REPORT OF INDEPENDENT AUDITORS,
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
(UNAUDITED)

21st CENTURY PUBLIC ACADEMY
(A Component Unit of Albuquerque Municipal
School District No. 12)

June 30, 2018

MOSSADAMS

Table of Contents (Unaudited)

21st Century Public Academy
(A Component Unit of Albuquerque Municipal School District No. 12)

OFFICIAL ROSTER
(Unaudited)

June 30, 2018

21ST Century Public Academy Governing Council

Virginia Trujillo, President

Art Silva, Vice President

Kathy Webb, Secretary

Phillip Sapien, Voting Member

Evelyn Dow, Voting Member

Victoria Tafoya, Voting Member

Elizabeth Piazza, Voting Member

Kathy Potter, Minutes

21ST Century Public Academy Administration

Mary Tarango, Head Administrator/Principal

Lovey T. Fritts, Chief Operations Officer

21st Century Business Management Services

Kyle Hunt, Business Manager, The Vigil Group

Michael Vigil, CPA, The Vigil Group

Cutler Charitable Foundation Government Council

Alex Houser, President

Hugo Sanchez, Treasurer

Marc Chavez, Registrant

Report of Independent Auditors

21st Century Public Academy School
Governing Council and
Mr. Wayne Johnson
New Mexico State Auditor

We were engaged to audit the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, the aggregate remaining fund information, and the budgetary comparison for the general fund and major special revenue funds of 21st Century Public Academy (the School), a component unit of Albuquerque Municipal School District No. 12, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on conducting the audit in accordance with accounting standards general accepted in the United States of America. Because of the matter described in the Basis for Disclaimer of Opinions paragraph, however, we were unable to obtain sufficient appropriate evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinions

During the course of the audit, we discovered the School's accounting records, reconciliations, and supporting documentation were not complete. The School could not provide adequate supporting documentation for certain transactions and balances during fiscal year June 30, 2018, which was a result of both insufficient and circumvented internal controls over financial reporting for all activities, including the School's component unit, Cutler Charitable Foundation. It was impracticable to extend our audit procedures sufficiently to determine the extent to which the School's financial statements as of and for the year ended June 30, 2018 may have been affected by these matters.

Disclaimer of Opinion

Because of the significance of the matters described in the “Basis for Disclaimer of Opinions” paragraph, we were unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the School and its component unit, Cutler Charitable Foundation. Accordingly, we do not express an opinion on these financial statements.

Emphasis of Matter

The accompanying financial statements have been prepared assuming that the School will continue as a going concern. As discussed in Note 15 to the financial statements, the School has suffered losses from operations, has a net capital deficiency, and has stated that substantial doubt exists about the School's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note 15. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis on pages 5 through 10 and the schedule of proportionate share of the net pension liability and contributions and schedule of proportionate share of the OPEB liability and contributions on pages 53-55 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 were unable to apply certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America because of the matters discussed in the “Basis for Disclaimer of Opinions’ paragraph above. We do not express an opinion or provide any assurance on the information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's basic financial statements. The combining nonmajor fund financial statements and the 2.2.2 NMAC, required schedules presented as supplementary schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We were unable to apply certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America because of the matters discussed in the “Basis for Disclaimer of Opinions’ paragraph above. We do not express an opinion or provide any assurance on the supplementary information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2018, on our consideration of the School'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 solely 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 effectiveness of the School's 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 School's internal control over financial reporting and compliance.

Moss Adams LLP

Albuquerque, New Mexico
November 5, 2018

This section of the 21st Century Public Academy's (the School) financial report represents our discussion and analysis of the financial performance of the School for the year ended June 30, 2018. This information should be read in conjunction with the unaudited financial statements included in this report.

Financial Highlights

The School's average daily membership (ADM) for the fiscal year ended June 30, 2018 was 253 students, a decrease of 7 students over the 2017 ADM of 260.

Overview of the Financial Statements

The audited financial statements of the School consist of four sections. They are as follows:

- Independent Auditors' Report
- Management's Discussion and Analysis (required supplementary information)
- Basic Financial Statements
- Required supplemental section that presents required schedules.

The *Basic Financial Statements* include two types of statements that present different views of the School's finances. The first is the *Government-wide Statements*. The government-wide statements are presented on the full accrual basis of accounting and include the statement of net position and the statement of activities. The statement of net position includes all of the School's assets, deferred outflows of resources, liabilities and deferred inflows of resources. The statement of activities summarizes the School's revenues and expenses for the current year. A net (expense) revenue format is used to indicate to what extent each function is self-sufficient.

The second set of statements included in the basic financial statements is the *Fund Financial Statements,* which are presented for the School's governmental funds. These statements present the governmental funds on the modified accrual basis of accounting, measuring the near term inflows and outflows of financial resources and what is available at year-end to spend in the next fiscal year. The fund financial statements focus on the School's most significant funds. Because a different basis of accounting is used in the government-wide statements, reconciliation from the governmental fund financial statements to the government-wide statements is required. The government-wide statements provide information about the School as an economic unit while the fund financial statements provide information on each of the financial resources of each of the School's major funds.

Government-wide Statements

The government-wide statements report information about the unit as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the School's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the School's net position and how they have changed. Net position is the difference between the School's assets and deferred outflows of resources and the liabilities and deferred inflows of resources. This is one way to measure the unit's financial health or position.

Over time, increases or decreases in the School's net position is an indicator of whether its financial position is improving or deteriorating.

To assess the School's overall health, you need to consider additional non-financial factors such as changes in the County's property tax base and the condition of its school buildings and other physical assets.

The unit's activities are divided into two categories in the government-wide statements:

- *Governmental activities:* Most of the School's basic services are included here, such as regular and special education, transportation, and administration. State and federal aid finance most of these activities.
- *Component Unit:* The Foundation holds the schools building and land as well as the debt for the building.

Fund Financial Statements

The fund financial statements provide more detailed information about the School's funds, focusing on its most significant or "major" funds—not the unit as a whole. Funds are accounting devices the School uses to keep track of specific sources of funding and spending on particular programs.

The School has established other funds to control and manage money for a particular purpose or to show that it is properly using certain revenues.

Governmental funds: Most of the School's basic services are included in the governmental funds, which generally focus on two things: 1) how cash and other assets that can readily be converted to cash flow in and out, and 2) the balances left at year-end that are available for spending. As a result of this focus, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the coming year to finance the School's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information at the bottom of the governmental fund statements, in the form of a reconciliation, explains the relationship (or differences) between the government-wide and the fund financial statements. The School has several governmental funds which include but are not all encompassing: the General Fund, the Public School Capital Outlay Fund, SB-9 Capital Improvement Fund and other special revenue funds.

Financial Analysis of the School as a Whole

Net position is an indicator of the fiscal health of the School. Total assets and deferred outflows of resources increased by $498,734 when compared to prior year. Total liabilities and deferred inflows of resources exceeded total assets and deferred outflows of resources by $4,091,048 as of June 30, 2018. This deficit is primarily related to the net pension liability and other post-employment benefits of $5,795,320.

Table A-1
The School's Net Position

	FY 2018	FY 2017	Amount Change	Total % Change
Assets:				
Current and other assets	$ 378,016	$ 1,088,614	$ (710,598)	-65%
Capital and noncurrent assets	2,205	33,952	(31,747)	-94%
Total assets	380,221	1,122,566	(742,345)	-66%
Deferred outflows of resources	1,935,184	694,105	1,241,079	179%
Total assets and deferred outflows of resources	$ 2,315,405	$ 1,816,671	$ 498,734	27%
Liabilities:				
Current liabilities	$ 257,656	$ 234,258	$ 23,398	10%
Noncurrent liabilities	5,795,320	2,614,464	3,180,856	122%
Total liabilities	6,052,976	2,848,722	3,204,254	112%
Deferred inflows of resources	353,477	68,572	284,905	415%
Net position:				
Net investment in capital assets	2,205	33,952	(31,747)	-94%
Restricted	179,624	781,825	(602,201)	-77%
Unrestricted (deficit)	(4,272,877)	(1,916,400)	(2,356,477)	123%
Total net position (deficit)	(4,091,048)	(1,100,623)	(2,990,425)	272%
Total liabilities, deferred inflows of resources, and net position	$ 2,315,405	$ 1,816,671	$ 498,734	27%

Table A-2
Changes in the School's Net Position

	FY 2018	FY 2017	Amount Change	Total % Change
Revenues:				
Program revenues:				
Charges for services	$ 31,570	$ 4,664	$ 26,906	577%
Operating grants and contributions	54,637	42,021	12,616	30%
Capital grants and contributions	140,937	279,424	(138,487)	-50%
Total program revenues	227,144	326,109	(98,965)	-30%
General revenues:				
State equalization guarantee	1,725,284	1,648,461	76,823	5%
Miscellaneous	14,714	28,484	(13,770)	-48%
Property taxes	244,199	241,390	2,809	1%
Total general revenue	1,984,197	1,918,335	65,862	3%
Total revenues	2,211,341	2,244,444	(33,103)	-1%
Expenses:				
Instruction	2,006,533	1,439,070	567,463	39%
Support services	668,258	639,230	29,028	5%
Operation of non-instructional services	22,410	11,748	10,662	91%
Facilities, material, supplies, and other services	1,029,112	342,259	686,853	201%
Total expenses	3,726,313	2,432,307	1,294,006	53%
Change in net position	(1,514,972)	(187,863)	(1,327,109)	706%
Net position, beginning of year	(1,100,623)	(912,760)	(187,863)	21%
Impact of change in accounting pronouncement	(1,475,453)	-	(1,475,453)	100%
Net position, beginning of year, as restated	(2,576,076)	(912,760)	(1,663,316)	182%
Net position, end of year (deficit)	$ (4,091,048)	$ (1,100,623)	$ (2,990,425)	272%

Financial Analysis of the School's Funds

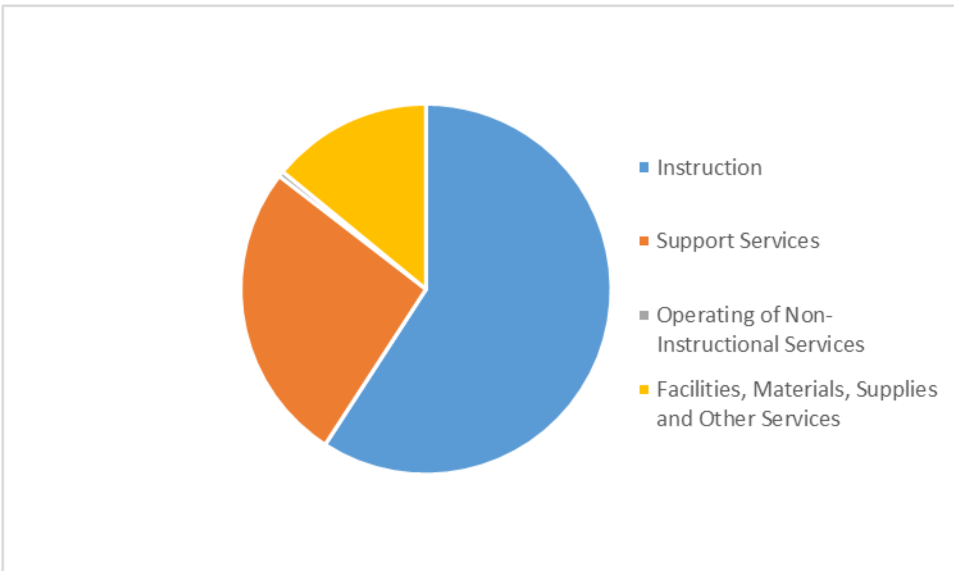
Governmental Funds: The focus of the School's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the School's financing requirements.

The School's governmental funds reported a combined fund balance of $120,360 at June 30, 2018, a decrease of $731,338 from the $851,698 reported at June 30, 2017. The School's General Fund reported a decrease in fund balance for the year of $128,152.

The Public School Capital Outlay and federal reimbursement funds do not carry fund balance. All revenues are expended in the year received.

The SB-9 Capital Outlay fund reported an increase in fund balance for the 2018 year of $45,439.

Categorization of Expenditures for Government Funds:



General Fund Budgetary Highlights

Over the course of the year, the School revised the budget several times to account for changes in revenue expectations and program allocations. Since several revenue sources are either unknown or uncertain at the beginning of the fiscal year when the original budget is adopted, budget revisions are necessary throughout the year to recognize these adjustments.

For the year, the School's General Fund reported a decrease in fund balance of $128,152. Revenues from the School for the local operating budget increased $87,973, or 5%, from the prior year. Total General Fund expenditures increased $55,594, or 3%. The increase in expenditures in the General Fund was primarily attributed to increases in lease payments, personnel salaries and benefits as a result of increase in staffing and an approved increase in Teacher and Educational Assistant Salary schedules, as well as an increase in technology and equipment needs for the new facility and increase in students and staff.

Capital Assets

Total primary government net capital assets were $2,205 at June 30, 2018 compared to $33,952 at June 30, 2017, a decrease of 94%. The following is a summary of the School's capital assets, net of depreciation, at June 30, 2018 and 2017.

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
Buldings and building improvements	$ 278,706	$ -	$ (130,587)	$ 148,119
Furniture, fixtures, and equipment	15,641	-	-	15,641
Less: accumulated depreciation	(260,395)	(7,114)	105,954	(161,555)
Capital assets, net	$ 33,952	$ (7,114)	$ (24,633)	$ 2,205

Requests for Information

This report is intended to provide a summary of the financial condition of the School. Questions or requests for additional information should be addressed to:

Business Manager
21st Century Public Academy
4300 Cutler Avenue NE
Albuquerque, NM 87110

21st Century Public Academy
(A Component Unit of Albuquerque Municipal School District No. 12)
Statement of Net Position (Unaudited)
June 30, 2018

	Governmental Activities	Component Unit
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
ASSETS		
Current assets:		
Cash and cash equivalents	$ 330,082	$ 450
Receivables, net of allowance for uncollectibles:		
Due from other governments	47,934	-
Total current assets	378,016	450
Noncurrent assets:		
Capital assets:		
Land	-	1,800,000
Building/leasehold improvements	148,119	5,030,000
Furniture, fixtures, and equipment	15,641	-
Less: accumulated depreciation	(161,555)	-
Total noncurrent assets	2,205	6,830,000
TOTAL ASSETS	380,221	6,830,450
DEFERRED OUTFLOWS OF RESOURCES		
Related to net pension liability	1,912,414	-
Related to other post-employment benefits	22,770	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,935,184	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 2,315,405	$ 6,830,450
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
LIABILITIES		
Current liabilities:		
Accounts payable	$ 54,399	$ -
Accrued liabilities	203,257	-
Mortgage loan	-	313,614
Total current liabilities	257,656	313,614
Noncurrent liabilities:		
Net pension liability	4,553,188	-
Other post-employment benefits liability	1,242,132	-
Mortgage loan	-	2,851,386
Long-term debt - lease purchase	-	2,610,000
Total noncurrent liabilities	5,795,320	5,461,386
TOTAL LIABILITIES	6,052,976	5,775,000
DEFERRED INFLOWS OF RESOURCES		
Related to net pension liability	70,771	-
Related to other post-employment benefits	282,706	-
TOTAL DEFERRED INFLOWS OF RESOURCES	353,477	-
NET POSITION		
Net investment in capital assets	2,205	1,055,000
Restricted	179,624	450
Unrestricted	(4,272,877)	-
TOTAL NET POSITION	(4,091,048)	1,055,450
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 2,315,405	$ 6,830,450

