



REPORT OF INDEPENDENT AUDITORS,
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

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

June 30, 2019

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21st Century Public Academy
(A Component Unit of Albuquerque Municipal
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OFFICIAL ROSTER
(Unaudited)

June 30, 2019

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

21st Century Business Management Services

Zach Kirchgessner, 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
Brian S. Colón, Esq.
New Mexico State Auditor

Report on the Financial Statements

We have audited 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, 2019, 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.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the School as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 14 to the financial statements, management discovered errors resulting in a misstatement of previously reported balances. Accordingly, adjustments have been made to correct this error. Our opinion is not modified with respect to this matter.

As discussed in Note 15 to the financial statements, the School's current charter is only through June 30, 2020 leaving uncertainty regarding the longevity of the school. 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.

As discussed in Note 15 to the financial statements, the Foundation has a debt payment due on July 2, 2020 leaving uncertainty regarding the Foundation'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 5-10 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 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary *information* is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2019 our consideration of 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 the effectiveness of 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.

Mess Adams LLP

Albuquerque, New Mexico
November 4, 2019

21st Century Public Academy

(A Component Unit of Albuquerque Municipal School District No. 12)

Management's Discussion and Analysis

June 30, 2019

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, 2019. This information should be read in conjunction with the financial statements included in this report.

Financial Highlights

The School's average daily membership (ADM) for the fiscal year ended June 30, 2019 was 294.5 students, a decrease of 50.5 students over the 2018 ADM of 244.

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.

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Management's Discussion and Analysis
June 30, 2019

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 Cutler Charitable Foundation (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.

21st Century Public Academy
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Management's Discussion and Analysis
June 30, 2019

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 decreased by \$408,010 when compared to prior year. Total liabilities and deferred inflows of resources exceeded total assets and deferred outflows of resources by \$2,633,488 as of June 30, 2019. This deficit is primarily related to the net pension liability and other post-employment benefits of \$5,493,689.

Table A-1
The School's Net Position

	<u>FY 2019</u>	<u>As restated FY 2018</u>	<u>Amount Change</u>	<u>Total % Change</u>
Assets:				
Current and other assets	\$ 646,867	\$ 378,016	\$ 268,851	71%
Capital and noncurrent assets	1,816,385	1,868,715	(52,330)	-3%
Total assets	<u>2,463,252</u>	<u>2,246,731</u>	<u>216,521</u>	<u>10%</u>
Deferred outflows of resources	<u>1,310,653</u>	<u>1,935,184</u>	<u>(624,531)</u>	<u>-32%</u>
Total assets and deferred outflows of resources	<u>\$ 3,773,905</u>	<u>\$ 4,181,915</u>	<u>\$ (408,010)</u>	<u>-10%</u>
Liabilities:				
Current liabilities	\$ 238,050	\$ 257,656	\$ (19,606)	-8%
Noncurrent liabilities	5,493,689	5,810,864	(317,175)	-5%
Total liabilities	<u>5,731,739</u>	<u>6,068,520</u>	<u>(336,781)</u>	<u>-6%</u>
Deferred inflows of resources	<u>675,654</u>	<u>353,477</u>	<u>322,177</u>	<u>91%</u>
Net position:				
Net investment in capital assets	1,816,385	1,868,715	(52,330)	-3%
Restricted	348,107	179,624	168,483	94%
Unrestricted (deficit)	<u>(4,797,980)</u>	<u>(4,288,421)</u>	<u>(509,559)</u>	<u>12%</u>
Total net position (deficit)	<u>(2,633,488)</u>	<u>(2,240,082)</u>	<u>(393,406)</u>	<u>18%</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 3,773,905</u>	<u>\$ 4,181,915</u>	<u>\$ (408,010)</u>	<u>-10%</u>

21st Century Public Academy
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Management's Discussion and Analysis
June 30, 2019

