GAAP basis. Encumbrances are treated the same way for GAAP purposes and for budget purposes.

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

The District is required to balance its budgets each year. Accordingly, amounts that are 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 are included in each individual budgetary comparison.

The accompanying statements of revenues, expenditures and changes in fund balance – budget and actual present comparisons of the legally adopted budget with actual data on a budgetary basis and reconciled to the GAAP basis.

NOTE 3. DEPOSITS AND INVESTMENTS - CASH AND TEMPORARY INVESTMENTS

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

Deposits of funds may be made in interest or noninterest-bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the District. Deposits may be made to the extent that they are insured by an agency of the United States or collateralized as required by statute. The financial institution must provide pledged collateral for 50% of the deposit amount in excess of the deposit insurance.

**STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3. DEPOSITS AND INVESTMENTS - CASH AND TEMPORARY INVESTMENTS (CONTINUED)

The rate of interest in nondemand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than 100% of the asking 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.

All of the District's accounts at an insured depository institution, including all noninterest-bearing transaction accounts, are insured by the FDIC up to the standard maximum deposit insurance amount of \$250,000 for all deposit accounts out of state, and up to \$250,000 for all time and saving accounts, plus up to \$250,000 for all demand deposit accounts held at a single institution in state.

Custodial Credit Risk – Deposits: Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk, other than 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, \$25,978,625 of the District's bank balances of \$26,728,625 were exposed to custodial credit risk. \$14,971,094 was uninsured and collateralized by collateral held by the pledging bank's trust department not in the District's name and \$11,007,531 was uninsured and uncollateralized.

	First American Bank	First National Bank	Wells Fargo Bank	Total
Deposits				
Checking	\$ 19,052,389	\$ 3,695,883	\$ 3,980,353	\$ 26,728,625
FDIC coverage	<u>(250,000)</u>	<u>(250,000)</u>	<u>(250,000)</u>	<u>(750,000)</u>
Total uninsured public funds	<u>18,802,389</u>	<u>3,445,883</u>	<u>3,730,353</u>	<u>25,978,625</u>
Collateral requirement (50% of uninsured public funds)	9,401,195	1,722,942	1,865,177	12,989,314
Pledged collateral held by pledging bank's trust department or agent but not in agency's name	<u>9,830,578</u>	<u>2,849,420</u>	<u>2,291,096</u>	<u>14,971,094</u>
Total (under) over collateralized	<u>\$ 429,383</u>	<u>\$ 1,126,478</u>	<u>\$ 425,919</u>	<u>\$ 1,981,780</u>
Uninsured and uncollateralized	<u>\$ 8,971,811</u>	<u>\$ 596,463</u>	<u>\$ 1,439,257</u>	<u>\$ 11,007,531</u>

**STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3. DEPOSITS AND INVESTMENTS - CASH AND TEMPORARY INVESTMENTS (CONTINUED)

The collateral pledged is listed on the Schedule of Pledged Collateral by Depository for Public Funds. 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.

The District utilizes internal pooled accounts for certain programs and funds. Negative cash balances arise primarily from cost-reimbursement grants. Negative cash balances in individual funds that were part of the pooled accounts were reclassified as due to/from accounts in the combining balance sheet as of June 30, 2018. Funds 24101 through 25254 are federal funds and 27103 through 27155 are non-federal funds.

The following table presents the cash balances of negative cash funds before and after the reclassification of pooled cash from the General Fund (Fund 11000) as of June 30, 2018:

Fund	Funds with negative cash balances	Pooled cash reclassified from Fund 11000	Ending balance as reported
Fund 24101	\$ (472,018)	\$ 472,018	\$ -
Fund 24106	(370,107)	370,107	-
Fund 24109	(10,843)	10,843	-
Fund 24112	(25,225)	25,225	-
Fund 24118	(17,047)	17,047	-
Fund 24124	(120,465)	120,465	-
Fund 24132	(2,805)	2,805	-
Fund 24133	(2,019)	2,019	-
Fund 24154	(69,500)	69,500	-
Fund 24160	(91,535)	91,535	-
Fund 24171	(1,937)	1,937	-
Fund 24174	(23,025)	23,025	-
Fund 24176	(769)	769	-
Fund 24186	(5,008)	5,008	-
Fund 24189	(4,991)	4,991	-
Fund 25254	(186,862)	186,862	-
Fund 27103	(1,631)	1,631	-
Fund 27107	(11,707)	11,707	-
Fund 27114	(51,461)	51,461	-
Fund 27128	(10,177)	10,177	-
Fund 27155	(222)	222	-
	<u>\$ (1,479,354)</u>	<u>\$ 1,479,354</u>	<u>\$ -</u>

**STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

Investments

As of June 30, 2018, the District did not have investments balances.

Reconciliation to the Statement of Net Position

The carrying amount of deposits and investments shown above are included in the District's financial statements is as follows:

Government Funds - Balance Sheet	
Cash and cash equivalents	\$ 24,178,678
Statement of Fiduciary Assets and Liabilities - Agency Funds	
Cash and cash equivalents	741,325
Total cash and cash equivalents	24,920,003
Add: outstanding checks and other reconciling items	2,727,986
Less: held checks	(918,914)
Less: petty cash	(450)
Bank balance of deposits	\$ 26,728,625

NOTE 4. RECEIVABLES

Receivables as of June 30, 2018 are as follows:

	Operational Fund	Title I	IDEA-B	Improvements (SB-9) Local	Debt Service	Other Governmental	Total
Property taxes	\$ 18,862	\$ -	\$ -	\$ 94,542	\$ 279,723	\$ 29,658	\$ 422,785
Intergovernmental	-	492,552	402,040	-	-	728,047	1,622,639
Other	-	-	-	-	-	-	-
	\$ 18,862	\$ 492,552	\$ 402,040	\$ 94,542	\$ 279,723	\$ 757,705	\$ 2,045,424

In accordance with GASB Statement No. 33, property tax revenues in the amount of \$276,002 that were not collected within the period of availability have been reclassified as deferred inflows of resources in the governmental fund financial statements. All of the above receivables are deemed to be fully collectible.

NOTE 5. INTERFUND RECEIVABLES AND PAYABLES

The District records temporary interfund receivables 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:

**STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 5. INTERFUND RECEIVABLES AND PAYABLES (CONTINUED)

	<u>Receivables</u>	<u>Payables</u>
Major Funds		
General Fund	\$ 1,479,354	\$ -
Title I	-	472,018
Entitlement IDEA-B	-	370,107
Nonmajor Funds		
Special Revenue Funds	-	637,229
	<u>\$ 1,479,354</u>	<u>\$ 1,479,354</u>

All interfund balances are intended to be repaid within one year.

There were no net operating transfers, made to close out funds and to supplement other funding sources for the year ended June 30, 2018.

NOTE 6. CAPITAL ASSETS

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

	<u>Balance</u>				<u>Balance</u>
	June 30, 2017	Additions	Deletions	Transfers	June 30, 2018
Capital Assets not being depreciated					
Land	\$ 3,826,619	\$ -	\$ -	\$ -	\$ 3,826,619
Construction in process	806,312	497,256	-	(369,581)	933,987
Total capital assets not being depreciated	<u>4,632,931</u>	<u>497,256</u>	<u>-</u>	<u>(369,581)</u>	<u>4,760,606</u>
Capital Assets being depreciated					
Land improvements	3,963,501	-	-	-	3,963,501
Buildings and building improvements	141,474,051	1,975,807	-	369,581	143,819,439
Furniture, fixtures, vehicles and equipment	7,956,525	133,400	(246,875)	-	7,843,050
Total capital assets being depreciated	<u>153,394,077</u>	<u>2,109,207</u>	<u>(246,875)</u>	<u>369,581</u>	<u>155,625,990</u>
Accumulated depreciation					
Land improvements	(873,438)	(35,649)	-	-	(909,087)
Buildings and building improvements	(72,488,860)	(3,562,193)	-	-	(76,051,053)
Furniture, fixtures, vehicles, and equipment	(6,132,073)	(357,429)	246,875	-	(6,242,627)
Total accumulated depreciation	<u>(79,494,371)</u>	<u>(3,955,271)</u>	<u>246,875</u>	<u>-</u>	<u>(83,202,767)</u>
Net capital assets being depreciated	<u>73,899,706</u>	<u>(1,846,064)</u>	<u>-</u>	<u>369,581</u>	<u>72,423,223</u>
Government activities capital assets, net	<u>\$ 78,532,637</u>	<u>\$ (1,348,808)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 77,183,829</u>

**STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 6. CAPITAL ASSETS (CONTINUED)

Depreciation expense for the year ended June 30, 2018 was charged to the following functions:

Depreciation expenses	
Instruction	\$ 787,809
Support services - Students	5,289
Support services - Instruction	2,667,922
Support services - General administration	49,153
Support services - School administration	63,450
Operation & maintenance of plant	363,718
Food services	<u>17,930</u>
	<u><u>\$ 3,955,271</u></u>

NOTE 7. LONG-TERM DEBT

General obligation bonds are secured by and payable solely from the Debt Service Fund and the Ed Tech Debt Service Fund. General obligation bonds are direct obligations and pledge the full faith and credit of the District. These bonds are issued with varying terms and varying amounts of principal maturing each year. All general obligation bonds as of June 30, 2018 are for governmental activities.

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

<u>Bond Series</u>	<u>Date of Issue</u>	<u>Date of maturity</u>	<u>Balance at June 30, 2018</u>
Ed Tech Bond Series 2014A	10/21/2014	8/1/2019	\$ 605,000
Series 2009 GO School Bonds	4/21/2009	8/1/2020	1,500,000
Series 2011 GO School Bonds	12/14/2010	8/1/2021	5,000,000
Series 2012 GO School Bonds	5/16/2012	8/1/2024	5,050,000
Series 2013 GO School Bonds	3/26/2013	8/1/2025	3,725,000
Series 2015 GO School Bonds	3/24/2015	8/1/2025	3,970,000
Series 2014 GO School Bonds	3/25/2014	8/1/2026	4,375,000
Series 2016 GO School Bonds	6/22/2016	8/1/2029	4,275,000
Series 2017 GO School Bonds	4/19/2017	8/1/2030	3,000,000
Series 2018 GO School Bonds	4/18/2018	8/1/2031	<u>4,740,000</u>
			<u><u>\$ 36,240,000</u></u>

**STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 7. LONG-TERM DEBT (CONTINUED)

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

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018	Due Within One Year
Bonds payable	\$35,575,000	\$ 4,740,000	\$(4,075,000)	\$36,240,000	\$ 4,175,000
Compensated absences	<u>502,130</u>	<u>359,159</u>	<u>(225,666)</u>	<u>635,623</u>	<u>225,666</u>
Total	<u>\$36,077,130</u>	<u>\$ 5,099,159</u>	<u>\$(4,300,666)</u>	<u>\$36,875,623</u>	<u>\$ 4,400,666</u>

Compensated Absences. Administrative employees of the District are able to accrue a limited amount of vacation and other compensatory time during the year. In fiscal year 2017, the District revised their sick leave policy for those with a minimum of five years of service. The revision allows for an employee to receive a payout of their sick leave bank up to a maximum of 30 days at \$50 per day upon termination. At June 30, 2018, the amount accrued under this policy was \$342,367. At June 30, 2018, compensated absences increased \$133,493 from the prior year accrual.

In prior years, the General Fund was typically used to liquidate such long-term liabilities. See Note 1 for more details.

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

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2019	\$ 4,175,000	\$ 853,881	\$ 5,028,881
2020	4,195,000	788,183	4,983,183
2021	3,965,000	667,870	4,632,870
2022	3,350,000	566,758	3,916,758
2023	3,600,000	482,133	4,082,133
2024-2028	12,925,000	1,396,069	14,321,069
2029-2032	<u>4,030,000</u>	<u>867,900</u>	<u>4,897,900</u>
	<u>\$ 36,240,000</u>	<u>\$ 5,622,791</u>	<u>\$ 41,862,791</u>

NOTE 8. RISK MANAGEMENT

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

**STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT
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JUNE 30, 2018**

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

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

NOTE 9. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD

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.

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.

**STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 9. 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%.

**STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 9. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)

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

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

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

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

The contribution requirements are established in statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the New Mexico Legislature. For the fiscal years ended June 30, 2018 and 2017, the District paid employee and employer contributions of \$6,895,025 and \$6,993,772, respectively, which equal the amount of the required contributions for each fiscal year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2018, the District reported a liability of \$113,295,140 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 ERB Board on April 21, 2017. There were no other significant events of changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2017. Therefore, the District's portion was established as of the measurement date of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating educational institutions, actuarially determined. At June 30, 2017, the District's proportion was 1.01944%, which was an increase of 0.02770% from its proportion measured at June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$13,114,510. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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ALAMOGORDO MUNICIPAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 9. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual actuarial experience change of assumptions	\$ 203,376	\$ 1,745,418
Net differences between projected and actual earnings on pension plan investments	-	15,542
Changes in assumptions	33,073,078	-
Changes in proportion and differences between District contributions and proportionate share of contributions	1,338,902	706,316
District contributions subsequent to the measurement date	<u>3,952,838</u>	<u>-</u>
Total	<u><u>\$ 38,568,194</u></u>	<u><u>\$ 2,467,276</u></u>

The District reported \$3,952,838 as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date June 30, 2017 will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	
2019	\$ 12,023,093
2020	13,034,954
2021	8,022,932
2022	(932,899)
2023	-
Total	<u><u>\$ 32,148,080</u></u>

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

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NOTES TO FINANCIAL STATEMENTS
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NOTE 9. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)

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	<table border="0" style="margin-left: 40px;"> <tr> <td style="padding-right: 20px;">Fiscal year</td> <td style="padding-right: 20px;"><u>2017</u></td> <td style="padding-right: 20px;"><u>2016</u></td> <td style="padding-right: 20px;"><u>2015</u></td> <td><u>2014</u></td> </tr> <tr> <td>Service life in years</td> <td>3.35</td> <td>3.77</td> <td>3.92</td> <td>3.88</td> </tr> </table>	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
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							
Mortality	<p>Healthy males: Based on the RP-2000 Combined Healthy Mortality Table with White Collar adjustments, not set back. Generational mortality improvements with Scale BB from the table’s base year of 2000.</p> <p>Healthy females: Based on GRS Southwest Region Teacher Mortality Table, set back one year. Generational mortality improvements in accordance with Scale BB from the table’s base year of 2012.</p> <p>Disabled males: RP-2000 Disabled Mortality Table for males, set back three years, projected to 2016 with Scale BB.</p> <p>Disabled females: RP-2000 Disabled Mortality Table for females, no set back, projected to 2016 with Scale BB.</p> <p>Active members: RP-2000 Employee Mortality Tables, with males set back two years and scaled at 80%, and females set back five years and scaled at 70%. Static mortality improvement from the table’s base year of 2000 to the year 2016 in accordance with Scale BB. No future improvement was assumed for preretirement mortality.</p>										
Retirement Age	Experience-based table rates based on age and service, adopted by the Board on June 12, 2015 in conjunction with the six-year experience study for the period ending June 30, 2014.										
Cost-of-living increases	1.90% per year, compounded annually.										
Payroll growth	3.00% per year (with no allowance for membership growth).										
Contribution accumulation	The accumulated member account balance with interest is estimated at the valuation date by assuming that member contributions increased 5.50% per year for all years prior to the valuation date. Contributions are credited with 4.00% interest, compounded annually, applicable to the account balances in the past as well as the future.										
Disability incidence	Approved rates are applied to eligible members with at least 10 years of service.										

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NOTE 9. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)

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

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

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

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

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

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

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NOTE 9. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)

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

	1 % Decrease 4.90%	Current Discount Rate 5.90%	1 % Increase 6.90%
District's proportionate share of the net pension liability	\$ 147,482,098	\$ 113,295,140	\$ 85,350,084

Pension Plan Fiduciary Net Position. Detailed information about the ERB’s fiduciary net position is available in the separately issued audited financial statements as of and for the years ended June 30, 2018 and 2017, which are publicly available at https://www.nmerb.org/Annual_reports.html.

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

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

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

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

STATE OF NEW MEXICO
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NOTE 10. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN (CONTINUED)

Employees covered by benefit terms. At June 30, 2017, the Fund’s measurement date, the following State of New Mexico employees were covered by the benefit terms:

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

Contributions. Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee’s salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer’s participation in the Fund. Contributions to the Fund from the District were \$568,711 for the year ended June 30, 2018.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. At June 30, 2018, the District reported a liability of \$30,647,251 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District’s proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2017. At June 30, 2017, the District’s proportion was 0.67629%.

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

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

For the year ended June 30, 2018, the District recognized OPEB expense of \$649,725. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 1,176,079
Differences between actual and projected earnings on OPEB plan investments	-	440,882
Changes of assumptions	-	5,358,282
Contributions made after the measurement date	<u>568,711</u>	<u>-</u>
Total	<u>\$ 568,711</u>	<u>\$ 6,975,243</u>

Deferred outflows of resources totaling \$568,711 represent District contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	
2019	\$(1,482,985)
2020	(1,482,985)
2021	(1,482,985)
2022	(1,482,985)
2023	<u>(1,043,303)</u>
Total	<u>\$ (6,975,243)</u>

**STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 10. 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 years 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Rate of Return</u>
U.S. core fixed income	20%	4.1%
U.S. equity - large cap	20%	9.1%
Non U.S. - emerging markets	15%	12.2%
Non U.S. - developed equities	12%	9.8%
Private equity	10%	13.8%
Credit and structured finance	10%	7.3%
Real estate	5%	6.9%
Absolute return	5%	6.1%
U.S. equity - small/mid cap	3%	9.1%

STATE OF NEW MEXICO
 ALAMOGORDO MUNICIPAL SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

NOTE 10. 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 District, as well as what the District’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.81%) or 1-percentage-point higher (4.81%) than the **current discount rate**:

1% Decrease (2.81%)	Current Discount (3.81%)	1% Increase (4.81%)
\$ 37,174,638	\$ 30,647,251	\$ 25,525,930

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

1% Decrease	Current Trend Rates	1% Increase
\$ 26,067,598	\$ 30,647,251	\$ 34,218,249

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.

NOTE 11. CONTINGENT LIABILITIES

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

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

**STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 12. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

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

- A. Deficit fund balance of individual funds: The District did not have any funds with deficit fund balances.
- B. Excess of expenditures over appropriations: The following fund exceeded approved budgetary authority for the year ended June 30, 2018:

Nonmajor Funds	
IDEA-B Early Intervention (24112)	
Major budgeted expenditures	
function: Instruction	<u>\$ 89</u>

- C. Designated cash appropriations in excess of available balances: The District did not have any funds with designated cash appropriations in excess of available balances for the year ended June 30, 2018.

NOTE 13. CONCENTRATIONS

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

NOTE 14. COMMITMENTS

The District had multiple construction projects ongoing as of the year ended June 30, 2018 that are to continue into the following fiscal year. The projects include the design, construction, renovation, and demolition of school buildings. At June 30, 2018, the District's and the New Mexico Public School Finance Authority's (PSFA) shares of commitments for construction was \$6,745,535 and \$13,795,929, respectively.

NOTE 15. RESTATEMENT OF NET POSITION – ADOPTION OF NEW ACCOUNTING STANDARD

The Governmental Accounting Standards Board (GASB) issued a new accounting pronouncement (Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*) effective for the year ended June 30, 2018. The implementation of GASB 75 has created a restatement of the District's beginning net position.

As a cost-share employer participating the Retiree Health Care Authority (Plan or "RHCA") (see Note 10), the District is required to, and has included, in its June 30, 2018 financial statements, the pro rata share of the Plan's collective "Net Retiree Healthcare Liability". This share represents the difference between the Plan's "Total Plan Liability" and the Plan's "Net Plan Position", reported at the market value of the investment assets.

**STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 15. RESTATEMENT OF NET POSITION – ADOPTION OF NEW ACCOUNTING STANDARD (CONTINUED)

With the adoption of the new accounting pronouncement, the District has reduced its Unrestricted Net Position the beginning of the fiscal year in the amount of \$36,404,058, as shown on the government-wide Statement of Activities.

NOTE 16. TAX ABATEMENTS

Abatements of Other Governments. The District is subject to tax abatements granted by Otero County through the Industrial Revenue Bond Act. This program has the stated purposes of promoting industry and trade other than retail trade in the county and municipalities.

Industrial Revenue Bonds. Under the Industrial Revenue Bond Act [3-32 NMSA 1978], the County Commission can vote to induce an industrial revenue bond in order to induce a manufacturing, industrial, or commercial enterprise to locate or expand in that region, by financing a specified project. The County may include in the agreement a stipulation of an amount or a percentage reduction of property taxes, which can be as much as 100%. This reduction or exemption is applicable for the life of the bond issue, not to exceed 30 years from the date the bonds were issued and is a significant benefit for borrowers that would not otherwise qualify for a property tax exemption under other constitutional or statutory provisions. Information relevant to disclosure of those programs for the fiscal year ended June 30, 2018 follows:

**STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 16. TAX ABATEMENTS (CONTINUED)

Agency number for Agency making the disclosure (Abating Agency)	5019
Abating Agency Name	OTERO COUNTY
Abating Agency Type	COUNTY GOVERNMENT
Tax Abatement Agreement Name	RESOLUTION 04-14-15 103-41, COUNTY ORDINANCE 15-01
Name of agency affected by abatement agreement (Affected Agency)	SCHOOL DISTRICT- CAP IMPROVEMENT, EDUCATIONAL TECH DEPT, DEBT SERVICE, OPERATIONAL
Agency number of Affected Agency	7001
Agency type of Affected Agency	SCHOOL DISTRICTS
Recipient(s) of tax abatement	BURRELL RESOURCES GROUP, LLC PARENT COMPANY OF BOW CORPORATION
Tax abatement program (name and brief description)	OTERO COUNTY, NEW MEXICO INDUSTRIAL REVENUE BURRELL RESOURCES GROUP, LLC
Specific Tax(es) Being Abated	PROPERTY TAXES, GROSS RECEIPTS, COMPENSATING TAX SECTION 4.5 B
Authority under which abated tax would have been paid to Affected Agency	7-38-43 DISTIRBUTION OF RECEIPTS FROM COLLECTED PROPERTY TAXES
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	\$100
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	\$0
If the Abating Agency is omitting any information required in this spreadsheet or by GASB 77, cite the legal basis for such omission	N/A

REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)

STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOLS
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
EDUCATIONAL RETIREMENT BOARD (ERB) PENSION PLAN
FOR THE YEARS ENDED JUNE 30, 2018-2015
LAST 10 FISCAL YEARS* (UNAUDITED)

Fiscal Year Measurement Date	2018 2017	2017 2016	2016 2015	2015 2014
District's proportion of the net pension liability	1.02%	0.99%	1.01%	1.02%
District's proportionate share of the net pension liability	\$ 113,295,140	\$ 71,369,910	\$ 65,430,753	\$ 58,224,692
District's covered employee payroll	\$ 28,420,280	\$ 28,965,045	\$ 27,580,604	\$ 28,127,555
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	399%	246%	237%	207%
Plan fiduciary net position as a percentage of total pension liability	52.95%	61.58%	63.97%	66.54%

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

STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOLS
SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS
EDUCATIONAL RETIREMENT BOARD (ERB) PENSION PLAN
FOR THE YEARS ENDED JUNE 30, 2018-2015
LAST 10 FISCAL YEARS* (UNAUDITED)

	June 30,			
	2018	2017	2016	2015
Contractually required contributions	\$ 3,952,838	\$ 4,031,669	\$ 3,936,409	\$ 3,991,823
Contributions in relation to contractually required contributions	<u>\$ 3,952,838</u>	<u>\$ 4,031,669</u>	<u>\$ 3,936,409</u>	<u>\$ 3,991,823</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$28,420,280	\$ 28,965,045	\$ 27,580,604	\$ 28,127,555
Contributions as a percentage of covered employee payroll	13.91%	13.92%	14.27%	14.19%

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

STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOLS
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY
RETIREE HEALTH CARE AUTHORITY (RHCA) OPEB PLAN
FOR THE YEAR ENDED JUNE 30, 2018
LAST 10 FISCAL YEARS* (UNAUDITED)

	June 30,
Fiscal Year	2018
Measurement Date	2017
District's proportion of the net OPEB liability	0.67629%
District's proportionate share of the net OPEB liability	\$ 30,647,251
District's covered employee payroll	\$ 28,171,856
District's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	108.79%
RHCA Plan fiduciary net position as a percentage of the total pension liability	11.34%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District will present information for available years. Complete information for the District is not available prior to 2018, the year the statement's requirements became effective.

STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOLS
SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
RETIREE HEALTH CARE AUTHORITY (RHCA) OPEB PLAN
FOR THE YEAR ENDED JUNE 30, 2018
LAST 10 FISCAL YEARS* (UNAUDITED)

	2018
Contractually required contribution	\$ 2,147,538
Contributions in relation to the contractually required	\$ 1,077,825
District's proportion of the net OPEB liability	\$ 1,069,713
Employer's covered-employee payroll	\$ 28,171,856
Contributions as a percentage of covered employee payroll	3.83%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the School will present information for available years. Complete information for the District is not available prior to fiscal year 2018, the year the statement's requirements became effective.

STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOLS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
JUNE 30, 2018

ERB PLAN

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

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

RHCA PLAN

Changes in benefit provisions. There were no modifications to the benefit provisions as this is the first year of adoption of the OPEB accounting standard.

Changes in assumptions and methods. There were no modifications to the assumptions and methods as this is the first year of adoption of the OPEB accounting standard.

SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT
NONMAJOR GOVERNMENTAL FUND DESCRIPTIONS
JUNE 30, 2018**

SPECIAL REVENUE FUNDS

ALL FEDERAL FUNDS - The Special Revenue Funds are used to account for grant funds received from the U.S. Department of Education through the New Mexico Public Education Department. These grants are to be used for purposes specified in the grant awards and may not be used for any other purpose. Grants accounted for in the Special Revenue Funds include:

Food Services (21000) – This fund is used to account for all financial transactions related to the food service operation. Authority for the creation of this fund is the National School Lunch Act, as amended, 42 U.S.C. 1751, 1760, 1779.

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.

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

Preschool IDEA-B (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 the creation of this fund is the Individuals with Disabilities Education Act (IDEA), Part B, Section 619, as amended, 20 U.S.C. 1419.

IDEA-B Early Intervention (Fund 24112) - Coordinated Early Intervention Services to provide students with services before they are identified as special education.

Education of Homeless (24113) – This fund is used to provide tutoring and remedial academic services to homeless children and youth within the District. Funding is by the New Mexico Public Education Department.

IDEA-B Private School Share (24115) – Under 34 CFR SS 300.132-300.133, an LEA must spend a proportionate amount of their IDEA-B Basic Entitlement and, if applicable, Preschool sub-grant funds for special education and related services (“equitable participation services”) to students with disabilities who are parentally placed in private elementary and secondary schools (“equitable participation services”) located in the school district served by the LEA. The private schools must be nonprofit institutions. Children aged three through five are considered to be parentally-placed private school children with disabilities, only if they are enrolled in a private school that meets the definition of elementary school in 34 CFF SS 300.13. New Mexico State law defines an elementary school as “a public school providing instruction for grades kindergarten through eight, unless there is a junior high school program approved by the state board [department], in which case it means a public school providing instruction for grades kindergarten through six” 22-1-3(A) NMSA 1978.

**STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT
NONMAJOR GOVERNMENTAL FUND DESCRIPTIONS
JUNE 30, 2018**

SPECIAL REVENUE FUNDS (CONTINUED)

Fresh Fruits & Vegetables (24118) – This fund is used to assist States, through cash grants, in providing free fresh fruits and vegetables to school children in designated participating schools beginning in school year 2004/2006. Authorized by National School Lunch Act, as amended, 42 U.S.C. 1769.

IDEA-B “Risk Pool” (24120) – Reallocation by PED based upon available amounts from Fund 24106 Entitlement IDEA-B. This fund accounts for a program funded by a Federal grant to assist the District in providing free appropriate public education to all handicapped children. Funding authorized by Individuals with Disabilities 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.

Title I 1003g Grant (24124) – The objective of this grant is to provide in conjunction with Title I funds for school improvement reserved under Section 1003(a) of the ESEA. School Improvement Grants under Section 1003(g) of the ESEA are used to improve student achievement in Title I schools identified for improvement, corrective action, or restructuring so as to enable those schools to make adequate yearly progress (AYP) and exit improvement status. Funding is by the Elementary and Secondary Education Act of 1965, as amended, Title I, Part B, Subpart I.

IDEA-B Results Plan (24132) – Funding for support activities included the Education Plan for Student Success for Elementary Schools.

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. Authority for creation of this fund is the Rehabilitation Act of 1973, as amended, Title III, Section 303(b)-(d). 20 U.S.C. 777a and 797a.

Rural & Low-Income Schools (24160) – To provide financial assistance to rural districts to carry out activities to help improve the quality of teaching and learning in their schools. Elementary and Secondary Education Act, Title VI, Part B.

Title I School Improvement (24162) – This fund is used to improve student achievement in Title I Schools with a status of Priority or Focus. Authority for the creation of this fund is Title 34, Code of Federal Regulations (CFR), Parts 74-86 and 97-99.

Carl D. Perkins Special Projects – Current (24171) - The objective of this grant is to provide secondary and postsecondary 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. Authority for creation of this fund is Carl D. Perkins Vocational and Applied Technology Education Act of 1990, as amended, Public Law 105-332.

Carl D. Perkins (24174 – Secondary Current) (24176 – Secondary Redistribution) – The objective of this grant is to provide secondary and post-secondary educational institutions the opportunity to develop, implement, and operate programs using different models of curricula that integrate vocational and academic learning. Funds are acquired from federal sources through the New Mexico Public Department of Education. Authority for the creation of this fund is Carl D. Perkins Vocational and Applied Technology Education Act of 1990, as amended, Public Law 105-332.

**STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT
NONMAJOR GOVERNMENTAL FUND DESCRIPTIONS
JUNE 30, 2018**

SPECIAL REVENUE FUNDS (CONTINUED)

Teen Dating Violence Awareness Program (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. This fund enables Alamogordo Public Schools to carry out its Teen Dating Violence Prevention and Campaign Awareness program. Authorized by U.S. Department of Health and Human Services (ISP1AH000021-02-00).

Youth Resiliency Project (24186) – To account for funds used to promote adolescent health through school-based Human Immunodeficiency Virus (HIV) / sexually transmitted infections prevention and school-based surveillance program in the State of New Mexico as part of the Youth Resiliency Project. Authorized by U.S. Centers for Disease Control.

Student Support & Academic Enrichment Program (24189) – To account for funds used to improve student’s academic achievement by increasing the capacity of States, local educational agencies (LEAs), schools and local communities to: (1) provide all students with access to a well-rounded education; (2) improve school conditions for student learning; and (3) improve the use of technology in order to improve the academic achievement and digital literacy for all students. Authorized by Section 4101 of the Elementary and Secondary Education Act.

Impact Aid Special Education (25145) – 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 (25153) – This fund is used 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. Authority for the creation of this fund is the Social Security Act, Title XIX, as amended; Public Laws 89-97, 90-248, and 91-56; 42 U.S.C. 1396 et set., as amended

Alamo DOD (25179) - To provide assistance to schools with significant numbers of military dependent students. Required by the New Mexico Public Education Department Manual of Procedures for New Mexico School Districts to be accounted for as a separate fund. Funding authorized by Public Law 111-84.

DOD Education Activity (25254) – To provide *Power Up* – 21st Century technology skills for Grades 5, 6, and 9, Mathematics and Reading Achievement for Grades 5, 6, and 9, and easing the challenges of military students for all grades. Required by the New Mexico Public Education Department Manual of Procedures for New Mexico School Districts to be accounted for as a separate fund. Funding authorized by Section 574(d) of Public Law 109-364, as amended.

**STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT
NONMAJOR GOVERNMENTAL FUND DESCRIPTIONS
JUNE 30, 2018**

SPECIAL REVENUE FUNDS (CONTINUED)

Dual Credit Instructional Materials (27103) – SB943 (2007) and SB31 (2008) create a dual credit program that allows public high school students in school districts, charter schools, and state-supported schools in the state to earn both high school and college credit for qualifying dual credit courses. Authority for the creation of this fund is the New Mexico Public Education Department.

2012 G.O. Bond Student Library Fund (27107) – This award allows schools to acquire library books, equipment, and library sources for public school library resources for public school libraries statewide. The funding was made available through Senate Bill 66, Laws of 2012, 2nd Session, 2012 Senate and House Bill.

New Mexico Reads to Lead (27114) – This fund is used to purchase core reading program materials for grades K-5 in alignment with Common Core State Standards. Authority for the creation of this fund is the New Mexico Public Education Department.

Teacher Recruitment Initiative (Fund 27128) - Teacher recruitment awarded to all LEA's by the NM PED for signing bonuses for new teachers, covering cost of travel to recruit/hire, update district web site with regards to recruitment or the cost of other advertising such as newspaper or external website.

Breakfast for Elementary Students (27155) – To account for Legislative Appropriation to implement Breakfast in the Classroom for elementary schools in need of improvement based on AYP designation. Authority for the creation of this fund is the New Mexico Public Education Department.

Kindergarten – Three Plus (27166) – Funds allow for an extended school year for Kindergarten through third grade students. The program focuses on acclimating young students to the structure of a classroom environment and spending additional time to prepare them for the next grade. Authority for the creation of this fund is the New Mexico Public Education Department.

2010 GOB Instructional Materials (27171) – Used to purchase books and instructional materials for schools which received a letter grade of “A” or those which are recognized as a “Top Growth” school. Authority for the creation of this fund is the New Mexico Public Education Department.

School Bus Replacement (27178) – Is provided to the District to allow the District to purchase school buses. Authorized by Law of 2015, First Special Session, Chapter 3, Section 75, Paragraph 2.

Workforce Readiness (27179) – This fund is used to help students discover the wide range of career options available to them, chart the most efficient path for students to achieve those goals, and work directly with business and industry partners to ensure that their experience results in the most necessary skills, credentials, and technical knowledge to be successful in the students' next step as they enter postsecondary or workforce engagement. House Bill 2 of the regular 2013 Legislative Session provides funding for this fund.

NM Grown FFV (27183) – Funds under this award are to be used to purchase locally grown New Mexico fresh fruits and vegetables, to be made available at no charge to students. 2013 HB2 Special Appropriation, Section 5.

**STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT
NONMAJOR GOVERNMENTAL FUND DESCRIPTIONS
JUNE 30, 2018**

SPECIAL REVENUE FUNDS (CONTINUED)

Next Generation Assessments (27185) – This is used to remediate deficiencies in computer devices compliant with the Partnership for Assessment of Readiness for College and Careers (PARCC) assessment requirements. Districts must complete three requirements: Technology Readiness Tool, School Speed Test, and Project 24 Self-Assessment. Authority for the creation of this fund is the New Mexico Public Education Department.

Pay for Performance – Individual (27188) – The New Mexico Pay for Performance Pilot (PPP) establishes group and individual-based incentive programs designed to recognize and reward New Mexico’s high performing teachers and principals. By using local expertise and negotiating with local partners, PPP grantees will create innovative systems primarily to reward teachers and principals for their excellence.

Pay for Performance - Group (27190) – The New Mexico Pay for Performance Pilot (PPP) establishes group and individual-based incentive programs designed to recognize and reward New Mexico’s high performing teachers and principals. By using local expertise and negotiating with local partners, PPP grantees will create innovative systems primarily to reward teachers and principals for their excellence. Authority for creating this fund are the Laws of 2014.

GRADS - Instruction (28190) – To assist in the cost of caps and gowns for students who are graduating. Authority for the creation of this fund is the New Mexico Public Education Department.

Grads Plus (28203) – To account for a program as an instructional component for teenage parents to be used for summer case management and GRADS case management period. Special Revenue Fund was established by the local Board.

Private Direct Grants (Categorical) (29102) – To account for local grants awarded to provide additional funding for specific projects. Authority for the creation of this fund is the New Mexico Public Education Department.

**STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT
NONMAJOR GOVERNMENTAL FUND DESCRIPTIONS
JUNE 30, 2018**

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 District has the following separate funds classified as Capital Projects Funds:

Capital Improvements SB-9 State (31700) – To account for resources received through Senate Bill 9 and local tax levies obtained for the purpose of building, remodeling, and equipping classroom facilities. Authority for the creation of this fund is the New Mexico Public Education Department.

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 Board. Financing is provided by the State of New Mexico's State Equalization Matching and a special tax levy as authorized by the Public School District Capital Improvements Act (22-25-1 to 22-25-10 NMSA 1978).

Energy Efficiency Act (31800) – To account for school projects designed to increase the efficiency of the District's buildings. The legislation allows the District to incur long-term contracts to complete these projects. Savings from the modifications made are used to fund the projects. This was approved by the Public Building Energy Efficiency Act (6-21-1 to 6-23-10, NMSA 1978).

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

**STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT
NONMAJOR GOVERNMENTAL FUND DESCRIPTIONS
JUNE 30, 2018**

DEBT SERVICE FUNDS

Debt Service Fund (41000) – These funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Ed Tech Debt Service (43000) – These funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. Authority for the creation of this fund is the New Mexico Public Education Department.

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

	Special Revenue	Capital Projects	Debt Service	Total
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 1,314,785	\$ 1,870,274	\$ 597,168	\$ 3,782,227
Accounts receivable				
Taxes	-	94,542	29,658	124,200
Due from other governments	728,047	-	-	728,047
Other	-	-	-	-
Interfund receivables	-	-	-	-
Prepaid expenditures	-	-	-	-
Inventory	83,418	-	-	83,418
	<u>\$ 2,126,250</u>	<u>\$ 1,964,816</u>	<u>\$ 626,826</u>	<u>\$ 4,717,892</u>
Total assets				
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES				
Current Liabilities				
Accounts payable	\$ 11,493	\$ 67,209	\$ -	\$ 78,702
Accrued payroll liabilities	81,493	-	-	81,493
Interfund payables	637,229	-	-	637,229
	<u>730,215</u>	<u>67,209</u>	<u>-</u>	<u>797,424</u>
Total liabilities				
DEFERRED INFLOWS OF RESOURCES				
Property taxes	-	61,772	18,239	80,011
	<u>-</u>	<u>61,772</u>	<u>18,239</u>	<u>80,011</u>
FUND BALANCES				
Nonspendable	83,418	-	-	83,418
Restricted	1,312,617	1,835,835	608,587	3,757,039
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>1,396,035</u>	<u>1,835,835</u>	<u>608,587</u>	<u>3,840,457</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 2,126,250</u>	<u>\$ 1,964,816</u>	<u>\$ 626,826</u>	<u>\$ 4,717,892</u>

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

	Special Revenue	Capital Projects	Debt Service	Total
REVENUES				
Property taxes	\$ -	\$ 1,537,846	\$ 593,175	\$ 2,131,021
State grants	457,277	363,820	-	821,097
Federal grants	5,091,547	-	-	5,091,547
Miscellaneous	597,457	6,775	-	604,232
Interest	467	714	118	1,299
Total revenues	<u>6,146,748</u>	<u>1,909,155</u>	<u>593,293</u>	<u>8,649,196</u>
EXPENDITURES				
Current				
Instruction	1,264,401	-	-	1,264,401
Support services				
Students	778,611	-	-	778,611
Instruction	976,431	-	-	976,431
General administration	140,294	15,433	5,881	161,608
School administration	84,946	-	-	84,946
Central services	20,108	-	-	20,108
Operation & maintenance of plant	1,711	-	-	1,711
Student transportation	500	-	-	500
Other support services	-	-	-	-
Food services operations	2,530,118	-	-	2,530,118
Community services	-	-	-	-
Capital outlay	-	1,271,232	-	1,271,232
Debt service				
Principal	-	-	200,000	200,000
Interest	-	-	24,100	24,100
Total expenditures	<u>5,797,120</u>	<u>1,286,665</u>	<u>229,981</u>	<u>7,313,766</u>
Excess (deficiency) of revenues over (under) expenditures	<u>349,628</u>	<u>622,490</u>	<u>363,312</u>	<u>1,335,430</u>
Other financing sources				
Bond premium	-	-	-	-
Proceeds from bond issues	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	<u>349,628</u>	<u>622,490</u>	<u>363,312</u>	<u>1,335,430</u>
Fund balances, beginning of year	1,046,407	1,213,345	245,275	2,505,027
Restatement	-	-	-	-
Fund balances, beginning of year, as restated	<u>1,046,407</u>	<u>1,213,345</u>	<u>245,275</u>	<u>2,505,027</u>
Fund balances, end of year	<u>\$ 1,396,035</u>	<u>\$ 1,835,835</u>	<u>\$ 608,587</u>	<u>\$ 3,840,457</u>

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

	21000	22000	24109	24112
	Food Service	Athletics	IDEA-B Preschool	IDEA-B Early Intervention
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 461,752	\$ 75,844	\$ -	\$ -
Accounts receivable				
Taxes	-	-	-	-
Due from other governments	-	-	12,476	29,912
Other	-	-	-	-
Interfund receivables	-	-	-	-
Prepaid expenditures	-	-	-	-
Inventory	<u>83,418</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 545,170</u>	<u>\$ 75,844</u>	<u>\$ 12,476</u>	<u>\$ 29,912</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES				
Current Liabilities				
Accounts payable	\$ 4,976	\$ -	\$ -	\$ -
Accrued payroll liabilities	51,682	-	1,633	4,687
Interfund payables	<u>-</u>	<u>-</u>	<u>10,843</u>	<u>25,225</u>
Total liabilities	<u>56,658</u>	<u>-</u>	<u>12,476</u>	<u>29,912</u>
DEFERRED INFLOWS OF RESOURCES				
Property taxes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable	83,418	-	-	-
Restricted	405,094	75,844	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>488,512</u>	<u>75,844</u>	<u>-</u>	<u>-</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 545,170</u>	<u>\$ 75,844</u>	<u>\$ 12,476</u>	<u>\$ 29,912</u>

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

	24113 Education of Homeless	24115 IDEA-B Private School Share	24118 Fresh Fruits & Vegetables	24124 Title I 1003g Grant
ASSETS				
Current Assets				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Accounts receivable				
Taxes	-	-	-	-
Due from other governments	2,019	-	17,047	122,966
Other	-	-	-	-
Interfund receivables	-	-	-	-
Prepaid expenditures	-	-	-	-
Inventory	-	-	-	-
Total assets	<u>\$ 2,019</u>	<u>\$ -</u>	<u>\$ 17,047</u>	<u>\$ 122,966</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES				
Current Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll liabilities	-	-	-	2,501
Interfund payables	2,019	-	17,047	120,465
Total liabilities	<u>2,019</u>	<u>-</u>	<u>17,047</u>	<u>122,966</u>
DEFERRED INFLOWS OF RESOURCES				
Property taxes	-	-	-	-
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 2,019</u>	<u>\$ -</u>	<u>\$ 17,047</u>	<u>\$ 122,966</u>

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

	24132 Results Driven Accountability	24154 Teacher/Principal Training & Recruiting	24160 Rural and Low Income	24162 Title I School Improvement
ASSETS				
Current Assets				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Accounts receivable				
Taxes	-	-	-	-
Due from other governments	2,805	75,869	91,535	-
Other	-	-	-	-
Interfund receivables	-	-	-	-
Prepaid expenditures	-	-	-	-
Inventory	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 2,805</u>	<u>\$ 75,869</u>	<u>\$ 91,535</u>	<u>\$ -</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES				
Current Liabilities				
Accounts payable	\$ -	\$ 2,284	\$ -	\$ -
Accrued payroll liabilities	-	4,085	-	-
Interfund payables	2,805	69,500	91,535	-
	<u>2,805</u>	<u>75,869</u>	<u>91,535</u>	<u>-</u>
Total liabilities	<u>2,805</u>	<u>75,869</u>	<u>91,535</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Property taxes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 2,805</u>	<u>\$ 75,869</u>	<u>\$ 91,535</u>	<u>\$ -</u>

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

	24171	24174	24176	24184
	Vocational Education	Carl D. Perkins Secondary Current	Carl D. Perkins Secondary Redistribution	Teen Dating Violence Awareness
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ASSETS				
Current Assets				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Accounts receivable				
Taxes	-	-	-	-
Due from other governments	2,360	23,025	769	-
Other	-	-	-	-
Interfund receivables	-	-	-	-
Prepaid expenditures	-	-	-	-
Inventory	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 2,360</u>	<u>\$ 23,025</u>	<u>\$ 769</u>	<u>\$ -</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES				
Current Liabilities				
Accounts payable	\$ 423	\$ -	\$ -	\$ -
Accrued payroll liabilities	-	-	-	-
Interfund payables	<u>1,937</u>	<u>23,025</u>	<u>769</u>	<u>-</u>
Total liabilities	<u>2,360</u>	<u>23,025</u>	<u>769</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Property taxes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 2,360</u>	<u>\$ 23,025</u>	<u>\$ 769</u>	<u>\$ -</u>

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

	24186 Youth Resiliency Project	24189 Student Support & Academic Enrichment	25145 Impact Aid Special Education	25153 Title XIX Medicaid
ASSETS				
Current Assets				
Cash and cash equivalents	\$ -	\$ -	\$ 51,982	\$ 695,406
Accounts receivable				
Taxes	-	-	-	-
Due from other governments	5,008	4,991	-	64,550
Other	-	-	-	-
Interfund receivables	-	-	-	-
Prepaid expenditures	-	-	-	-
Inventory	-	-	-	-
Total assets	<u>\$ 5,008</u>	<u>\$ 4,991</u>	<u>\$ 51,982</u>	<u>\$ 759,956</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES				
Current Liabilities				
Accounts payable	\$ -	\$ -	\$ 408	\$ 3,402
Accrued payroll liabilities	-	-	30	6,205
Interfund payables	5,008	4,991	-	-
Total liabilities	<u>5,008</u>	<u>4,991</u>	<u>438</u>	<u>9,607</u>
DEFERRED INFLOWS OF RESOURCES				
Property taxes	-	-	-	-
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	-	-	51,544	750,349
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>51,544</u>	<u>750,349</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 5,008</u>	<u>\$ 4,991</u>	<u>\$ 51,982</u>	<u>\$ 759,956</u>

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

	25179	25254	27103	27107
	Alamo	Educational	Dual Credit	2012 GO Bonds -
	DOD	Activity	Instructional	Student
	DOD	DOD	Materials	Library Fund
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 25,539	\$ -	\$ -	\$ -
Accounts receivable				
Taxes	-	-	-	-
Due from other governments	-	189,012	1,631	11,707
Other	-	-	-	-
Interfund receivables	-	-	-	-
Prepaid expenditures	-	-	-	-
Inventory	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 25,539</u>	<u>\$ 189,012</u>	<u>\$ 1,631</u>	<u>\$ 11,707</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES				
Current Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll liabilities	15	2,150	-	-
Interfund payables	-	186,862	1,631	11,707
	<u>15</u>	<u>189,012</u>	<u>1,631</u>	<u>11,707</u>
Total liabilities	<u>15</u>	<u>189,012</u>	<u>1,631</u>	<u>11,707</u>
DEFERRED INFLOWS OF RESOURCES				
Property taxes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	25,524	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>25,524</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 25,539</u>	<u>\$ 189,012</u>	<u>\$ 1,631</u>	<u>\$ 11,707</u>