		Program Revenues				
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net Revenues (Expenses) and Changes in Net Position	Component Unit
GOVERNMENTAL ACTIVITIES						
Instruction	$ 2,006,533	$ 24,921	$ 54,637	$ -	$ (1,926,975)	$ -
Support services:						
Students	242,047	-	-	-	(242,047)	-
Instruction	11,809	-	-	-	(11,809)	-
General administration	109,099	-	-	-	(109,099)	-
School administration	85,374	-	-	-	(85,374)	-
Central services	133,356	-	-	-	(133,356)	-
Operation and maintenance of plant	86,573	-	-	-	(86,573)	-
Operating of non-instructional services:						
Food services operations	10,292	6,649	-	-	(3,643)	-
Community services operations	12,118	-	-	-	(12,118)	-
Facilities, supplies, & materials	1,029,112	-	-	140,937	(888,175)	-
TOTAL GOVERNMENTAL ACTIVITIES	$ 3,726,313	$ 31,570	$ 54,637	$ 140,937	(3,499,169)	-
COMPONENT UNIT						
Foundation	$ -	$ -	$ -	$ -	-	-
GENERAL REVENUES						
State Equalization Guarantee					1,725,284	-
Miscellaneous					14,714	450
Property Taxes					244,199	-
Total General Revenues					1,984,197	450
CHANGE IN NET POSITION					(1,514,972)	450
NET POSITION, BEGINNING OF YEAR					(1,100,623)	53,213
TRANSFER IN OF COMPONENT UNIT					-	1,055,000
TRANSFER OUT OF COMPONENT UNIT					-	(53,213)
IMPACT OF CHANGE IN ACCOUNTING PRONOUNCEMENT					(1,475,453)	-
NET POSITION, BEGINNING OF YEAR AS RESTATED					(2,576,076)	1,055,000
NET POSITION, END OF YEAR					$ (4,091,048)	$ 1,055,450

21st Century Public Academy
(A Component Unit of Albuquerque Municipal School District No. 12)
Balance Sheet – Governmental Funds (Unaudited)
June 30, 2018

	11000 General	Major Fund 31600 Capital Improvements HB-33	Major Fund 31701 Capital Improvements SB-9 (Local)	Non-Major Funds	Governmental Funds Total
ASSETS					
Cash and cash equivalents	$ 143,898	$ 49,425	$ 89,280	$ 47,479	$ 330,082
Accounts receivable					
Due from other governments	44,266	2,455	1,203	10	47,934
Due from other funds	3,839	-	-	-	3,839
TOTAL ASSETS	$ 192,003	$ 51,880	$ 90,483	$ 47,489	$ 381,855
LIABILITIES AND FUND BALANCE					
LIABILITIES					
Current liabilities					
Accounts payable	$ 54,399	$ -	$ -	$ -	$ 54,399
Accrued liabilities	193,029	-	-	10,228	203,257
Due to other funds	-	-	-	3,839	3,839
TOTAL LIABILITIES	247,428	-	-	14,067	261,495
FUND BALANCES					
Restricted	-	51,880	90,483	37,261	179,624
Unassigned (deficit)	(55,425)	-	-	(3,839)	(59,264)
TOTAL FUND BALANCES (DEFICIT)	(55,425)	51,880	90,483	33,422	120,360
TOTAL LIABILITIES AND FUND BALANCE	$ 192,003	$ 51,880	$ 90,483	$ 47,489	$ 381,855

See accompanying notes.

Total Fund Balance - Governmental Funds (Governmental Fund Balance Sheet)	$ 120,360
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
The cost of capital assets is	163,760
Accumulated depreciation is	(161,555)
Total capital assets	2,205
Deferred inflows and outflows of resources related to the net pension liability and not reported in the funds.	
Deferred outflows of resources	1,912,414
Deferred inflows of resources	(70,771)
Deferred inflows and outflows of resources related to the net other post-employment benefits liability and not reported in the funds.	
Deferred outflows of resources	22,770
Deferred inflows of resources	(282,706)
Long-term and certain other liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	
Long-term and other liabilities at year end consist of:	
Net pension liability	(4,553,188)
Net other post-employment benefits liability	(1,242,132)
Net Position of Governmental Activities (Statement of Net Position)	$ (4,091,048)

21st Century Public Academy
(A Component Unit of Albuquerque Municipal School District No. 12)
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds (Unaudited)
Year Ended June 30, 2018

	11000 General	Major Fund 31600 Capital Improvements HB-33	Major Fund 31701 Capital Improvements SB-9 (Local)	Non-Major Funds	Governmental Funds Total
REVENUES					
Property taxes	$ -	$ 165,300	$ 81,557	$ -	$ 246,857
Local and county sources	39,634	-	-	8,535	48,169
State sources	1,725,284	-	-	190,553	1,915,837
Federal sources	-	-	-	3,136	3,136
Total revenues	1,764,918	165,300	81,557	202,224	2,213,999
EXPENDITURES					
Current:					
Instruction	1,215,181	26,668	-	15,455	1,257,304
Support services:					
Students	242,047	-	-	-	242,047
Instruction	11,809	-	-	-	11,809
General administration	106,612	1,665	822	-	109,099
School administration	85,374	-	-	-	85,374
Central services	133,356	-	-	-	133,356
Operations and maintenance of plant	86,573	-	-	-	86,573
Operation of non-instructional services:					
Food services operations	-	-	-	10,292	10,292
Community services operations	12,118	-	-	-	12,118
Facilities, supplies, & materials	-	688,233	126,174	182,958	997,365
Total expenditures	1,893,070	716,566	126,996	208,705	2,945,337
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENSES	(128,152)	(551,266)	(45,439)	(6,481)	(731,338)
FUND BALANCES, BEGINNING OF YEAR	72,727	603,146	135,922	39,903	851,698
FUND BALANCES, END OF YEAR (DEFICIT)	$ (55,425)	$ 51,880	$ 90,483	$ 33,422	$ 120,360

See accompanying notes.

Net Changes in Fund Balances - Total Governmental Funds (Statement of Revenues, Expenditures, and Changes in Fund Balances)	$ (731,338)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds.	
Unavailable revenue related to property taxes receivable	(2,658)
In the Statement of Activities, certain operating expenses are measured by the amounts earned during the year. In the Governmental Funds, however, expenditures for these items are measured by the amounts of financial resources used (essentially, the amounts actually paid).	
Expenses related to the net pension liability not reported in the funds.	(722,614)
Expenses related to the net other post-employment benefits liability not reported in the funds.	(26,615)
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period, these amounts were:	
Capital outlay	-
Depreciation expense	(7,114)
Excess of depreciation expense over capital outlay	(7,114)
Loss on disposal of capital assets	(24,633)
Change in Net Position of Governmental Activities (Statement of Activities)	$ (1,514,972)

21st Century Public Academy
(A Component Unit of Albuquerque Municipal School District No. 12)
General Fund (Fund 11000)
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Budgetary Basis) and Actual (Unaudited)
Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance From Final Budget
	Original	Final	(Budgetary Basis)	Positive (Negative)
REVENUES				
Local and county sources	$ -	$ 59,974	$ 63,516	$ 3,542
State sources	1,815,709	1,711,725	1,725,284	13,559
Total revenues	1,815,709	1,771,699	1,788,800	17,101
EXPENDITURES				
Current:				
Instruction	1,296,748	1,220,714	1,215,102	5,612
Support services:				
Students	167,493	176,116	242,857	(66,741)
Instruction	9,480	9,205	12,010	(2,805)
General administration	157,073	98,384	97,267	1,117
School administration	22,164	85,406	85,374	32
Central services	92,794	105,160	134,429	(29,269)
Operation and maintenance of plant	105,570	94,059	91,990	2,069
Operation of non-instructional services:				
Community services operations	-	18,268	12,118	6,150
Total expenditures	1,851,322	1,807,312	1,891,147	(83,835)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(35,613)	(35,613)	(102,347)	(66,734)
DESIGNATED CASH	35,613	35,613	-	(35,613)
NET CHANGES IN FUND BALANCES	$ -	$ -	(102,347)	$ (102,347)
RECONCILIATION TO GAAP BASIS				
Adjustments to revenues			(23,882)	
Adjustments to expenditures			(1,923)	
NET CHANGES IN FUND BALANCES			$ (128,152)	

Capital Improvements HB-33 (Fund 31600)
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Budgetary Basis) and Actual (Unaudited)
Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance From Final Budget
	Original	Final	(Budgetary Basis)	Positive (Negative)
REVENUES				
Federal sources	$ 163,214	$ 163,214	$ -	$ (163,214)
Total revenues	163,214	163,214	-	(163,214)
EXPENDITURES				
Current:				
Support services:				
Students	41,729	41,730	-	41,730
Total expenditures	41,729	41,730	-	41,730
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	121,485	121,484	-	(121,484)
DESIGNATED CASH	(121,485)	(121,484)	-	121,484
NET CHANGES IN FUND BALANCES	$ -	$ -	-	$ -
RECONCILIATION TO GAAP BASIS				
Adjustments to revenues			165,300	
Adjustments to expenditures			(716,566)	
NET CHANGES IN FUND BALANCES			$ (551,266)	

21st Century Public Academy
(A Component Unit of Albuquerque Municipal School District No. 12)
Capital Improvements SB-9 Local (Fund 31701)
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Budgetary Basis) and Actual (Unaudited)
Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance From Final Budget
	Original	Final	(Budgetary Basis)	Positive (Negative)
REVENUES				
Property taxes	$ 80,544	$ 80,544	$ 82,149	$ 1,605
Total revenues	80,544	80,544	82,149	1,605
EXPENDITURES				
Current:				
Support services:				
General administration	814	814	822	(8)
Facilities, supplies, & materials	222,228	222,228	126,174	96,054
Total expenditures	223,042	223,042	126,996	96,046
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(142,498)	(142,498)	(44,847)	97,651
DESIGNATED CASH	142,498	142,498	-	(142,498)
NET CHANGES IN FUND BALANCES	$ -	$ -	(44,847)	$ (44,847)
RECONCILIATION TO GAAP BASIS				
Adjustments to revenues			(592)	
Adjustments to expenditures			-	
NET CHANGES IN FUND BALANCES			$ (45,439)	

	Agency Funds
ASSETS	
Cash and Cash Equivalents	$ 24,556
TOTAL ASSETS	$ 24,556
LIABILITIES	
Deposits Held for Others	$ 24,556
TOTAL LIABILITIES	$ 24,556

Note 1 – Summary of Significant Accounting Policies

21st Century Public Academy (the School), organized under the laws of the State of New Mexico, operates under the governing council-Director form of government. The School is a component unit of the Albuquerque Municipal School District No. 12, as the District is the authorizer of the School, however, the operations of the entities is separate and distinct. The System provides public education opportunities for children from first through twelfth grade, including but not limited to classroom and vocational studies; as well as school oriented social and athletic activities.

The financial statements of the School 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 Standards 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.

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. Cutler Charitable Foundation (the Foundation) is considered to be a component unit of the School as the Foundation's financial statements are considered material to the financial statements of the School and the Foundation is considered to be legally separate from the School. The Foundation is discretely presented from the School on the government-wide financial statements.

Government-Wide and Fund Financial Statements
The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of 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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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 such as the collection of cafeteria fees and lost books, etc. and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment such as in IDEA-B or state programs such as HB-33 and SB-9.

Note 1 – Summary of Significant Accounting Policies (continued)

Taxes and other items not properly included among program revenues are reported instead as general revenues.

Those revenues susceptible to accrual are property taxes, state shared taxes, investment income and charges for services. In accordance with GASB Statement 33, estimated property, and other taxes that are not available are called unavailable revenue and shown as a deferred inflow of resources. All other revenues are recognized when they are received and are not susceptible to accrual, because they are usually not measurable until payment is actually received. Expenditures are recorded as liabilities when they are incurred.

Property taxes are collected by the Bernalillo and Sandoval County Treasurers and remitted to the School. Property tax revenue is recognized at the time of receipt or earlier if accrual criteria are met. The School's accounting policy is to defer property taxes that are not collected within 60 days after fiscal year end since delinquent property taxes are not available to finance current fiscal year School operations. Delinquent property taxes collected in future periods will be recognized as revenue when collected.

Unavailable revenues arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Unearned revenues arise when resources are received by the School before it has a legal claim to them, as when grant monies are received prior to incurring the qualifying expenditures. In subsequent periods when both revenue recognition criteria are met or when the School has a legal claim to the resources, the revenue is recognized.

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

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. 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 period for which the taxes are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Note 1 – Summary of Significant Accounting Policies (continued)

Ad valorem taxes (property taxes), and interest associated with the current fiscal period are all considered to be susceptible to accrual and 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.

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

The General Fund is the primary operating fund of the School, and accounts for all financial resources, except those required to be accounted for in other funds.

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

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

Under the requirements of GASB Statement No. 34, the School is required to present certain of its governmental funds as major funds based upon certain criteria. The major funds presented in the fund financial statements are identified below (in addition to the General Fund).

The General Fund (11000) is the primary operating fund of the School, and accounts for all financial resources, except those required to be accounted for in other funds

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

The Instructional Materials Fund (14000) is used to account for the monies received from the Public Education Department (PED) for the purposes of purchasing instructional materials (books, manuals, periodicals, etc.) used in the education of students.

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

The IASA Title I Fund (24101) is used to provide compensatory education services to educationally deprived school children (including private school pupils) in low income areas (P.L. 103-382).

Note 1 – Summary of Significant Accounting Policies (continued)

The Entitlement IDEA-B Fund (24106) is used to account for federal resources administered by the public education department to provide for special educational needs of handicapped 6-21 year olds under Public Law (PL) 91-230, 93-380, 94-142, 99-457, 100-637, and 100-476.

Teacher/Principal Training and Recruiting Fund (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.

Title XIX Medicaid 3/21 Years Fund (25153) – To account for a program providing school-based screening, diagnostic services and other related health services and administrative activities in conformance with the approved Medicaid State Plan in order to improve health and developmental outcomes for children.

Golden Apple Foundation Fund (26163) – To support such teachers through scholarships, professional development and awards.

Target School Grants Fund (26211) - This fund is an award from the Target Stores Corporation. This award can be used to support the school in any manner to enhance the learning quality of the students.

Pay for Performance Individual (27188) - The New Mexico Pay for Performance Pilot 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.

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

The Public School Capital Outlay Fund (31200) is used to account for monetary assistance received by the public school capital outlay council for educational facility lease/rent payments.

The Capital Improvements HB-33 Fund (31600) is used to account for erecting, remodeling, making additions to and furnishing of school buildings, or purchasing or improving school grounds or any combination thereof as identified by the local school board. Financing is provided by 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). **This is a Major Fund.**

Note 1 – Summary of Significant Accounting Policies (continued)

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

Additionally, the School reports the following fund type:

Fiduciary Funds are used to account for assets held by the School as an agent for individuals, private organizations or other governments. Agency Funds are custodial in nature (assets equal liabilities) and do not present results of operations or have a measurement focus. These funds relate primarily to the activities of individual schools. While these funds are under the supervision of the School and enhance the School's educational programs, they are funds of the individual schools and/or their student bodies and are not available for use by the School.

The Statement of Net Position and the Statement of Activities were prepared using the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33 “Accounting and Financial Reporting for Non-exchange Transactions.”