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

	FY 2019	As restated FY 2018	Amount Change	Total % Change
Revenues:				
Program revenues:				
Charges for services	\$ 30,682	\$ 31,570	\$ (888)	-3%
Operating grants and contributions	200,735	54,637	146,098	267%
Capital grants and contributions	185,915	140,937	44,978	32%
Total program revenues	<u>417,332</u>	<u>227,144</u>	<u>190,188</u>	<u>84%</u>
General revenues:				
State equalization guarantee	2,359,232	1,725,284	633,948	37%
Miscellaneous	4,163	1,544,719	(1,540,556)	-100%
Property taxes	244,649	244,199	450	0%
Total general revenue	<u>2,608,044</u>	<u>3,514,202</u>	<u>(906,158)</u>	<u>-26%</u>
Total revenues	<u>3,025,376</u>	<u>3,741,346</u>	<u>(715,970)</u>	<u>-19%</u>
Expenses:				
Instruction	2,088,856	2,022,077	66,779	3%
Support services	930,702	668,258	262,444	39%
Operation of non-instructional services	18,016	22,410	(4,394)	-20%
Facilities, material, supplies, and other services	381,208	692,607	(311,399)	-45%
Total expenses	<u>3,418,782</u>	<u>3,405,352</u>	<u>13,430</u>	<u>0%</u>
Change in net position	<u>(393,406)</u>	<u>335,994</u>	<u>(729,400)</u>	<u>-217%</u>
Net position, beginning of year	(2,240,082)	(1,100,623)	(1,139,459)	104%
Impact of restatement	1,850,966	-		
Impact of change in accounting pronouncement	<u>-</u>	<u>(1,475,453)</u>	<u>1,475,453</u>	<u>-100%</u>
Net position, beginning of year, as restated	<u>(2,240,082)</u>	<u>(2,576,076)</u>	<u>335,994</u>	<u>-13%</u>
Net position, end of year (deficit)	<u>\$ (2,633,488)</u>	<u>\$ (2,240,082)</u>	<u>\$ (393,406)</u>	<u>18%</u>

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.

21st Century Public Academy

(A Component Unit of Albuquerque Municipal School District No. 12)

Management's Discussion and Analysis

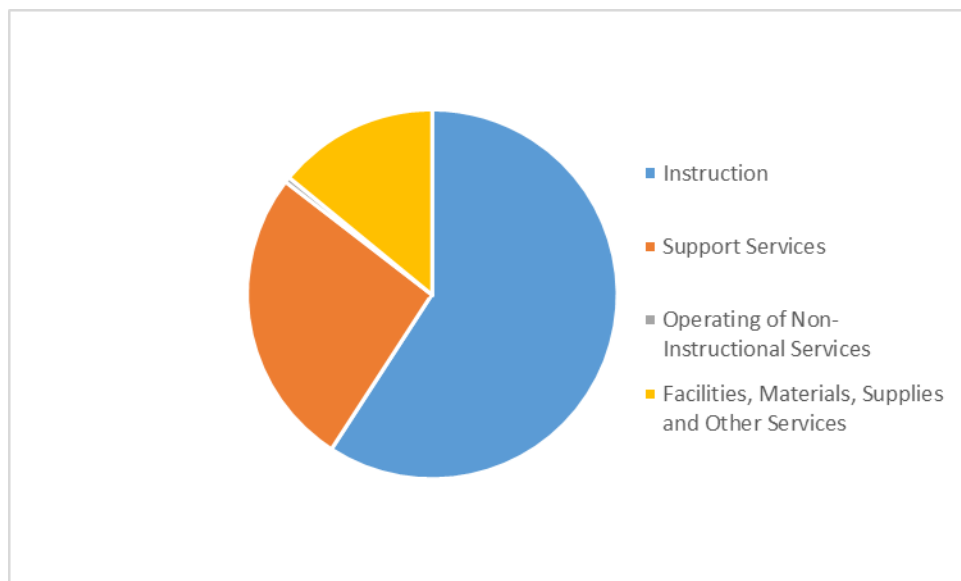
June 30, 2019

The School's governmental funds reported a combined fund balance of \$408,817 at June 30, 2019, an increase of \$288,457 from the \$120,360 reported at **June 30, 2018**. The School's General Fund reported an increase in fund balance for the year of \$119,903.

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 Improvements fund reported an increase in fund balance for the 2019 year of \$31,755.

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 an increase in fund balance of \$119,903. Revenues from the School for the local operating budget increased \$635,892, or 28.9%, from the prior year. Total General Fund expenditures increased \$389,173, or 17.1%. 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.

21st Century Public Academy
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Management's Discussion and Analysis
June 30, 2019

Capital Assets

Total primary government net capital assets were \$1,816,385 at June 30, 2019 compared to \$1,868,715, as restated, at **June 30, 2018**, a decrease of 2.8%. The following is a summary of the School's capital assets, net of depreciation, at June 30, 2019 and 2018.

	Balance, as restated June 30, 2018	Additions	Deletions	Balance June 30, 2019
Buldings and building improvements	\$ 1,708,200	\$ 61,550	\$ -	\$ 1,769,750
Furniture, fixtures, and equipment	15,642	-	-	15,642
Construction in progress	252,868	-	-	252,868
Less: accumulated depreciation	<u>(107,995)</u>	<u>(113,880)</u>	<u>-</u>	<u>(221,875)</u>
Capital assets, net	<u>\$ 1,868,715</u>	<u>\$ (52,330)</u>	<u>\$ -</u>	<u>\$ 1,816,385</u>