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

	27114	27128	27155	27166
	New Mexico Reads to Lead	Teacher Recruitment Initiative	Breakfast for Elementary Students	Kindergarten - Three Plus
ASSETS				
Current Assets				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Accounts receivable				
Taxes	-	-	-	-
Due from other governments	59,966	10,177	222	-
Other	-	-	-	-
Interfund receivables	-	-	-	-
Prepaid expenditures	-	-	-	-
Inventory	-	-	-	-
Total assets	<u>\$ 59,966</u>	<u>\$ 10,177</u>	<u>\$ 222</u>	<u>\$ -</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES				
Current Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll liabilities	8,505	-	-	-
Interfund payables	51,461	10,177	222	-
Total liabilities	<u>59,966</u>	<u>10,177</u>	<u>222</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Property taxes	-	-	-	-
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 59,966</u>	<u>\$ 10,177</u>	<u>\$ 222</u>	<u>\$ -</u>

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

	27178	27183	27188	27190
	School Bus Replacement	NM Grown FF&V	Pay for Performance Individual	Pay for Performance Group
ASSETS				
Current Assets				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Accounts receivable				
Taxes	-	-	-	-
Due from other governments	-	-	-	-
Other	-	-	-	-
Interfund receivables	-	-	-	-
Prepaid expenditures	-	-	-	-
Inventory	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES				
Current Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll liabilities	-	-	-	-
Interfund payables	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Property taxes	-	-	-	-
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities, deferred inflows and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

	28190	28203	29102	
	GRADS	GRADS	Private	
	Instructions	Plus	Direct Grants (Categorical)	Total
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 1,695	\$ -	\$ 2,567	\$ 1,314,785
Accounts receivable				
Taxes	-	-	-	-
Due from other governments	-	-	-	728,047
Other	-	-	-	-
Interfund receivables	-	-	-	-
Prepaid expenditures	-	-	-	-
Inventory	-	-	-	83,418
Total assets	<u>\$ 1,695</u>	<u>\$ -</u>	<u>\$ 2,567</u>	<u>\$ 2,126,250</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES				
Current Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ 11,493
Accrued payroll liabilities	-	-	-	81,493
Interfund payables	-	-	-	637,229
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>730,215</u>
DEFERRED INFLOWS OF RESOURCES				
Property taxes	-	-	-	-
FUND BALANCES				
Nonspendable	-	-	-	83,418
Restricted	1,695	-	2,567	1,312,617
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	<u>1,695</u>	<u>-</u>	<u>2,567</u>	<u>1,396,035</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 1,695</u>	<u>\$ -</u>	<u>\$ 2,567</u>	<u>\$ 2,126,250</u>

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

	21000	22000	24109	24112
	Food Service	Athletics	IDEA-B Preschool	IDEA-B Early Intervention
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	-	-	-	-
Federal grants	2,134,368	-	63,344	203,713
Miscellaneous	483,028	114,429	-	-
Interest	375	92	-	-
Total revenues	<u>2,617,771</u>	<u>114,521</u>	<u>63,344</u>	<u>203,713</u>
EXPENDITURES				
Current				
Instruction	-	115,419	60,558	17,590
Support services				
Students	-	-	-	183,123
Instruction	-	-	-	-
General administration	-	-	2,786	3,000
School administration	-	-	-	-
Central services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other support services	-	-	-	-
Food services operations	2,493,281	-	-	-
Community services	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>2,493,281</u>	<u>115,419</u>	<u>63,344</u>	<u>203,713</u>
Excess (deficiency) of revenues over (under) expenditures	<u>124,490</u>	<u>(898)</u>	<u>-</u>	<u>-</u>
Other financing sources				
Operating transfers	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	<u>124,490</u>	<u>(898)</u>	<u>-</u>	<u>-</u>
Fund balances, beginning of year	364,022	76,742	-	-
Restatement	-	-	-	-
Fund balances, beginning of year, as restated	<u>364,022</u>	<u>76,742</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ 488,512</u>	<u>\$ 75,844</u>	<u>\$ -</u>	<u>\$ -</u>

See Notes to Financial Statements.

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

	24113 Education of Homeless	24115 IDEA-B Private School Share	24118 Fresh Fruits & Vegetables	24124 Title I 1003g Grant
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	-	-	-	-
Federal grants	7,662	-	34,016	730,933
Miscellaneous	-	-	-	-
Interest	-	-	-	-
Total revenues	<u>7,662</u>	<u>-</u>	<u>34,016</u>	<u>730,933</u>
EXPENDITURES				
Current				
Instruction	-	-	-	386,402
Support services				
Students	7,162	-	-	2,170
Instruction	-	-	-	254,541
General administration	-	-	-	55,903
School administration	-	-	-	19,419
Central services	-	-	-	9,931
Operation & maintenance of plant	-	-	-	1,711
Student transportation	500	-	-	-
Other support services	-	-	-	-
Food services operations	-	-	34,016	856
Community services	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>7,662</u>	<u>-</u>	<u>34,016</u>	<u>730,933</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources				
Operating transfers	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, beginning of year	-	-	-	-
Restatement	-	-	-	-
Fund balances, beginning of year, as restated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See Notes to Financial Statements.

STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018

	24132 Results Driven Accountability	24154 Teacher/Principal Training & Recruiting	24160 Rural and Low Income	24162 Title I School Improvement
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	-	-	-	-
Federal grants	18,568	247,220	99,271	-
Miscellaneous	-	-	-	-
Interest	-	-	-	-
Total revenues	<u>18,568</u>	<u>247,220</u>	<u>99,271</u>	<u>-</u>
EXPENDITURES				
Current				
Instruction	18,322	40,385	94,422	-
Support services				
Students	-	1,034	-	-
Instruction	231	189,026	483	-
General administration	-	14,580	4,366	-
School administration	15	2,195	-	-
Central services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other support services	-	-	-	-
Food services operations	-	-	-	-
Community services	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>18,568</u>	<u>247,220</u>	<u>99,271</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources				
Operating transfers	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, beginning of year	-	-	-	-
Restatement	-	-	-	-
Fund balances, beginning of year, as restated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See Notes to Financial Statements.

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

	24171	24174	24176	24184
	Vocational Education	Carl D. Perkins Secondary Current	Carl D. Perkins Secondary Redistribution	Teen Dating Violence Awareness
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	-	-	-	-
Federal grants	2,360	64,943	1,006	-
Miscellaneous	-	-	-	-
Interest	-	-	-	-
Total revenues	<u>2,360</u>	<u>64,943</u>	<u>1,006</u>	<u>-</u>
EXPENDITURES				
Current				
Instruction	1,392	62,949	1,006	-
Support services				
Students	968	-	-	-
Instruction	-	-	-	-
General administration	-	1,589	-	-
School administration	-	405	-	-
Central services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other support services	-	-	-	-
Food services operations	-	-	-	-
Community services	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>2,360</u>	<u>64,943</u>	<u>1,006</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources				
Operating transfers	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, beginning of year	-	-	-	-
Restatement	-	-	-	-
Fund balances, beginning of year, as restated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See Notes to Financial Statements.

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

	24186 Youth Resiliency Project	24189 Student Support & Academic Enrichment	25145 Impact Aid Special Education	25153 Title XIX Medicaid
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	-	-	-	-
Federal grants	6,250	5,689	55,123	937,334
Miscellaneous	-	-	-	-
Interest	-	-	-	-
Total revenues	<u>6,250</u>	<u>5,689</u>	<u>55,123</u>	<u>937,334</u>
EXPENDITURES				
Current				
Instruction	1,800	5,689	74,963	89,952
Support services				
Students	4,450	-	16,455	474,310
Instruction	-	-	-	-
General administration	-	-	4,219	43,991
School administration	-	-	-	7,580
Central services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other support services	-	-	-	-
Food services operations	-	-	-	-
Community services	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>6,250</u>	<u>5,689</u>	<u>95,637</u>	<u>615,833</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(40,514)</u>	<u>321,501</u>
Other financing sources				
Operating transfers	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	<u>-</u>	<u>-</u>	<u>(40,514)</u>	<u>321,501</u>
Fund balances, beginning of year	-	-	92,058	428,848
Restatement	-	-	-	-
Fund balances, beginning of year, as restated	<u>-</u>	<u>-</u>	<u>92,058</u>	<u>428,848</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,544</u>	<u>\$ 750,349</u>

See Notes to Financial Statements.

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

	25179 Alamo DOD	25254 Educational Activity DOD	27103 Dual Credit Instructional Materials	27107 2012 GO Bonds - Student Library Fund
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	-	-	10,873	26,483
Federal grants	-	479,747	-	-
Miscellaneous	-	-	-	-
Interest	-	-	-	-
Total revenues	<u>-</u>	<u>479,747</u>	<u>10,873</u>	<u>26,483</u>
EXPENDITURES				
Current				
Instruction	145	204,145	10,873	-
Support services				
Students	3,532	74,368	-	-
Instruction	-	190,191	-	26,483
General administration	-	9,860	-	-
School administration	50,649	1,183	-	-
Central services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other support services	-	-	-	-
Food services operations	-	-	-	-
Community services	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>54,326</u>	<u>479,747</u>	<u>10,873</u>	<u>26,483</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(54,326)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources				
Operating transfers	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	<u>(54,326)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, beginning of year	79,850	-	-	-
Restatement	-	-	-	-
Fund balances, beginning of year, as restated	<u>79,850</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ 25,524</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See Notes to Financial Statements.

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

	27114	27128	27155	27166
	New Mexico Reads to Lead	Teacher Recruitment Initiative	Breakfast for Elementary Students	Kindergarten - Three Plus
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	314,586	10,177	1,965	91,818
Federal grants	-	-	-	-
Miscellaneous	-	-	-	-
Interest	-	-	-	-
Total revenues	<u>314,586</u>	<u>10,177</u>	<u>1,965</u>	<u>91,818</u>
EXPENDITURES				
Current				
Instruction	5,537	-	-	70,852
Support services				
Students	-	-	-	11,039
Instruction	309,049	-	-	6,427
General administration	-	-	-	-
School administration	-	-	-	3,500
Central services	-	10,177	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other support services	-	-	-	-
Food services operations	-	-	1,965	-
Community services	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>314,586</u>	<u>10,177</u>	<u>1,965</u>	<u>91,818</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources				
Operating transfers	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, beginning of year	-	-	-	-
Restatement	-	-	-	-
Fund balances, beginning of year, as restated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See Notes to Financial Statements.

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

	27178	27183	27188	27190
	School Bus Replacement	NM Grown FF&V	Pay for Performance Individual	Pay for Performance Group
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	-	-	-	-
Federal grants	-	-	-	-
Miscellaneous	-	-	-	-
Interest	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES				
Current				
Instruction	-	-	-	-
Support services				
Students	-	-	-	-
Instruction	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Central services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other support services	-	-	-	-
Food services operations	-	-	-	-
Community services	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources				
Operating transfers	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, beginning of year	-	-	-	-
Restatement	-	-	-	-
Fund balances, beginning of year, as restated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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

	28190	28203	29102 Private	
	GRADS Instructions	GRADS Plus	Direct Grants (Categorical)	Total
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	2,000	(625)	-	457,277
Federal grants	-	-	-	5,091,547
Miscellaneous	-	-	-	597,457
Interest	-	-	-	467
Total revenues	<u>2,000</u>	<u>(625)</u>	<u>-</u>	<u>6,146,748</u>
EXPENDITURES				
Current				
Instruction	2,000	-	-	1,264,401
Support services				
Students	-	-	-	778,611
Instruction	-	-	-	976,431
General administration	-	-	-	140,294
School administration	-	-	-	84,946
Central services	-	-	-	20,108
Operation & maintenance of plant	-	-	-	1,711
Student transportation	-	-	-	500
Other support services	-	-	-	-
Food services operations	-	-	-	2,530,118
Community services	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>2,000</u>	<u>-</u>	<u>-</u>	<u>5,797,120</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(625)</u>	<u>-</u>	<u>349,628</u>
Other financing sources				
Operating transfers	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	<u>-</u>	<u>(625)</u>	<u>-</u>	<u>349,628</u>
Fund balances, beginning of year	1,695	625	2,567	1,046,407
Restatement	-	-	-	-
Fund balances, beginning of year, as restated	<u>1,695</u>	<u>625</u>	<u>2,567</u>	<u>1,046,407</u>
Fund balances, end of year	<u>\$ 1,695</u>	<u>\$ -</u>	<u>\$ 2,567</u>	<u>\$ 1,396,035</u>

See Notes to Financial Statements.

**STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOLS
COMBINING BALANCE SHEET -
NONMAJOR CAPITAL PROJECT FUNDS
JUNE 30, 2018**

	31200 Public School Capital Outlay State	31700 Capital Improvements SB-9 (State)	31701 Capital Improvements SB-9 (Local)
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Current Assets			
Cash and cash equivalents	\$ -	\$ -	\$ 1,847,680
Accounts receivable			
Taxes	-	-	94,542
Due from other governments	-	-	-
Other	-	-	-
Interfund receivables	-	-	-
Prepaid expenditures	-	-	-
Inventory	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,942,222</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES			
Current Liabilities			
Accounts payable	\$ -	\$ -	\$ 67,209
Accrued payroll liabilities	-	-	-
Interfund payables	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>67,209</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes	<u>-</u>	<u>-</u>	<u>61,772</u>
FUND BALANCES			
Nonspendable	-	-	-
Restricted	-	-	1,813,241
Committed	-	-	-
Assigned	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>-</u>	<u>-</u>	<u>1,813,241</u>
Total liabilities, deferred inflows and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,942,222</u>

STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOLS
COMBINING BALANCE SHEET -
NONMAJOR CAPITAL PROJECT FUNDS (CONTINUED)
JUNE 30, 2018

	31900 Ed-Tech Equipment Act	<u>Total</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 22,594	\$ 1,870,274
Accounts receivable		
Taxes	-	94,542
Due from other governments	-	-
Other	-	-
Interfund receivables	-	-
Prepaid expenditures	-	-
Inventory	-	-
	<u>22,594</u>	<u>1,964,816</u>
Total assets	<u>\$ 22,594</u>	<u>\$ 1,964,816</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES		
Current Liabilities		
Accounts payable	\$ -	\$ 67,209
Accrued payroll liabilities	-	-
Interfund payables	-	-
	<u>-</u>	<u>67,209</u>
Total Liabilities	<u>-</u>	<u>67,209</u>
DEFERRED INFLOWS OF RESOURCES		
Property taxes	-	61,772
	<u>-</u>	<u>61,772</u>
FUND BALANCES		
Nonspendable	-	-
Restricted	22,594	1,835,835
Committed	-	-
Assigned	-	-
Unassigned	-	-
	<u>22,594</u>	<u>1,835,835</u>
Total fund balances	<u>22,594</u>	<u>1,835,835</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 22,594</u>	<u>\$ 1,964,816</u>

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

	31200 Public School Capital Outlay State	31700 Capital Improvements SB-9 (State)	31701 Capital Improvements SB-9 (Local)
REVENUES			
Property taxes	\$ -	\$ -	\$ 1,537,846
State grants	208,614	155,206	-
Federal grants	-	-	-
Miscellaneous	-	-	5,007
Interest	-	-	685
Total revenues	<u>208,614</u>	<u>155,206</u>	<u>1,543,538</u>
EXPENDITURES			
Current			
Instruction	-	-	-
Support services			
Students	-	-	-
Instruction	-	-	-
General administration	-	-	15,433
School administration	-	-	-
Central services	-	-	-
Operation & maintenance of plant	-	-	-
Student transportation	-	-	-
Other support services	-	-	-
Food services operations	-	-	-
Community services	-	-	-
Capital outlay	208,614	155,206	831,433
Debt service			
Principal	-	-	-
Interest	-	-	-
Total expenditures	<u>208,614</u>	<u>155,206</u>	<u>846,866</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>696,672</u>
Other financing sources			
Operating transfers	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	-	-	696,672
Fund balances, beginning of year	-	-	1,116,569
Restatement	-	-	-
Fund balances, beginning of year as restated	<u>-</u>	<u>-</u>	<u>1,116,569</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,813,241</u>

**STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NONMAJOR CAPITAL PROJECT FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

	31900 Ed-Tech Equipment Act	Total
	<u>Act</u>	<u>Total</u>
REVENUES		
Property taxes	\$ -	\$ 1,537,846
State grants	-	363,820
Federal grants	-	-
Miscellaneous	1,768	6,775
Interest	29	714
	<u>1,797</u>	<u>1,909,155</u>
Total revenues		
EXPENDITURES		
Current		
Instruction	-	-
Support services		
Students	-	-
Instruction	-	-
General administration	-	15,433
School administration	-	-
Central services	-	-
Operation & maintenance of plant	-	-
Student transportation	-	-
Other support services	-	-
Food services operations	-	-
Community services	-	-
Capital outlay	75,979	1,271,232
Debt service		
Principal	-	-
Interest	-	-
	<u>75,979</u>	<u>1,286,665</u>
Total expenditures		
Excess (deficiency) of revenues over (under) expenditures	<u>(74,182)</u>	<u>622,490</u>
Other financing sources		
Operating transfers	-	-
	<u>-</u>	<u>-</u>
Total other financing sources		
	<u>-</u>	<u>-</u>
Net changes in fund balances	(74,182)	622,490
Fund balances, beginning of year	96,776	1,213,345
Restatement	-	-
	<u>96,776</u>	<u>1,213,345</u>
Fund balances, beginning of year as restated		
	<u>96,776</u>	<u>1,213,345</u>
Fund balances, end of year	<u>\$ 22,594</u>	<u>\$ 1,835,835</u>

STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOLS
BALANCE SHEET - NONMAJOR DEBT SERVICE FUND
JUNE 30, 2018

	43000 Debt Service Ed-Tech
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 597,168
Accounts receivable	
Taxes	29,658
Due from other governments	-
Other	-
Interfund receivables	-
Prepaid expenditures	-
Inventory	-
Total assets	\$ 626,826
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	
Current Liabilities	
Accounts payable	\$ -
Accrued payroll liabilities	-
Interfund payables	-
Total Liabilities	-
DEFERRED INFLOWS OF RESOURCES	
Property taxes	18,239
FUND BALANCES	
Nonspendable	-
Restricted	608,587
Committed	-
Assigned	-
Unassigned	-
Total fund balances	608,587
Total liabilities, deferred inflows and fund balances	\$ 626,826

**STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
NONMAJOR DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	43000 Debt Service Ed-Tech
REVENUES	
Property taxes	\$ 593,175
State grants	-
Federal grants	-
Miscellaneous	-
Interest	<u>118</u>
Total revenues	<u>593,293</u>
EXPENDITURES	
Current	
Instruction	-
Support services	
Students	-
Instruction	-
General administration	5,881
School administration	-
Central services	-
Operation & maintenance of plant	-
Student transportation	-
Other support services	-
Food services operations	-
Community services	-
Capital outlay	-
Debt service	
Principal	200,000
Interest	<u>24,100</u>
Total expenditures	<u>229,981</u>
Excess (deficiency) of revenues over (under) expenditures	<u>363,312</u>
Other financing sources	
Bond premium	<u>-</u>
Total other financing sources	<u>-</u>
Net changes in fund balances	<u>363,312</u>
Fund balances, beginning of year	245,275
Restatement	<u>-</u>
Fund balances, beginning of year as restated	<u>245,275</u>
Fund balances, end of year	<u><u>\$ 608,587</u></u>

OTHER SUPPLEMENTARY INFORMATION

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

	June 30, 2017	Additions	Deletions	Transfers	June 30, 2018
Alamogordo High School	\$ 306,200	\$ 248,442	\$ (290,923)	\$ -	\$ 263,719
Academy Del Sol	13,287	2,497	(2,509)	-	13,275
Chaparral Middle School	63,178	42,531	(43,020)	-	62,689
Mountain View Middle School	29,186	52,660	(45,853)	-	35,993
Holloman Middle School	15,425	24,501	(19,735)	-	20,191
Buena Vista	8,257	19,378	(25,674)	-	1,961
Heights	2,041	8,795	(7,998)	-	2,838
High Rolls	381	124	(328)	-	177
La Luz	2,400	1,530	(2,511)	-	1,419
North	1,499	642	-	(421)	2,141
Oregon	13,465	14,371	(11,894)	-	15,942
Desert Star Elementary	4,947	4,360	(3,486)	-	5,821
Sierra	18,494	1,914	(11,039)	-	9,369
Yucca	10,506	18,609	(23,808)	(1,635)	5,307
Holloman Elementary	16,407	12,963	(17,655)	-	11,715
Stepping Stones Preschool	-	1,350	(785)	2,056	565
Elementary Music	46	-	-	-	46
Department of Special Education	708	402	(82)	-	1,028
Professional Learning Center	12,307	172	-	-	12,479
Health Services	549	-	-	-	549
Superintendent's Office	58	5,188	(985)	1,000	4,261
Human Resources	713	-	-	-	713
Curriculum and Instruction	2,756	353	-	-	3,109
Athletics	85,961	137,647	(123,720)	-	99,888
Support Services	-	1,132	(1,132)	-	-
Finance	41,154	82,898	(13,018)	(5,000)	111,034
Graphics	30,253	24,173	(5,912)	-	48,514
Student Nutrition	1,608	680	(975)	-	1,313
Learning Services	176	-	-	-	176
Technology support services	309	-	-	-	309
Chief of Staff	9,098	10,870	(16,260)	4,000	3,708
Maintenance	10	177	(128)	-	59
Central receiving	1,000	17	-	-	1,017
Totals	<u>\$ 692,379</u>	<u>\$ 718,376</u>	<u>\$ (669,430)</u>	<u>\$ -</u>	<u>\$ 741,325</u>

Total agency assets \$ 741,325

Accounts payable \$ 17,336

Due to student organizations 723,989

Total agency liabilities \$ 741,325

**STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOLS
SCHEDULE OF COLLATERAL PLEDGED BY
DEPOSITORY FOR PUBLIC FUNDS
JUNE 30, 2018**

Name of Depository	Description of Pledged Collateral	Type	Maturity	CUSIP Number	Fair Market Value June 30,2018
First American Bank					
	Gallup ETC SD #1 BLDG NM 21	Bond	08/01/21	364010PH5	\$ 852,763
	Albuquerque SD # 12-A NM 21	Bond	08/01/21	013595QQ9	766,335
	Univ of NM-REF NM 22	Bond	08/01/22	914684EF8	1,420,364
	FNMA 10YR	Bond	12/01/24	3138EPKF0	875,855
	FNMA 15 YR	Bond	01/01/25	31417WU90	670,127
	Torrance ETC SD#8 NM 25	Bond	05/15/25	891400NM1	484,415
	Grants ETC SD #1 NM25	Bond	10/01/25	388240HZ9	254,095
	MOSQUERO SD#5 NM 25	Bond	10/15/25	619636EV1	180,323
	Clovis MUNI SD #1-A NM 26	Bond	08/01/26	189414KW4	426,347
	FHLMC 15 YR	Bond	12/01/26	3128MDYY3	703,903
	FNMA 15 YR	Bond	06/01/27	3138EJCP1	707,268
	FNMA 15 YR	Bond	08/01/27	31417CRL1	664,382
	FNMA 15 YR	Bond	07/01/29	31410LPF3	1,110,907
	GNMA 30 YR	Bond	05/15/33	36200KT49	713,494
	Total First American Bank				<u>9,830,578</u>
	Name and location of safe keeper for above pledged collateral: Federal Home Loan Bank, Dallas, TX				
First National Bank					
	FNMA Pool #AS0484	Bond	09/01/28	3138W9RE2	1,060,026
	FNMA Pool #MA0023	Bond	04/01/29	31417YAZ0	66,556
	FNMA Pool #C91349	Bond	12/01/30	3128P7QA4	113,040
	FNMA Pool #MA0828	Bond	06/01/31	31417Y4N4	697,151
	FNMA Pool #MA1401	Bond	04/01/33	31418ARX8	528,054
	FNMA Pool #909295	Bond	01/01/37	31411JGC4	384,593
	Total First National Bank				<u>2,849,420</u>
	Name and location of safe keeper for above pledged collateral: Federal Home Loan Bank, Dallas, TX				
Wells Fargo Bank					
	FMAC FGPC 4.000%	Bond	06/01/25	3128MCPV1	806,468
	FMAC FGPC 3.000%	Bond	09/01/26	3128PWMK1	240,975
	FNMA FNMS	Bond	03/01/31	3138WGPX6	1,119,166
	FNMA FNMS	Bond	02/01/47	3138WJXP8	124,487
	FNMS	Bond	11/01/26	3138EHE65	-
	FNMS	Bond	04/01/43	31417F3R7	-
	Total Wells Fargo Bank				<u>2,291,096</u>
	Name and location of safe keeper for above pledged collateral: Bank of New York Mellon				
	Total Pledged Collateral				<u>\$ 14,971,094</u>