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity

Cash and Cash Equivalents
Policies regarding cash and cash equivalents are approved by the School’s Governing Council and are governed by New Mexico statute. Such policies allow deposits or investments in certificates of deposit, savings accounts, overnight repurchase agreements, various obligations of the U.S. Government or its agencies and the New Mexico State Treasurer's Local Government Short Term Investment Fund. Such deposits and investments must be made through a State or Federally chartered bank or savings and loan association which is insured by the Federal Deposit Insurance Commission (FDIC) and which is within the geographic boundaries of the School, or with the New Mexico State Treasurer. The School’s cash and cash equivalents are considered to be cash on hand and demand deposits.

Collateral is required for at least 50% of deposits that are not insured by the FDIC, with the exception of repurchase agreements. These are required to have collateral of at least 102%. Obligations that may be pledged as collateral are obligations of the U.S. Government, its agencies, and state and local governments. Collateral is held in safekeeping at depository institutions in the name of the School.

Note 1 – Summary of Significant Accounting Policies (continued)

Receivables and Payables
Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as interfund receivables and interfund payables.

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. The allowance for doubtful accounts is based on management's assessment of the collectability of specific accounts, the aging of accounts receivable and historical experience.

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.

Capital Assets
Capital assets costing more than $5,000 are recorded at historical cost and depreciated over their estimated useful lives (with no salvage value). Donated capital assets valued at more than $5,000 are recorded at the time of acquisition at estimated fair value plus ancillary charges. Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Capital assets include land and land improvements, buildings and building improvements, furniture, fixtures, equipment, machinery and vehicles. Capital assets are used in operations and have a useful life of more than one year and a cost exceeding established capitalization thresholds. The School does not own any infrastructure assets such as roads, bridges, tunnels, drainage systems, water and sewer systems, dams and lighting systems.

Capital assets are reported net of accumulated depreciation in the statement of net position. Capital assets that are not being depreciated, such as land, are reported separately for significant amounts.

The following are the School's estimated useful lives:

Computer Equipment and Business Machines	5 Years	Improvements to Land	20 Years
General Equipment and Musical	8 Years	Improvements to Buildings	20 Years
Vehicles, Trucks, and Trailers	8 Years	Portable School Buildings	25 Years
Furniture, Major Appliances, Large	10 Years	Buildings	40 Years

Depreciation was allocated to the various functions based upon originating purchasing source where identifiable. Unallocated depreciation was recorded in the statement of activities.

Note 1 – Summary of Significant Accounting Policies (continued)

Accrued Salaries
Certain employees of the School (primarily school teachers and support staff) work nine months of the 12-month fiscal year. The School disburses payroll to such employees throughout the entire 12-month period. Accordingly, salaries payable included as accrued liabilities in the accompanying financial statements include accrued salaries for services performed through June 30, 2018 for these employees. The accrued salaries will be paid within two months after the end of the fiscal year.

Compensated Absences
In the event of termination or retirement, the School Principal may be paid up to $5,000 of accumulated unused vacation leave. Accordingly, accumulated vacation leave is recorded as if fully vested. The vested vacation leave payable is calculated using current pay levels and is recorded in the government-wide financial statements.

Long-term Obligations
In the government-wide fund 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. Bonds payable are reported net of the applicable bond premium or discount. During the year, the Foundation recognized $0 in interest expense on long-term debt, which included $0 in accrued interest payable as of June 30, 2018.

Deferred Outflows/Inflows of Resources
In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School is reporting $1,912,414 related to the pension plan and $22,770 related to the other post-employment benefits plan in this category as of June 30, 2018.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The School is reporting $70,771 related to the pension plan and $282,706 related to the other post-employment benefits plan in this category as of June 30, 2018.

Fund Balance
The difference between assets and liabilities in the governmental fund financial statements are among the most widely and frequently used information in state and local government financial reports.

Note 1 – Summary of Significant Accounting Policies (continued)

GASB Statement No. 54 distinguishes fund balances based on the relative strength of the constraints that control the purposes for which specific amounts can be spent. Beginning with the most binding constraints, fund balance amounts are reported in the following classifications:

- **Nonspendable -** portion of net resources that cannot be spent because they are either a) not in spendable form or b) legally or contractually required to be maintained intact.
- **Restricted -** amounts constrained by external parties, constitutional provision, or enabling legislation.
- **Committed -** amounts constrained by a government using its highest level of decision-making authority. The Governing Council is the highest level of decision making authority. Formal Governing Council action, through a resolution creates a commitment.
- **Assigned -** amounts a government intends to use for a particular purpose. Intent should be expressed by a) the governing body or b) a body or official who has been delegated.
- **Unassigned -** amounts that are not constrained at all will be reported in the general fund.

Net Position

The government-wide statements utilize a net position presentation categorized as follows:

Net investment in capital assets - This category reflects the portion of net position that are associated with net capital assets less outstanding capital asset related debt.

Restricted Net Position - For the government-wide statement of net position, net position is reported as restricted when constraints placed on its use are either:

1. Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; or
2. Imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position - This category reflects net position of the School not restricted for any project or other purpose.

The School’s policy is to apply restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available. The School’s restricted fund balances for capital projects represent those imposed by law through enabling legislation. When an expenditure is incurred for which committed, assigned, and/or unassigned amounts of funding are available, funds are applied in that respective order.

Note 1 – Summary of Significant Accounting Policies (continued)

Interfund Transactions
Reciprocal and non-reciprocal transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund from expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/ expenses in the fund that is reimbursed. All other interfund transactions, except reciprocal and non-reciprocal transactions and reimbursements, are reported as transfers.

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

State Equalization Guarantee
School districts and Charter Schools 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 or charter school to ensure that the school district’s or charter school operating revenue, including its local and federal revenues as defined (22-8-25, NMSA 1978) is at least equal to the school district’s or charter school’s program cost.

A school district’s charter school’s program costs are determined through the use of various formulas using ‘program units’ which take into consideration 1) early childhood education; 2) basic education; 3) special education; 4) bilingual-multicultural education; 5) size, etc. Payment is made from the public school fund under the authority of the Director of Public School Finance. The School received $1,725,284 in state equalization guarantee distributions during the year ended June 30, 2018.

Revenues

Property Tax
The School receives mill levy and ad valorem tax revenues primarily for capital outlay purposes. Revenues are recognized for governmental purposes when they are assessed and for fund purposes when they are measurable and available. The School records only the portion of the taxes considered to be ‘measurable’ and ‘available’. Descriptions of the individual capital outlay funds contained in these financial statements include information regarding the authority for the collection and use of these taxes.

An enforceable lien is attached on property as of January 1st. Tax notices are sent to property owners by November 1st of each year, to be paid in whole or in two installments by November 10th and April 10th of each year. The County collects County, City, and School taxes and distributes collections to each fund once per month.

Instructional Materials
The New Mexico State Public Education Department (PED) receives federal mineral leasing funds from which it makes annual allocations to the various school districts and charter schools for the purchase of educational materials. These funds are restricted for the purchase of instructional materials. Allocations received from the State for the year ended June 30, 2018 totaled $7,595.

Note 1 – Summary of Significant Accounting Policies (continued)

Public School Capital Outlay
Under the provisions of Chapter 22, Article 24, NMSA 1978 a public school capital outlay fund was created. The money in the fund may be used only for capital expenditures deemed by the public school capital outlay council necessary for an adequate educational program, and capital outlay expenditures are limited to the purchase, or construction of temporary or permanent classrooms.

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

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

The council shall consider all applications for assistance from the fund and after public hearing shall either approve or deny the application. Applications for grant assistance shall only be accepted by the council after a district or charter school has complied with the provisions of this section. The council shall list all applications in order of priority and all allocations shall be made on a priority basis. Money in the fund shall be disbursed by warrant of the Department of Finance and Administration on vouchers signed by the Secretary of Finance and Administration following certification by the council that the application has been approved. Allocations received for the year ended June 30, 2018 are $182,958.

Federal Grants
The School 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 Department of Education). The various budgets are approved by the Local School Board and the New Mexico Public Education Department.

Allocation of Indirect Expenses
The School reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. The School does not currently employ indirect cost allocation systems. Depreciation expense not charged to a specific function is identified as unallocated on the statement of activities.

Note 1 – Summary of Significant Accounting Policies (continued)

Pensions

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

Budgetary Information

The following procedures are utilized to establish the School's budget:

1. Subsequent to January 31, and prior to June 1, School management submits to the Governing Council a proposed budget for the fiscal year which commences on July 1. The budget includes an estimate of revenues and a proposed expenditure plan.
2. The proposed budget is presented at meetings subject to the Open Meetings Act of New Mexico, and the public is invited to comment.
3. The School is required to submit to the State of New Mexico, Public Education Department School Budget & Financial Analysis Unit (SBFAU) a balanced budget for the fiscal year which commences on July 1.
4. Based on criteria set by the SBFAU, the School undergoes either a formal technical review of the proposed budget or a more informal phone review each year. Subsequent to this review, the local Governing Council approves a budget resolution to adopt the proposed budget subject to any technical adjustments by SBFAU. The final budget as approved by SBFAU is provided to the Governing Council for information purposes only.
5. The budget is adjusted throughout the fiscal year based upon changes in programmatic needs. Budgetary control is at the function level; over-expenditure of a function is not allowed per NMAC 6.20.2.9.A.
6. Budgets for the General Fund, Special Revenue Funds and Capital Projects Funds are adopted on a basis consistent with Supplement 1 Budget Preparation and Maintenance of the "Manual of Procedures for Uniform Financial Accounting and Budgeting for School Districts". Budgetary amounts for the Debt Service Fund are based upon the issuance of general obligation bonds.
7. Budgeted amounts are as originally adopted or as amended by the SBFAU.

For budgetary purposes, expenditures include amounts paid in the fiscal year, adjusted for the effects of liabilities paid within ten days of fiscal year-end and unpaid salaries and benefits attributable to services provided during the school year. The Governing Council must approve amendments to the appropriated budget when the budgeted fund balance differs from the actual fund balance at the end of the fiscal year. New Mexico state law prohibits a Governmental Agency from exceeding the appropriated budget.

Note 1 – Summary of Significant Accounting Policies (continued)

The Statements of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual present comparisons of the legally adopted budget with actual data on a budgetary basis.

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

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP); and
2. Generally, expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP). However, budgetary expenditures include amounts for salaries and benefits attributable to services provided during the fiscal year.

Note 2 – Cash and Cash Equivalents

State statutes authorize the investment of charter school 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 charter schools properly followed State investment requirements as of June 30, 2018.

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

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

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

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

Note 2 – Cash and Cash Equivalents (continued)

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

Deposits

New Mexico State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the Schools for at least one-half of the amount on deposit with the institution. The Schedule I listed in the financial statements for the School will meet the State of New Mexico, Office of the State Auditor's requirements in reporting the insured portion of the deposits. The Foundation is not subject to the same statutory requirements of the School.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the government' deposits may not be returned to it. The School does not have a deposit policy for custodial credit risk, other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). At June 30, 2018, the school is not exposed to custodial credit risk as all deposits are either insured or collateralized.

Note 3 – Accounts Receivable

As of June 30, 2018, accounts receivable consists of the following:

Intergovernmental	$ 47,934
Total	$ 47,934

The above receivables are deemed to be fully collectible.

Note 4 – Capital Assets

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

Primary Government Activities	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
Cost				
Buldings and building improvements	$ 278,706	$ -	$ (130,587)	$ 148,119
Furniture, fixtures, and equipment	15,641	-	-	15,641
Total	294,347	-	(130,587)	163,760
Accumulated Depreciation				
Buldings and building improvements	(244,754)	(7,114)	105,954	(145,914)
Furniture, fixtures, and equipment	(15,641)	-	-	(15,641)
Total	(260,395)	(7,114)	105,954	(161,555)
Net total - primary government	$ 33,952	$ (7,114)	$ (24,633)	$ 2,205

Component Unit				
Cost				
Land	$ 1,800,000	$ -	$ -	$ 1,800,000
Building/leasehold improvements	5,030,000	-	-	5,030,000
Total	6,830,000	-	-	6,830,000
Accumulated Depreciation				
Building/leasehold improvements	-	-	-	-
Total	-	-	-	-
Net total - primary government	$ 6,830,000	$ -	$ -	$ 6,830,000

Primary Government depreciation expense for the year ended June 30, 2018 was charged to the following functions:

Facilities, supplies, & materials	$ 7,114
Total	$ 7,114

Note 5 – Pensions

General Information about the Pension Plan

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

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

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

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

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

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

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

Note 5 – Pensions (continued)

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

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

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

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

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

Benefit Options – The Plan has three benefit options available.

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

Note 5 – Pensions (continued)

- **Option C** – **Joint 50% Survivor Benefit** – The single life annuity monthly benefit is reduced to provide for a 50% survivor's benefit. The reduced benefit is payable during the life of the member, with the provision that, upon death, the reduced 50% benefit is paid to the beneficiary for his or her lifetime. If the beneficiary predeceases the member, the member's monthly benefit is increased to the amount the member would have received under Option A Straight Life benefit. The member's increased monthly benefit commences in the month following the beneficiary's death.

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

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

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

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

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

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.

Note 5 – Pensions (continued)

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	10.7%	13.9%	24.6%	0.0%
2018	7/1/17 to 6/30/18	$20k or less	7.9%	13.9%	21.8%	0.0%
2017	7/1/17 to 6/30/18	Over $20k	10.7%	13.9%	24.6%	0.0%
2017	7/1/17 to 6/30/18	$20k or less	7.9%	13.9%	21.8%	0.0%

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 year ended June 30, 2018, the School paid employee and employer contributions of $251,469, which equal the amount of the required contributions for the fiscal year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2018, the School reported a liability of $4,553,188 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2017 using generally accepted actuarial principles. The roll-forward incorporates the impact of the new assumptions adopted by the Board on April 21, 2017. There were no other significant events of changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2017. Therefore, the employer's portion was established as of the measurement date of June 30, 2017. The School's proportion of the net pension liability was based on a projection of the School'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 School's proportion was 0.04097%, which was an increase of 0.00464% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the School recognized pension expense of $879,727. At June 30, 2018, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Note 5 – Pensions (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 8,173	$ 70,146
Changes of assumptions	1,329,165	-
Net difference between projected and actual earnings on pension plan investments	-	625
Changes in proportion and differences between the employer's contributions and proportionate share of contributions	417,958	-
Employer's contributons subsequent to the measurement date	157,118	-
Total	$ 1,912,414	$ 70,771

Deferred outflows of resources related to pensions includes $157,118 resulting from the School's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2019	$ 682,480
2020	675,295
2021	364,242
2022	(37,492)

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

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

Note 5 – Pensions (continued)

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

Mortality	***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. ***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. ***Disabled males:*** RP-2000 Disabled Mortality Table for males, set back three years, projected to 2016 with Scale BB. ***Disabled females***: RP-2000 Disabled Mortality Table for females, no set back, projected to 2016 with Scale BB. ***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.
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.

Note 5 – Pensions (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%	
Alternative investments	40%	
Cash	1%	
Total	100%	7.25%

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

Note 5 – Pensions (continued)

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

Proportionate Share of Net Pension Liability		
1% Decrease (4.90%)	Current Discount Rate (5.90%)	1% Increase (6.90%)
5,927,118	4,553,188	3,430,112

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

Note 6 – OPEB

General Information about the OPEB

Plan Description

Employees of the School 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.

Note 6 – OPEB (continued)

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

Plan membership	
Current retirees and surviving spouses	51,208
Inactive and eligible for deferred benefit	11,478
Current active members	97,349
	160,035
Active membership	
State general	19,593
State police and corrections	1,886
Municpal general	21,004
Municipal police	3,820
Municipal FTRE	2,290
Education retirement board	48,756
	97,349

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 School were $22,770 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 School reported a liability of $1,242,132 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 School'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 School's proportion was 0.042741 percent.