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 Deficit
June 30, 2019

	Governmental Activities	Component Unit
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 535,763	\$ 4,105
Receivables, net of allowance for uncollectibles:		
Due from other governments	111,104	-
Total current assets	646,867	4,105
Noncurrent assets:		
Capital assets:		
Construction in progress	252,868	3,110,241
Land	-	1,800,000
Building/leasehold improvements	1,769,750	3,948,707
Furniture, fixtures, and equipment	15,642	-
Less: accumulated depreciation	(221,875)	(263,247)
Total noncurrent assets	1,816,385	8,595,701
TOTAL ASSETS	2,463,252	8,599,806
DEFERRED OUTFLOWS OF RESOURCES		
Related to net pension liability	1,286,524	-
Related to other post-employment benefits	24,129	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,310,653	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 3,773,905	\$ 8,599,806
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 15,684	\$ -
Accrued liabilities	222,366	-
Current portion of long-term debt	-	157,157
Total current liabilities	238,050	157,157
Noncurrent liabilities:		
Net pension liability	4,329,634	-
Other post-employment benefits liability	1,164,055	-
Long-term debt	-	8,770,453
Total noncurrent liabilities	5,493,689	8,770,453
TOTAL LIABILITIES	5,731,739	8,927,610
DEFERRED INFLOWS OF RESOURCES		
Related to net pension liability	345,504	-
Related to other post-employment benefits	330,150	-
TOTAL DEFERRED INFLOWS OF RESOURCES	675,654	-
NET DEFICIT		
Net investment in capital assets	1,816,385	(331,909)
Restricted	348,107	-
Unrestricted (deficit)	(4,797,980)	4,105
TOTAL NET DEFICIT	(2,633,488)	(327,804)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET DEFICIT	\$ 3,773,905	\$ 8,599,806

21st Century Public Academy
(A Component Unit of Albuquerque Municipal School District No. 12)
Statement of Activities
June 30, 2019

Functions/Programs	Expenses	Program Revenues			Net Revenues (Expenses) and Changes in Net Deficit	Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
GOVERNMENTAL ACTIVITIES						
Instruction	\$ 2,088,856	\$ 24,667	\$ 128,385	\$ -	\$ (1,935,804)	\$ -
Support services:						
Students	263,088	-	72,350	-	(190,738)	-
Instruction	19,356	-	-	-	(19,356)	-
General administration	83,913	-	-	-	(83,913)	-
School administration	86,482	-	-	-	(86,482)	-
Central services	152,939	-	-	-	(152,939)	-
Operation and maintenance of plant	322,318	-	-	-	(322,318)	-
Other support services	2,606	-	-	-	(2,606)	-
Operating of non-instructional services:						
Food services operations	5,944	6,015	-	-	71	-
Community services operations	12,072	-	-	-	(12,072)	-
Facilities, supplies, & materials	381,208	-	-	185,915	(195,293)	-
TOTAL GOVERNMENTAL ACTIVITIES	\$ 3,418,782	\$ 30,682	\$ 200,735	\$ 185,915	(3,001,450)	-
COMPONENT UNIT						
Foundation	\$ 647,298	\$ -	\$ -	\$ -	-	(647,298)
GENERAL REVENUES						
State Equalization Guarantee					2,359,232	-
Miscellaneous					4,163	386,476
Property Taxes					244,649	-
Total General Revenues					2,608,044	386,476
CHANGE IN NET DEFICIT					(393,406)	(260,822)
NET (DEFICIT) POSITION, BEGINNING OF YEAR					(4,091,048)	1,055,450
IMPACT OF RESTATEMENT					1,850,966	(1,122,432)
NET DEFICIT, BEGINNING OF YEAR AS RESTATED					(2,240,082)	(66,982)
NET DEFICIT, END OF YEAR					<u>\$ (2,633,488)</u>	<u>\$ (327,804)</u>

21st Century Public Academy
(A Component Unit of Albuquerque Municipal School District No. 12)
Balance Sheet – Governmental Funds
June 30, 2019

	11000	Major Fund 31400 Legislative Capital Outlay	Major Fund 31600 Capital Improvements HB-33	Major Fund 31701 Capital Improvements SB-9 (Local)	Non-Major Funds	Governmental Funds Total
	General					
ASSETS						
Cash and cash equivalents	\$ 190,284	\$ -	\$ 183,140	\$ 122,238	\$ 40,101	\$ 535,763
Accounts receivable						
Due from other governments	-	63,162	-	-	47,943	111,105
Due from other funds	101,968	-	-	-	-	101,968
TOTAL ASSETS	\$ 292,252	\$ 63,162	\$ 183,140	\$ 122,238	\$ 88,044	\$ 748,836
LIABILITIES AND FUND BALANCE						
LIABILITIES						
Current liabilities						
Accounts payable	\$ 15,684	\$ -	\$ -	\$ -	\$ -	\$ 15,684
Accrued liabilities	212,090	-	-	-	10,277	222,367
Due to other funds	-	63,162	-	-	38,806	101,968
TOTAL LIABILITIES	227,774	63,162	-	-	49,083	340,019
FUND BALANCES						
Restricted	-	-	183,140	122,238	42,729	348,107
Unassigned (deficit)	64,478	-	-	-	(3,768)	60,710
TOTAL FUND BALANCES (DEFICIT)	64,478	-	183,140	122,238	38,961	408,817
TOTAL LIABILITIES AND FUND BALANCE	\$ 292,252	\$ 63,162	\$ 183,140	\$ 122,238	\$ 88,044	\$ 748,836