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

Bank Account Type	Account Type	First American Bank	First National Bank	Wells Fargo Bank	Total
Capital Projects	Checking	\$ 14,009,261	\$ -	\$ -	\$ 14,009,261
Debt Service	Checking	5,043,128	-	-	5,043,128
Nutrition Services	Checking	-	419,212	-	419,212
Athletics	Checking	-	75,843	-	75,843
Activity	Checking	-	785,420	-	785,420
Payroll	Checking	-	2,415,409	-	2,415,409
Operational	Checking	-	-	3,980,353	3,980,353
Total on Deposit		19,052,389	3,695,884	3,980,353	26,728,626
Reconciling Items		(99,291)	(2,492,036)	(136,660)	(2,727,987)
Reconciled Balance, June 30, 2018		<u>\$ 18,953,098</u>	<u>\$ 1,203,848</u>	<u>\$ 3,843,693</u>	<u>24,000,639</u>
Plus: Held checks					918,914
Plus: Petty cash					450
Less: Fiduciary Funds Cash					<u>(741,325)</u>
Cash and Investments per Government-Wide Financial Statements					<u>\$ 24,178,678</u>

**STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOLS
SCHEDULE OF CASH RECONCILIATION
FOR THE YEAR ENDED JUNE 30, 2018**

	11000	13000	14000	21000
	Operational Fund	Transportation Fund	Instructional Materials Fund	Food Services Fund
	_____	_____	_____	_____
Cash, June 30, 2017	\$ 3,477,359	\$ 673	\$ 267,198	\$ 413,673
Add:				
2017-18 revenues	41,858,663	1,795,813	190,135	2,444,964
Receipt of prior year loans	1,077,621	-	-	-
Current year loans from other funds	-	-	-	-
	_____	_____	_____	_____
Total cash available	46,413,643	1,796,486	457,333	2,858,637
Less:				
2017-18 expenditures	(41,176,384)	(1,795,606)	(271,715)	(2,388,069)
Prior year held checks cashed	(817,886)	(673)	-	(60,498)
Repayment of prior year loans	-	-	-	-
Transfers to/from other funds	-	-	-	-
Current year loans to other funds	(1,479,354)	-	-	-
Permanent transfer of cash to NM PED	-	-	-	-
	_____	_____	_____	_____
Current year held checks	783,110	1,841	-	51,682
	_____	_____	_____	_____
Cash, June 30, 2018	\$ 3,723,129	\$ 2,048	\$ 185,618	\$ 461,752
	_____	_____	_____	_____

**Reconciliation of cash balances reported
to the NM Public Education Department**

Cash, June 30, 2018 per financial statements	\$ 3,723,129	\$ 2,048	\$ 185,618	\$ 461,752
Reverse held checks	(783,110)	(1,841)	-	(51,682)
Add back cash loans to other funds	1,479,354	-	-	-
Reverse cash loans received from other funds	-	-	-	-
	_____	_____	_____	_____
Cash per NM PED Cash Report	\$ 4,419,373	\$ 207	\$ 185,618	\$ 410,070
	_____	_____	_____	_____

**STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOLS
SCHEDULE OF CASH RECONCILIATION (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

	22000 Athletics Fund	23000 Non-Instruction Fund	24000 Federal Flowthrough Fund	25000 Federal Direct Fund
Cash, June 30, 2017	\$ 76,742	\$ 692,379	\$ -	\$ 606,724
Add:				
2017-18 revenues	114,521	718,022	3,887,802	1,378,678
Receipt of prior year loans	-	-	-	-
Current year loans from other funds	-	-	1,217,295	186,862
Total cash available	191,263	1,410,401	5,105,097	2,172,264
Less:				
2017-18 expenditures	(115,419)	(669,076)	(4,246,015)	(1,253,726)
Prior year held checks cashed	-	-	(71,538)	(4,986)
Repayment of prior year loans	-	-	(852,917)	(149,025)
Transfers to/from other funds	-	-	-	-
Current year loans to other funds	-	-	-	-
Permanent transfer of cash to NM PED	-	-	-	-
Current year held checks	-	-	65,373	8,400
Cash, June 30, 2018	<u>\$ 75,844</u>	<u>\$ 741,325</u>	<u>\$ -</u>	<u>\$ 772,927</u>

**Reconciliation of cash balances reported
to the NM Public Education Department**

Cash, June 30, 2018 per financial statements	\$ 75,844	\$ 741,325	\$ -	\$ 772,927
Reverse held checks	-	-	(65,373)	(8,400)
Add back cash loans to other funds	-	-	-	-
Reverse cash loans received from other funds	-	-	(1,217,295)	(186,862)
Cash per NM PED Cash Report	<u>\$ 75,844</u>	<u>\$ 741,325</u>	<u>\$ (1,282,668)</u>	<u>\$ 577,665</u>

**STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOLS
SCHEDULE OF CASH RECONCILIATION (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

	27000	28000	29000	31100
	State Flowthrough	State Direct	Local or State Fund	Bond Building
	_____	_____	_____	_____
Cash, June 30, 2017	\$ -	\$ 2,320	\$ 2,567	\$ 9,080,636
Add:				
2017-18 revenues	449,868	1,375	-	5,063,659
Receipt of prior year loans	-	-	-	-
Current year loans from other funds	75,197	-	-	-
	_____	_____	_____	_____
Total cash available	525,065	3,695	2,567	14,144,295
Less:				
2017-18 expenditures	(455,901)	(2,000)	-	(2,104,599)
Prior year held checks cashed	(1,990)	-	-	-
Repayment of prior year loans	(75,679)	-	-	-
Transfers to/from other funds	-	-	-	-
Current year loans to other funds	-	-	-	-
Permanent transfer of cash to NM PED	-	-	-	-
Current year held checks	8,505	-	-	-
	_____	_____	_____	_____
Cash, June 30, 2018	<u>\$ -</u>	<u>\$ 1,695</u>	<u>\$ 2,567</u>	<u>\$ 12,039,696</u>

**Reconciliation of cash balances reported
to the NM Public Education Department**

Cash, June 30, 2018 per financial statements	\$ -	\$ 1,695	\$ 2,567	\$ 12,039,696
Reverse held checks	(8,505)	-	-	-
Add back cash loans to other funds	-	-	-	-
Reverse cash loans received from other funds	(75,197)	-	-	-
	_____	_____	_____	_____
Cash per NM PED Cash Report	<u>\$ (83,702)</u>	<u>\$ 1,695</u>	<u>\$ 2,567</u>	<u>\$ 12,039,696</u>

**STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOLS
SCHEDULE OF CASH RECONCILIATION (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

	31200	31700	31701	31900
	Public School Capital Outlay	Cap. Improv. SB9 (State)	Cap. Improv. SB9 (Local)	Ed Tech Equipment Act
Cash, June 30, 2017	\$ -	\$ -	\$ 1,109,602	\$ 96,776
Add:				
2017-18 revenues	208,614	155,206	1,548,971	1,797
Receipt of prior year loans	-	-	-	-
Current year loans from other funds	-	-	-	-
	<u>208,614</u>	<u>155,206</u>	<u>2,658,573</u>	<u>98,573</u>
Total cash available	208,614	155,206	2,658,573	98,573
Less:				
2017-18 expenditures	(208,614)	(155,206)	(810,893)	(75,979)
Prior year held checks cashed	-	-	-	-
Repayment of prior year loans	-	-	-	-
Transfers to/from other funds	-	-	-	-
Current year loans to other funds	-	-	-	-
Permanent transfer of cash to NM PED	-	-	-	-
Current year held checks	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash, June 30, 2018	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,847,680</u>	<u>\$ 22,594</u>

**Reconciliation of cash balances reported
to the NM Public Education Department**

Cash, June 30, 2018 per financial statements	\$ -	\$ -	\$ 1,847,680	\$ 22,594
Reverse held checks	-	-	-	-
Add back cash loans to other funds	-	-	-	-
Reverse cash loans received from other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash per NM PED Cash Report	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,847,680</u>	<u>\$ 22,594</u>

**STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOLS
SCHEDULE OF CASH RECONCILIATION (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

	41000	43000	
	Debt Service Fund	Ed Tech Debt Service	Total
	<u> </u>	<u> </u>	<u> </u>
Cash, June 30, 2017	\$ 4,661,200	\$ 238,925	\$ 20,726,774
Add:			
2017-18 revenues	4,502,574	588,224	64,908,886
Receipt of prior year loans	-	-	1,077,621
Current year loans from other funds	-	-	1,479,354
	<u> </u>	<u> </u>	<u> </u>
Total cash available	9,163,774	827,149	88,192,635
Less:			
2017-18 expenditures	(4,717,814)	(229,981)	(60,676,997)
Prior year held checks cashed	-	-	(957,571)
Repayment of prior year loans	-	-	(1,077,621)
Transfers to/from other funds	-	-	-
Current year loans to other funds	-	-	(1,479,354)
Permanent transfer of cash to NM PED	-	-	-
Current year held checks	<u> </u>	<u> </u>	<u> </u>
	-	-	918,911
Cash, June 30, 2018	<u>\$ 4,445,960</u>	<u>\$ 597,168</u>	<u>\$ 24,920,003</u>
		Cash per agency fund	\$ 741,325
		Cash per governmental funds	<u>24,178,678</u>
			<u>\$ 24,920,003</u>
Reconciliation of cash balances reported to the NM Public Education Department			
Cash, June 30, 2018 per financial statements	\$ 4,445,960	\$ 597,168	\$ 24,920,003
Reverse held checks	-	-	(918,911)
Add back cash loans to other funds	-	-	1,479,354
Reverse cash loans received from other funds	<u> </u>	<u> </u>	<u> </u>
	-	-	(1,479,354)
Cash per NM PED Cash Report	<u>\$ 4,445,960</u>	<u>\$ 597,168</u>	<u>\$ 24,001,092</u>

COMPLIANCE SECTION



INDEPENDENT AUDITOR’S 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*

The Board of Education
Alamogordo Municipal School District
Alamogordo, New Mexico and
Wayne Johnson
New Mexico State Auditor
Santa Fe, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons of the general fund and the major special revenue funds of the Alamogordo Municipal School District (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements as listed in the Table of Contents.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses as items 2017-006, 2018-001, 2018-002, 2018-003, 2018-007, and 2018-009.

The Board of Education
Alamogordo Municipal School District and
Wayne Johnson
New Mexico State Auditor

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies as items 2017-004, 2017-007, 2018-004, and 2018-006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of non-compliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as items 2017-002, 2017-005, 2017-006, 2018-005, 2018-007, 2018-008, and 2018-010.

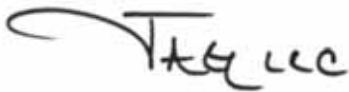
We noted certain matters that are required to be reported per Section 12-6-5 NMSA 1978 that we have described in the accompanying Schedule to Section 12-6-5 NMSA 1978 Findings as items 2018-011 and 2018-012.

District's Response to Findings

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

Purpose of this Report

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



Jaramillo Accounting Group LLC (JAG)
Albuquerque, New Mexico
November 15, 2018



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

The Board of Education
Alamogordo Municipal School District
Alamogordo, New Mexico and
Wayne Johnson
New Mexico State Auditor
Santa Fe, New Mexico

Report on Compliance for Each Major Federal Program

We have audited Alamogordo Municipal School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2018. The District's major federal programs are identified in the summary of auditor's 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.

Auditor's Responsibility

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

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

The Board of Education
Alamogordo Municipal School District and
Wayne Johnson
New Mexico State Auditor

Opinion on Each of the Major Federal Programs

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

Other Matters

The results of our auditing procedures disclosed instances of non-compliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2017-005 and 2017-006. Our opinion on each major federal program is not modified with respect to these matters.

The District's responses to the non-compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a 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.

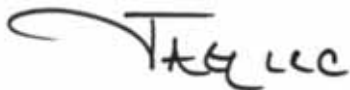
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be

The Board of Education
Alamogordo Municipal School District and
Wayne Johnson
New Mexico State Auditor

material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as describe in the accompanying Schedule of Findings and Questioned Costs as items 2017-005 and 2017-006, which we consider to be significant deficiencies.

The District's response to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

A handwritten signature in black ink, appearing to read "JAG LLC", with a large, stylized flourish at the beginning.

Jaramillo Accounting Group LLC (JAG)
Albuquerque, New Mexico
November 15, 2018

**STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

Federal Grantor or Pass-Through Grantor/Program Title	Passthrough Number	Federal CFDA	Amounts Passed through to Subrecipients	Federal Expenditures
U.S. Department of Education				
Passthrough State of New Mexico Public Education Department				
Impact Aid	11000	84.041	\$ -	\$ 845,721
Impact Aid (Special Education)	25145	84.041	-	95,637
			<u>-</u>	<u>941,358</u>
Special Education Cluster				
IDEA B Entitlement	24106	84.027	-	1,528,151
IDEA B Results Plan	24132	84.027A	-	18,568
IDEA B Preschool	24109	84.173	-	63,344
IDEA B Early Intervention	24112	84.173	-	203,713
Total Special Education Cluster			<u>-</u>	<u>1,813,776</u>
Title I Grants to Local Educational Agencies	24101	84.010	-	1,232,892
Rural Education	24160	84.358	-	99,271
School Improvement Grants	24124	84.377	-	730,933
Education of Homeless Children and Youth	24113	84.196	-	7,662
Improving Teacher Quality State Grants (Title II)	24154	84.367A	-	247,220
Student Support and Academic Enrichment Program	24189	84.424	-	5,689
Career and Technical Education (Vocational Education)	24171	84.048	-	2,360
Career and Technical Education (Carl Perkins Secondary - Current)	24174	84.048	-	64,943
Career and Technical Education (Carl Perkins Secondary - Redistribution)	24176	84.048	-	1,006
			<u>-</u>	<u>68,309</u>
			<u>-</u>	<u>5,147,110</u>
Total U.S. Department of Education				
U.S. Department of Agriculture				
Rural Development, Forestry, and Communities (Forest Reserve)	11000	10.672	-	209,715
Child Nutrition Cluster				
Passthrough State of New Mexico Children, Youth, and Families Department				
Summer Food Service Program for Children	21000	10.559	-	155,352
Passthrough State of New Mexico Public Education Department				
Cash Assistance				
School Breakfast Program	21000	10.553	-	469,723
National School Lunch Program	21000	10.555		1,336,486
Passthrough State of New Mexico Human Services Department				
Non-Cash Assistance (Commodities)	21000	10.555	-	172,807
Total Child Nutrition Cluster			<u>-</u>	<u>2,134,368</u>
Passthrough State of New Mexico Public Education Department				
Fresh Fruit and Vegetable Program	24118	10.582	-	34,016
			<u>-</u>	<u>2,378,099</u>
Total U.S. Department of Agriculture				
U.S. Department of Defense				
Department of Defense Impact Aid	25179	12.558	-	54,326
Invitational Grants for Military-Connected Schools	25254	12.557	-	479,747
			<u>-</u>	<u>534,073</u>
Total U.S. Department of Defense				
U.S. Department of Health and Human Services				
Passthrough State of New Mexico Human Services Department				
USHHS/CDC School Health	24186	93.079	-	6,250
			<u>-</u>	<u>8,065,532</u>
Total Federal Financial Assistance			<u>\$ -</u>	<u>\$ 8,065,532</u>

See Notes to Schedule of
Expenditures of Federal Awards.

**STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Alamogordo Municipal Schools (District) under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in financial position of the District.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting, which is the same basis as was used to prepare the fund financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3. SUBRECIPIENTS

The District did not have any subrecipients during the year ended June 30, 2018.

NOTE 4. NONCASH FEDERAL ASSISTANCE

The District receives USDA Commodities for use in sponsoring the National School Lunch and Breakfast program. Per USDA guidance (FPI-18-2), donated USDA commodities should be grouped with the National School Lunch Program and use the same CFDA number as the National School Lunch Program. The value of commodities received for the year ended June 30, 2018 was \$172,807. Commodities are recorded as revenues and expenditures in the Food Service fund.

NOTE 5. INDIRECT COST RATE

During the year ended June 30, 2018, the New Mexico Public Education Department reimbursed the District for indirect costs at 4.60%.

NOTE 6. RECONCILIATION OF FEDERAL REVENUE TO FEDERAL EXPENDITURES

Federal expenditures as reported on Schedule of Expenditure of Federal Awards	\$ 8,065,532
District as contractor relationship:	
Medicaid (Fund 25153)	937,334
Indirect cost recovery (Fund 11000)	200,756
Advance reimbursement grant (Impact Aid - Fund 25145)	(40,514)
Advance reimbursement grant (Alamo DOD - Fund 25179)	(54,326)
Federal revenue as reported in the financial statements	<u>\$ 9,108,782</u>

**STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018**

Financial Statement Findings

2014-001	Internal Controls over Receipting	Resolved
2017-001	Internal Controls over Financial Close and Reporting	Resolved
2017-002	IT Access – Segregation of Duties	Revised and repeated
2017-003	Payroll – Timesheets	Resolved
2017-004	Student Nutrition – Operations	Revised and repeated
2017-007	Student Nutrition – Cash Receipts	Revised and repeated

Federal Award Findings

2017-005	Student Nutrition – Verification and Eligibility	Revised and repeated
2017-006	Student Nutrition – Inventory	Revised and repeated

STATE OF NEW MEXICO
 ALAMOGORDO MUNICIPAL SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2018

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements:

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

Federal Awards:

- | 1. Internal control over major programs: | | | | | | | |
|--|--|------------------------|--------|--|------------------------|-------------------------|--|
| a. Material weakness identified? | No | | | | | | |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes | | | | | | |
| 2. Type of auditor’s 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)? | Yes | | | | | | |
| 4. Identification of major programs: | | | | | | | |
| <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;"><u>CFDA
Number</u></th> <th style="text-align: center;"><u>Federal Program</u></th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">84.010</td> <td style="text-align: center;">Title I Grants to Local Educational Agencies</td> </tr> <tr> <td style="text-align: center;">10.553, 10.555, 10.559</td> <td style="text-align: center;">Child Nutrition Cluster</td> </tr> </tbody> </table> | <u>CFDA
Number</u> | <u>Federal Program</u> | 84.010 | Title I Grants to Local Educational Agencies | 10.553, 10.555, 10.559 | Child Nutrition Cluster | |
| <u>CFDA
Number</u> | <u>Federal Program</u> | | | | | | |
| 84.010 | Title I Grants to Local Educational Agencies | | | | | | |
| 10.553, 10.555, 10.559 | Child Nutrition Cluster | | | | | | |
| 5. Dollar threshold used to distinguish between type A and type B programs: | \$750,000 | | | | | | |
| 6. Auditee qualified as low-risk auditee? | No | | | | | | |

**STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

SECTION II – FINANCIAL STATEMENT FINDINGS

2017-002 IT ACCESS - SEGREGATION OF DUTIES

TYPE OF FINDING: Finding that does not rise to the level of a significant deficiency

CONDITION

An employee from the Learning Services Department, the STARS Data Management Specialist, was in the user group “Full access to all accounting modules” (including general ledger, payroll, and purchasing). This employee should not have had this access. There was no evidence she made use of the access. However, it showed that the IT Director’s review of access for segregation of duties and other risks was not effective.

Per discussion with the District’s Network Administrator, the District made some progress by removing this access during the year, but then they restored it again. It was not removed again until after 6/30/2018 when a software consultant noted the improper access, independently of this finding.

Our testing also shows that the Director of Business and Finance and the Controller have full access to User Security and Payroll User Roles (but view only access to the actual screens). The two Payroll employees are in a shared role and they don’t have access to User Security, but they do have complete and total access to Payroll User Roles and every aspect of Payroll and HR. This Payroll role also has full access to GL Configuration and some other areas unnecessary for payroll functions. All three key accounting positions have the ability to change some of their own security settings.

CRITERIA

Effective system access controls help prevent and detect unauthorized use, damage, loss, or modification of programs and data, including sensitive and confidential information. No one employee should have the ability to record, review, and approve transactions within the system. Effective change controls should ensure that program changes and changes to data are valid, meet user needs, are reviewed and approved independently, and are implemented accurately.

EFFECT

Without thorough reviews and tight restrictions on access, there is an increased risk of unauthorized or inaccurate changes in the accounting records.

CAUSE

The District has not thoroughly identified risks by position and reviewed security settings with the vendor until recently. Also, as employees transfer positions within the District, their old access is not always removed, causing employees to have excess access.

RECOMMENDATION

Finance and HR management should work with IT personnel to regularly review user access control, so that users have only those roles that are necessary, and do not have any incompatible roles. Also, we recommend that the District utilize the Administration Access, User Roles, User Security, and Workflow Configuration (such as Payroll User Roles) functionalities to improve controls where needed. The District needs consulting with the software

**STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

Section II - Financial Statement Findings (Continued)

2017-002 IT ACCESS - SEGREGATION OF DUTIES (CONTINUED)

company to evaluate and re-build user access with greater limitations. Users should never change their own access.

MANAGEMENT RESPONSE

Corrective Action: The Directors of Human Resources and Business and Finance will work with Technology Support to review the current access to the accounting software and determine any changes that need to be made. A written process will be created and utilized to assign user rights and access. A User Rights Profile document will be created and used to assign access rights for new employees, transferred employees, and terminated employees. A separate person will cross check the user rights after they have been entered in the accounting software to ensure accurate entry.

The Technology Department, in conjunction with the Directors of Human Resources and Business and Finance, will conduct a semi-annual review of the personnel who have access rights to the accounting software and work to correct any discrepancies.

The District will work with the software provider to develop user roles and access to ensure a separation of duties.

Due Date of Completion: January 30, 2019

Responsible Party: Directors of Human Resources, Business and Finance, and Technology Support Services

**STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

Section II - Financial Statement Findings (Continued)

2017-004 STUDENT NUTRITION – OPERATIONS – REVISED AND REPEATED

TYPE OF FINDING: Significant Deficiency

CONDITION

During our testing of Student Nutrition inventory and cash receipts, we noted the following exceptions:

- In 2017, there were Central Office Student Nutrition Services (SNS) employees that were selling the District's food and supplies ordered by and received into the District to outside parties, including for catering purposes. During 2018, staff turnover occurred in SNS. As a result, there is no catering activities allowed and no outside sales allowed.
- There continues to be no formal written policies and procedures prohibiting food and supplies sales to non-profits and other third-parties, but staff changes have eliminated the previous practice.
- Uncollected A/R balances continue to be a problem in 2018, but the District is making collection efforts even as more schools in the District transition to the Community Eligible Provision.
- SNS staff are doing better at following up on Non-Sufficient Fund (NSF) checks for purchases of student's meals. A report reflected there was currently \$20 in NSFs not collected.
- The SNS office no longer maintains any petty cash, discontinued during fiscal year 2018, and the broken safe has been discarded.
- Improvements have been made as staff are using meal planning to determine costs of meals and catering was discontinued during fiscal year 2018.
- The District has had to materially subsidize the SNS program over the past 10 years, including: Permanent Cash Transfers (\$488,703), Temporary Cash Loans (\$1,400,000), and Loans Repaid/Other (\$2,175,000). The program should be self-sustaining and generating a healthy fund balance in order to reinvest/upgrade the District's food service infrastructure as many Districts do. This is a red flag for inefficiencies and/or possible fraud. There were no amounts outstanding as of June 30, 2018, but there is another \$300,000 temporary cash loan outstanding as of October 9, 2018.