Note 6 – OPEB (continued)

For the year ended June 30, 2018, the School recognized OPEB expense of $49,385. At June 30, 2018, the School 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
Differences between expected and actual experience	$ -	$ 47,666
Changes of assumptions	-	217,171
Net difference between projected and actual earnings on OPEB plan investments	-	17,869
Employer's contributons subsequent to the measurement date	22,770	-
Total	$ 22,770	$ 282,706

Deferred outflows of resources totaling $47,666 represent School contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year Ending June 30,	Amount
2019	$ (60,105)
2020	(60,105)
2021	(60,105)
2022	(60,105)
2023	(42,286)

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

Note 6 – OPEB (continued)

Actuarial assumptions:

Inflation	2.50% for ERB; 2.25% for PERA
Projected payroll increases	3.50%
Investment rate of return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation Health care cost trend rate 8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 for Medicare medical plan costs

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

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

Asset Class	2017
U.S. core fixed income	4.10%
U.S. equity - large cap	9.10%
Non U.S. - emerging markets	12.20%
Non U.S. - developed equities	9.80%
Private equity	13.80%
Credit and structured finance	7.30%
Real estate	6.90%
Absolute return	6.10%
U.S. equity - small/mid cap	9.10%

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

Note 6 – OPEB (continued)

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 School, as well as what the School's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.81 percent) or 1-percentage-point higher (4.81 percent) than the current discount rate:

Proportionate Share of Net Pension Liability		
1% Decrease (2.81%)	Current Discount Rate (3.81%)	1% Increase (4.81%)
1,506,686	1,242,132	1,034,565

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:

Proportionate Share of Net Pension Liability		
1% Decrease	Current Trend Rates	1% Increase
1,056,518	1,242,132	1,386,864

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 7 – Commitments and Liabilities

The school entered into a lease purchase during fiscal year 2018. Rental expense for the year ended June 30, 2018 was $446,680. The lease purchase agreement was amended on June 28, 2018 and transferred from the School to the Foundation. There were no commitments for lease obligations for subsequent periods as of June 30, 2018.

The School had a compensated absences balance of $5,000 at the beginning of the fiscal year. Additions to the balance were $0, which resulted in an ending balance of $5,000.

As of June 30, 2018, the Foundation entered into construction contracts of approximately $3,000,000.

Note 8 – Long-Term Debt

The changes to long-term debt are as follows.

Primary Government	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018	Amounts Due Within One Year
LANB note	$ -	$ 3,165,000	$ -	$ 3,165,000	$ 313,614
MELD note	-	2,610,000	-	2,610,000	-
	$ -	$ 5,775,000	$ -	$ 5,775,000	$ 313,614

During the 2018 fiscal year, the School entered into a Lease Purchase Agreement with MELD, LLC related to the lease and purchase of property for use as an educational facility for $5,500,000. The Lease Purchase Agreement was transferred to Cutler Charitable Foundation in June 2018 in the amount of $5,747,708.

The Cutler Charitable Foundation entered into a loan with Los Alamos National Bank (LANB) in the amount of $6,331,000. The interest rate is 5% and the date of maturity is June 27, 2023. The bank disbursed approximately $3,165,000 to reduce the amount of the Lease Purchase Agreement. As of June 30, 2018, approximately $3,165,000 was outstanding on the LANB note. The remaining part of the LANB note will be disbursed as a construction loan for Phase II in fiscal year 2019.

As of June 30, 2018, approximately $2,610,000 was outstanding on the Meld note. The interest rate is 6% and the date of maturity is December 16, 2019. Payments are interest-only until December 16, 2019, when all outstanding principal and any accrued interest is due.

Future payments on the note are as follows:

Year Ended June 30,	Principal	Interest	Total
2019	$ 313,614	$ 201,451	$ 515,065
2020	157,157	290,873	448,030
2021	166,113	281,918	448,031
2022	174,732	273,299	448,031
2023	4,963,384	285,530	5,248,914
	$ 5,775,000	$ 1,333,071	$ 7,108,071

Note 9 – Related Party Transactions

The Foundation is considered to be a related party of the School. The Foundation primary focus is to provide supplemental funding to the School and obtain resources to construct a new educational facility. The school amended the lease purchase agreement on June 28, 2018 and transferred all the rights and the lease purchase to the Foundation.

Note 9 – Related Party Transactions (continued)

The School paid $50,000 to the employer of the President of the Foundation. The President's husband was the broker for the lease purchase agreement that subsequently transferred to the Foundation.

The School entered into a lease purchase agreement with the owner of and investment company that was the director of the Foundation.

Note 10 – Subsequent Events

The Foundation approved the purchase of revenue bonds in the amount of approximately $15,000,000.

Note 11 – Other Required Individual Fund Disclosures

Generally accepted accounting principles require disclosures as part of the combined statements of certain information concerning individual funds, including:

A. Receivables and payables from inter-fund transactions as of June 30, 2018 are listed below. Funds which inter-fund transactions were affected or created due to cash overdrafts are represented.

	Due to Other Funds	Due from Other Funds
General	$ 3,839	$ -
Cafeteria	-	3,839
Total	$ 3,839	$ 3,839

B. Deficit fund balance of individual funds.
General fund reported a deficit fund balance of $55,425.
Food services fund reported a deficit fund balance of $3,839

C. Excess of expenditures over appropriations.

Fund 11000 (Function 1000) - $95,597
Fund 21000 (Function 3000) - $7,004
Fund 31600 (Function 2000) - $17
Fund 31701 (Function 2000) - $8

Note 12 – Risk Management

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors; errors and omissions; injuries to employees; and natural disasters. Because the School was unable to obtain general liability insurance at a cost it considered to be economically justifiable, it joined together with other school districts in the State and obtained insurance coverage with New Mexico Public Schools Insurance Authority, a public entity risk pool currently operating as a common risk management and insurance program for member school districts. The School pays an annual premium to New Mexico Public Schools Insurance Authority for its general insurance coverage, and all risk of loss is transferred. No losses exceeded insurance in the past three years.

The New Mexico Public Schools Insurance Authority is self-insured for property and liability losses below $250,000 and purchases excess insurance above the self-insured retention aggregate for property is set at $2,000,000 with a $1,000,000 stop loss. The self-insured retention aggregate for liability is $3,000,000 with a $1,000,000 stop loss.

Note 13 – Subsequent Accounting Standard Pronouncements

GASB has issued the following statements, which are applicable in future years. At this time, management is evaluating the impact, if any, on the School.

***GASB Statement No. 83* – Certain Asset Retirement Obligations**
Effective Date: The provisions in Statement 83 are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement will enhance comparability of financial statements among governments by establishing uniform criteria for governments to recognize and measure certain AROs, including obligations that may not have been previously reported.

GASB Statement No. 84 – Fiduciary Activities
Effective Date: The provisions in Statement 84 are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on:

1. Whether a government is controlling the assets of the fiduciary activity and
2. The beneficiaries with whom a fiduciary relationship exists.

Note 13 – Subsequent Accounting Standard Pronouncements (continued)

This Statement describes four fiduciary funds that should be reported, if applicable:

1. Pension (and other employee benefit) trust funds,
2. Investment trust funds,
3. Private-purpose trust funds, and
4. Custodial funds.

Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

GASB Statement No. 85 –Omnibus 2017
Effective Date: The provisions in Statement 85 are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

This Statement addresses the following topics:
- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation.
- Reporting amounts previously reported as goodwill and “negative” goodwill.
- Classifying real estate held by insurance entities.
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost.
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus.
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements.
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB.
- Classifying employer-paid member contributions for OPEB.
- Simplifying certain aspects of the alternative measurement method for OPEB.
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

GASB Statement No. 86 **– Certain Debt Extinguishment Issues**
Effective Date: The provisions in Statement 86 are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

This Statement should improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

Note 13 – Subsequent Accounting Standard Pronouncements (continued)

GASB Statement No. 87 – Leases
Effective Date: The provisions in Statement 87 are effective for reporting periods beginning after December 15, 2019.

This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

GASB Statement No. 88 – Certain Disclosures Related to debt, including Direct Borrowings and Direct Placements
Effective Date: The provisions in Statement 87 are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. Additional essential information related to debt for required disclosures include unused lines of credit, assets pledged as collateral for the debt, and terms specified in debt agreements related to significant events of default with finance related consequences, significant termination events with finance related consequences, and significant subjective acceleration clauses.

GASB Statement No. 89 – Accounting for Interest Cost Incurred before the End of a Construction Period
Effective Date: The provisions in Statement 87 are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. It requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of capital asset reported in a business-type activity or enterprise fund.

Note 14 – Restatement

During the fiscal year ended June 30, 2018, the School implemented GASB No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, by recognizing its net OPEB liability related to its OPEB plan. Accordingly, the cumulative effect of the accounting change is recorded at the beginning of the year in the financial statements as detailed below.

	Governmental Activities
Net deficit, June 30, 2017, as previously reported	$(1,100,623)
Cumulative affect of application of GASB 75, net OPEB liability	(1,475,453)
Net deficit, June 30, 2017, as restated	$(2,576,076)

	Component Unit
Net position, June 30, 2017, as previously reported	$ 53,213
Transfer out of component unit	(53,213)
Transfer in of component unit	1,055,000
Net position, June 30, 2017, as restated	$ 1,055,000

Note 15 – Management's Plan

The School experienced a net loss during the year ended June 30, 2018. The financial statements of the School have been prepared on a going concern basis, which contemplates the realization of the School's assets and the discharging of liabilities in the normal course of business for the foreseeable future. The School's ability to continue as a going concern is dependent on its ability to reduce operating expenditures and increase student counts. The financial statements do not give effect to any adjustments, which would be necessary should the School be unable to continue as a going concern and, therefore, be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying financial statements.

There is substantial doubt about the School's ability to continue as a going concern within one year after the issuance date. Management of the School believes it has the ability to continue operations and will be successful in reducing funds and increasing students.

Required Supplementary Information (Unaudited)

SCHEDULE OF 21st CENTURY PUBLIC ACADEMY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Educational Retirement Board (ERB) Plan
Last 10 Fiscal Years*

	Measurement Date			
	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Proportion of the net pension liability (asset)	0.04097%	0.03633%	0.03041%	0.02940%
Proportionate share of the net pension liability	$ 4,553,188	$ 2,614,464	$ 1,969,737	$ 1,674,632
Covered payroll	$ 1,166,719	$ 1,037,590	$ 864,496	$ 808,989
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	390.26%	251.97%	227.85%	207.00%
Plan fiduciary net position as a percentage of the total pension liability	52.95%	61.58%	63.97%	66.54%

**Governmental Accounting Standards Board Statement No.* 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for 21st Century Public Academy is not available prior to fiscal year 2015, the year the statement's requirements became effective.

SCHEDULE OF 21st CENTURY PUBLIC ACADEMY'S CONTRIBUTIONS
Educational Retirement Board (ERB) Plan
Last 10 Fiscal Years*

	Year Ended June 30,			
	2018	2017	2016	2015
Contractually required contributions	$ 157,118	$ 162,174	$ 144,225	$ 120,165
Contributions in relation to the contractually required contribution	157,118	162,174	144,225	120,165
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 1,130,345	$ 1,166,719	$ 1,037,590	$ 864,496
Contributions as a percentage of covered payroll	13.90%	13.90%	13.90%	13.90%

**Governmental Accounting Standards Board Statement No.* 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for 21st Century Public Academy is not available prior to fiscal year 2015, the year the statement's requirements became effective.

Changes of benefit terms

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

Changes of 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%.

SCHEDULE OF 21st CENTURY PUBLIC ACADEMY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
Retiree Health Care Authority (RHCA) Plan
Last 10 Fiscal Years*

	Measurement Date June 30, 2017
Proportion of the net OPEB liability (asset)	0.02741%
Proportionate share of the net OPEB liability	$ 1,242,132
Covered payroll	$ 1,141,804
Proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	108.79%
Plan fiduciary net position as a percentage of the total OPEB liability	11.34%

*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, 21st Century Public Academy will present information for those years for which information is available.

SCHEDULE OF 21st CENTURY PUBLIC ACADEMY'S CONTRIBUTIONS
Retiree Health Care Authority (RHCA) Plan
Last 10 Fiscal Years*

	Year Ended June 30, 2018
Contractually required contributions	$ 87,040
Contributions in relation to the contractually required contribution	43,684
Contribution deficiency (excess)	$ 43,356
Covered payroll	$ 1,141,804
Contributions as a percentage of covered 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, 21st Century Public Academy will present information for those years for which information is available.

Supplementary Information (Unaudited)

21st Century Public Academy
(A Component Unit of Albuquerque Municipal School District No. 12)
Combining Balance Sheet – Non-Major Governmental Funds (Unaudited)
June 30, 2018

	14000 Instructional Materials	21000 Cafeteria	24101 Title I IASA	24106 Teacher/Principal Training & Recruiting	24154 Teacher/Principal Training & Recruiting
ASSETS					
Current assets:					
Cash and cash equivalents	$ 29,649	$ -	$ -	$ 10,111	$ 117
Accounts receivable:					
Due from other governments	-	-	-	-	-
Other	-	-	-	-	-
Due from other funds	-	-	-	-	-
Prepaid expenses	-	-	-	-	-
TOTAL ASSETS	$ 29,649	$ -	$ -	$ 10,111	$ 117
LIABILITIES AND FUND BALANCE					
LIABILITIES					
Current liabilities:					
Accounts payable	$ -	$ -	$ -	$ -	$ -
Accrued liabilities	-	-	-	10,111	117
Due to other governments	-	-	-	-	-
Due to other funds	-	3,839	-	-	-
TOTAL LIABILITIES	-	3,839	-	10,111	117
FUND BALANCE					
Nonspendable	-	-	-	-	-
Restricted	29,649	-	-	-	-
Committed	-	-	-	-	-
Assigned for subsequent year	-	-	-	-	-
Unassigned (deficit)	-	(3,839)	-	-	-
Total fund balance (deficit)	29,649	(3,839)	-	-	-
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	$ 29,649	$ -	$ -	$ 10,111	$ 117

21st Century Public Academy
(A Component Unit of Albuquerque Municipal School District No. 12)
Combining Balance Sheet – Non-Major Governmental Funds (Unaudited)
June 30, 2018

	25153 Title XIX Medicaid 3/21 Years	26163 Golden Apple Foundation	26211 Target School Grants	27188 Teacher & School Leader Incentive Pay	31200 Public School Capital Outlay	Total
ASSETS						
Current assets:						
Cash and cash equivalents	$ 6,847	$ 5	$ 750	$ -	$ -	$ 47,479
Accounts receivable:						
Due from other governments	10	-	-	-	-	10
Other	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Prepaid expenses	-	-	-	-	-	-
TOTAL ASSETS	$ 6,857	$ 5	$ 750	$ -	$ -	$ 47,489
LIABILITIES AND FUND BALANCE						
LIABILITIES						
Current liabilities:						
Accounts payable	$ -	$ -	$ -	$ -	$ -	$ -
Accrued liabilities	-	-	-	-	-	10,228
Due to other governments	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	3,839
TOTAL LIABILITIES	-	-	-	-	-	14,067
FUND BALANCE						
Nonspendable	-	-	-	-	-	-
Restricted	6,857	5	750	-	-	37,261
Committed	-	-	-	-	-	-
Assigned for subsequent year	-	-	-	-	-	-
Unassigned (deficit)	-	-	-	-	-	(3,839)
Total fund balance (deficit)	6,857	5	750	-	-	33,422
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	$ 6,857	$ 5	$ 750	$ -	$ -	$ 47,489