21st Century Public Academy
(A Component Unit of Albuquerque Municipal School District No. 12)
Reconciliation of the Balance Sheet – Governmental Funds –
to the Statement of Net Position
Year Ended June 30, 2019

Total Fund Balance - Governmental Funds (Governmental Fund Balance Sheet)	<u>\$ 408,817</u>
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	2,038,260
Accumulated depreciation is	<u>(221,875)</u>
Total capital assets	1,816,385
Deferred inflows and outflows of resources related to the net pension liability and not reported in the funds.	
Deferred outflows of resources	1,286,524
Deferred inflows of resources	<u>(345,504)</u>
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	24,129
Deferred inflows of resources	<u>(330,150)</u>
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	(4,329,634)
Net other post-employment benefits liability	<u>(1,164,055)</u>
Net Position of Governmental Activities (Statement of Net Deficit)	<u><u>\$ (2,633,488)</u></u>

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
Year Ended June 30, 2019

	11000	Major Fund 31400 Legislative Capital Outlay	Major Fund 31600 Capital Improvements HB-33	Major Fund 31701 Capital Improvements SB-9 (Local)	Non-Major Funds	Governmental Funds Total
	General					
REVENUES						
Property taxes	\$ -	\$ -	\$ 163,909	\$ 80,740	\$ -	\$ 244,649
Local and county sources	28,831	-	-	-	6,015	34,846
State sources	2,359,232	69,117	-	-	190,667	2,619,016
Federal sources	-	-	-	-	126,868	126,868
Total revenues	2,388,063	69,117	163,909	80,740	323,550	3,025,379
EXPENDITURES						
Current:						
Instruction	1,399,569	-	-	-	59,758	1,459,327
Support services:						
Students	190,738	-	-	-	72,349	263,087
Instruction	19,356	-	-	-	-	19,356
General administration	82,080	-	1,355	478	-	83,913
School administration	86,482	-	-	-	-	86,482
Central services	152,939	-	-	-	-	152,939
Operations and maintenance of plant	322,318	-	-	-	-	322,318
Other support services	2,606	-	-	-	-	2,606
Operation of non-instructional services:						
Food services operations	-	-	-	-	5,944	5,944
Community services operations	12,072	-	-	-	-	12,072
Facilities, supplies, & materials	-	69,117	31,294	48,507	179,960	328,878
Total expenditures	2,268,160	69,117	32,649	48,985	318,011	2,736,922
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENSES	119,903	-	131,260	31,755	5,539	288,457
FUND BALANCES, BEGINNING OF YEAR	(55,425)	-	51,880	90,483	33,422	120,360
FUND BALANCES, END OF YEAR (DEFICIT)	\$ 64,478	\$ -	\$ 183,140	\$ 122,238	\$ 38,961	\$ 408,817

21st Century Public Academy
(A Component Unit of Albuquerque Municipal School District No. 12)
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances – Governmental Funds
to the Statement of Activities
Year Ended June 30, 2019

Net Changes in Fund Balances - Total Governmental Funds
(Statement of Revenues, Expenditures, and Changes in
Fund Balances)

\$ 288,457

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

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. (661,410)

Expenses related to the net other post-employment benefits liability
not reported in the funds. 31,877

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	61,550
Depreciation expense	<u>(113,880)</u>

Excess of depreciation expense over capital outlay (52,330)

Change in Net Deficit of Governmental Activities
(Statement of Activities)

\$ (393,406)

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
Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Local and county sources	\$ -	\$ 27,520	\$ 28,831	\$ 1,311
State sources	2,181,589	2,380,071	2,359,232	(20,839)
Total revenues	2,181,589	2,407,591	2,388,063	(19,528)
EXPENDITURES				
Current:				
Instruction	1,492,153	1,495,546	1,417,987	77,559
Support services:				
Students	174,147	203,503	190,738	12,765
Instruction	14,876	23,676	19,356	4,320
General administration	99,784	99,784	83,334	16,450
School administration	151,124	88,560	86,482	2,078
Central services	156,051	148,228	148,104	124
Operation and maintenance of plant	107,734	323,809	319,641	4,168
Other support services	-	2,823	2,606	217
Operation of non-instructional services:				
Community services operations	8,596	17,538	12,072	5,466
Total expenditures	2,204,465	2,403,467	2,280,320	123,147
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(22,876)	4,124	107,743	103,619
DESIGNATED CASH	22,876	(4,124)	-	4,124
NET CHANGES IN FUND BALANCES	\$ -	\$ -	107,743	\$ 107,743
RECONCILIATION TO GAAP BASIS				
Adjustments to revenues			-	
Adjustments to expenditures			12,160	
NET CHANGES IN FUND BALANCES			\$ 119,903	