CRITERIA

NMAC 6.20.2.11 - Internal Control Structure Standards states: every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safe-guarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP.

District Policy D-3300 Cash in School Buildings. Monies collected by school employees shall be handled in accordance with prudent business procedures. All monies collected shall be receipted, accounted for, and directed without delay to the proper location of the deposit. The only funds remaining in any individual building shall be the school/department change fund. All cash funds shall be kept in a secured area. All funds collected

**STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

Section II - Financial Statement Findings (Continued)

2017-004 STUDENT NUTRITION – OPERATIONS (CONTINUED)

from fund raisers, fines, etc. shall be deposited within 24-hours of the date funds are turned in and receipted. No funds, other than change fund, shall be left in the building over the weekend and/or holidays. If change for special events is needed arrangements can be made to pick up use, and re-deposit upon completion of the event.

QUESTIONED COSTS

None

EFFECT

The proper use of federal money and commodities in this program is dependent on strong internal controls over inventory, along with proper staffing.

CAUSE

The District's issues in this area were the result of staffing issues and not designing and implementing strong controls over inventories. New staff in 2018, and the understanding of what is required for inventory control have improved the overall operations.

RECOMMENDATION

We recommend that the District continue to re-visit policy, procedures and Federal guidance for the Student Nutrition program. We recommend meeting with other Districts in the state whose programs are doing well financially. Once there are risk assessments performed, new policies, procedures, organizational structure, and controls implemented, there must be frequent monitoring. There should be strong accountability consequences for non-compliance.

MANAGEMENT RESPONSE

Catering activities have been discontinued and a formal policy is in the process of being written outlining the prohibition of food and supply sales to third parties and non-profits.

Outstanding negative balances continue to plague multiple districts throughout the state; caused in part to the "no shaming" law; however, Alamogordo Public Schools continues to send letters and make calls to parents/guardians in an effort to collect on the unpaid balances, to include uncollected Non-Sufficient Funds as they arise. A local organization has contacted the District in regard to making a donation to be used towards paying off the larger of our unpaid meals balances.

Menu planning and costs per meal will continue to improve as the new staff transitions. Menu changes will also occur to increase the self-sustainability of the Student Nutrition Services (SNS) program; cuts will be made, as needed.

Corrective Action: The incoming SNS Coordinator will review existing policies and procedures to ensure they are brought in line with Federal guidelines for SNS programs. New policies and procedures will be created where found to be lacking. The Alamogordo Public School District's SNS staff will reach out to other school districts within the state to learn best practices that can be implemented to improve the financial state of our program.

**STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

Section II - Financial Statement Findings (Continued)

2017-004 STUDENT NUTRITION – OPERATIONS (CONTINUED)

Due Date of Completion: June 30, 2019

Responsible Party: Student Nutrition Coordinator

**STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

Section II - Financial Statement Findings (Continued)

2017-007 STUDENT NUTRITION – CASH RECEIPTS – REVISED AND REPEATED

TYPE OF FINDING: Significant Deficiency

CONDITION

During our testing of Student Nutrition cash receipts, we noted the following exceptions:

- In 2017, Student Nutrition at Central Office was making weekly deposits, in violation of the State’s 24-hour deposit requirement. Follow-up testing showed the problem continuing into fiscal year 2018 and was resolved in the second half of the year.
- Control and accounting for cash receipt tickets has been improved as Student Nutrition are completing weekly reconciliations of deposits.
- Recommended surprise audits of any types of funds collected are beginning to occur at each location in the District. Surprise visits to review operations also occur.

CRITERIA

District Policy D-3300 Cash in School Buildings states: “Monies collected by school employees shall be handled in accordance with prudent business procedures. All monies collected shall be receipted, accounted for, and directed without delay to the proper location of the deposit. The only funds remaining in any individual building shall be the school/department change fund. All cash funds shall be kept in a secured area. All funds collected from fund raisers, fines, etc. shall be deposited within 24-hours of the date funds are turned in and receipted. No funds, other than change fund, shall be left in the building over the weekend and/or holidays. If change for special events is needed arrangements can be made to pick up use, and re-deposit upon completion of the event.”

QUESTIONED COSTS

None

EFFECT

The proper collection and tracking of receipts in this program is dependent on strong internal controls over receipts, along with proper staffing.

CAUSE

The District’s issues in this area resulted from staffing issues and not designing and implementing strong controls over inventories.

RECOMMENDATION

We recommend that the District review the policy on depositing money, and assure procedures allow for compliance with the requirements. There should be strong accountability consequences for non-compliance.

**STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

Section II – Financial Statement Findings (Continued)

2017-007 STUDENT NUTRITION – CASH RECEIPTS (CONTINUED)

MANAGEMENT RESPONSE

Personnel from the Student Nutrition Services office make a daily 'run' to all schools within the district, which are located within city limits, and take their deposits, as well as any funds collected at the SNS office, to the bank. Kitchen managers for schools located at Holloman Air Force Base (HAFB) take their own deposits to the bank daily. The kitchen manager at High Rolls Mountain Park is responsible for making her own deposits on days when she may receive funds – which may not be daily. Deposits from the La Luz kitchen are locked in the school vault overnight, Monday – Thursday, then brought to the SNS office the next day to be taken to the bank during that day's 'run.' The kitchen manager at La Luz takes the Friday deposit to the bank every Friday.

Weekly reconciliations are completed by either the SNS Coordinator or the SNS Administrative Assistant. A printed and electronic copy are maintained in the SNS office and a printed copy is provided to the District Comptroller.

Corrective Action: All SNS staff will continue to review District policies on depositing money on an annual, or as needed, basis.

Due Date of Completion: August 13, 2018

Responsible Party: Student Nutrition Coordinator

**STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

Section II – Financial Statement Findings (Continued)

2018-001 NEGATIVE CASH BALANCE FROM UNREIMBURSED EMPLOYEE BENEFITS

TYPE OF FINDING: Material Weakness

CONDITION

During our audit testing, we noted the June 30, 2018 bank reconciliation for the payroll clearing account did not reconcile the bank balance to the balance per general ledger. The balance per general ledger was negative (\$0.17), and the reconciled bank balance was negative (\$25,332.94).

According to management, three known factors to this unreconciled amount, both resulting from differences in actual payments to the New Mexico Public School Insurance Authority (NMPSIA) and the amounts recorded in the GL during payroll processing.

- NMPSIA bills each period based on the reported number of employees, and the District pays the full amount billed. The first factor results from monthly adjustments that arise from events such as new hires or changes in benefits, which are not reported to NMPSIA prior to billing. In June of 2018, the amount tracked was negative (\$1,239).
- There are certain employees who are placed on unpaid leave, who are not paid a regular paycheck. NMPSIA is still paid as billed for employee and employer portions, but this amount cannot be deducted from a paycheck at that time, and therefore becomes due from the employee. The District has not been recording a monthly adjustment for this amount. In June of 2018, the amount tracked totals negative (\$10,541).
- The remaining difference of negative (\$13,553) had not been located.

After our request to management to reconcile this account, Finance researched the account and provided a \$22,939 journal entry. This entry is comprised of uncollected amounts from employees (\$5,370), District employer portions of expenses (\$17,570), and miscellaneous adjustments for terminations, new hires, changes in enrollment, etc. (\$2,393).

An audit journal entry was made for medical, dental, vision, long-term disability, and life insurance expenses and restoring cash from operational funds.

The District used \$55,000 on 10/13/2017 and \$22,939 on 6/30/2018 via journal entry of operational funds, totaling \$77,939, to reimburse the cash account for these items which had not been reconciled during the year. Payments made that benefited individuals (approximately 25%) may be in violation of the NM Constitution's Anti-Donation Clause.

**STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

Section II – Financial Statement Findings (Continued)

2018-001 NEGATIVE CASH BALANCE FROM UNREIMBURSED EMPLOYEE BENEFITS (CONTINUED)

CRITERIA

6.20.2.11(B)(6) NMAC and Regulation SBE-6 states: “the reports sent to the New Mexico Public Education Department (PED) must agree to the general ledger. Per the New Mexico State Audit Rule, the audit report of each school district shall include a cash reconciliation schedule which reconciled the cash balance as of the end of the previous fiscal year to the cash balance at the end of the current fiscal year.”

6.20.2.14(G) NMAC states: “clearing accounts or pooled accounts may be used to combine more than one fund in one bank account. Clearing accounts shall reconcile to a zero balance at the end of each month. Bank reconciliations for clearing accounts shall be completed on a monthly basis.”

New Mexico Constitution Article IX, Section 14 states: “neither the state, nor any county, school district, or municipality, except as otherwise provided in this constitution, shall directly or indirectly lend or pledge its credit, or make any donation to or in aid of any person, association or public or private corporation. A donation within the meaning of this provision is a “gift”, an allocation or appropriation of something of value, without consideration.” This section is commonly referred to as the “Anti-Donation Clause”.

EFFECT

The District may not recover amounts erroneously paid for employees. The District spent \$77,939 in operational funds, to reimburse the cash account for these unreconciled items. District employer costs were approximately 75% and unreimbursed employee costs were approximately 25%.

CAUSE

The employee tracking benefits failed to record the employer’s expense and the employee’s amount due for medical, dental, vision, and basic life while employees were on leave without pay. In prior years, the District would either collect from the employees while the employees were on leave without pay or double up the employees’ and the employer’s portions of expenses upon their return. This was not completed for fiscal year 2018.

In addition, when the Comptroller reconciled the monthly bank statements he failed to ensure that the journal entries were made to record the expense and the receivable; therefore, the variance in the payroll clearing account continued to grow. While the Director of Business and Finance was aware of differences and discussed the problem with the employees involved in the process, she did not hold the employees accountable to ensure that all bank accounts were being properly reconciled to the general ledger and to the PED cash report timely (monthly) and ensure employees reimbursed the District for benefits as necessary.

RECOMMENDATION

The School should design and implement procedures to ensure that bank reconciliations reconcile to the general ledger and the PED cash report. Any unexplained differences should be thoroughly investigated and corrective action taken immediately.

**STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

Section II – Financial Statement Findings (Continued)

2018-001 NEGATIVE CASH BALANCE FROM UNREIMBURSED EMPLOYEE BENEFITS (CONTINUED)

MANAGEMENT RESPONSE

This issue was partially due to employees that have been out on unpaid leave through Worker’s Compensation, who chose to continue paying for and receiving medical or other voluntary benefits. The employee may have left the district without paying their portion of the already billed and paid New Mexico Public Schools Insurance Authority (NMPSIA) bill. It is often difficult to make a decision to cut off an employee’s medical benefits for non-payment knowing that the employee has been injured on the job and is suffering. The District failed to record the expenses for the employer and the receivables from the employee and to reconcile the monthly billing.

In addition, in following the requirements for the Family Medical Leave Act (FMLA) and District policies, for the duration of FMLA leave, the employer must maintain the employee’s health coverage under a “group health plan” as long as the employee had those benefits prior to going out on FMLA. Arrangements are generally made with the employee to pay those benefits either while they are on leave or when they return. The District failed to record the expenses for the employer and the receivables from the employee and to reconcile the monthly billing.

If an employee fails to return to work, then it is nearly impossible to collect those back payments.

Corrective Action: Going forward, a new Benefits person will be hired and the journal entries will be made on a monthly basis to record the District’s portion of expenses and the employees’ portions as receivables. Any unexplained differences will be thoroughly investigated and corrective action will be taken immediately. In the future, when an employee is off payroll, the first option is for employees to pay their portion of benefits upfront and while they are on leave. The second option will be to double up on premiums when the employee returns to work. The employee will be given written directions and receive a clear understanding of their obligation to pay for premiums while they are off of work along with the consequences for not paying premiums, including termination of benefits. The employee will be asked to sign the written directions indicating that they understand their obligation to pay for their benefits and that they will still be obligated to pay their portion should they fail to return to work.

An accounts receivable ledger will be kept in the software system to track all amounts due and paid by employees.

The Director of Business and Finance will work directly with the Benefits person and the Comptroller to ensure that the journal entries are made and that all of the variances between the NMPSIA bill and the general ledger are reconciled and accounted for. The Director of Business and Finance will ensure that those responsible for reconciling the NMPSIA bill and the bank statement are held accountable for performing those duties.

Due date of Completion: December 31, 2018

Responsible Party: Director of Business and Finance

**STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

Section II – Financial Statement Findings (Continued)

2018-002 INTERNAL CONTROLS OVER THE PAYROLL DISBURSEMENT TRANSACTION CYCLE

TYPE OF FINDING: Material Weakness

CONDITION

During our test work over the payroll disbursements transaction cycle, we noted the following:

1. We tested a random sample of 40 transactions with the following exceptions:
 - In 3 transactions, we noted that employee and employer ERB and RHC contributions were over-contributed.
 - In 9 transactions, we noted that contracts had not been executed 10 days or more prior to the first day of classes for SY17-18.
 - In one transaction, we noted that the employee was paid \$41.25 (2.75hrs*\$15/hr) under "Athletic Salaries" for working a sporting event. The District was unable to provide documentation providing support for the additional compensation to this employee or for the purposes of verifying the existence of a \$15/hour rate for performing these duties.
 - In one transaction, we noted that per the 2017-2018 Collective Bargaining Agreement (CBA) between the District and the National Education Association (NEA), the Assistant Varsity Tennis Coach should earn \$1,435.50 between two even payments (\$717.75 each.) However, the coach had earned \$159.50 more per season than the CBA allows for, as the signed contract shows total contract amount of \$1,595. This contract was not in accordance with CBA. No timesheet was provided for the performance of these duties.
2. During our random testing of manual journal entries and walkthrough of the payroll transaction cycle, we noted that there were a large number of adjustments required to be made to correct previously processed payrolls. Our testing indicates 70 manual journal entries in fiscal year 2018 had been initiated by the payroll department, including 1,159 line-items. These are primarily entries reclassifying object, program, location, or job classification codes within the account string. Also, 16 of the District's 26 pay periods required a supplemental pay period. Approximately \$92,000 was disbursed during these supplementary pay periods in fiscal year 18. While there may be valid reasons for the extra payroll runs and adjustments, we believe it is one area that should be fully analyzed by Finance in order to make any improvements necessary in the payroll cycle.
3. During our testing over retirement contributions for the Educational Retirement Board (ERB), we noted that the District had submitted adjustments to employer and employee contributions to ERB in fiscal year 18 totaling \$25,615. Of this amount, one employee had been incorrectly classified as a "regular" employee since being hired in 2011, although he had reported to the District at hiring that he was a PERA retiree and should have been classified as such. This resulted in a refund of \$11,981 in ERB contributions to the employee. Additionally, ERB reports did not reconcile to the general ledger (see Finding 2018-012).
4. The District did not properly make entries in the general ledger to record variances discovered between payments to NMPSIA to deductions in the payroll register (see Finding 2018-001).

**STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

Section II – Financial Statement Findings (Continued)

2018-002 INTERNAL CONTROLS OVER THE PAYROLL DISBURSEMENT TRANSACTION CYCLE (CONTINUED)

5. During our testing of credits to salaries expenses, we noted one employee repaid \$1,701 to the District on 5/23/2018 for pay amounts that he was paid from sick leave as he had been denied workers' compensation. There was an informal agreement that if he was later approved for workers compensation he would repay the District. There should be a complete approval process and strong internal controls over individual employee arrangements such as this.
6. During our School Personnel Act testing, we noted as of 10/15/2018, for employees no longer employed 9/14/2018 and prior, Infinite Visions was still showing 27 employees as active with the "issue paycheck" field still marked. Additionally, employees terminating from 09/21/18 through 10/08/18 might still be waiting on a last paycheck but should have all been paid out on the 10/12/18 payroll and the "issue paycheck" field should not have been marked.
7. During our School Personnel Act testing, we noted 3 employees who can be categorized as non-compliant with statute 22-10A-3, Item C. Employees falling under this statute shall not be compensated thereafter for services rendered until he or she demonstrates holding a valid license or certificate.
8. No proof could be provided that 3 of 5 new hires tested completed required (22-10A-32 Item A) training in the detection and reporting of child abuse and neglect, including sexual abuse and assault, and substance abuse.

CRITERIA

6.20.2.18 NMAC states: "PAYROLL: The local board shall establish written payroll policies and procedures which comply with state and federal regulations on payroll as well as maintaining strict internal controls, close supervision and financial accounting in accordance with GAAP. School districts shall maintain and have available for inspection the following employee record documentation: employment contracts (including increments), personnel/payroll action forms, certification records, employment eligibility verification (federal Form I-9 for citizenship certification), federal and state withholding allowance certificates, pay deduction authorizations, pay or position change notices, Educational Retirement Act plan application, and direct deposit authorizations."

New Mexico Manual of Procedures for Public School Accounting and Budgeting Supplement 2, Internal Control Structure states: "Pertinent information must be identified, captured, and communicated in a form and time frame that enables personnel to carry out their responsibilities." "The accounting system consists of the methods and records established to identify, assemble, analyze, classify, record and report a school district's transactions and to maintain accountability for the related assets and liabilities. An effective accounting system gives appropriate consideration to establishing methods and records that will:

- Identify and record all valid transactions.
- Describe transactions in sufficient detail and on a timely basis to permit proper classification of transactions for financial reporting.

STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018

Section II – Financial Statement Findings (Continued)

2018-002 INTERNAL CONTROLS OVER THE PAYROLL DISBURSEMENT TRANSACTION CYCLE (CONTINUED)

- Measure the value of transactions in a manner that permits recording their proper monetary value in the financial statements.
- Determine the time period in which transactions occurred to permit recording of transactions in the proper accounting period.
- Present properly transactions and related disclosures in the financial statements.”

Section 22-10A-23(B) NMSA 1978 states: "Delivery of the written acceptance of reemployment by a certified school instructor creates a binding employment contract between the certified school instructor and the local Board or the governing authority of the state agency until the parties enter into a formal written employment contract. Written employment contracts between local school boards or governing authorities of state agencies and certified school instructors shall be executed by the parties not later than ten days before the first day of a school year."

EFFECT

The deficiencies identified over payroll may lead to the District not properly identifying, classifying, or valuing all transactions and increases the risk of errors or fraud. Not being in compliance with the statutes requiring timely, formal, written contracts with certified employees negatively effects both the District's and employees' ability to perform their normal duties.

CAUSE

Oversight and clerical errors were made in recording certain payroll transactions. A lack of communication between business office personnel and/or functions may exist and this leads to problems with accuracy and compliance with the law. It appears there is not a strong, thorough review process with proactive communication early in the payroll process.

RECOMMENDATION

There should be a week in between the pay period end and the pay day in order to leave time for quality reviews. Administration should analyze the risks and troubleshoot any problems. The District should consider moving to paying once or twice a month instead of every two weeks. Then they should design and implement stronger controls, including continued monitoring.

MANAGEMENT RESPONSE

Corrective Action: The Director of Business and Finance will provide more oversight on the transactions and corrections made in the payroll department. The Director of Business and Finance will also work with and train the Program Managers to ensure that they plan accordingly in their annual budgets in order to avoid mid-year changes in payroll funding.

The Director of Human Resources will ensure that the contract execution deadlines are met and mandatory employee trainings are carried out and documented. The Collective Bargaining Agreement salary schedules will be verified against the salary schedules used in the accounting software and on contract documents. Increased use of technology systems, coupled with enhanced staff oversight, will allow greater transparency, accuracy and timeliness of documentation processes.

**STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

Section II – Financial Statement Findings (Continued)

2018-002 INTERNAL CONTROLS OVER THE PAYROLL DISBURSEMENT TRANSACTION CYCLE (CONTINUED)

The District hired a trainer from our accounting software company in October 2018 to review the District's processes and procedures starting with the hiring of employees through the retiring or termination of employees. The staffs from Human Resources, Payroll, the Comptroller, and both Directors attended the training. The District will work on a process and procedures manual and determine the role of each department to ensure that all processes and procedures are completed timely and efficiently.

Due date of Completion: June 30, 2019

Responsible Party: Director of Business and Finance, Director of Human Resources

**STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

Section II – Financial Statement Findings (Continued)

2018-003 RECOGNITION OF CAPITAL ASSETS

TYPE OF FINDING: Material Weakness

CONDITION

During our test work on capital assets and construction in progress, we noted:

- Certain construction projects were misclassified as repair and maintenance expense, when those expenditures should have been capitalized. We identified \$1,021,350 in expenditures that should have been capitalized.
 - a. This amount included \$688,948 for the full replacement of a school site’s plumbing infrastructure. The remaining \$332,402 related to a major renovation of another school site’s roofs.
- Capital asset schedules were prepared late in the audit process (October) and initially did not include the NM Public Schools Facilities Authority capital asset funding contributions of \$208,614 as required.
- Agency fund equipment items, costing \$30,265, were not originally included on the listing even though they are District assets.

CRITERIA

NMSA 1978 22.24 through 26 states: “capital assets shall be acquired and accounted for through the development and implementation of a complete property control system”. According to 6-15 and 22-24 through 26m, NMSA 1978, the District must maintain an inventory of capital assets, which shall be tested at the time of the annual audit.

Section 12-6-10, NMSA, 1978 states: "The governing authority of each agency shall, at the end of each fiscal year, conduct a physical inventory of movable chattels and equipment costing more than five thousand dollars (\$5,000) and under the control of the governing authority. This inventory shall include all movable chattels and equipment procured under Section 15-3B-16, NMSA, 1978, also known as the “Property Control Act”.

Section 12-6-10, NMSA, 1978 states: "Each agency shall maintain one copy of its fixed asset inventory in its files."

NM Public Education Department’s PSAB Supplement 18 - Student Activity and Athletics, regarding agency/fiduciary funds states: “Administration shall account for any equipment or facilities donated or purchased as prescribed by local and state regulations. Reference PSAB Supplement 12, Capital Assets.”

EFFECT

Capital assets may not be properly tracked and accounted for on the listing, causing challenges with accountability and accounting standards compliance.

CAUSE

For the misclassification of plumbing infrastructure, the Director of Business and Finance had been mis-trained in the past on the proper accounting standards for identifying certain built-in equipment as capitalizable. She had

**STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

Section II – Financial Statement Findings (Continued)

2018-003 RECOGNITION OF CAPITAL ASSETS (CONTINUED)

also received advice not to include agency fund assets in the capital assets tracking software. For the roofing renovation, she had not fully considered the effect that the repairs were full roof replacements which had extended the useful life of the buildings.

RECOMMENDATION

We recommend the District track all capital asset activity throughout the year, at a minimum monthly, including gathering all information necessary to decide whether an expense should be capitalized in accordance with generally accepted accounting principles and PED guidance. Capital outlay expense should be reconciled to capital asset additions monthly. Another individual should review and approve the capital assets transactions and reports. All assets designated by policy (those over \$5,000 and others as determined necessary) should remain in software so that items are not forgotten or misplaced (outside the normal process) and are accounted for at or around year end and included in the Board of Education’s capital assets certification.

MANAGEMENT RESPONSE

Management had been following a consistent process for recording maintenance and repair on capital assets as instructed by a prior auditing firm. The prior auditing firm had stated that the District was overstating its assets by capitalizing too many projects that could be coded as maintenance and repair. In addition, the prior auditing firm had removed any fixed assets purchased with activity/agency funds from the capitalization and depreciation statements. The asset purchased from activity funds has always been recorded in the software system. Any capital assets over \$5,000 are recorded in the software system and are never removed unless a formal request to dispose of fixed assets is submitted to the Board of Education and the Office of the State Auditor. Any disposals are reported annually to the auditor.

Corrective Action: The Director of Business and Finance will rewrite the process in which to categorize expenditures to capture the maintenance and repair expenditures as a depreciable asset as appropriate.