21st Century Public Academy
(A Component Unit of Albuquerque Municipal School District No. 12)
Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Non-Major Governmental Funds
Year Ended June 30, 2018

	14000 Instructional Materials	21000 Cafeteria	24101 Title I IASA	24106 Teacher/Principal Training & Recruiting	24154 Teacher/Principal Training & Recruiting
REVENUES					
Property taxes	$ -	$ -	$ -	$ -	$ -
Local and county sources	-	6,649	-	-	-
State sources	7,595	-	-	-	-
Federal sources	-	-	-	-	-
Total revenues	7,595	6,649	-	-	-
EXPENDITURES					
Current:					
Instruction	14,275	-	-	-	-
Support services:					
Students	-	-	-	-	-
Instruction	-	-	-	-	-
General administration	-	-	-	-	-
School administration	-	-	-	-	-
Central services	-	-	-	-	-
Operations and maintenance of plant	-	-	-	-	-
Student transportation	-	-	-	-	-
Other support services	-	-	-	-	-
Operation of non-instructional services:					
Food services operations	-	10,292	-	-	-
Community services operations	-	-	-	-	-
Facilities, supplies, & materials	-	-	-	-	-
Debt Service - Principal	-	-	-	-	-
Debt Service - Interest	-	-	-	-	-
Total expenditures	14,275	10,292	-	-	-
EXCESS (DEFICIENCY OF REVENUES OVER (UNDER) EXPENSES	(6,680)	(3,643)	-	-	-
FUND BALANCES, BEGINNING OF YEAR	36,329	(196)	-	-	-
FUND BALANCES, END OF YEAR	$ 29,649	$ (3,839)	$ -	$ -	$ -

	25153 Title XIX Medicaid 3/21 Years	26163 Golden Apple Foundation	26211 Target School Grants	27188 Teacher & School Leader Incentive Pay	31200 Public School Capital Outlay	Total
REVENUES						
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -
Local and county sources	-	1,185	700	-	-	8,534
State sources	-	-	-	-	182,958	190,553
Federal sources	3,137	-	-	-	-	3,137
Total revenues	3,137	1,185	700	-	182,958	202,224
EXPENDITURES						
Current:						
Instruction	-	1,180	-	-	-	15,455
Support services:						
Students	-	-	-	-	-	-
Instruction	-	-	-	-	-	-
General administration	-	-	-	-	-	-
School administration	-	-	-	-	-	-
Central services	-	-	-	-	-	-
Operations and maintenance of plant	-	-	-	-	-	-
Student transportation	-	-	-	-	-	-
Other support services	-	-	-	-	-	-
Operation of non-instructional services:						
Food services operations	-	-	-	-	-	10,292
Community services operations	-	-	-	-	-	-
Facilities, supplies, & materials	-	-	-	-	182,958	182,958
Debt Service - Principal	-	-	-	-	-	-
Debt Service - Interest	-	-	-	-	-	-
Total expenditures	-	1,180	-	-	182,958	208,705
EXCESS (DEFICIENCY OF REVENUES OVER (UNDER) EXPENSES	3,137	5	700	-	-	(6,481)
FUND BALANCES, BEGINNING OF YEAR	3,720	-	50	-	-	39,903
FUND BALANCES, END OF YEAR	$ 6,857	$ 5	$ 750	$ -	$ -	$ 33,422

21st Century Public Academy
(A Component Unit of Albuquerque Municipal School District No. 12)
Schedule of Changes in Fiduciary Assets and Liabilities – Agency Funds (Unaudited)
(Required by 2.2.2 NMAC)
June 30, 2018

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
ASSETS				
Cash and cash equivalents	$ 18,772	$ 41,776	$ (35,992)	$ 24,556
TOTAL ASSETS	$ 18,772	$ 41,776	$ (35,992)	$ 24,556
LIABILITIES				
Deposits held for others	$ 18,772	$ 41,776	$ (35,992)	$ 24,556
TOTAL LIABILITIES	$ 18,772	$ 41,776	$ (35,992)	$ 24,556

Name of Depository	Description of Pledged Collateral	Fair/Par Market Value June 30, 2018	Safekeeping Agent
Bank of NY Mellon	3128PWMK1	$ 14,856	Bank of NY Mellon
Bank of NY Mellon	3138MKPU4	56,149	Bank of NY Mellon
		$ 71,005	
	Total amount on deposit	$ 368,340	
	Less: FDIC	(250,000)	
	Total uninsured public money	118,340	
	50% collateral requirement	59,170	
	Total pledged	71,005	
	Over pledged	$ 11,835	

21st Century Public Academy
(A Component Unit of Albuquerque Municipal School District No. 12)
Schedule of Cash and Cash Equivalents (Unaudited)
(Required by 2.2.2 NMAC)
June 30, 2018

	Primary Government
Operating account	$ 368,340
Reconciling items	(13,702)
Reconciled balance at June 30, 2018	354,638
Less: activity funds	(24,556)
Balance per statement of net position	$ 330,082

Cash Reconciliation (Unaudited)
(Required by 2.2.2 NMAC)
June 30, 2018

	Operational Account 11000	Instructional Materials 14000	Food Services 21000	Student Activity 23000	Projects Account 24000	Direct Account 25000
June 30, 2017 Cash (Book Balance)	$ 152,392	$ 36,329	$ 50	$ 18,772	$ 559	$ 3,720
June 30, 2017 Payroll Liabilities	(208,735)	-	-	-	(10,569)	-
June 30, 2017 Temporary Interfund Loans	112,770	-	(246)	-	(27,100)	-
June 30, 2017 Adjustments/Reconciling Differences	-	-	-	-	-	-
June 30, 2017 Cash Available to Budget	56,427	36,329	(196)	18,772	(37,110)	3,720
2017-2018 Revenue	1,788,800	7,595	6,649	41,776	37,110	3,127
2017-2018 Expenditures	(1,891,147)	(14,276)	(10,291)	(35,992)	-	-
Permanent Cash Transfers/Revisions	-	-	-	-	-	-
Adjustments	-	-	-	-	-	-
June 30, 2018 Cash Available to Budget	(45,920)	29,648	(3,838)	24,556	-	6,847
June 30, 2018 Payroll Liabilities	193,029	-	-	-	10,228	-
June 30, 2018 Temporary Interfund Loans	(3,839)	-	3,838	-	-	-
June 30, 2018 Adjustments/Reconciling Differences	628	1	-	-	-	-
June 30, 2018 Cash (Book Balance)	$ 143,898	$ 29,649	$ -	$ 24,556	$ 10,228	$ 6,847
Reconciliation to PED Cash Report Line 7						
June 30, 2018 Cash (Book Balance)	$ 143,898	$ 29,649	$ -	$ 24,556	$ 10,228	$ 6,847
June 30, 2018 Payroll Liabilities	(193,029)	-	-	-	(10,228)	-
June 30, 2018 Temporary Interfund Loans	3,839	-	(3,838)	-	-	-
Audit adjustments and reclassifications/other reconciling	(628)	(1)	-	-	-	-
Line 7 PED Cash Report June 30, 2018	$ (45,920)	$ 29,648	$ (3,838)	$ 24,556	$ -	$ 6,847

21st Century Public Academy
(A Component Unit of Albuquerque Municipal School District No. 12)
Cash Reconciliation (Unaudited)
(Required by 2.2.2 NMAC)
June 30, 2018

	Grant Funds 26000	Public School Capital Outlay 31200	Special Capital Outlay 31400	Capital Improve. HB 33 31600	Capital Improve. Local SB 9 31701	Total Primary Government
June 30, 2017 Cash (Book Balance)	$ 50	$ 857	$ -	$ 606,836	$ 134,127	$ 953,692
June 30, 2017 Payroll Liabilities	-	-	-	-	-	(219,304)
June 30, 2017 Temporary Interfund Loans	-	(43,403)	(42,021)	-	-	-
June 30, 2017 Adjustments/Reconciling Differences	-	-	-	-	-	-
June 30, 2017 Cash Available to Budget	50	(42,546)	(42,021)	606,836	134,127	734,388
2017-2018 Revenue	1,885	225,504	42,021	166,528	82,149	2,403,144
2017-2018 Expenditures	(1,180)	(182,958)	(37,848)	(686,091)	(126,996)	(2,986,779)
Permanent Cash Transfers/Revisions	-	-	-	-	-	-
Adjustments	-	-	-	-	-	-
June 30, 2018 Cash Available to Budget	755	-	(37,848)	87,273	89,280	150,753
June 30, 2018 Payroll Liabilities	-	-	-	-	-	203,257
June 30, 2018 Temporary Interfund Loans	-	-	-	-	-	(1)
June 30, 2018 Adjustments/Reconciling Differences	-	-	37,848	(37,848)	-	629
June 30, 2018 Cash (Book Balance)	$ 755	$ -	$ -	$ 49,425	$ 89,280	$ 354,638
					Less Activity fund	$ 24,556
					Total net position	$ 330,082
Reconciliation to PED Cash Report Line 7						
June 30, 2018 Cash (Book Balance)	$ 755	$ -	$ -	$ 49,425	$ 89,280	$ 354,638
June 30, 2018 Payroll Liabilities	-	-	-	-	-	(203,257)
June 30, 2018 Temporary Interfund Loans	-	-	-	-	-	1
Audit adjustments and reclassifications/other reconciling	-	-	(37,848)	37,848	-	(629)
Line 7 PED Cash Report June 30, 2018	$ 755	$ -	$ (37,848)	$ 87,273	$ 89,280	$ 150,753

Report of Independent Auditors 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*

21st Century Public Academy
Governing Council and
Mr. Wayne Johnson
New Mexico State Auditor

We were engaged to 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, the financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of 21st Century Public Academy as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report dated November 5, 2018. Our report disclaims an opinion on such financial statements because of balances that were not reconciled and did not agree to supporting documentation provided.

Internal Control over Financial Reporting

In connection with our engagement to audit the financial statements of 21st Century Public Academy, we considered 21st Century Public Academy'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 21st Century Public Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of 21st Century Public Academy'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 responses, 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 responses to be material weaknesses: 2018-001, 2018-005, 2018-010, 2018-011, 2018-015, 2018-016, 2018-017, 2018-018, 2018-020, 2018-025, 2018-028, 2018-029, and 2018-030.

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 responses to be significant deficiencies: 2018-027.

Compliance and Other Matters

In connection with our engagement to audit the financial statements of 21st Century Public Academy, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our engagement, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2018-002, 2018-003, 2018-004, 2018-006, 2018-007, 2018-008, 2018-009, 2018-012, 2018-013, 2018-014, 2018-019, 2018-021, 2018-022, 2018-023, 2018-024 and 2018-026. Additionally, if the scope of our work had been sufficient to enable us to express opinions on the basic financial statements, other instances of noncompliance or other matters may have been identified and reported herein.

Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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.

Moss Adams LLP

Albuquerque, New Mexico
November 5, 2018

SECTION I – FINANCIAL STATEMENT FINDINGS

2018-001: Purchasing, (Material Weakness)

Condition: The School consistently prepared both purchase requests and purchase orders after the invoice was received or after the services were performed. Our testwork identified eight purchase orders with a total dollar value of $103,966 that were dated after the invoice dates. We noted no other documentation (such as a contract) to show terms and conditions or rates agreed to by the School and the vendor prior to the purchase date. We noted purchasing invoices received from several vendors did not have date of service performed. In addition, we noted an invoice in the amount of $9,345 was paid by the school for one of the School's foundations.

Criteria: Per PSAB Supplement 13-Purchasing, the preparation and execution of a duly authorized purchase order must precede the placement of any order for goods, services or construction.

Per NMAC 6.20.2.11 Internal Control Structure Standards, 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.

Section 6-5-3 NMSA 1978 provides the following: "Before any vouchers or purchase orders are issued or contracts are entered into involving the expenditure of public funds by a state agency, the authority for the proposed expenditure shall be determined by the division and the state agency." In order to comply with this statute, the school must have an approved purchase order in place prior to any vendor performing work. Additionally, the price agreement requires that all work performed requires a purchase order be issued prior to the commencement of any work to be performed. Specifically, the price agreement states that absolutely no mobilization shall begin until the contractor has an official signed purchase order from the agency. The purchase order serves as the official notice to the contractor that the contractor may proceed with the work.

Cause: The school was not consistently preparing purchase requests and purchase orders prior to the purchase date. In addition, payments of invoices were consistently paid without the proper documentation.

Effect: School could be paying for things without proper budget authority. The audit includes a disclaimer of opinion, as balances may not be accurate and further noncompliance may exist.

Repeat Finding*:* This is not a repeat finding.

Auditor's Recommendation: We recommend that policies and procedures be reviewed by management and be followed.

Management's Response: 21st Century has implemented a formalized process for all purchases. This includes Request to Purchase forms, quotes required, formalized approvals and review prior to purchases being made. Training will also be provided to all staff to ensure compliance annually. Contracts from vendors will be acquired prior to the onset of purchases and reconciled to invoices received for work performed. Vendors will be notified that purchase orders are required for all purchases as well as service dates for work performed.

Person Responsible: Chief Operations Officer, Superintendent

Implementation by March 31, 2019

2018-002: Lack of Records, (Noncompliance in Accordance with the New Mexico State Audit Rule, does not rise to the Level of Significant Deficiency)

Condition: Supporting documentation related to certain construction purchases could not be located at the School.

Criteria: Once records have been created, it is important that they are stored in a safe place, tracked, and backed up so that they may be utilized in the future by the Board, Administration, management, auditors, and even in order to comply with an Inspection of Public Records Act, Section 14-3-1 et seq. NMSA 1978 request from a member of the public. The New Mexico Administrative Code (NMAC) 1.21.2 Retention and Disposition of Public Records sets forth the requirements for how long certain types of records must be maintained by a government entity before they can dispose of them.

6.20.2.11 NMAC, requires the School to establish and maintain an internal control structure including accounting controls over accounting records.

Cause: There was a change in business managers during the year along with a move during the year that caused the school to misplace records.

Effect: We could not gather evidence to support certain transactions. Missing invoices and/or other records can be indicators of more serious issues including fraud.

Repeat Finding: This is not a repeat finding.

Auditor's Recommendation: We recommend that the school review its documentation and retention policies and update to ensure that all records are kept in accordance with the states retention policy.

Management's Response: 21st Century recently moved to a new location and changed Chief Operations Officers mid-year. 21st Century is committed to maintaining appropriate documentation that relates to construction and purchases for our school. Now that we are in a permanent facility and fully staffed we do not see this as an issue going forward. 21st Century will also review the retention schedule.

Person Responsible: Chief Operations Officer, Superintendent

Implementation by March 31, 2019

2018-003: Procurement Code, (Noncompliance in Accordance with the New Mexico State Audit Rule, does not rise to the Level of Significant Deficiency)

Condition: The School did not follow procurement policies during the year. The School had 8 purchases in the amounts of $53,750, $45,498, $41,176, $43,350, $29,760, $23,325, $21,714 and $21,231 where quotes were not obtained. In addition, the school had construction costs with one vendor paid in the amounts of approximately $2,137,834 where the school did not follow the procurement process. No request for proposal was issued for services.