21st Century Public Academy
(A Component Unit of Albuquerque Municipal School District No. 12)
Legislative Capital Outlay (Fund 31400) Statement of Revenues, Expenditures
and Changes in Fund Balance – Budget (budgetary basis) and Actual
Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts	Final Budget
			(Budgetary Basis)	Positive (Negative)
REVENUES				
State sources	\$ 55,950	\$ 97,680	\$ 5,955	\$ (91,725)
Total revenues	55,950	97,680	5,955	(91,725)
EXPENDITURES				
Current:				
Support services:				
State capital outlay	55,950	97,680	69,117	28,563
Total expenditures	55,950	97,680	69,117	28,563
DEFICIENCY OF REVENUES				
UNDER EXPENDITURES	-	-	(63,162)	(63,162)
NET CHANGES IN FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	(63,162)	<u>\$ (63,162)</u>
RECONCILIATION TO GAAP BASIS				
Adjustments to revenues			63,162	
Adjustments to expenditures			-	
NET CHANGES IN FUND BALANCES			<u>\$ -</u>	

21st Century Public Academy
(A Component Unit of Albuquerque Municipal School District No. 12)
Capital Improvements HB-33 (Fund 31600)
Statement of Revenues, Expenditures and Changes in Fund Balance –
Budget (Budgetary Basis) and Actual
Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Federal sources	\$ 160,536	\$ 160,536	\$ 166,364	\$ 5,828
Total revenues	<u>160,536</u>	<u>160,536</u>	<u>166,364</u>	<u>5,828</u>
EXPENDITURES				
Current:				
Support services:				
General administration	1,605	1,605	1,355	250
Capital outlay	<u>201,231</u>	<u>201,231</u>	<u>31,294</u>	<u>169,937</u>
Total expenditures	<u>202,836</u>	<u>202,836</u>	<u>32,649</u>	<u>170,187</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(42,300)	(42,300)	133,715	176,015
DESIGNATED CASH	<u>42,300</u>	<u>42,300</u>	-	<u>(42,300)</u>
NET CHANGES IN FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	133,715	<u>\$ 133,715</u>
RECONCILIATION TO GAAP BASIS				
Adjustments to revenues			(2,455)	
Adjustments to expenditures			<u>-</u>	
NET CHANGES IN FUND BALANCES			<u>\$ 131,260</u>	

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
Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts	Final Budget
			(Budgetary Basis)	Positive (Negative)
REVENUES				
Property taxes	\$ 79,250	\$ 79,250	\$ 81,943	\$ 2,693
Total revenues	79,250	79,250	81,943	2,693
EXPENDITURES				
Current:				
Support services:				
General administration	800	800	478	322
Facilities, supplies, & materials	99,049	99,049	48,507	50,542
Total expenditures	99,849	99,849	48,985	50,864
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(20,599)	(20,599)	32,958	53,557
DESIGNATED CASH	20,599	20,599	-	(20,599)
NET CHANGES IN FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	32,958	<u>\$ 32,958</u>
RECONCILIATION TO GAAP BASIS				
Adjustments to revenues			(1,203)	
Adjustments to expenditures			-	
NET CHANGES IN FUND BALANCES			<u>\$ 31,755</u>	

21st Century Public Academy
(A Component Unit of Albuquerque Municipal School District No. 12)
Statement of Fiduciary Assets and Liabilities – Agency Funds
June 30, 2019

	Agency Funds
ASSETS	
Cash and Cash Equivalents	<u>\$ 37,488</u>
TOTAL ASSETS	<u><u>\$ 37,488</u></u>
LIABILITIES	
Deposits Held for Others	<u>\$ 37,488</u>
TOTAL LIABILITIES	<u><u>\$ 37,488</u></u>

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

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. The School has a second foundation, 21st Century Public Academy Foundation; however, activity was minimal and not presented herein.

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.

21st Century Public Academy

(A Component Unit of Albuquerque Municipal School District No. 12)

Notes to Financial Statements

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.

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

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).

21st Century Public Academy

(A Component Unit of Albuquerque Municipal School District No. 12)

Notes to Financial Statements

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.

English Language Acquisition (24153) is used to support Alternative Language Services. Funding will support professional development for teachers.