All expenses are coded via purchase orders using the Uniform Chart of Accounts. When purchase orders are paid, the Property Control Officer extracts a listing from the software program and tags inventory accordingly. The Business and Finance Director reviews the transactions to ensure that the general ledger reconciles to the general fixed assets. All purchases over \$5,000 are recorded in the general ledger and the fixed assets module automatically and are not at risk of being misplaced or unaccounted for. The Director of Business and Finance will follow the guidelines of the current auditors and record maintenance and repair as a capital asset in addition to assets purchased (and currently in fixed assets) from agency (activity) funds.

Due date of Completion: January 30, 2019

Responsible Party: Director of Business and Finance

**STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

Section II – Financial Statement Findings (Continued)

2018-004 FINANCIAL CLOSE AND REPORTING

TYPE OF FINDING: Significant Deficiency

CONDITION

Although Finance does provide most journal entries and schedules timely for the audit process and they did review the 2017 financial statements thoroughly (thus clearing prior year Finding 2017-001), we did note areas in the financial close and reporting process which could be improved. These would assist in Finance in preventing and detecting errors, create a smoother audit process, and even improve the accessibility of data between departments:

- Identifying capital assets vs. repairs and maintenance (see Finding 2018-003) and earlier submission to the auditors.
- Utilizing the warehouse module of Infinite Visions for timely reporting and tracking of inventory inside the general ledger system so this is not an audit journal entry (\$156,507).
- Reconciling payroll clearing cash account (and all other balance sheet accounts) monthly or by pay period, with a strong review process in place to catch errors (see Finding 2018-001).
- Utilizing the budgetary controls within Infinite Visions at the account level so that budgetary reporting is not completed outside the software system. This is important with the implementation of ESSA site-based expenditure reporting requirements.
- Resolving the differences within Infinite Visions regarding ERB reporting to make the reconciliation process efficient and easy to audit (see Findings 2018-002 and 2018-012).
- Attending training on Governmental Accounting Standards Board Statements (GASBS) so that Finance employees could prepare the financial statements on their own, should they choose to in the future.
- Thoroughly reviewing and properly identifying the District's various sources of revenues into component units, fiduciary (agency) funds or District activity funds.

When auditors are catching errors or having difficulty auditing, it is an indication that improvements are necessary in the financial close and reporting process. When management cannot obtain information timely in order to make decisions, it is a sign that there are inefficiencies in the financial close and reporting process.

CRITERIA

There are several key underlying accounting standards to an organization designing and implementing an effective financial close and reporting process. Auditors are required to identify and communicate internal control weaknesses according to Statement on Auditing Standards (SAS) AU Section 325 Communication of Internal Control Related Matters Identified in an Audit, which includes:

- The auditor cannot be a part of a client's internal control because becoming part of a client's internal control impairs auditor independence.
- The auditor's work is independent of the client's internal control over financial reporting and the auditor cannot be a compensating control for the client.

STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018

Section II – Financial Statement Findings (Continued)

2018-004 FINANCIAL CLOSE AND REPORTING (CONTINUED)

- A system of internal control over the financial reporting does not stop at the general ledger; it includes controls over the presentation of the financial statements.
- Financial reporting is considered a significant process of internal control and should be performed by the District's staff or under the supervision of District's staff.

The auditing standards require the auditor to obtain the auditees' agreement to correct material misstatements in their financial statements before the financial statements are issued. This agreement is fulfilled up front in the engagement letter by getting the auditee to agree to doing this. Additionally, at the end of the audit, the auditee also fulfills this obligation when they sign the audit representation letter.

To achieve this, the auditee must provide the auditor cash basis trial balances that are free of material misstatement, all the receivables and payables (modified accrual entries) and then, at a minimum, all the correct supporting information for the full accrual statements (accrued compensated absences, bond debt, capital asset detail along with the accumulated depreciation and depreciation expense, property tax receivable, etc.). The auditee must fully understand how all the adjustments flow through the trial balances that link into the final product (the financial statements).

- **Cash basis.** Have a process in place to give the auditors the correct (free of material adjustments) cash basis trial balances.
- **Modified accrual basis.** Take ownership for and agree that the modified accrual basis adjustments (primarily receivables and payables) made by the auditor from the District's detail to the cash basis trial balances are materially correct. A modified accrual basis trial balance is simply the cash basis trial balance plus receivables and payables at year-end. The modified accrual basis trial balances are grouped by category and then used to create all the individual funds presented in the annual financial report.
- **Full accrual basis.** Starting with the above final modified accrual basis trial balances then take ownership for the all the adjustments from the total modified basis to the full accrual basis (the entity-wide statements at the very front of the annual financial report).

6.20.2.11 NMAC states: "Every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safe-guarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP."

9.20.2.16 NMAC states: "WAREHOUSE/SUPPLY INVENTORY: This section pertains to districts that maintain a warehouse. At fiscal year-end, each school district shall take a physical inventory of remaining goods and materials of an expendable nature (items that are consumed in the normal course of operating the district). School districts shall establish adequate internal accounting control procedures over supplies inventory in accordance with GAAP."

**STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

Section II – Financial Statement Findings (Continued)

2018-004 FINANCIAL CLOSE AND REPORTING (CONTINUED)

EFFECT

The District's account balances may not be reflected accurately and the District has made itself more susceptible to the possibility of financial reporting or management decision errors.

CAUSE

The District has not been utilizing its existing financial management software to its fullest capacity due to a lack of training. This may be causing employees to have limited time to properly and timely provide information to others.

RECOMMENDATION

We recommend that the District utilize the inventory tracking system within Infinite Visions and adjust inventory balances monthly. The District's financial close and reporting controls should include but not be limited to:

- Identifying all sources of financial and non-financial data (routine and non-routine events and transactions) that will be needed in order to maintain and systematically adjust the District's general ledger.
- Preparing PBCs in the format of the financial statement requirements.
- Preparing the SEFA in compliance with the Uniform Grant Guidance, related compliance supplements and grant agreements.
- Providing all cash to modified accrual basis journal entries for the fund financial statements.
- Providing cash to full accrual basis journal entries for the government-wide financial statements.
- Establishing and implementing procedures and records to initiate, authorize, record, process, correct, transfer to the general ledger, and report in the financial statements the District's transactions.
- Monitoring the non-audit services provided by the external auditor and reviewing and approving the services provided.
- Reviewing in detail the financial statements and related reports and not releasing them to the Office of the State Auditor until completely accurate.

MANAGEMENT RESPONSE

Corrective Action: Management will wait until the actual year-end has been closed out before sending information to the Auditor to ensure all balances and reports are accurate. The Director of Business and Finance will be enrolled in training to learn how to prepare financial statements, therefore reducing this type of audit finding. The District will look into the cost, training, and staffing available to maintain the consumable inventories in the District's accounting software and make a decision of whether or not to implement an electronic inventory system.

The District will communicate more with the auditor in the future to ensure both sides receive information in a timely and efficient manner in order to improve any future audit findings and reporting.

**STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

Section II – Financial Statement Findings (Continued)

2018-004 FINANCIAL CLOSE AND REPORTING (CONTINUED)

Due date of Completion: June 30, 2019

Responsible Party: Director of Business and Finance

**STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

Section II – Financial Statement Findings (Continued)

2018-005 PROCUREMENT CODE VIOLATION

TYPE OF FINDING: Material Non-Compliance

CONDITION

We were notified by Finance of a violation of the state procurement code. The former Director of Technology had negotiated an agreement on 04/26/18 for telecommunications services without a purchase order and without going out to bid, which was signed by her supervisor. The agreement is for \$160,831 over a three-year period (\$43,611 per year). The Chief Procurement Officer (CPO), the Director of Business and Finance, was not notified of the agreement at the time it was signed (management override of controls).

The contract with the previous vendor was procured via a Request for Proposal on 02/16/15. This vendor was notified that this contract would not be renewed on 04/30/18 by the CPO, who was not yet aware of the new agreement. Additionally, the agreement had not been reviewed by District’s legal counsel, and the agreement was not the District’s Standard Professional Services Agreement.

CRITERIA

New Mexico Manual of Procedures for Public School Accounting and Budgeting, Supplement 13 – Purchasing states: “the preparation and execution of a duly authorized purchase order must precede the placement of any order for goods, services, or construction.”

6.20.2.17 NMAC states: “Each school district shall establish and implement written policies and procedures for purchasing which shall be in compliance with the Procurement Code, Section 13-1-21 et seq., NMSA 1978.”

13-1-74 NMSA 1978 states: “Procurement” means (A) purchasing, renting, leasing, lease purchasing or otherwise acquiring items of tangible personal property, services or construction; and (B) all procurement functions, including but not limited to preparation of specifications, solicitation of sources, qualification or disqualification of sources, preparation and award of contract and contract administration.

Competitive Sealed Bids: As per 13-1-102, all procurement shall be achieved by competitive sealed bid pursuant to Sections 13-1-103 through 13-1-110 NMSA 1978, except procurement achieved pursuant to the following sections of the Procurement Code [Sections 13-1-28 through 13-1-199 NMSA 1978]:

- A. Sections 13-1-111 through 13-1-122 NMSA 1978, competitive sealed proposals;
- B. Section 13-1-125 NMSA 1978, small purchases;
- C. Section 13-1-126 NMSA 1978, sole source procurement;
- D. Section 13-1-127 NMSA 1978, emergency procurements;
- E. Section 13-1-129 NMSA 1978, existing contracts;
- F. Section 13-1-130 NMSA 1978, purchases from antipoverty program businesses; and
- G. the Educational Facility Construction Manager At Risk Act [13-1-124.1 NMSA 1978].

**STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

Section II – Financial Statement Findings (Continued)

2018-005 PROCUREMENT CODE VIOLATION (CONTINUED)

SPD Policy Memo #FY09-002 states: “the State Purchasing Division (SPD) will not process any potential Procurement Code violation over \$100,000 until that potential violation has been investigated by the agency’s internal auditor or Inspector General. If the agency does not have either function in-house, then the investigation must be conducted by an independent third-party auditor or accountant paid for by the agency. A copy of the written findings, with supporting attachments as appropriate, must be submitted to SPD before a determination will be made. At a minimum, the report should provide the detailed specifics of the situation and the root cause(s) as well as planned corrective action. Additionally, the report should address whether the amount billed by the contractor is fair and reasonable and explain the basis for the finding(s).”

EFFECT

The District violated the State of New Mexico’s procurement code and may have not obtained the best price for the items received during the year. It also creates bad will in the community for vendors who were waiting to bid on the work and were not allowed the opportunity.

CAUSE

The contracts in question were written and signed without consulting the District’s Certified Purchasing Officer and legal counsel before signing, as required in the District’s internal policies and procedures over procurement. The former Director of Technology, who negotiated the agreement, may have mistakenly believed that the procurement was a utility and therefore exempt from the procurement code and did not understand that even if this were the case, a properly approved purchase order was still required.

RECOMMENDATION

We recommend the District train department heads in its policies and procedures regarding compliance with the State procurement requirements, to ensure that all items of procurement are handled in a manner consistent with the State Procurement Code. From this and other findings, it appears that training is necessary on the governmental conduct act and in-depth risk assessments/internal control, including that management should not override internal controls in place to protect public monies.

MANAGEMENT RESPONSE

It has been communicated to current administration that the Director of Business and Finance reported this procurement violation to her supervisor at the time.

It has been reported to current administration by the Director of Business and Finance that consultation with the District’s in-house legal counsel occurred and that an alternative means of procurement was managed in order to cure the violation.

Prior to the arrival of the current Acting Superintendent - It has been noted that administration was aware of the procurement violation and hired an outside entity to investigate the procurement violation. Current administration has requested that the in-house General Council provide a copy of this investigation.

STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018

Section II – Financial Statement Findings (Continued)

2018-005 PROCUREMENT CODE VIOLATION (CONTINUED)

Procurement trainings will continue to be given to all District Administrators and secretarial staff or any other group of employees who make purchases. Processes and procedures are in place to guide employees through the procurement process. All employees sign a personnel agreement in the beginning of every year verifying that they understand the ramifications of making purchases outside of the procurement process and the procurement laws.

The Board Policy D-2750 BIDDING/PURCHASING PROCEDURES is very clear in stating that, *“Any APS employee who purchases or causes to be purchased good or services outside the provision of this policy and it implementing regulations may be deemed personally liable for the cost thereof and may be subject to appropriate disciplinary action up to and including termination.”*

Corrective Action: The District had composed a Procurement Rules, Policy, and Procedures Manual that was pending Board approval which incorporates state and federal procurement rules and regulations along with local District policies and procedures. Once approved, the manual will be posted on the District’s website for quick reference. The District will continue to train employees of the procurement rules and regulations.

The District will implement training on the governmental conduct act, in-depth risk assessments, and internal controls. All management, including the Superintendent, will be made aware of and sign an agreement acknowledging that internal controls cannot be overridden.

The Board will ensure that all employees are aware that they can report any fraud or abuse of public funds and provide a clear pathway for employees to report that information without fear of retaliation. The Board will also determine a path of discipline should such internal controls be overridden by management.

The State Auditor and Law Enforcement have been contacted - further investigations to ensue.

Due date of Completion: January 30, 2019

Responsible Party: Director of Business and Finance, Superintendent, Board of Education

**STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

Section II – Financial Statement Findings (Continued)

2018-006 LICENSE AGREEMENT

TYPE OF FINDING: Significant Deficiency

CONDITION

In February 2018, the District’s Board of Education, entered into a license agreement with a financial institution to utilize the District’s logo on credit and debit cards, as well as in marketing materials. Per the terms of the agreement, the license is “exclusive, non-transferable, limited, and revocable.” The agreement does not prevent the District from entering into other such agreements with *non-financial institutions*, but it does prohibit the right to license to other financial institutions or debit or credit card issuing entities. In the agreement, the District also authorizes the financial institution to solicit and promote student and employees by mail and other means. The District has agreed to advertise the program on the District website. The District has not provided other vendors with the opportunity to directly solicit in such a manner.

In exchange, the District is entitled to receive certain royalty payments per transaction on a card utilizing the logo, as well as a minimum payment after 100 such cards have been issued, and other miscellaneous payments. The District is not procuring services through this agreement and has not agree to make any payments to the financial institution.

CRITERIA

Section 12-6-5 NMSA 1978 states: “the state auditor shall cause a complete written report to be made of each annual or special audit and examination made. Each report shall set out in detail, in a separate section, any violation of law or good accounting practices found by the audit or examination.”

EFFECT

The District’s logo is public intellectual property, and therefore any licensing of its use should be performed in an impartial and transparent manner. No other financial institutions were provided the opportunity to use the District’s logo for marketing their products and services. This may have the effect of damaging relations with the District’s stakeholders, including vendors, employees, and students and their families.

CAUSE

The Board of Education did not fully consider all ramifications of the license agreement when it was entered in to.

RECOMMENDATION

We recommend the Board reconsider this agreement and also implement a policy covering the licensing of the District’s intellectual property to third parties, and for the solicitation of third party goods and services to students.

MANAGEMENT RESPONSE

The Director of Business and Finance has stated to current administration that she informed the previous Superintendent of her concerns regarding the contract that was drawn up by the District’s in-house General Counsel. The Director requested that the Board be notified of her concerns. The contract did not go through a procurement process which would have allowed all vendors access to public property. The agreement was approved by the Board of Education.

**STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

Section II – Financial Statement Findings (Continued)

2018-006 LICENSE AGREEMENT (CONTINUED)

Corrective Action: The Alamogordo Public School District’s Board of Education has been notified that this is an audit finding and that a remedy must be sought.

The current Acting Superintendent is seeking legal advice to evaluate options to terminate the 5-year contract.

The State Auditor has been notified and further investigations will ensue.

Due date of Completion: January 30, 2019

Responsible Party: Superintendent, Director of Business and Finance, Board of Education

**STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

Section II – Financial Statement Findings (Continued)

2018-007 TRANSPORTATION CONTRACT – POTENTIAL CRIMINAL AND PROCUREMENT VIOLATIONS

TYPE OF FINDING: Material Weakness and Material Non-Compliance

CONDITION

A former Administrator negotiated the transportation (bus) services contract for fiscal year 2018. At the end of the year, it was reported to us that the vendor was allegedly willing to accept \$40,000 from transportation funds in return for purchasing new band uniforms for students. Reportedly, when questioned, the former Administrator stated the funds were for cameras. The Director of Business and Finance stated that she replied that the District would have to follow procurement. After this, the former Administrator, using management override of controls, instructed Finance to pay the vendor \$40,000 without services in return, in violation of the Anti-Donation Clause and other statutes, administrative codes, and policies. Finance staff illegally issued this public voucher.

For the fiscal year 2019 transportation contract, the May 16, 2018 contract amount of \$1,310,000 had already been negotiated and budgeted when the Finance Director had notification from PED that the bus contract did not agree to the budget. Therefore, prior to this, either the same Administrator and/or the vendor had changed the amount to \$1,350,000-another \$40,000 increase from the negotiated amount. When questioned, the former Administrator reportedly stated that the District's Board of Education had already approved the contract, so he did not want to make a change. As a result of the second management override of controls, Finance increased the transportation budget for the contract by \$40,000.

These two situations were not immediately reported to the District's Audit Committee, law enforcement, or NM State Auditor as required and were not disclosed until our audit inquiries. The lack of disclosure and alleged fraudulent actions led to the Board of Education unknowingly approving an illegal contract.

CRITERIA

NM State Audit Rule 2.2.2.10 (K)(2). Pursuant to Section 12-6-6 NMSA 1978 (criminal violations), an agency [District] or IPA [external auditor] shall notify the state auditor immediately, in writing, upon discovery of any violation of a criminal statute in connection with financial affairs. The notification shall include an estimate of the dollar amount involved and a complete description of the violation, including names of persons involved and any action taken or planned. If warranted, the state auditor may cause an audit of the financial affairs and transactions of the agency in whole or in part pursuant to Section 12-6-3 NMSA 1978 and 2.2.2.15 NMAC. If the state auditor does not designate an agency for audit, an agency shall follow the provisions of 2.2.2.15 NMAC when entering into a professional services contract for a special audit, performance audit or attestation engagement regarding the financial affairs and transactions of the agency relating to financial fraud, waste and abuse.

If any information comes to our attention (regardless of materiality) indicating any fraud, illegal acts, non-compliance, or any internal control deficiencies, such instances must be disclosed in the report as required by Section 12-6-6 NMSA 1978. Additionally, the external auditor's consideration of fraud in a financial statement audit includes reporting to management and/or governance any evidence that fraud may exist.

NMSA 1978 Section 10-16-3(A). A legislator or public officer or employee shall treat the legislator's or public officer's or employee's government position as a public trust. The legislator or public officer or employee shall

STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018

Section II – Financial Statement Findings (Continued)

**2018-007 TRANSPORTATION CONTRACT – POTENTIAL CRIMINAL AND PROCUREMENT VIOLATIONS
(CONTINUED)**

use the powers and resources of public office only to advance the public interest and not to obtain personal benefits or pursue private interests.

NMSA 1978 30-16-6. *Fraud* consists of the intentional misappropriation or taking of anything of value which belongs to another by means of fraudulent conduct, practices or representations.

NMSA 1978 30-16-1. *Larceny* consists of stealing anything of value that belongs to another.

NMSA 1978 Section 30-16-8. *Embezzlement* consists of the embezzling or converting to his or her own use of anything of value with which he or she has been entrusted, with fraudulent intent to deprive the owner thereof.

NMSA 1978 Section 30-16-10. *Forgery* consists of: (A) falsely making or altering any signature to, or any part of, any writing purporting to have any legal efficacy with intent to injure or defraud; or (B) knowingly issuing or transferring a forged writing with intent to injure or defraud.

NMSA 1978 Section 30-23-3. *Making or permitting false public voucher* consists of knowingly, intentionally or willfully making, causing to be made or permitting to be made, a false material statement or forged signature upon any public voucher, or invoice supporting a public voucher, with intent that the voucher or invoice shall be relied upon for the expenditure of public money.

NMSA 1978 Section 30-26-1. *Tampering with public records* consists of:

- A. knowingly altering any public record without lawful authority;
- B. any public officer or public employee knowingly filing or recording any written instrument, judicial order, judgment or decree in a form other than as the original thereof in fact appeared;
- C. any public officer or public employee knowingly falsifying or falsely making any record or file, authorized or required by law to be kept;
- D. any public officer or public employee knowingly issuing or causing to be issued, any false or untrue certified copy of a public record; or
- E. knowingly destroying, concealing, mutilating or removing without lawful authority any public record or public document belonging to or received or kept by any public authority for information, record or pursuant to law.

New Mexico Manual of Procedures for Public School Accounting and Budgeting, Supplement 13 – Purchasing states: “the preparation and execution of a duly authorized purchase order must precede the placement of any order for goods, services, or construction.”

NMSA 1978 Section 30-23-2, paying or receiving public money for services not rendered: “Paying or receiving public money for services not rendered consists of knowingly making or receiving payment or causing payment to be made from public funds where such payment purports to be for wages, salary or remuneration for personal services which have not in fact been rendered.

**STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

Section II – Financial Statement Findings (Continued)

**2018-007 TRANSPORTATION CONTRACT – POTENTIAL CRIMINAL AND PROCUREMENT VIOLATIONS
(CONTINUED)**

Nothing in this section shall be construed to prevent the payment of public funds where such payments are intended to cover lawful remuneration to public officers or public employees for vacation periods or absences from employment because of sickness, or for other lawfully authorized purposes.

Whoever commits paying or receiving public money for services not rendered is guilty of a fourth degree felony.”

6.20.2.17 NMAC: “Each school district shall establish and implement written policies and procedures for purchasing which shall be in compliance with the Procurement Code, Section 13-1-21 et seq., NMSA 1978.”

13-1-74 NMSA 1978: “Procurement” means (A) purchasing, renting, leasing, lease purchasing or otherwise acquiring items of tangible personal property, services or construction; and (B) all procurement functions, including but not limited to preparation of specifications, solicitation of sources, qualification or disqualification of sources, preparation and award of contract and contract administration.

Competitive Sealed Bids: As per 13-1-102, all procurement shall be achieved by competitive sealed bid pursuant to Sections 13-1-103 through 13-1-110 NMSA 1978, except procurement achieved pursuant to the following sections of the Procurement Code [Sections 13-1-28 through 13-1-199 NMSA 1978]:

- A. Sections 13-1-111 through 13-1-122 NMSA 1978, competitive sealed proposals;
- B. Section 13-1-125 NMSA 1978, small purchases;
- C. Section 13-1-126 NMSA 1978, sole source procurement;
- D. Section 13-1-127 NMSA 1978, emergency procurements;
- E. Section 13-1-129 NMSA 1978, existing contracts;
- F. Section 13-1-130 NMSA 1978, purchases from antipoverty program businesses; and
- G. the Educational Facility Construction Manager At Risk Act [13-1-124.1 NMSA 1978].

SPD Policy Memo #FY09-002: “the State Purchasing Division (SPD) will not process any potential Procurement Code violation over \$100,000 until that potential violation has been investigated by the agency’s internal auditor or Inspector General. If the agency does not have either function in-house, then the investigation must be conducted by an independent third-party auditor or accountant paid for by the agency. A copy of the written findings, with supporting attachments as appropriate, must be submitted to SPD before a determination will be made. At a minimum, the report should provide the detailed specifics of the situation and the root cause(s) as well as planned corrective action. Additionally, the report should address whether the amount billed by the contractor is fair and reasonable and explain the basis for the finding(s).”

New Mexico Constitution Article IX, Section 14 states, “neither the state, nor any county, school district, or municipality, except as otherwise provided in this constitution, shall directly or indirectly lend or pledge its credit, or make any donation to or in aid of any person, association or public or private corporation. A donation within the meaning of this provision is a “gift”, an allocation or appropriation of something of value, without consideration.” This section is commonly referred to as the “Anti-Donation Clause”.

**STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

Section II – Financial Statement Findings (Continued)

**2018-007 TRANSPORTATION CONTRACT – POTENTIAL CRIMINAL AND PROCUREMENT VIOLATIONS
(CONTINUED)**

EFFECT

It appears there is fraud, waste, or abuse of District funds.

CAUSE

The actual cause is management override of controls. It is possible the Administrator involved may have wanted to use remaining transportation funds for fiscal year 18 and thought new band uniforms would be great for the students. As for fiscal year 19, he may have promised the vendor the same amount as fiscal year 18.

RECOMMENDATION

We recommended notifying the NM State Auditor’s Office and law enforcement to investigate further. We recommend training on internal controls and compliance, including management not overriding controls, and paths to report unethical behavior beyond the Superintendent. We also recommend adding the NM State Auditor’s website hotline to campus sites, internal website, external website, trainings, posted around the District, etc.

MANAGEMENT RESPONSE

It appears there is fraud, waste, and/or abuse of District funds. The actual cause is prior management override of controls. It has been discovered that there was an illegal and unauthorized edit to the contract which indicates that fraud is strongly suspected.

Corrective Action: Upon learning about this situation, the District’s current Administration reported the potential violations to the NM State Auditor’s Office and Law Enforcement - Further investigation will ensue.

Due date of Completion: January 31, 2019

Responsible Party: Acting Superintendent, Director of Business and Finance, Director of Human Resources, IT/Learning Services Director

**STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

Section II – Financial Statement Findings (Continued)

2018-008 BOARD OF EDUCATION – HIRING AN EMPLOYEE

TYPE OF FINDING: Material Non-Compliance

CONDITION

On 2/15/2017, the District's Board of Education entered into an employment contract with the District's General Counsel for the period 7/01/2017 to 6/30/2019, for an annual salary of \$103,515, as well as the right to participate in all benefits, fringe benefits, or programs which are available to administrative employees. In fiscal year 18, in addition to her salary, this included matching benefits by the District amounting to \$1,149. On 7/11/2018, the Board also entered into a separate employment contract for the period 7/01/2019 to 6/30/2020, under the same salary and benefit terms.

The Board hired the employee and also evaluated her. Several administrators reported to us that this employee did not report to the Superintendent and was not accountable to the Superintendent or other administrators, only directly to the Board. Further inquiry showed that the former Superintendent and Board President signed the most recent evaluation, indicating a dual control evaluation system between the administration and governance. The employment contract states the employee states that she shall report to and take direction from both; however, this was reportedly not the practice.

CRITERIA

The powers and duties of local school boards in New Mexico are prescribed by 22-5-4 NMSA 1978:

"LOCAL SCHOOL BOARDS--POWERS--DUTIES - A local school board shall have the following powers or duties:

- A. subject to the rules of the state board, develop educational policies for the school district;
- B. employ a local superintendent for the school district and fix his salary;
- C. review and approve the school district budget;
- D. acquire, lease and dispose of property;
- E. have the capacity to sue and be sued;
- F. acquire property by eminent domain pursuant to the procedures provided in the Eminent Domain Code;
- G. issue general obligation bonds of the school district;
- H. provide for the repair and maintain all property belonging to the school district;
- I. for good cause and upon order of the district court, subpoena witnesses and documents in connection with a hearing concerning any powers or duties of the local school boards;
- J. except for expenditures for salaries, contract for the expenditure of money according to the provisions of the Procurement Code;
- K. adopt rules pertaining to the administration of all powers or duties of the local school board;
- L. accept or reject any charitable gift, grant, devise or bequest. The particular gift, grant, devise or bequest accepted shall be considered an asset of the school district or the public school to which it is given; and
- M. offer and, upon compliance with the conditions of such offer, pay rewards for information leading to the arrest and conviction or other appropriate disciplinary disposition by the courts or juvenile authorities of offenders in case of theft, defacement or destruction of school district property. All such rewards shall be paid from school district funds in accordance with rules promulgated by the state board."

**STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

Section II – Financial Statement Findings (Continued)

2018-008 BOARD OF EDUCATION – HIRING AN EMPLOYEE (CONTINUED)

The Board has the authority to hire and affix a salary for the local superintendent, *but not any other positions*. Instead, per 22-5-14(3) NMSA 1978, the local superintendent is empowered to “employ, fix the salaries of, assign, terminate or discharge all employees of the school district.” (Emphasis added)

EFFECT

The Board has exercised power that has not been prescribed to it by the New Mexico Legislature, or any other authority.

CAUSE

The Board was aware that it did not have the power to hire employees other than the local superintendent; however, they did not connect their actions to this. Boards of Education are allowed to contract with legal counsel (outside vendors) which may have led to the misunderstanding of their action.

RECOMMENDATION

We recommend the Acting Superintendent work with the Board of Education to ensure compliance. We also recommend ensuring procurement is followed should the Board choose to contract with outside legal counsel.

MANAGEMENT RESPONSE

After investigating – it has been discovered that there was a dual control evaluation system between the APSD Board of Education and the former APSD Superintendent. Signatures of both the Superintendent and Board President are present on the latest evaluation of General Council.

It has been discovered that the language on the General Council employment contract states that she (in-house Legal Council shall report to and take direction from the Board and/or the Superintendent ~ as the Board's designee.

Corrective Action: Administration has given notice to the APSD Board of Education that they were in violation of HB 212. We have reconstituted the APSD Board of Education and a new President is in place. Administration has given a written directive to General Council that she is no longer to communicate or report to the APSD Board of Education per HB 212 requirements. Administration has received a Letter of Resignation from General Council effective December 31, 2018, thus terminating her 2-year contract. Administration has reported to the State Auditor in regard to this finding.

Due date of Completion: November 13, 2018

Responsible Party: Superintendent, Director of Human Resources, Board of Education

**STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

Section II – Financial Statement Findings (Continued)

2018-009 IT CONTROLS – INFINITE VISIONS

TYPE OF FINDING: Material Weakness

CONDITION

The District is not using Infinite Visions, their accounting software, to its full and intended use. There are also upgrades that should be implemented (or start over with the newest version of the software) since there are parts of the software that are old and not interacting with other parts of the software. Between our audit testing and an analysis report by the vendor, we noted the following:

- The status of employees for HR and Payroll are not current. This makes it very difficult for Principals and Administrators to make sound decisions. It also leads to errors (described in other findings).
- Education Retirement Board employee and employer contributions may not be calculated correctly in the software – additional research is needed to identify the problems.
- Finance’s budget process is reportedly unduly cumbersome and time consuming, with tasks being performed outside the software. We also noted complaints by members of management who were trying make budgetary decisions, such as staffing and expenditures, but Finance would not provide information timely.
- The software company has recommendations in the following areas: T&E calculations and reporting, security (user access, field levels, user roles), budgeting (including control groups, adjustments, and NM PED OBMS reporting setup), email alerts and jobs, coding for vendor and employee maintenance, general ledger settings and report writer, quarterly Medicaid report set up, vendors (categories, awards, alerts, direct deposit setup, maintenance, requisition approval), salary schedules, ERB reporting, STARS reporting, substitutes, funding, position control, salary schedules, employee maintenance (numerous areas), warehouse, general capital assets, and others.

CRITERIA

NMAC 6.20.2.11 states that 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 the performance of duties and functions. The duties to be segregated are the authorization to execute a transaction, recording the transaction, and custody of assets involved in the transaction.

EFFECT

District resources are not used efficiently and the lack of timely information is causing frustration between departments District-wide.

CAUSE

There may be a lack of training, ability, and software upgrades.

**STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

Section II – Financial Statement Findings (Continued)

2018-009 IT CONTROLS – INFINITE VISIONS (CONTINUED)

RECOMMENDATION

We have recommended to Administration that they fully proceed with the vendor’s training on how to fully and efficiently use the accounting software.

MANAGEMENT RESPONSE

In October 2018, Management provided five (5) days of extensive training from the software provider on the software program for the Payroll and Human Resources staff and Directors.

After a more thorough analysis of the software during the training process, it was determined that most people were having problems due to a lack of understanding, training, or actually using the software.

Management understands that the budget process is cumbersome and time consuming; however, it is vital and required that the District meet with committees made up of parents, community members, District employees, and Board members. There are some manual processes and documents that are requested to be prepared during the budget process that simply cannot be avoided. The process is going to be time consuming whether a manual process is utilized or the software accounting is utilized by each site and department. There are multiple users of budget information at multiple levels of understanding and the District has to be able to communicate budget information and processes to each end user.

All managers and secretaries are provided training on an annual basis on how to print and read their budgets. The Finance office provides step by step handouts on how to print and read their budgets. The Finance office has provided personal, one on one training to managers and secretaries. The Comptroller works with the Program Managers and secretaries on an annual and monthly basis to enter budgets and budget adjustments.

The District is utilizing a majority of the features in the accounting software with great success. There will always be need for end users to have a better understanding of how to utilize the software at its fullest potential. Therefore, there will always be an avenue for those ends users to get the data that they need to make decisions.

Corrective Action: Employees will be given every opportunity to learn how to utilize the software and the reporting features available to them. Employees will be asked to report to upper management if they are not able to get what they need from accessing reports on their own or from the Business and Finance Department and the Human Resources Department as both departments have the same access to the software system. The District has received a full week of training on the budgeting, payroll, and human resources modules within the accounting software system and will continue to train and utilize as many features as possible. Management encourages all managers and staff to learn how to fully utilize the software and learn the processes and procedures at hand in order to be better informed and capable of making decisions.

Due date of Completion: June 30, 2019

Responsible Party: Director of Business and Finance, Director of Human Resources

**STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

Section II – Financial Statement Findings (Continued)

2018-010 SALARIES PAID IN ADVANCE

TYPE OF FINDING: Material Non-Compliance

CONDITION During our School Personnel Act testing, we requested the procedures over pay allocations of employee terminations. As a result, in our discussion with management, we learned the District has been pre-paying employees for at least 4 years. The Director of Business and Finance asserted that she reported the situation to past Superintendents; however, the situation was not corrected.

During fiscal year 18, the first pay period on 7/7/17, the District prepaid for 5 days (July 10-14), totaling \$101,603 without benefits. There are times the District does not recover these amounts when employees leave, obliging the use of operational funds to cover these deficits. Additionally, it is unlawful to pay employees or vendors before services are rendered, as shown in the criteria as follows:

CRITERIA

NMSA 1978 Section 30-23-2, paying or receiving public money for services not rendered: “Paying or receiving public money for services not rendered consists of knowingly making or receiving payment or causing payment to be made from public funds where such payment purports to be for wages, salary or remuneration for personal services which have not in fact been rendered.

Nothing in this section shall be construed to prevent the payment of public funds where such payments are intended to cover lawful remuneration to public officers or public employees for vacation periods or absences from employment because of sickness, or for other lawfully authorized purposes.

Whoever commits paying or receiving public money for services not rendered is guilty of a fourth degree felony.”

New Mexico Constitution Article IX, Section 14 states, “neither the state, nor any county, school district, or municipality, except as otherwise provided in this constitution, shall directly or indirectly lend or pledge its credit, or make any donation to or in aid of any person, association or public or private corporation. A donation within the meaning of this provision is a “gift”, an allocation or appropriation of something of value, without consideration.” This section is commonly referred to as the “Anti-Donation Clause”.

EFFECT

By having the current payroll payment schedule set up the District is at risk of making payroll disbursements for services that are not rendered. This could potentially result in payroll expenditures that are erroneous. The District may potentially be non-compliant with NMSA 1978 § 30-23-2.

CAUSE

The timing of pay shifted at some point in the past and the District’s administration did not take steps to remedy this because of the impact on employees’ finances.

**STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2017**

Section II – Financial Statement Findings (Continued)

2018-010 SALARIES PAID IN ADVANCE (CONTINUED)

RECOMMENDATION

The District is encouraged to change the payroll payment schedule so that the District is not at risk for paying employees for services that are not rendered. For instance, the District can pay employees on the last day of the month for the services performed for that month.

MANAGEMENT RESPONSE

Corrective Action: The District will work to change the payroll payment schedule so that the District is not at risk for paying employees for services that are not rendered. The District may have to take action to change the pay dates from every two weeks to the 15th and the 30th of each month to ensure that employees are only getting paid for work they have performed or wait to run payroll until a full two weeks of service has been provided in the first payroll of July.

Due date of Completion: June 30, 2019

Responsible Party: Director of Business and Finance, Director of Human Resources

STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018

SECTION III – FEDERAL FINDINGS

2017-005 STUDENT NUTRITION – VERIFICATION AND ELIGIBILITY

TYPE OF FINDING: Non-Compliance

Federal program information:

Funding agency: U.S. Department of Agriculture
Title: National School Lunch Program
CFDA Number: 10.555

CONDITION

During our testing of 40 applications for eligibility, in one case, amounts for income were reported as zero with no verification. On two student records, they were shown as free when the correct classification was direct certification. Also, on one application, the income amounts resulted in full price. A second application left out an income amount, so students were changed to reduced price meals without documentation to explain the change.

During testing of the 24 applications selected for verification, calculations of gross income were not done properly on 4 applications, with 3 of those applications resulting in 5 students receiving free and reduced meals when they should not have, and two students being charged full price when they may have been eligible for reduced. One student should have been changed from reduced price meals to full price, but apparently left the District. The status was not documented and the status did not change. Additionally, the former Director signed off on approving the reduction of income on the system which allowed reduced meals for two students when they should have been full price.

Application 1779 Eligibility – the application was completed with no income reported. No verification was completed.

Application 916 and 1591 Eligibility – the students reviewed were direct certification but the database showed them as free.

Application 1355 Eligibility – original eligibility application denied due to income. Later, another application without one income amount, and the three students was allowed reduced meals. No documentation on why the income was not shown on later application.

Application 125/1758 Verification – calculations on the initial application and second application had similar amounts. There was a higher amount on one application that would have resulted in full price meals for two students. Unclear where the amount came from, but it was in NewKids system in October and November.

Application 466 Verification – Calculation of base pay done with 79 hours a week. Overtime and bonuses would put the family into the full pay category. The two students stayed in the reduced category the entire year, when they should have been full price.

**STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

Section III - Federal Findings (Continued)

2017-005 STUDENT NUTRITION – VERIFICATION AND ELIGIBILITY (CONTINUED)

Application 1597 Verification resulted in one student staying in the free category. The calculation did not include additional pay from overtime. The student would have move from free to reduced.

Application 252 Verification – The calculation resulted in income increase of 50% for the household as it was based on a 96 hour regular pay period. A correct calculation would have kept the 2 students in reduced meals instead of moving them to full pay.

Application 918 Verification – The family refused to reply which would have moved the student to full pay. The family apparently moved out of the District and the record was never changed. No documentation found mentioning the move. Record should have changed.

CRITERIA

Children belonging to households meeting nationwide income eligibility requirements may receive meals at no charge or a reduced price.

By November 15 of each school year, the District must verify the current free and reduced price eligibility of households from a sample of applications that it has approved for free and reduced price meals. and put them in the correct category.

CFR 245 6a (c) (7) states: In addition to the required verification sample, the District must verify any questionable application, and should on a case-by-case basis, verify any application for cause such as an application where a household reports zero income or when the District is aware of additional income or persons in the household.

Earnings from work include salary (or wages) and cash bonuses. From the USDA Food and Nutrition Services, Child Nutrition Services, Eligibility Manual for School Meals – Determining and Verifying Eligibility, if a household submits a pay stub including overtime, the determining official should work with the household to determine if the overtime is representative of other months. If overtime is one-time or sporadic it is not included in the calculation.

QUESTIONED COSTS

None

EFFECT

The District is not in compliance with program requirements. By not calculating income properly for verifications, students' eligibility status is incorrect resulting in improper classifications and students receiving benefits of the Federal program in excess of what they are eligible for. The proper use of Federal money in this program is dependent on Districts correct calculations of income, and questioning applications when allowable by law.

**STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

Section III - Federal Findings (Continued)

2017-005 STUDENT NUTRITION – VERIFICATION AND ELIGIBILITY (CONTINUED)

CAUSE

The District's issues in this area resulted from growth in the number of applications, limited staffing issues and not following federal regulations to properly calculate income for verifications, and to verify questionable applications. The Director signed off on reducing a family's income when they were slightly over the limit.

RECOMMENDATION

We recommend that the District develops procedures to make sure verification calculations are correct. The District needs to ensure it uses all information provided as part of the verification process. Regular pay should be calculated for the year, and then the District needs include bonuses and overtime, if not sporadic, to get to a gross amount. In situations where the amount calculated for income is less than what was on the application, follow up should occur to determine why. In addition, questionable applications and those with zero income should be flagged for verification in addition to the required verification sample. Families that do not qualify should not receive free and reduced meals.

MANAGEMENT RESPONSE

An increase in the number of Community Eligibility Program (CEP) schools within the District resulted in a lower than usual number of Free and Reduced Lunch applications and staffing issues have been resolved. Verification samples were pulled and letters have been sent out, this includes applications found to be questionable. Changes to eligibility will be made as requested income data is received. If no response is received to the verification letter, students will be moved to full pay on November 16, 2018. No SNS personnel will sign off on eligibility for which a family does not qualify to receive.

Corrective Action: District SNS office staff has familiarized itself with the proper way to calculate income, not only during the verification process, but upon the initial receipt of the application to determine eligibility. Questionable and zero income applications were noted during the initial input of data and added to the verification sample. The District will develop local procedures, in accordance with federal guidelines, to ensure all personnel process applications and verifications correctly.

Due Date of Completion: February 28, 2019

Responsible Party: Student Nutrition Coordinator

**STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

Section III - Federal Findings (Continued)

2017-006 STUDENT NUTRITION – INVENTORY - REVISED AND REPEATED

TYPE OF FINDING: Significant Deficiency/Non-Compliance

Federal program information:

Funding agency: U.S. Department of Agriculture

Title: National School Lunch Program

CFDA Number: 10.553, 10.555

CONDITION

During our testing of Student Nutrition inventory, we noted the following exceptions:

- Weekly inventories at school sites were not being performed in 2017 and this continued into 2018. Student Nutrition staff have started this process.
- There were not routine cycle counts of freezer inventory in 2017. Central Office staff have started this process during fiscal year 2018.
- Staffing of school kitchens has been completed based on inquiry and observation. In 2017, one school did not have staff, so central office staff was filling in.
- Year-end inventory lists commodities did not include pricing on all items in 2017. This issue continued in 2018, as some items did not have a valuation on the year-end report.
- Improvements have been made over controls of the receipt and use of inventory in 2018.

CRITERIA

NMAC 6.20.2.11 Internal Control Structure Standards states: “every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safe-guarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP”.

QUESTIONED COSTS

None

EFFECT

The proper use of federal money and commodities in this program is dependent on strong internal controls over inventory, along with proper staffing.

CAUSE

The District’s issues in this area resulted from staffing issues and not designing and implementing strong controls over inventories.

**STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

Section III - Federal Findings (Continued)

2017-006 STUDENT NUTRITION – INVENTORY (CONTINUED)

RECOMMENDATION

We recommend the District continually reviews policies and procedures compliance for the Student Nutrition program. We recommend meeting with other Districts in the state whose programs have successful inventory management. Once systems are in place the inventory reporting and financial amounts should be correct.

MANAGEMENT RESPONSE

Weekly inventories are being conducted at all school sites, as well as at the District warehouse. Each school site maintains a copy of the weekly inventory and provides a copy to the SNS office. The Quality Control Specialist conducts weekly inventories of dry goods, non-food items, and frozen foods stored at the District warehouse and maintains a copy of the inventory in the office. The Quality Control Specialist oversees the receipt of commodities to the District warehouse, as well as any items not direct shipped to any school.

Corrective Action: The District will continue to make improvements to inventory controls, to include proper annotation of valuations for commodity items on inventories – especially year end reports. Written procedures for proper inventory control will be developed.

Due Date of Completion: May 1, 2019

Responsible Party: Quality Control Specialist with oversight of Student Nutrition Coordinator

**STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF SECTION 12-6-5 NMSA 1978 FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018**

2018-011 OVER-EXPENDITURE OF BUDGET

TYPE OF FINDING: Non-Compliance

CONDITION

The District has a major function line item where actual expenditures exceeded budgetary authority:

Fund 24112	Major Function 1000 – Instruction	\$89
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CRITERIA

NMAC 6.20.2.9(A) states: “every school district shall follow budget requirements stated in Sections 22-8-5 through 22-8-12.2 NMSA 1978, and procedures of the department in preparing, submitting, maintaining and reporting budgetary information. Budgetary control shall be at the function level. Over-expenditure of a function shall not be allowed”.

CAUSE

The Finance Department did not prepare a budget adjustment request to prevent the overage.

EFFECT

The District is out of compliance with New Mexico state statute and the control established using budgets has been compromised, which could result in deficit fund balances and unnecessary usage of operating funds to cover the over-expenditures.

RECOMMENDATION

We recommend the District establish a policy of budgetary review by the governing council or finance committee at the end of each quarter and have the governing council approve the necessary budgetary adjustments to ensure funds are not over expended. We recommend expanding the OBMS to Infinite Visions reconciliation and budgetary review to the function level immediately. We recommend completing these reconciliations weekly and completing budget and actuals statements monthly.

MANAGEMENT’S RESPONSE

At the end of every year, the Public Education Department sets the final date for Budget Adjustment Requests (BARs) as June 5th. The Finance Department tries to work with Program Managers to ensure that by the last Board meeting in May that all funds are encumbered and all budget line items are in the positive. If the Program Manager underestimated final expenditures by the end of June, it is too late to process a BAR that can be sent to PED.

Corrective Action:

Management will continue to work with Program Mangers to ensure that all final expenditures are accounted for before the May board meeting and possibly cut off spending at an earlier date in order to avoid overspending functions in budgets.

Due Date of Completion: April 30, 2019

Responsible Party: Director Business and Finance, Program Managers

**STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF SECTION 12-6-5 NMSA 1978 FINDINGS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

2018-012 EDUCATION RETIREMENT BOARD (ERB) CONTRIBUTIONS NOT RECONCILING TO THE GENERAL LEDGER

TYPE OF FINDING: Non-Compliance

CONDITION

Educational Retirement Board (ERB) retirement contributions made in fiscal year 2018 did not agree to the general ledger by \$1,479. The amounts were higher in the first schedule provided to us; however, payroll employees were able to reconcile certain amounts. However, there do not appear to be strong controls over reconciling these contributions, including a strong review process to ensure amounts are reconciling. Errors with ERB contributions have occurred (see also Finding 2018-002).

CRITERIA

NMAC 6.20.2.11 - Internal Control Structure Standards states: "every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP".

EFFECT

Misstatements of payroll benefits and/or reports to ERB. The general ledger expenses or contributions may not be accurate.

CAUSE

Lack of effective internal controls and supervisor review and approval surrounding the payroll process. This could also be impacted by limited communication between the HR and Payroll staff.

RECOMMENDATION

We recommend that management ensure that adequate internal controls are established surrounding the financial reporting and compliance process.

MANAGEMENT'S RESPONSE

Corrective Action: Management will provide more oversight on any adjustments to ERB and have a record of any and all adjustments made with supporting documentation. Both the Human Resources Director and the Business and Finance Director will work to ensure that effective communication is made between both departments and the processes and procedures are followed.

Business and Finance will work with the Human Resources Department to design a process that will ensure internal controls and appropriate separation of duties.

Due Date of Completion: December 31, 2018

Responsible Party: Director of Business and Finance, Director of Human Resources

**STATE OF NEW MEXICO
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT
EXIT CONFERENCE
JUNE 30, 2018**

The contents of this report were discussed, in a closed session, on November 13, 2018 with Alamogordo Municipal School District. The following individuals were in attendance:

Alamogordo Municipal School District

Timothy Wolfe, Board President

Audit Committee

David Weaver, Board Member

Michelle Korbakes, Executive Director of Learning Services

MaryAnn Mayton, Finance Community Member Representative

Melanie Hallbeck, Parent Representative

Administration

Jerrett Perry, Acting Superintendent

Carol Genest, Director of Business and Finance

Tom Bregler, Comptroller

Jaramillo Accounting Group LLC (JAG)

Audrey J. Jaramillo, CPA, CFE, Managing Partner

Jaramillo Accounting Group (JAG) assisted in the preparation of the financial statements presented in this report. The District's management has reviewed and approved the financial statements, the schedule of expenditures of federal awards, and related notes and they believe that their records adequately support the financial statements.