Criteria: Section NMAC 6.20.2.17(A), requires that each school establish and implement written policies and procedures which shall be in compliance with the Procurement Code, Section 13-1-21 et seq., NMSA 1978. An internal control structure over purchasing shall be established and maintained to assure compliance with school policy, state and federal regulations. According to 13-1-74 NMSA 1978, "Procurement" means A. purchasing, renting, leasing, lease purchasing or otherwise acquiring items of intangible personal property, services or construction; and B. all procurement functions, including but not limited to preparation of specifications, solicitation of sources, qualifications, or disqualification of sources, preparation and award of contract and contract administration. Per school policies "the school adheres to the NM Procurement Code which establishes the purchasing standards. When purchases are over $20,000 for tangible property, the school will adhere to the state procurement code. "

Cause: School is not following its own policies.

Effect: School is not in compliance with state requirements and could be overpaying for goods and services.

Repeat Finding: This is not a repeat finding.

Auditor's Recommendation: We recommend that all management at the school including the governing council review the school policies and state requirements and ensure purchase requirements are followed.

Management's Response: 21st Century is updating its current process and procedures and has implemented a formalized process for all purchases. This includes Request to Purchase forms, quotes required, formalized approvals and review prior to purchases being made. Training will also be provided to all staff to ensure compliance annually. At the on-set of purchases and at the beginning of each school year, 21st Century is committed to ensure that any work performed will follow all procurement policy to maintain compliance with NMSA 1978. This will also include annual training and review with the Governance Council Members. The Fuentes Law Firm provided back up for the 2M which was uploaded to the portal. The legislative fund's back up documents for the remaining amounts have also been uploaded and provided to the auditors.

Person Responsible: Chief Operations Officer, Superintendent

Auditor's Response: There was no RFP conducted for the construction**.**

Implementation by March 31, 2019

2018-004: Small Purchases (Noncompliance in Accordance with the New Mexico State Audit Rule, does not rise to the Level of Significant Deficiency)

Condition: The School did not follow procurement policies during the year. The School had 4 purchases in the amounts of $4,440, $4,515, $3,616, and $1,698 related to construction. There was no documentation kept at the School to show amounts procured were at the best obtainable price.

Criteria: Section 13-1-125 NMSA 1978 (small purchases) allows the procurement of construction services with a value not exceeding $20,000 at the best obtainable price. Per school policies "the school adheres to the NM Procurement Code which establishes the purchasing standards.

Cause: School is not following its own policies.

Effect: School is not in compliance with state requirements and could be overpaying for goods and services.

Repeat Finding: This is not a repeat finding.

Auditor's Recommendation: We recommend that all management at the school including the governing council review the school policies and state requirements and ensure purchase requirements are followed.

Management's Response: 21st Century recently moved to a new location and changed Chief Operations Officer's mid-year, however the expenditures listed above were related to State Legislative Appropriations and appropriate approvals prior to purchases were acquired from PED. This included initial requests and quotes. 21st Century is updating current processes and procedures and has implemented a formalized process for all purchases. This includes Request to Purchase forms, quotes required, formalized approvals and review prior to purchases being made. Training will also be provided to all staff and Governance Council Members to ensure compliance annually. Prior to all purchases being made an assessment will be conducted to ensure compliance with Small Purchases to include those that relate to construction. All procurement processes will be followed.

Person Responsible: Chief Operations Officer, Superintendent

Implementation by March 31, 2019

2018-005 Internal Control over Financial Reporting (Material Weakness)

Condition: During our audit, we noted the following issues:

1. Fund balance did not properly roll. Accrual adjustments provided to rollfoward fund balance were not correct. In addition, the School had not posted prior year adjusting entries.
2. Capital asset journal entries provided did not agree to the capital asset rollfoward.
3. Accrual entries provided by the school were incorrect and had to be adjusted.
    a. The school provided an accrual adjustment for a deposit of $14,182. The deposit was returned to the school on July 25, 2017. An adjustment was provided to correct this.
    b. The support provided for the accrued liabilities did not agree to the client adjustment provided by $45,134.
    c. School did not accrue for $3,862 of receivables in fund 25153.
4. We noted an expense paid during fiscal year 2018 that should have been accrued in fiscal year 2017 in the amount of $100,938.
5. The school paid $4,100 out of the food services fund for student transportation.
6. The school incorrectly booked $351,859 of capital outlay and other fees to rent expense. An adjustment was provided to correct $35,702.
7. School did not record the bond money as revenue and expense on their books in the amount of $1,516,073.
   A vendor confirmed an amount outstanding of $100,000 that was not recorded as outstanding on the school records.

Criteria: Per NMAC 6.20.2.11, 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.

Cause: Lack of management oversight.

Effect: Possible misstatement to the School's financial statements. The audit includes a disclaimer of opinion, as balances may not be accurate and further noncompliance may exist.

Repeat Finding: This is not a repeat finding.

Auditor's Recommendation: We recommend that management establish additional controls to review entries, estimates, and accruals to prevent errors or departures from GAAP.

Management's Response: 21st Century has established a formal process for additional support, guidance and training utilizing our Business Manager of record, The Vigil Group. On-going training will be provided to the Chief Operating Officer (COO) to help ensure compliance for all items related to Financial Statements in accordance with GAAP. Internal controls, processes and procedures are being updated with oversight from the Business Manager. All Requests for Reimbursement will be completed by The Vigil Group with support and assistance of the COO.

Person Responsible: Chief Operations Officer, Superintendent, Business Manager

Implementation by March 31, 2019

Finding No. 2018-006 Vendor Controls and Required IRS Forms (Noncompliance in Accordance with the New Mexico State Audit Rule, does not rise to the Level of Significant Deficiency)

Condition: The School could not provide a 1099 for a vendor utilized during the year who received payments in excess of $600.

Criteria: Federal law, 26 U.S.C.§ 6041, requires the School to send a 1099 form to individuals or contractors who are not School employees for services performed in excess of $600.

6.20.2.11 NMAC requires the School to have an internal control structure that provides reasonable assurance that the School is complying with applicable laws and regulations. Additionally, sound accounting practices recommend against the hand delivery of vendor payments.

Cause: The School did not retain 1099 documentation.

Effect: The School could owe a penalty if 1099s were not filed with the IRS.

Repeat Finding: This is not a repeat finding.

Auditor's Recommendation: 1099 forms should be completed in accordance with Federal law.

Management's Response: The Vigil Group provided support for filing all 1099's with the IRS for our School. A 1099 confirmation was provided to the Auditors and a back-up copy will be maintained at the school. This internal process will be notated in our process and procedures manual. Report submitted to Auditors for 1099 stored in APTA Financial System 10.10.18. A reconciliation of 1099 for Vendors will be completed to ensure compliance. The Chief Operations Officer has also registered for the 1099 Webinar provided by APTA on November 13th to ensure compliance. All documents stored at the School will be listed in the process and procedures manual and a copy provided to our Business Manager for reference.

Person Responsible: Chief Operations Officer, Business Manager

Auditor's Response: We noted 1099's were not provided for all vendors required to be provided to. 1099's were only completed for vendors marked in APTA fund. No reconciliation was done by the school to ensure all vendors required to receive a 1099 received one.

Implementation by March 31, 2019

2018-007 Chief Procurement Officer (Noncompliance in Accordance with the New Mexico State Audit Rule, does not rise to the Level of Significant Deficiency)

Condition: The School did not have a Chief Procurement Officer in place from January 1, 2018 through June 30, 2018.

Criteria: Per 13-1-95.2.A NMSA 1978, "On or before January 1 of each year beginning in 2014, and every time a chief procurement officer is hired, each state agency and local public body shall provide to the state purchasing agent the name of the state agency's or local public body's chief procurement officer and information identifying the state agency's or local public body's central purchasing office, if applicable."

Cause: There was a change in business managers during the year and the current business manager had not obtained the necessary training and certification as of year-end.

Effect: The School is out of compliance with New Mexico statutes requiring the training, certification, and reporting of a Chief Procurement Officer.

Repeat Finding: This is not a repeat finding.

Auditor's Recommendation: The School should designate an individual with the appropriate skill set and position within the school to be its Chief Procurement Officer as soon as possible when a current Chief Procurement Officer terminates employment. This individual should obtain the necessary certification as soon as possible. Upon certification of a Chief Procurement officer, the school should register this individual on the New Mexico General Services Department website.

Management's Response: 21st Century Chief Operations Officer has completed the Chief Procurement Class for CPO Certification as of October 19, 2018. This class is only offered a few times a year and the timing of filling the COO position and acquiring the CPO Certification should be a non-issue after October. Support was provided on the interim from our contract Level 2 Business Specialist and contract CPO Officer.

Person Responsible: Chief Operations Officer, Superintendent

Implementation by March 31, 2019

2018-008 Retiree Health Care timely payments (Noncompliance in Accordance with the New Mexico State Audit Rule, does not rise to the Level of Significant Deficiency)

Condition: For July 2017, January 2018 and June 2018, the monthly Retiree Health Care (RHC) contribution was made after the 10th of the subsequent month.

Criteria: Monthly RHC contributions are required to be remitted no later than the 10th of the following month per NMSA 1978 10-7C-15.

Cause: There was a change in business managers during the year and the current business manager for the January payment. The late payment for July 2017 and June 2018 was an oversight.

Effect: The School could owe penalties for submitting contributions late.

Repeat Finding: This is not a repeat finding.

Auditor's Recommendation: The School should development a checklist with all month, quarterly and year end deadlines and make sure all applicable payments are being made timely. Timely payments would help the School avoid any late fees or charges.

Management's Response: 21st Century will ensure that payments are made timely and if additional support is needed, The Vigil Group will be utilized when necessary.

Person Responsible: Chief Operations Officer and Business Manager

Implementation by March 31, 2019

2018-009 Contingent Fee contract (Noncompliance in Accordance with the New Mexico State Audit Rule, does not rise to the Level of Significant Deficiency)

Condition: The School entered into a contingent fee contract with a Broker for period beginning February 15, 2016 and terminating on September 15, 2016 for a 3% commission fees should the School buy or lease a property. The School entered into amendment 1 dated July 24, 2017. The agreement was signed by the board president. There was no mention in the meeting minutes approving this amendment and allowing the board president to sign the agreement on the boards behalf. There was no documentation kept by the school to show why the school entered into an amendment after the original agreement with the Broker expired. The attorney provided advice to the school on November 27, 2017 for the governing council to discuss and had two suggestions 1) pay nothing since the broker was negligent in allowing the Broker agreement to expire or 2) make an offer of payment of some sum of money condition upon complete release. During the December 7, 2017 governing council meeting the council determined that amendment one was not legally valid due to the lack of new consideration not be noted. There was no discussion of not paying the amounts or offering a reduced amount. The relator agreed to modify his agreement and put forth and amendment to change to 2%, or $100,000 plus GRT, with $50,000 to be paid by the seller and $50,000 to be paid by the buyer. The school's portion was paid in December 2017. The broker confirmed an amount of $100,000 remaining at June 30, 2018. The school is disputing that amount.

It was also noted that the broker involved is the husband of the current President of Cutler Charitable Foundation (a 21st Century Foundation and Component Unit). The President of the Cutler Charitable Foundation also works for the same reality company.

Criteria: Per NMSA 13-1-192, contingent fees are prohibited. It is unlawful for a person or business to be retained or for a business to retain a person or business to solicit or secure a contract upon an agreement or understanding that the compensation is contingent upon the award of the contract, except for retention of bona fide employees or bona fide established commercial selling agencies for the purpose of securing business and persons or businesses employed by a local public body which are providing professional services to the local public body in anticipation of the receipt of federal or state grants or loans.

Cause: The School was unaware of laws around contingent fees.

Effect: The School paid an unallowable cost and entered into an amendment that was not in favor of the School and could require the School to pay a contingent fee.

Repeat Finding: This is not a repeat finding.

Auditor's Recommendation: We recommend that the School work with its authorizer, the NM PED or their attorney to determine if such agreements are allowed prior to the approval of the governing council to enter such agreements.

Management's Response: 21st Century did review and seek legal consultation from Fuentes Law Firm as it relates to the contract in question and final remedy of the Schools portion of payment was made in December and a release of claim was provided by the Client for the fees described. Going forward the school will help document and seek PED approval prior to entering into any contracts that may be considered unallowable to determine the most appropriate method for agreement and payment henceforth.

Person Responsible: Chief Procurement Officer, Chief Operations Officer, Superintendent

Implementation by March 31, 2019

2018-010 Construction (Material Weakness)

Condition: The School paid for construction during the year in the amount of approx. $2,138,000. The School paid for construction costs to the lease holder of the property. The lease to purchase agreement noted an amount of zero construction costs and noted that the monthly lease payment is based on the "As is Cost of the Premises". A construction agreement was provided between the lease holder of the property and the contractor. The School did not sign the agreement. The invoices provided to the School did not have enough detail to show progress of the construction or any certification showing the data that was submitted was accurate, complete and current. Support could not be provided by the contractor to show how overhead rates were calculated. The School was billed for overhead items in general requirements and a separate over-head rate.

In addition, we noted that the owner of the Company paid was also listed as an original director of one of the Cutler Charitable Foundation (a 21st Century Charter Foundation and Component Unit).

Criteria: Per NMSA 13-1-100. Construction contracts; central purchasing office. The award and execution of contracts for major construction, including but not limited to roads, bridges, airports, buildings and dams, shall be made by the governing authority of the using agency. The procurement officer responsible for the procurement shall give notice to prospective bidders pursuant to Section 13-1-104 NMSA 1978. Per NMSA 13-1-142. Cost or pricing data; certification required, A contractor, actual or prospective, required to submit cost or pricing data shall certify that to the best of its knowledge and belief the cost or pricing data submitted was accurate, complete and current as of a specified date.

Cause: The School needed a location to open in August 2017.

Effect: The School could have overpaid for construction costs. The audit includes a disclaimer of opinion, as balances may not be accurate and further noncompliance may exist.

Repeat Finding: This is not a repeat finding.

Auditor's Recommendation*:* We recommend that the School ensure that when any construction is being performed that there is a contract for the terms and conditions as well as include all pricing data. We recommend invoices be as descriptive as possible and that the contractor certify they are accurate and complete.

Management's Response: 21st Century will work on ensuring that we follow all PED and Procurement guidelines that relate to construction as we move forward. We will also seek legal counsel when needed to help ensure all policies are being followed. All construction contracts will contain terms and conditions to include pricing data with contractor certification of work complete.

Person Responsible: Chief Operations Officer, Superintendent, Chief Procurement Officer

Implementation by March 31, 2019

2018-011: Construction change-order, (Material Weakness)

Condition: The original estimate for the construction of Phase I of the school building was $1,411,691. The School paid approximately $2,137,834. The school paid an additional $726,142 over the original proposed amount. There was no documentation at the school documenting or approving the change order, or documentation of what the cost overrun was for. In addition, there is no documentation or provision stating that the profit or fee shall be adjusted to exclude any significant sums because of inaccurate or incomplete pricing data.

Criteria: NMSA 13-1-140. Cost or pricing data; change orders or contract modifications. When required by the state purchasing agent or a central purchasing office, a contractor shall submit cost or pricing data prior to the execution of any change order or contract modification, whether or not cost or pricing data was required in connection with the initial award of the contract, when the change order or modification involves aggregate increases or aggregate decreases that are expected to exceed twenty-five thousand dollars ($25,000). Per NMSA13-1-143. Cost or pricing data; price adjustment provision required. Any contract award, change order or contract modification under which the submission and certification of cost or pricing data are required shall contain a provision stating that the price to the state agency or a local public body, including profit or fee, shall be adjusted to exclude any significant sums by which the state agency or a local public body reasonably finds that such price was increased because the contractor-furnished cost or pricing data was inaccurate, incomplete or not current as of the date specified.

Cause: There was a change in business managers during the year along with a move during the year that caused the school to misplace records.