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.

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 Legislative Capital Outlay Fund (31400) is used to account for special appropriations monies received from the State of New Mexico under Chapter 4, Laws of 1996. **This is a Major Fund.**

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.**

The Capital Improvements SB-9 Fund (31700) is used to account for erecting, remodeling, making additions to and furnishing of school buildings, or purchasing or improving school grounds or any combination thereof as identified by the local school board. 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)

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

Note 1 – Summary of Significant Accounting Policies (continued)

The Capital Improvements SB-9 Local Fund (31701) is used to account for erecting, remodeling, making additions to and furnishing of school buildings, or purchasing or improving school grounds or any combination thereof as identified by the local school board. Financing is provided by 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.

21st Century Public Academy

(A Component Unit of Albuquerque Municipal School District No. 12)

Notes to Financial Statements

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.

Project costs are accounted for in a construction in progress account until the asset is placed in use.

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

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, 2019 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 \$386,115 in interest expense on long-term debt, which included \$0 in accrued interest payable as of June 30, 2019.

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 \$1,286,524 related to the pension plan and \$23,972 related to the other post-employment benefits plan in this category as of June 30, 2019.

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 \$345,504 related to the pension plan and \$330,150 related to the other post-employment benefits plan in this category as of June 30, 2019.

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.

21st Century Public Academy

(A Component Unit of Albuquerque Municipal School District No. 12)

Notes to Financial Statements

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 (Deficit)

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.

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

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 \$2,359,232 in state equalization guarantee distributions during the year ended June 30, 2019.

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, 2019 totaled \$10,707.

21st Century Public Academy

(A Component Unit of Albuquerque Municipal School District No. 12)

Notes to Financial Statements

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, 2019 are \$179,645.

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.

21st Century Public Academy
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Notes to Financial Statements

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.

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Notes to Financial Statements

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, 2019 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, 2019.

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.

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Notes to Financial Statements

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 of Collateral Pledged by Depository for Public Funds 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's deposits may not be returned to it. The School does not have a deposit policy for custodial credit risk, other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). At June 30, 2019, 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, 2019, accounts receivable consists of the following:

Intergovernmental	\$ 111,104
Total	<u>\$ 111,104</u>

The above receivables are deemed to be fully collectible.

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Notes to Financial Statements

Note 4 – Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2019 follows:

Primary Government Activities	Balance June 30, 2018 As restated	Additions	Deletions	Balance June 30, 2019
Cost				
Buldings and building improvements	\$ 1,708,200	\$ 61,550	\$ -	\$ 1,769,750
Furniture, fixtures, and equipment	15,642	-	-	15,642
Construction in progress	252,868	-	-	252,868
Total	1,976,710	61,550	-	2,038,260
Accumulated Depreciation				
Buldings and building improvements	(92,353)	(113,880)	-	(206,233)
Furniture, fixtures, and equipment	(15,642)	-	-	(15,642)
Total	(107,995)	(113,880)	-	(221,875)
Net total - primary government	\$ 1,868,715	\$ (52,330)	\$ -	\$ 1,816,385

Component Unit	Balance June 30, 2018 As restated	Additions	Deletions	Balance June 30, 2019
Cost				
Land	\$ 1,800,000	\$ -	\$ -	\$ 1,800,000
Building/leasehold improvements	3,948,707	-	-	3,948,707
Construction in progress	-	3,110,241	-	3,110,241
Total	5,748,707	3,110,241	-	8,858,948
Accumulated Depreciation				
Building/leasehold improvements	-	(263,247)	-	(263,247)
Total	-	(263,247)	-	(263,247)
Net total - primary government	\$ 5,748,707	\$ 2,846,994	\$ -	\$ 8,595,701

Primary Government depreciation expense for the year ended June 30, 2019 was charged to the following functions:

Facilities, supplies, & materials	113,880
Total	\$ 113,880

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.

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Notes to Financial Statements

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 22-11-23.2, 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.

21st Century Public Academy
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Notes to Financial Statements

Note 5 – Pensions (continued)

Contributions – For the fiscal years ended June 30, 2019 and 2018, 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
2019	7/1/18 to 6/30/19	Over \$20k	10.7%	13.9%	24.6%	0.0%
2019	7/1/18 to 6/30/19	\$20k or less	7.9%	13.9%	21.8%	0.0%
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%

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, 2019, the School paid employee and employer contributions of \$164,393, 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, 2019, the School reported a liability of \$4,329,634 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2018 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, 2018. Therefore, the employer's portion was established as of the measurement date of June 30, 2018. 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, 2018, the School's proportion was 0.03641%, which was a decrease of 0.00456% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the School recognized pension expense of \$661,410. At June 30, 2019, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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Notes to Financial Statements

Note 5 – Pensions (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,160	\$ 82,400
Changes of assumptions	892,317	-
Net difference between projected and actual earnings on pension plan investments	9,585	-
Changes in proportion and differences between the employer's contributions and proportionate share of contributions	217,069	263,104
Employer's contributions subsequent to the measurement date	164,393	-
Total	<u>\$ 1,286,524</u>	<u>\$ 345,504</u>

Deferred outflows of resources related to pensions includes \$164,393 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2020	\$ 564,175
2021	275,826
2022	(63,500)
2023	126

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	3.00%
Salary increases	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.