OTHER INFORMATION



OFFICE OF BUSINESS & FINANCE

Carol Genest, Director
1211 Hawaii Avenue
Alamogordo, NM 88310

Office: (575) 812-6044

Fax: (575) 812-6049

CORRECTIVE ACTION PLAN

January 9, 2019

US Department of Education

Alamogordo Municipal School District respectfully submits the following corrective action plan for the year ended June 30, 2018.

Name and address of independent public accounting firm:

Jaramillo Accounting Group LLC
4700 Lincoln Rd. NE
Albuquerque, New Mexico 87109

Audit period:

June 30, 2018

The findings from the June 30, 2018 Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS - FINANCIAL STATEMENT AUDIT

FINDING THAT DOES NOT RISE TO THE LEVEL OF A SIGNIFICANT DEFICIENCY

2017-002 IT ACCESS - SEGREGATION OF DUTIES

RECOMMENDATION

Finance and HR management should work with IT personnel to regularly review user access control, so that users have only those roles that are necessary, and do not have any incompatible roles. Also, we recommend that the District utilize the Administration Access, User Roles, User Security, and Workflow Configuration (such as Payroll User Roles) functionalities to improve controls where needed. The District needs consulting with the software company to evaluate and re-build user access with greater limitations. Users should never change their own access.

MANAGEMENT RESPONSE

Corrective Action: The Directors of Human Resources and Business and Finance will work with Technology Support to review the current access to the accounting software and determine any changes that need to be made. A written process will be created and utilized to assign user rights and access. A User Rights Profile document will be created and used to assign access rights for new employees, transferred employees, and terminated employees. A separate person will cross check the user rights after they have been entered in the accounting software to ensure accurate entry.

The Technology Department, in conjunction with the Directors of Human Resources and Business and Finance, will conduct a semi-annual review of the personnel who have access rights to the accounting software and work to correct any discrepancies.

The District will work with the software provider to develop user roles and access to ensure a separation of duties.

Due Date of Completion: January 30, 2019

Responsible Party: Directors of Human Resources, Business and Finance, and Technology Support Services

SIGNIFICANT DEFICIENCY

2017-004 STUDENT NUTRITION – OPERATIONS – REVISED AND REPEATED

RECOMMENDATION

We recommend that the District continue to re-visit policy, procedures and Federal guidance for the Student Nutrition program. We recommend meeting with other Districts in the state whose programs are doing well financially. Once there are risk assessments performed, new policies, procedures, organizational structure, and controls implemented, there must be frequent monitoring. There should be strong accountability consequences for non-compliance.

MANAGEMENT RESPONSE

Catering activities have been discontinued and a formal policy is in the process of being written outlining the prohibition of food and supply sales to third parties and non-profits.

Outstanding negative balances continue to plague multiple districts throughout the state; caused in part to the “no shaming” law; however, Alamogordo Public Schools continues to send letters and make calls to parents/guardians in an effort to collect on the unpaid balances, to include uncollected Non-Sufficient Funds as they arise. A local organization has contacted the District in regard to making a donation to be used towards paying off the larger of our unpaid meals balances.

Menu planning and costs per meal will continue to improve as the new staff transitions. Menu changes will also occur to increase the self-sustainability of the Student Nutrition Services (SNS) program; cuts will be made, as needed.

Corrective Action: The incoming SNS Coordinator will review existing policies and procedures to ensure they are brought in line with Federal guidelines for SNS programs. New policies and procedures will be created where found to be lacking. The Alamogordo Public School District’s SNS staff will reach out to other school districts within the state to learn best practices that can be implemented to improve the financial state of our program.

Due Date of Completion: June 30, 2019

Responsible Party: Student Nutrition Coordinator

2017-007 STUDENT NUTRITION – CASH RECEIPTS – REVISED AND REPEATED

RECOMMENDATION

We recommend that the District review the policy on depositing money, and assure procedures allow for compliance with the requirements. There should be strong accountability consequences for non-compliance.

MANAGEMENT RESPONSE

Personnel from the Student Nutrition Services office make a daily 'run' to all schools within the district, which are located within city limits, and take their deposits, as well as any funds collected at the SNS office, to the bank. Kitchen managers for schools located at Holloman Air Force Base (HAFB) take their own deposits to the bank daily. The kitchen manager at High Rolls Mountain Park is responsible for making her own deposits on days when she may receive funds – which may not be daily. Deposits from the La Luz kitchen are locked in the school vault overnight, Monday – Thursday, then brought to the SNS office the next day to be taken to the bank during that day's 'run.' The kitchen manager at La Luz takes the Friday deposit to the bank every Friday.

Weekly reconciliations are completed by either the SNS Coordinator or the SNS Administrative Assistant. A printed and electronic copy are maintained in the SNS office and a printed copy is provided to the District Comptroller.

Corrective Action: All SNS staff will continue to review District policies on depositing money on an annual, or as needed, basis.

Due Date of Completion: August 13, 2018

Responsible Party: Student Nutrition Coordinator

2018-004 FINANCIAL CLOSE AND REPORTING

RECOMMENDATION

We recommend that the District utilize the inventory tracking system within Infinite Visions and adjust inventory balances monthly. The District's financial close and reporting controls should include but not be limited to:

- Identifying all sources of financial and non-financial data (routine and non-routine events and transactions) that will be needed in order to maintain and systematically adjust the District's general ledger.
- Preparing PBCs in the format of the financial statement requirements.
- Preparing the SEFA in compliance with the Uniform Grant Guidance, related compliance supplements and grant agreements.
- Providing all cash to modified accrual basis journal entries for the fund financial statements.
- Providing cash to full accrual basis journal entries for the government-wide financial statements.
- Establishing and implementing procedures and records to initiate, authorize, record, process, correct, transfer to the general ledger, and report in the financial statements the District's transactions.
- Monitoring the non-audit services provided by the external auditor and reviewing and approving the services provided.
- Reviewing in detail the financial statements and related reports and not releasing them to the Office of the State Auditor until completely accurate.

MANAGEMENT RESPONSE

Corrective Action: Management will wait until the actual year-end has been closed out before sending information to the Auditor to ensure all balances and reports are accurate. The Director of Business and Finance will be enrolled in training to learn how to prepare financial statements, therefore reducing this type of audit finding. The District will look into the cost, training, and staffing available to maintain the consumable inventories in the District's accounting software and make a decision of whether or not to implement an electronic inventory system.

The District will communicate more with the auditor in the future to ensure both sides receive information in a timely and efficient manner in order to improve any future audit findings and reporting.

Due date of Completion: June 30, 2019

Responsible Party: Director of Business and Finance

2018-006 LICENSE AGREEMENT

RECOMMENDATION

We recommend the Board reconsider this agreement and also implement a policy covering the licensing of the District's intellectual property to third parties, and for the solicitation of third party goods and services to students.

MANAGEMENT RESPONSE

The Director of Business and Finance has stated to current administration that she informed the previous Superintendent of her concerns regarding the contract that was drawn up by the District's in-house General Counsel. The Director requested that the Board be notified of her concerns. The contract did not go through a procurement process which would have allowed all vendors access to public property. The agreement was approved by the Board of Education.

Corrective Action: The Alamogordo Public School District's Board of Education has been notified that this is an audit finding and that a remedy must be sought.

The current Acting Superintendent is seeking legal advice to evaluate options to terminate the 5-year contract.

The State Auditor has been notified and further investigations will ensue.

Due date of Completion: January 30, 2019

Responsible Party: Superintendent, Director of Business and Finance, Board of Education

MATERIAL WEAKNESS

2018-001 NEGATIVE CASH BALANCE FROM UNREIMBURSED EMPLOYEE BENEFITS

RECOMMENDATION

The School should design and implement procedures to ensure that bank reconciliations reconcile to the general ledger and the PED cash report. Any unexplained differences should be thoroughly investigated and corrective action taken immediately.

MANAGEMENT RESPONSE

This issue was partially due to employees that have been out on unpaid leave through Worker's Compensation, who chose to continue paying for and receiving medical or other voluntary benefits. The employee may have left the district without paying their portion of the already billed and paid New Mexico Public Schools Insurance Authority (NMPSIA) bill. It is often difficult to make a decision to cut off an employee's medical benefits for non-payment knowing that the employee has been injured on the job and is suffering. The District failed to record the expenses for the employer and the receivables from the employee and to reconcile the monthly billing.

In addition, in following the requirements for the Family Medical Leave Act (FMLA) and District policies, for the duration of FMLA leave, the employer must maintain the employee's health coverage under a "group health plan" as long as the employee had those benefits prior to going out on FMLA. Arrangements are generally made with the employee to pay those benefits either while they are on leave or when they return. The District failed to record the expenses for the employer and the receivables from the employee and to reconcile the monthly billing.

If an employee fails to return to work, then it is nearly impossible to collect those back payments.

Corrective Action: Going forward, a new Benefits person will be hired and the journal entries will be made on a monthly basis to record the District's portion of expenses and the employees' portions as receivables. Any unexplained differences will be thoroughly investigated and corrective action will be taken immediately. In the future, when an employee is off payroll, the first option is for employees to pay their portion of benefits upfront and while they are on leave. The second option will be to double up on premiums when the employee returns to work. The employee will be given written directions and receive a clear understanding of their obligation to pay for premiums while they are off of work along with the consequences for not paying premiums, including termination of benefits. The employee will be asked to sign the written directions indicating that they understand their obligation to pay for their benefits and that they will still be obligated to pay their portion should they fail to return to work.

An accounts receivable ledger will be kept in the software system to track all amounts due and paid by employees.

The Director of Business and Finance will work directly with the Benefits person and the Comptroller to ensure that the journal entries are made and that all of the variances between the NMPSIA bill and the general ledger are reconciled and accounted for. The Director of Business and Finance will ensure that those responsible for reconciling the NMPSIA bill and the bank statement are held accountable for performing those duties.

Due date of Completion: December 31, 2018

Responsible Party: Director of Business and Finance

2018-002 INTERNAL CONTROLS OVER THE PAYROLL DISBURSEMENT TRANSACTION CYCLE

RECOMMENDATION

There should be a week in between the pay period end and the pay day in order to leave time for quality reviews. Administration should analyze the risks and troubleshoot any problems. The District should consider moving to paying once or twice a month instead of every two weeks. Then they should design and implement stronger controls, including continued monitoring.

MANAGEMENT RESPONSE

Corrective Action: The Director of Business and Finance will provide more oversight on the transactions and corrections made in the payroll department. The Director of Business and Finance will also work with and train the Program Managers to ensure that they plan accordingly in their annual budgets in order to avoid mid-year changes in payroll funding.

The Director of Human Resources will ensure that the contract execution deadlines are met and mandatory employee trainings are carried out and documented. The Collective Bargaining Agreement salary schedules will be verified against the salary schedules used in the accounting software and on contract documents. Increased use of technology systems, coupled with enhanced staff oversight, will allow greater transparency, accuracy and timeliness of documentation processes.

The District hired a trainer from our accounting software company in October 2018 to review the District's processes and procedures starting with the hiring of employees through the retiring or termination of employees. The staffs from Human Resources, Payroll, the Comptroller, and both Directors attended the training. The District will work on a process and procedures manual and determine the role of each department to ensure that all processes and procedures are completed timely and efficiently.

Due date of Completion: June 30, 2019

Responsible Party: Director of Business and Finance, Director of Human Resources

2018-003 RECOGNITION OF CAPITAL ASSETS

RECOMMENDATION

We recommend the District track all capital asset activity throughout the year, at a minimum monthly, including gathering all information necessary to decide whether an expense should be capitalized in accordance with generally accepted accounting principles and PED guidance. Capital outlay expense should be reconciled to capital asset additions monthly. Another individual should review and approve the capital assets transactions and reports. All assets designated by policy (those over \$5,000 and others as determined necessary) should remain in software so that items are not forgotten or misplaced (outside the normal process) and are accounted for at or around year end and included in the Board of Education's capital assets certification.

MANAGEMENT RESPONSE

Management had been following a consistent process for recording maintenance and repair on capital assets as instructed by a prior auditing firm. The prior auditing firm had stated that the District was overstating its assets by capitalizing too many projects that could be coded as maintenance and repair. In addition, the prior auditing firm had removed any fixed assets purchased with activity/agency funds from the capitalization and depreciation statements. The asset purchased from activity funds has always been recorded in the software system. Any capital assets over \$5,000 are recorded in the software system and are never removed unless a formal request to dispose of fixed assets is submitted to the Board of Education and the Office of the State Auditor. Any disposals are reported annually to the auditor.

Corrective Action: The Director of Business and Finance will rewrite the process in which to categorize expenditures to capture the maintenance and repair expenditures as a depreciable asset as appropriate.

All expenses are coded via purchase orders using the Uniform Chart of Accounts. When purchase orders are paid, the Property Control Officer extracts a listing from the software program and tags inventory accordingly. The Business and Finance Director reviews the transactions to ensure that the general ledger reconciles to the general fixed assets. All purchases over \$5,000 are recorded in the general ledger and the fixed assets module automatically and are not at risk of being misplaced or unaccounted for. The Director of Business and Finance will follow the guidelines of the current auditors and record maintenance and repair as a capital asset in addition to assets purchased (and currently in fixed assets) from agency (activity) funds.

Due date of Completion: January 30, 2019

Responsible Party: Director of Business and Finance

2018-009 IT CONTROLS – INFINITE VISIONS

RECOMMENDATION

We have recommended to Administration that they fully proceed with the vendor's training on how to fully and efficiently use the accounting software.

MANAGEMENT RESPONSE

In October 2018, Management provided five (5) days of extensive training from the software provider on the software program for the Payroll and Human Resources staff and Directors.

After a more thorough analysis of the software during the training process, it was determined that most people were having problems due to a lack of understanding, training, or actually using the software.

Management understands that the budget process is cumbersome and time consuming; however, it is vital and required that the District meet with committees made up of parents, community members, District employees, and Board members. There are some manual processes and documents that are requested to be prepared during the budget process that simply cannot be avoided. The process is going to be time consuming whether a manual process is utilized or the software accounting is utilized by each site and department. There are multiple users of budget information at multiple levels of understanding and the District has to be able to communicate budget information and processes to each end user.

All managers and secretaries are provided training on an annual basis on how to print and read their budgets. The Finance office provides step by step handouts on how to print and read their budgets. The Finance office has provided personal, one on one training to managers and secretaries. The Comptroller works with the Program Managers and secretaries on an annual and monthly basis to enter budgets and budget adjustments.

The District is utilizing a majority of the features in the accounting software with great success. There will always be need for end users to have a better understanding of how to utilize the software at its fullest potential. Therefore, there will always be an avenue for those ends users to get the data that they need to make decisions.

Corrective Action: Employees will be given every opportunity to learn how to utilize the software and the reporting features available to them. Employees will be asked to report to upper management if they are not able to get what they need from accessing reports on their own or from the Business and Finance Department and the Human Resources Department as both departments have the same access to the software system. The District has received a full week of training on the budgeting, payroll, and human resources modules within the accounting software system and will continue to train and utilize as many features as possible. Management encourages all managers and staff to learn how to fully utilize the software and learn the processes and procedures at hand in order to be better informed and capable of making decisions.

Due date of Completion: June 30, 2019

Responsible Party: Director of Business and Finance, Director of Human Resources

MATERIAL NON-COMPLIANCE

2018-005 PROCUREMENT CODE VIOLATION

RECOMMENDATION

We recommend the District train department heads in its policies and procedures regarding compliance with the State procurement requirements, to ensure that all items of procurement are handled in a manner consistent with the State Procurement Code. From this and other findings, it appears that training is necessary on the governmental conduct act and in-depth risk assessments/internal control, including that management should not override internal controls in place to protect public monies.

MANAGEMENT RESPONSE

It has been communicated to current administration that the Director of Business and Finance reported this procurement violation to her supervisor at the time.

It has been reported to current administration by the Director of Business and Finance that consultation with the District's in-house legal counsel occurred and that an alternative means of procurement was managed in order to cure the violation.

Prior to the arrival of the current Acting Superintendent - It has been noted that administration was aware of the procurement violation and hired an outside entity to investigate the procurement violation. Current administration has requested that the in-house General Council provide a copy of this investigation.

Procurement trainings will continue to be given to all District Administrators and secretarial staff or any other group of employees who make purchases. Processes and procedures are in place to guide employees through the procurement process. All employees sign a personnel agreement in the beginning of every year verifying that they understand the ramifications of making purchases outside of the procurement process and the procurement laws.

The Board Policy D-2750 BIDDING/PURCHASING PROCEDURES is very clear in stating that, *"Any APS employee who purchases or causes to be purchased good or services outside the provision of this policy and it implementing regulations may be deemed personally liable for the cost thereof and may be subject to appropriate disciplinary action up to and including termination."*

Corrective Action: The District had composed a Procurement Rules, Policy, and Procedures Manual that was pending Board approval which incorporates state and federal procurement rules and regulations along with local District policies and procedures. Once approved, the manual will be posted on the District's website for quick reference. The District will continue to train employees of the procurement rules and regulations.

The District will implement training on the governmental conduct act, in-depth risk assessments, and internal controls. All management, including the Superintendent, will be made aware of and sign an agreement acknowledging that internal controls cannot be overridden.

The Board will ensure that all employees are aware that they can report any fraud or abuse of public funds and provide a clear pathway for employees to report that information without fear of retaliation. The Board will also determine a path of discipline should such internal controls be overridden by management.

The State Auditor and Law Enforcement have been contacted - further investigations to ensue.

Due date of Completion: January 30, 2019

Responsible Party: Director of Business and Finance, Superintendent, Board of Education

2018-008 BOARD OF EDUCATION – HIRING AN EMPLOYEE

RECOMMENDATION

We recommend the Acting Superintendent work with the Board of Education to ensure compliance. We also recommend ensuring procurement is followed should the Board choose to contract with outside legal counsel.

MANAGEMENT RESPONSE

After investigating – it has been discovered that there was a dual control evaluation system between the APSD Board of Education and the former APSD Superintendent. Signatures of both the Superintendent and Board President are present on the latest evaluation of General Council.

It has been discovered that the language on the General Council employment contract states that she (in-house

Legal Council shall report to and take direction from the Board and/or the Superintendent ~ as the Board's designee.

Corrective Action: Administration has given notice to the APSD Board of Education that they were in violation of HB 212. We have reconstituted the APSD Board of Education and a new President is in place. Administration has given a written directive to General Council that she is no longer to communicate or report to the APSD Board of Education per HB 212 requirements. Administration has received a Letter of Resignation from General Council effective December 31, 2018, thus terminating her 2-year contract. Administration has reported to the State Auditor in regard to this finding.

Due date of Completion: November 13, 2018

Responsible Party: Superintendent, Director of Human Resources, Board of Education

2018-010 SALARIES PAID IN ADVANCE

RECOMMENDATION

The District is encouraged to change the payroll payment schedule so that the District is not at risk for paying employees for services that are not rendered. For instance, the District can pay employees on the last day of the month for the services performed for that month.

MANAGEMENT RESPONSE

Corrective Action: The District will work to change the payroll payment schedule so that the District is not at risk for paying employees for services that are not rendered. The District may have to take action to change the pay dates from every two weeks to the 15th and the 30th of each month to ensure that employees are only getting paid for work they have performed or wait to run payroll until a full two weeks of service has been provided in the first payroll of July.

Due date of Completion: June 30, 2019

Responsible Party: Director of Business and Finance, Director of Human Resources

MATERIAL WEAKNESS and MATERIAL NON-COMPLIANCE

2018-007 TRANSPORTATION CONTRACT – POTENTIAL CRIMINAL AND PROCUREMENT VIOLATIONS

RECOMMENDATION

We recommended notifying the NM State Auditor's Office and law enforcement to investigate further. We recommend training on internal controls and compliance, including management not overriding controls, and paths to report unethical behavior beyond the Superintendent. We also recommend adding the NM State Auditor's website hotline to campus sites, internal website, external website, trainings, posted around the District, etc.

MANAGEMENT RESPONSE

It appears there is fraud, waste, and/or abuse of District funds. The actual cause is prior management override of controls. It has been discovered that there was an illegal and unauthorized edit to the contract which indicates that fraud is strongly suspected.

Corrective Action: Upon learning about this situation, the District's current Administration reported the potential violations to the NM State Auditor's Office and Law Enforcement - Further investigation will ensue.

Due date of Completion: January 31, 2019

Responsible Party: Acting Superintendent, Director of Business and Finance, Director of Human Resources, IT/Learning Services Director

FINDINGS - FEDERAL AWARD PROGRAMS AUDIT

NON-COMPLIANCE

2017-005 STUDENT NUTRITION – VERIFICATION AND ELIGIBILITY

RECOMMENDATION

We recommend that the District develops procedures to make sure verification calculations are correct. The District needs to ensure it uses all information provided as part of the verification process. Regular pay should be calculated for the year, and then the District needs include bonuses and overtime, if not sporadic, to get to a gross amount. In situations where the amount calculated for income is less than what was on the application, follow up should occur to determine why. In addition, questionable applications and those with zero income should be flagged for verification in addition to the required verification sample. Families that do not qualify should not receive free and reduced meals.

MANAGEMENT RESPONSE

An increase in the number of Community Eligibility Program (CEP) schools within the District resulted in a lower than usual number of Free and Reduced Lunch applications and staffing issues have been resolved. Verification samples were pulled and letters have been sent out, this includes applications found to be questionable. Changes to eligibility will be made as requested income data is received. If no response is received to the verification letter, students will be moved to full pay on November 16, 2018. No SNS personnel will sign off on eligibility for which a family does not qualify to receive.

Corrective Action: District SNS office staff has familiarized itself with the proper way to calculate income, not only during the verification process, but upon the initial receipt of the application to determine eligibility. Questionable and zero income applications were noted during the initial input of data and added to the verification sample. The District will develop local procedures, in accordance with federal guidelines, to ensure all personnel process applications and verifications correctly.

Due Date of Completion: February 28, 2019

Responsible Party: Student Nutrition Coordinator

SIGNIFICANT DEFICIENCY/NON-COMPLIANCE

2017-006 STUDENT NUTRITION – INVENTORY - REVISED AND REPEATED

RECOMMENDATION

We recommend the District continually reviews policies and procedures compliance for the Student Nutrition program. We recommend meeting with other Districts in the state whose programs have successful inventory management. Once systems are in place the inventory reporting and financial amounts should be correct.

MANAGEMENT RESPONSE

Weekly inventories are being conducted at all school sites, as well as at the District warehouse. Each school site

maintains a copy of the weekly inventory and provides a copy to the SNS office. The Quality Control Specialist conducts weekly inventories of dry goods, non-food items, and frozen foods stored at the District warehouse and maintains a copy of the inventory in the office. The Quality Control Specialist oversees the receipt of commodities to the District warehouse, as well as any items not direct shipped to any school.

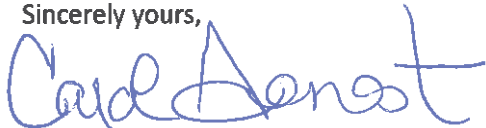
Corrective Action: The District will continue to make improvements to inventory controls, to include proper annotation of valuations for commodity items on inventories – especially year end reports. Written procedures for proper inventory control will be developed.

Due Date of Completion: May 1, 2019

Responsible Party: Quality Control Specialist with oversight of Student Nutrition Coordinator

If the US Department of Education has questions regarding this plan, please call me at 575-812-6045.

Sincerely yours,



Carol Genest
Director of Business and Finance