Effect: We could not gather evidence to support certain transactions. The audit includes a disclaimer of opinion, as balances may not be accurate and further noncompliance may exist.

Repeat Finding*:* This is not a repeat finding.

Auditor's Recommendation*:* We recommend that the school review its documentation and retention policies and update to ensure that all records are kept in accordance with the states retention policy.

Management's Response: 21st Century has already begun organizing and archiving all files appropriately. In the transition phase between Chief Operations Officers and the schools move to a new permanent location a complete re-organization of files occurred over the summer. All documents were archived by Fiscal year and a review of missing documents were attempted to be collected and archived as the Audit occurred on-site. This was a way for the school to help determine what documents needed to be stored and how and from which corresponding vendors or Foundations.

Person Responsible: Chief Operations Officer, All Foundations & Organizations related to the School and purchasing support, Superintendent, CPO

Implementation by March 31, 2019

2018-012: Lack of NM PED approval prior to approving Lease Purchase Agreement (Noncompliance in Accordance with the New Mexico State Audit Rule, does not rise to the Level of Significant Deficiency)

Condition: The School did not receive approval from the New Mexico Public Education Department (PED) prior to the approval of the Lease Purchase Agreement. Two original lease purchase agreements were provided. The first dated May 10, 2017 and the second dated August 9, 2017. The August 9, 2017 Agreement was approved by the PED on September 18, 2017. An Amendment was completed and approved by PED on June 4, 2018. We noted that the May 10, 2017 lease purchase agreement had amounts that were blank in the agreement and there is no documentation to show the May 10, 2017 lease purchase agreement was cancelled.

Criteria: 22-26A-4(B) NMSA 1978, a governing body of a charter school shall not enter into a lease purchase agreement without the prior approval of the Public Education Department.

Cause: The School needed to open the School for the students.

Effect: The School was not originally compliant with state statutes and had to incur additional legal fees in order to make the school compliant.

Repeat Finding*:* This is not a repeat finding.

Auditor's Recommendation: We recommend that the School understand all state compliance requirements prior to entering into contracts. And ensure all signed contracts no longer valid have proper documentation to show they are no longer valid.

Management's Response: 21st Century worked with the PED attorney and 21st Century attorneys. 21st Century has followed all of the appropriate processes for the Lease Purchase and the Lease Amendment following the guidance of the PED. The prep work that was involved to process both and with the direct guidance provided by PED allowed the Lease Purchase took to be approved in less than a month time frame. 21st Century received approval from PED on August 9, 2017, however all documentation was provided to PED as requested through-out this process.

Person Responsible: Chief Operations Officer, Superintendent

Implementation by March 31, 2019

Auditor's Response: A letter was provided by the NMPED to the school documenting the lack of PED approval prior to the signing of the lease purchase agreement.

2018-013: Bylaws (Noncompliance in Accordance with the New Mexico State Audit Rule, does not rise to the Level of Significant Deficiency)

Condition: The Governing Council President signed a lease purchase agreement on May 24, 2017 on behalf of the School. We noted no approval in minutes showing approval to sign on behalf of the school. Governing Council President signed a broker amendment on behalf of the school. We noted no approval in minutes showing approval to sign on behalf of the school.

Criteria: Per the school bylaws, unless acting pursuant to express delegated authority from the governing council, no governing council member shall undertake an individual action to implement any plan or action approved by the governing council and which is the responsibility of the Head Administrator or his/her designee, unless such action is taken under the direction and supervision of the Head Administrator. When acting under such direction and supervision of the Head Administrator or his/her designee, a governing council member shall be considered a volunteer and have no special authority beyond that of a volunteer.

Cause: Minutes were not correct.

Effect: The governing council president could be removed from their position.

Repeat Finding*:* This is not a repeat finding.

Auditor's Recommendation: We recommend that any documents to be signed by a board member be approved and designated during an open meeting.

Management's Response: 21st Century Governance Council gave authority to the Governance Council President to sign on behalf of the School for the contract that is being described. This was also acknowledged throughout multiple meetings with Governance Council members present as well as with Legal Counsel and Guidance from PED, Chief Operations officer at that time along with the Business Manager guidance. 21st Century will ensure the appropriate back up can help substantiate the decision making process showing the authority for transactions, documents and agreements as these occur throughout the year.

Person Responsible: Superintendent, Chief Operations Officer

Implementation by March 31, 2019

Auditor's Response: The minutes did not properly reflect decisions made by the Governing Council.

2018-014: Lack of Due Diligence (Noncompliance in Accordance with the New Mexico State Audit Rule, does not rise to the Level of Significant Deficiency)

Condition: The School entered into a Lease Purchase Agreement for $5,500,000 without an appraisal and did not have any documentation showing the basis for the price. An appraisal was conducted by a bank on February 1, 2018 determining the market value to be $5,030,000 after the School paid approximately $2,137,834 for construction on the property.

Criteria: Per 13-1-126B NMSA 1978. The state purchasing agent or central purchasing office shall use due diligence in determine the basis for the sole source procurement, including reviewing available sources and consulting the using agency, and shall include its written determination in the procurement file.

Cause: Lack of oversight and due diligence.

Effect: The School could be overpaying for the land and building to be purchased.

Repeat Finding: This is not a repeat finding.

Auditor's Recommendation: We recommend that due diligence be completed and documented by the School prior to any purchase.

Management's Response: 21st Century started their due diligence back in 2015 to look for property, land and an adequate building with the utilizing of comps from multiple locations. 21st Century also began working with APS to determine if APS had a facility the size in which the school was looking for to help expand, grow and meet the health and safety needs of the School. The Facilities Manager helped track site visits to schools, along with comps and pre communications that occurred. Although an appraisal was not done at the time, an appraisal will be used going forward for all work that relates for Construction, purchases and acquisitions prior to buying any other buildings or land.

Person Responsible: Chief Operations Officer, Facilities Manager, Superintendent and Cutler Foundation

Implementation by March 31, 2019

2018-015: Fixed Assets (Material Weakness)

Condition: The School continued to carry building improvements related to the previous leased building. There was a remaining book value of $2,204. In addition, the School did not track or depreciate leasehold improvements for the construction of the current school building. The total amount of the assets have not been reconciled by the school.

Criteria: Per 6.20.2.22 (C) NMAC. Assets of long-term character which are intended to continue to be held or used, such as land (including acquisition and improvements to grounds0, building (including initial, acquisition, improvements, remodeling, additions and replacement), furniture, machinery and equipment shall be acquired and accounted for through the development and implementation of a complete property control system which shall be adopted by the local board and in accordance with GAAP. Per 6.20.2.22(D) NMAC the acquisition, accountability and disposition of fixed assets for capital projects shall be in accordance with GAAP.

Cause: Lack of proper tracking and reconciliation.

Effect: The Capital Assets are understated for the year by an undetermined amount. The audit includes a disclaimer of opinion, as balances may not be accurate and further noncompliance may exist.

Repeat Finding*:* This is not a repeat finding.

Auditor's Recommendation: We recommend that the school reconcile all construction costs and verify that the total amount be capitalized and depreciated as necessary.

Management's Response: 21st Century was in the middle of a move and between fiscal years as well as a change in Chief Operations personnel with no permanent location over the summer. During that move Administration was in transition. Construction costs have been reported through present day for Phase I Lease Purchase and Phase II for the Lease Amendment and will continue to be monitored and tracked as we move forward to ensure proper capitalization and depreciation of all assets. Once Phase II is complete, ALL assets will be reconciled, tracked and recorded and provided to the Business Manager of record for appropriate Financial reporting.

Person Responsible: Chief Procurement Officer, Chief Operations Officer, Superintendent, and Business Manager

Implementation by March 31, 2019

Auditor's Response: The School should not wait until Phase II is complete to reconcile, track and record all assets.

2018-016 Vendor Overpayment (Material Weakness)

Condition: During our audit we noted the following:

- School was overbilled and overpaid a vendor by $52,401. The vendor charged the school gross receipts tax twice.
- Per the invoice dated August 4, 2017, remaining balance on roof was $40,000. School received and invoice dated October 10, 2017 for $50,000. The documentation at the school is unclear on whether the School had an overpayment of $10,000.

Criteria: Per NMAC 6.20.2.11, 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.

Cause: Lack of controls implemented by the School.

Effect: The Vendor overbilled and the School overpaid on services performed. The School may not be able to recover these funds. The audit includes a disclaimer of opinion, as balances may not be accurate and further noncompliance may exist.

Repeat Finding*:* This is not a repeat finding.

Auditor's Recommendation: We recommend that management establish controls to ensure that future amounts are not overpaid.

Management's Response: 21st Century was in the middle of a summer move as construction was occurring and in constant negotiations to establish and acquire funding from APS for 1.5 million to help with the construction of the school. This was an oversight and will be closely monitored as we move forward and reviewed and approved by the Superintendent and the Chief Operations Officer as expenditures are reconciled. As concerns arise, this will be addressed by Vendor to ensure no overbilling is done. Al vendors will be required to provide an on-going project update with detailed costs analysis and summary report to the School as well as the Foundations that are involved that relate to the Construction to capture all costs appropriately and prevent overbilling from occurring. At this time a Memo will be going out to this Vendor to collect back the overbilling that is due back to the School and APS.

Person Responsible: Chief Procurement Officer, Chief Operations Officer, Superintendent

Implementation by March 31, 2019

2018-017 Journal Entries (Material Weakness)

Condition: During our testing of journal entries we noted there is no approval of journal entries. It was also noted that journal entries in the amounts of $87,755 and $26,688 did not contain adequate supporting documentation for the journal entry posted.

Criteria: Appropriate and accurate journal entries are essential in correcting errors, facilitating the month-end closing process, and preparing accurate financial statements. Journal entries should be reviewed by someone other than the preparer and that has the accounting knowledge to determine that the entry is appropriate and correct. The entry should be accompanied by supporting documentation to facilitate the review process. The review should be performed prior to the entry being recorded in the accounting records to reduce the need for additional correcting journal entries.

Cause: The school has not had adequate resources to develop well-established policies and procedures over the journal entry process.

Effect: Journal entries that are not reviewed or approved by someone with the appropriate level of accounting knowledge may result in entries made in error and could lead to a misstatement of the financial statements. Additionally, a significant amount of time is required to research and correct erroneous journal entry posting. The audit includes a disclaimer of opinion, as balances may not be accurate and further noncompliance may exist.

Repeat Finding*:* This is not a repeat finding.

Auditor's Recommendation: We recommend that the school adopt a policy whereby all journal entries will be approved by a designated member of management with the appropriate level of accounting knowledge. All entries should be initialed by the preparer and the individual approving them in order to attribute responsibility to the appropriate individuals. All journal entries should be accompanied by a full explanation and by reference to adequate supporting documentation.

Management's Response: 21st Century has already began changing its Journal Entry procedures and they are currently reviewed with our Business Manager. This policy and Internal Controls will be updated with review for future Journal Entries. Dual approvals are now required for all JE's and additional training will be provided to the COO to prevent this from future audit findings and ensure compliance is being followed.

Person Responsible: Chief Operations Officer, Superintendent, Business Manager

Implementation by March 31, 2019

2018-018 Prepayment of Invoices (Material Weakness)

Condition: A check was written by the school in the amount of $250,000 that showed prepayment for construction work. Back-up provided by the school did not reconcile to the $250,000 paid. Of the support provided only $38,270 appears to be for services prior to the check date. The School provided invoices of $327,374 to support this invoice.

Criteria: Per NMAC 6.20.2.11, 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.
Cause: Lack of controls implemented by the School.

Effect: The Vendor overbilled and the School overpaid on services performed. The School may not be able to recover these funds. The audit includes a disclaimer of opinion, as balances may not be accurate and further noncompliance may exist.

Repeat Finding*:* This is not a repeat finding.

Auditor's Recommendation: We recommend that management establish controls to ensure that future amounts are not overpaid.

Management's Response: 21st Century will monitor all construction costs and will not pre-pay for services. Policies will be followed to ensure no overpayments and pre-payments are made. We will follow our procurement guidelines. Although this partially resulted in the School's inability to acquire funds sooner from APS as it relates to the 1.5 million on Mill Levy Funds, the School will do its due diligence going forward.

Person Responsible: Chief Operations Officer, Superintendent, Facilities Manager

Implementation by March 31, 2019

2018-019: Improper Disposal of Capital Assets (Noncompliance in Accordance with the New Mexico State Audit Rule, does not rise to the Level of Significant Deficiency)

Condition: During our testwork over capital assets, we noted the School failed to notify the Office of the State Auditor (OSA) at least 30 days prior to the disposition of property for all items disposed in fiscal year 2018.

Criteria: Per 2.2.2.10 (S) NMAC, "At least 30 days prior to any disposition of property on the agency inventory list described in Subsection U of 2.2.2.10 NMAC, written notification of the official finding and proposed disposition duly sworn and subscribed under oath by each member of the authority approving the action must be sent to the state auditor.

Cause: The School does not have a process in place to ensure the OSA is notified prior to disposition of the assets.

Effect: The School disposed of assets in violation of state statute.

***Repeat Finding**:* This is not a repeat finding.

Auditor's Recommendation: We recommend the School develop and implement procedures to ensure the OSA is notified in writing at least 30 days prior to disposition of any items included on the Division's inventory listing.

Management's Response: 21st Century will follow all OSA requirements going forward. This was an oversight by the school and Administration as a result of the move. The current COO will work closely with the Superintendent and the Facilities Manager on all Inventory, assets and disposition thereof to help prevent future and repeat findings.

Person Responsible: Chief Operations Officer, Superintendent, Facilities Manager

Implementation by March 31, 2019

2018-020 Request for Reimbursement (Material Weakness)

Condition: The School does not have a process for submitting Requests for Reimbursements (RFRs) timely. The school could not recover approximately $75,011 due to RFR's submitted after the due date. The operating fund was required to absorb those expenditures. Those adjustments had not been corrected in the general ledger accounting system. In addition, the school does not have a review of RFRs.

Criteria: Per NMAC 6.20.2.11, 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.

Cause: Lack of management oversight.

Effect: Possible misstatement to the School's financial statements. The audit includes a disclaimer of opinion, as balances may not be accurate and further noncompliance may exist.

Repeat Finding*:* This is not a repeat finding.

Auditor's Recommendation: We recommend that management establish additional controls to review entries, estimates, and requests for reimbursement to prevent errors or departures from GAAP.

Management's Response: 21st Century had planned to submit all RFR's the week that they were due, however due to a family emergency this was not completed as originally anticipated. A complete explanation of events was provided. An emergency contingency for support is now in place to prevent this from happening in the future and RFR's will be done either Monthly or Quarterly to ensure no large amounts are carried through the end of the year. Additional training will also be provided to the current Chief Operations Officer by the Business Manager.

Person Responsible: Chief Operations Officer, Business Manager

Implementation by March 31, 2019

2018-021 Budgetary Conditions (Previously reported as 2017-003) (Noncompliance in Accordance with the New Mexico State Audit Rule, does not rise to the Level of Significant Deficiency)

Condition: During our audit, we noted the school had an expenditure function where actual expenditures exceeded budgetary authority:

Fund 11000 (Function 1000) -$95,597
Fund 21000 (Function 3000) -$7,004
Fund 31600 (Function 2000) - $17
Fund 31701 (Function 2000) -$8

Management Progress*:* Management has not made progress to clear this prior year finding.

Criteria: Sound financial management and 6.20.2.9 (A) NMAC and 22-8-5 through 22-8-12.2 NMSA 1978 require that budgets not be exceeded at the legal level of control. For school districts, the function is the legal level of control.

Cause: Lack of management oversight.