21st Century Public Academy
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Notes to Financial Statements

Note 5 – Pensions (continued)

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

Mortality	<p>Healthy males: Based on the RP-2000 Combined Healthy Mortality Table with White Collar adjustments, not set back. Generational mortality improvements with Scale BB from the table's base year of 2000.</p> <p>Healthy females: Based on GRS Southwest Region Teacher Mortality Table, set back one year. Generational mortality improvements in accordance with Scale BB from the table's base year of 2012.</p> <p>Disabled males: RP-2000 Disabled Mortality Table for males, set back three years, projected to 2016 with Scale BB.</p> <p>Disabled females: RP-2000 Disabled Mortality Table for females, no set back, projected to 2016 with Scale BB.</p> <p>Active members: RP-2000 Employee Mortality Tables, with males set back two years and scaled at 80%, and females set back five years and scaled at 70%. Static mortality improvement from the table's base year of 2000 to the year 2016 in accordance with Scale BB. No future improvement was assumed for preretirement mortality.</p>
Retirement Age	Experience-based table rates based on age and service, adopted by the Board on April 21, 2017 in conjunction with the six-year experience study for the period ending June 30, 2016.
Cost-of-living increases	1.90% per year, compounded annually; increases deferred until July 1 following the year a member retires, or the year in which a member attains the age of 65 (67 for Tier 3), whichever is later or, for disabled retirees, until July 1 of the third year following retirement.
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.

21st Century Public Academy
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Notes to Financial Statements

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.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Equities	34%	
Fixed income	27%	
Alternative investments	38%	
Cash	<u>1%</u>	
Total	100%	7.25%

Discount rate – A single discount rate of 5.69% was used to measure the total pension liability as of June 30, 2018. 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 3.62%, 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 2050. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the 2050 fiscal year, and the municipal bond rate was applied to all benefit payments after that date.

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

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Notes to Financial Statements

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 5.69 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 (4.69 percent) or 1-percentage-point higher (6.69 percent) than the current rate:

Proportionate Share of Net Pension Liability		
	Current	
1% Decrease	Discount Rate	1% Increase
(4.69%)	(5.69%)	(6.69%)
5,626,865	4,329,634	3,271,173

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.

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Notes to Financial Statements

Note 6 – OPEB (continued)

Employees covered by benefit terms – At June 30, 2018, the Fund's measurement date, the following employees were covered by the benefit terms:

Plan membership	
Current retirees and surviving spouses	51,205
Inactive and eligible for deferred benefit	11,471
Current active members	<u>93,349</u>
	<u><u>156,025</u></u>
Active membership	
State general	19,593
State police and corrections	1,886
Municipal general	17,004
Municipal police	3,820
Municipal FTRE	2,290
Education retirement board	<u>48,756</u>
	<u><u>93,349</u></u>

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

Contributions to the Fund from the School were \$24,129 for the year ended June 30, 2019.

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

At June 30, 2019, the School reported a liability of \$1,164,055 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, 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, 2018. At June 30, 2018, the School's proportion was 0.02677 percent.

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

Note 6 – OPEB (continued)

For the year ended June 30, 2019, the School recognized OPEB income of \$7,771. At June 30, 2019, 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	\$ -	\$ 68,919
Changes of assumptions	-	217,324
Net difference between projected and actual earnings on OPEB plan investments	-	14,527
Change in proportion	-	29,380
Employer's contributions subsequent to the measurement date	24,129	-
	<u>24,129</u>	<u>-</u>
Total	<u>\$ 24,129</u>	<u>\$ 330,150</u>

Deferred outflows of resources totaling \$24,129 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, 2020. 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
2020	\$ (82,644)
2021	(82,644)
2022	(82,644)
2023	(65,240)
2024	(16,978)

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

21st Century Public Academy
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Notes to Financial Statements

Note 6 – OPEB (continued)

Actuarial assumptions:	
Inflation	2.50% for ERB; 2.25% for PERA members
Projected payroll increases	3.25% to 12.50%, based on years of service, including inflation
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
Mortality	ERB members: RP-2000 Combined Healthy Mortality Table with White Collar Adjustment (males) and GRS Southwest Region Teacher Mortality Table (females) PERA members: RP-2000 Combined Healthy Mortality