Effect: Noncompliance with state statutes.

Repeat Finding*:* Previously reported as 2017-003.

Auditor's Recommendation: We recommend that management establish controls necessary to monitor the budget and submit any necessary adjustments on a timely basis in order to avoid overages.

Management's Response: 21st Century will work towards monitoring the budgets quarterly and as needed to ensure compliance and make necessary adjustments for BAR's quarterly.

Person Responsible: Chief Operations Officer, Business Manager and Superintendent

Implementation by March 31, 2019

2018-022 4th quarter NMPED reports (Non-Compliance in Accordance with the New Mexico State Audit Rule, does not Rise to the Level of Significant Deficiency)

Condition: We noted the 4th quarter budget to actual report submitted to the New Mexico Public Education Department (NMPED) did not agree to the general ledger.

Criteria: Per the Manual of Procedures for Public School Accounting and Budgeting Actual reporting involves the submission of actual revenues and expenditures (a summary report) on the district or Charter's general ledger on a monthly or quarterly basis.

Cause: Reconciling journal entries from previous audits were not received and entered. As such school was waiting to close books.

Effect: The Charter has not reported the correct actual amount to the NMPED.

Repeat Finding*:* This is not a repeat finding.

Auditor's Recommendation: We recommend school ensure that all adjustments have been made to the trial balance prior to the submission of actuals to the NMPED.

Management's Response: 21st Century had to comply with PED quarterly deadlines, however additional adjustments needed to be made after the Quarterly report was provided and once all final adjustments are done, an updated Quarterly report will be provided to PED/APS to ensure compliance. Better communication will occur between the School and PED/APS.

Person Responsible: Chief Operations Officer, Business Manager and Superintendent

Implementation by April 30, 2019

2018-023 Outdated Policies (Non-Compliance in Accordance with the New Mexico State Audit Rule, does not Rise to the Level of Significant Deficiency)

***Condition**:* The School does not have an updated policies and procedures manual. The policies provided were dated 2012. Policies should be reviewed and updated each year.

Criteria: Good accounting practices require updated and effectively designed and implemented policies and procedures to ensure internal controls are properly in place and monitored. Per NMAC 6.20.2.11, 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.

Cause: The School is in the process of updating however had not been fully updated by year-end.

Effect: As new staff is hired, there is not a roadmap and proper training for them to understand the complexities of the Charter's financial activities. They may not understand what actions violate the internal controls that are in place.

***Repeat Finding**:* This is not a repeat finding.

Auditor's Recommendation: We recommend that the School obtain outside services to guide the School in both documentation and understanding of policies and procedures regarding internal controls. The Board should also review and approve policies as necessary.

Management's Response: 21st Century has already started re-writing and updating policies and procedures and internal controls. Once approved, written process will be updated and then presented to the Governance Council for approval, review. These procedures will be reviewed annually and updated as needed. This will be presented to Governance Council by December 2018.

Person Responsible: Chief Operations Officer and Business Manager

Implementation by March 31, 2019

2018-024 T&E Adjustment (Non-Compliance in Accordance with the New Mexico State Audit Rule, does not Rise to the Level of Significant Deficiency)

Condition: The School received a reduction of $117,740 in State Equalization Guarantee money after a Training and Experience (T&E) audit performed by the NM PED and not complying with state compliance requirements.

Criteria: Per NMSA 22-8-6.1 Charter School budgets. B. Each locally chartered charter school shall submit to the local school board a school-based budget. For the first year of operation, the budget of every locally chartered charter school shall be based on the projected number of program units generated by the charter school and its students, using the at-risk index and the instructional staff training and experience index of the school district in which it is geographically located. For second and subsequent fiscal years of operation, the budgets of locally chartered charter schools shall be based on the number of program units generated using the average of the MEM on the second and third reporting dates of the prior year and its own instructional staff training and experience index and the at-risk index of the school district in which the locally chartered charter school is geographically located. The budget shall be submitted to the local school board for approval or amendment. The approval or amendment authority of the local school board relative to the charter school budget is limited to ensuring that sound fiscal practices are followed in the development of the budget and that the charter school budget is within the allotted resources. The local school board shall have no veto authority over individual line items within the charter school's proposed budget, but shall approve or disapprove the budget in its entirety. Upon final approval of the local budget by the local school board, the individual charter school budget shall be included separately in the budget submission to the department required pursuant to the Public School Finance Act and the Charter Schools Act.

Per NMSA 22-8-24. The instructional staff training and experience index for each school district shall be calculated in accordance with instructions issued by the state superintendent [secretary]. The following calculations shall be computed: (1) multiply the number of full-time equivalent instructional staff in each academic classification by the numerical factor in the appropriate "years of experience" column provided in the table in Subsection B of this section;

(2) add the products calculated in Paragraph (1) of this subsection; and

(3) divide the total obtained in Paragraph (2) of this subsection by the total number of full-time equivalent instructional staff.

D. In the event that the result of the calculation of the training and experience index is 1.0 or less, the district's factor shall be no less than 1.0.

E. In the event that a new school district is created, the training and experience index for that district is 1.12.

Effect: The School had a reduction of funds during the year.

Cause*:* School records were not complete.

Repeat Finding*:* This is not a repeat finding.

Auditor Recommendation: We recommend that the School review the Manual of Procedure Requirements designated by the Secretary of Education and understand the factors and calculations and documentation required to ensure they receive the appropriate amount of State Equalization Funds.

Views of Responsible Officials and Planned Corrective Actions: The T&E has already been audited, corrected and adjusted. SEG was already reduced to reflect the appropriate T&E for ALL staff. This was reviewed with the Superintendent and appropriate staff that were affected to ensure compliance for future years. As a result of the recent move documents were misplaced, however all records have been reviewed and updated and secure.

***Person Responsible**:* Chief Operations Officer, Superintendent

Implementation by March 31, 2019

2018-025 Internal Control over Cash Receipts (Material Weakness)

Condition: The School does not have a process for cash receipts. There is no cash receipt book or log kept for the money receipts. There is no documentation to show how much cash the school receipts to compare to the amount deposited to the bank and verify that it was properly deposited within 24 hours.

Criteria: Per NMAC 6.20.2.14 states that money received and receipted shall be deposited in the bank within twenty-four (24) hours or one banking day. Per NMAC 6.20.2.14, School districts shall establish and maintain a cash management program to safeguard cash and provide prompt and accurate reporting that adheres to cash management requirements of the applicable state and federal laws and regulations. The school district shall issue a factory pre-numbered receipt for all money received. Pre-numbered receipts are to be controlled and secured. If a receipt is voided, all copies shall be marked "Void" and retained in the receipt book. Each school district shall develop, establish and maintain a structure of internal accounting controls and written procedures to provide for segregation of duties, a system of authorization and recording procedures, and sound accounting practices in performance of duties and functions. The duties to be segregated are the authorization to execute a transaction, recording the transaction, and custody of assets involved in the transaction.

Cause: Lack of adequate internal controls surrounding cash receipts.

Effect: Possible misappropriation of assets and misstatements to the financial statements. The likelihood of fraud is increased. The audit includes a disclaimer of opinion, as balances may not be accurate and further noncompliance may exist.

Auditor's Recommendation: We recommend that management establish policies over the cash receipts process to ensure proper segregation of duties and to ensure timely and accurate recording and deposits.

***Repeat Finding**:* This is not a repeat finding.

Management's Response: 21st Century has already made corrections to this process. A new signature form has been developed to ensure compliance. This was designed by the Admin Staff and approved by the Chief Operations officer.

Person Responsible: Chief Operations Officer, Superintendent

Implementation by March 31, 2019

2018-026 RHC and ERB Payments (Non-Compliance in Accordance with the New Mexico State Audit Rule, does not Rise to the Level of Significant Deficiency)

Condition: Education Retirement Board (ERB) payments for the year did not agree to the general ledger by $347.

Retire Health Care (RHC) payments for the year did not agree to the general ledger by $115.

Criteria: Per ERB rules, the electronic reports, consisting of salaries and contributions and demographic information, should include the total gross payroll. Monthly contributions to the RHC should report 100% of payroll, per NMSA 1978-10-7c-15.

Cause: The school had not reconciled the payments to the contribution forms.

Effect: The School could be over or under contributing.

Repeat Finding: This is not a repeat finding.

Auditor's Recommendation: We recommend that the school implement a monthly review by the finance committee of all payments to ensure that ERB/RHC payments properly reconcile.

Management's Response: 21st Century has designed a monthly checklist to ensure compliance. Included will be a reconciliation of all payroll liabilities to ensure compliance with applicable state law and regulations.

Person Responsible: Chief Operations Office, Business Manager

Implementation by March 31, 2019

2018-027 Payroll Transactions (Significant Deficiency)

Condition: The following was noted:

- The school overpaid an employee $263 for the year. There was no documentation at the School to show why the employee was paid more than the contract.
- The Principal contract was for Principal services only however the Principal was paid .70 FTE principal and .3FTE teacher. The contract did not properly reflect this.

Criteria: Per NMAC 6.20.2.18, 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.

Effect: The School overpaid an employee and may not be able to recover funds. In addition, the School could be paying the incorrect amount to the Principal based on the salary schedule for teachers.

Cause: Schools review did not catch the error.

Repeat Finding: This is not a repeat finding.

Auditor's Recommendation: We recommend that the school modify policies and procedures to ensure that amounts paid agree to the contract and that the contracts properly reflect the role that the employee was hired for.

Management's Response: The school will implement internal controls over payroll that will reconcile and verify all amounts paid to employees. This will include controls available within the payroll system.

Person Responsible: Superintendent and Chief Operations Officer

Implementation by March 31, 2019

SECTION I – FINANCIAL STATEMENT FINDINGS – COMPONENT UNIT

Cutler Charitable Foundation

2018-028: Financial Close and Reporting (Material Weakness)

Condition: The Foundation was not maintaining a trial balance or a general ledger with the accounting activity. As of October 2018 the foundation has created only a June 30, 2018 trial balance and has maintained no accounting ledger subsequent to year-end.

Criteria: The Foundation shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safe-guarded against loss from authorized use or deposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with GAAP.

Cause: The Foundation was new and management does not have the knowledge to maintain the books and records.

Effect: As a result, there is a risk that financial statements and disclosures may be inaccurate. Insufficient controls over the preparation of account balances, financial statements, and related disclosures limits the Foundation's ability to prevent or detect a misstatement whether due to error or fraud in its year-end financial statements. The audit includes a disclaimer of opinion, as balances may not be accurate and further noncompliance may exist.

Repeat Finding*:* This is not a repeat finding.

Auditor's Recommendation: We recommend that the foundation hire a CPA to ensure the books and records are current, accurate, and auditable.

Management's Response: The foundation has enlisted the assistance of a financial company for direction on the correct bookkeeping process. This company will train the executive board and regularly review the financial books of the foundation.

Person Responsible: The executive board will collectively be responsible for this action.

Implementation by March 31, 2019

2018-029: Lack of Internal Controls over Capital Assets (Material Weakness)

Condition: During our testwork over capital assets the following was noted.

- The Foundation did not accurately record the value of property purchased under a lease purchase agreement. The value of the land, $1,800,000, was included in the valuation of the whole property ($5,030,000). The Foundation recorded the value of the land but did not remove it from the value of the building, effectively double counting the land.
- The lease purchase price was $5,748,707. A third party valuation of the property acquired under the lease purchase agreement was performed subsequent to the date of the agreement, concluding a value of $5,030,000. The difference between the purchase price and the valuation indicates a loss on impairment of $718,707. No impairment loss was recorded by the Foundation.

Criteria: GASB Statement No. 34 requires capital assets to be recorded at their historical cost. GASB Statement No. 42 states that loss from impairment should be reported in the statement of activities and statement of revenues, expenses, and changes in net position.

Cause: The Foundation was new and management does not have the knowledge to maintain the books and records.

Effect: The Foundation's capital assets are overstated by $1,800,000 and the Foundation's change in net position is overstated by $718,707. The audit includes a disclaimer of opinion, as balances may not be accurate and further noncompliance may exist.

Repeat Finding: This is not a repeat finding.

Auditor's Recommendation: We recommend that the foundation hire a CPA to ensure the books and records are current, accurate, and auditable.

Management's Response: The foundation has enlisted the assistance of a financial company for direction on the correct bookkeeping process. This company will train the executive board and regularly review the financial books of the foundation.

Person Responsible: The executive board will collectively be responsible for this action.

Implementation by March 31, 2019

2018-030: Lack of Internal Controls over Long-Term Debt (Material Weakness)

***Condition**:* During our testwork over long-term debt the following was noted:

- Total long-term debt outstanding as recorded exceeds the amount outstanding per the documentation provided by $26,293.
- Sufficient evidence was not provided to conclude on the total amount outstanding on the MELD, LLC note. The school may have an additional unrecorded liability of $485,510 with the vendor.
- No amounts were recorded as current.

Criteria: Per NMAC 6.20.2.11(6), transactions are to be recorded as necessary to permit preparation of financial statements in conformity with GAAP.

Cause: The Foundation was new and management does not have the knowledge to maintain the books and records.

Effect: The Foundation's balances of debt recorded are misstated. The audit includes a disclaimer of opinion, as balances may not be accurate and further noncompliance may exist.

***Repeat Finding**:* This is not a repeat finding.

Auditor's Recommendation: We recommend that the foundation hire a CPA to ensure the books and records are current, accurate, and auditable.

***Management's Response**:* The foundation has enlisted the assistance of a financial company for direction on the correct bookkeeping process. This company will train the executive board and regularly review the financial books of the foundation.

Person Responsible**:** The executive board will collectively be responsible for this action.

Implementation by March 31, 2019

SECTION II – FINANCIAL STATEMENT FINDINGS SCHOOL

2017-003 (Original finding 2016-010) Budgetary conditions (Compliance and other matters)-Repeated

2017-004 Bank Reconciliations (Compliance and other matters) – Corrective action taken

An exit conference was held with the School on October 30, 2018. The conference was held in a closed meeting to preserve the confidentiality of the audit information prior to the official release of the financial statements by the State Auditor. In attendance were:

21st CENTURY PUBLIC ACADEMY AND ALBUQUERQUE PUBLIC SCHOOLS

Lovey Tina Fritts, Chief Operations Officer
Michael Vigil, Contract Business Manager
Judy Bergs, APS-Manager Charter Schools
Mary Tarango, Principal
Tami Coleman, APS CFO
Ben Lubkeman, APS Controller
Joseph Escobedo, APS Office of Innovation and School Choice
Deborah Eldo, APS Office of Innovation and School Choice
Virginia Trujillo, Board Chair
Evelyn Dow, Committee member

MOSS ADAMS LLP

Sheila Herrera, Senior Manager

An exit conference was held with the Foundation on November 2, 2018. The conference was held via a closed teleconference to preserve the confidentiality of the audit information prior to the official release of the financial statements by the State Auditor. In attendance were:

CUTLER CHARITABLE FOUNDATION

Lovey Tina Fritts, 21st Century Chief Operations Officer
Mary Tarango, 21st Century Principal
Tami Coleman, APS CFO
Judy Bergs, APS-Manager Charter Schools
Zach Kirchgessner, Vigil Group
Hugo Sanchez, Board member
Marc Chavez, Board member

MOSS ADAMS LLP

Josh Lewis, Partner, Moss Adams LLP

PREPARATION OF FINANCIAL STATEMENTS

The financial statements presented in this report have been prepared with the assistance of the independent auditor. However, they are the responsibility of management, as addressed in the Report of Independent Auditors. Management reviewed and approved the financial statements.