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

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

<u>Asset Class</u>	<u>2018</u>
U.S. core fixed income	2.10%
U.S. equity - large cap	7.10%
Non U.S. - emerging markets	10.20%
Non U.S. - developed equities	7.80%
Private equity	11.80%
Credit and structured finance	5.30%
Real estate	4.90%
Absolute return	4.10%
U.S. equity - small/mid cap	7.10%

Discount Rate. The discount rate used to measure the Fund's total OPEB liability is 4.08% as of June 30, 2018. 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

21st Century Public Academy
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Notes to Financial Statements

Note 6 – OPEB (continued)

beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2029. 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, 4.08% 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 (3.08 percent) or 1-percentage-point higher (5.08 percent) than the current discount rate:

Proportionate Share of Net Pension Liability		
	Current	
1% Decrease	Discount Rate	1% Increase
(3.08%)	(4.08%)	(5.08%)
1,408,780	1,164,055	971,156

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		
	Current Trend	
1% Decrease	Rates	1% Increase
984,034	1,164,055	1,305,195

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, 2018.

Note 7 – Commitments and Liabilities

The school entered into a lease purchase during fiscal year 2018. Rental expense for the year ended June 30, 2019 was \$390,047. 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, 2019.

As of June 30, 2019, the Foundation entered into construction contracts of approximately \$547,000.

21st Century Public Academy
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Notes to Financial Statements

Note 8 – Long-Term Debt

The changes to long-term debt for the component unit are as follows as restated:

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019	Amounts Due Within One Year
Primary Government					
Enterprise Bank Loan	\$ 2,672,230	\$ 3,111,471	\$ -	\$ 5,783,701	\$ 157,157
MELD note	3,143,909	-	-	3,143,909	-
	<u>\$ 5,816,139</u>	<u>\$ 3,111,471</u>	<u>\$ -</u>	<u>\$ 8,927,610</u>	<u>\$ 157,157</u>

The Cutler Charitable Foundation entered into a loan with Enterprise Bank (previously Los Alamos National Bank) in the amount of \$6,331,000. The interest rate is 5% and the date of maturity is October 28, 2024. The bank disbursed approximately \$3,144,000 to reduce the amount of the Lease Purchase Agreement. An additional \$3,111,471 was disbursed throughout 2019 as a construction loan for Phase II of the building. As of June 30, 2019, approximately \$5,784,000 was outstanding on the Enterprise Bank note. The remaining part of the Enterprise Bank note will be disbursed as a construction loan for Phase II in fiscal year 2020.

As of June 30, 2019, the entire balance of \$3,143,909 was outstanding on the Meld note. The Foundation entered into an extension agreement dated October 30, 2019 to extend the maturity date to July 2, 2020 (see Note 10). The interest rate is 6%. Payments are interest-only until July 2, 2020, 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
2020	\$ 157,157	\$ 290,873	\$ 448,030
2021	3,310,022	281,918	3,591,940
2022	174,732	273,299	448,031
2023	183,799	264,232	448,031
2024	5,101,900	21,298	5,123,198
	<u>\$ 8,927,610</u>	<u>\$ 1,131,620</u>	<u>\$ 10,059,230</u>

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.

Note 10 – Subsequent Events

The Foundation Board approved the purchase of revenue bonds in the amount of approximately \$15,000,000. As of the date of the report, there has not been a bond issuance.

21st Century Public Academy

(A Component Unit of Albuquerque Municipal School District No. 12)

Notes to Financial Statements

Note 10 – Subsequent Events (continued)

On October 30, 2019, the Foundation entered into an Extension Agreement with MELD for the Promissory Note. The agreement extends the date the note amount of \$3,143,909 is due from December 16, 2019 to July 2, 2020. In order to extend the agreement, the Foundation agreed to a fee of \$157,195 of which \$52,398 will be payable on or before October 31, 2019 and \$104,797 will be payable on or before December 20, 2019.

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, 2019 are listed below. Funds which inter-fund transactions were affected or created due to cash overdrafts are represented.

	Due from Other Funds	Due to Other Funds
General	\$ 101,968	\$ -
Cafeteria	-	3,768
Title I - IASA	-	7,924
Entitlement IDEA-B	-	18,177
English Language Acquisition	-	566
Teacher/Principal Training & Recruiting	-	8,056
Legislative Capital Outlay	-	63,162
Capital Improvements SB-9 (State)	-	315
	-	-
Total	<u>\$ 101,968</u>	<u>\$ 101,968</u>

- B. Deficit fund balance of individual funds.
Cafeteria fund reported a deficit fund balance of \$3,768.

- C. Excess of expenditures over appropriations.

Fund 24101 (Function 2000) – \$500

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

Note 12 – Risk Management (continued)

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. 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.

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. 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

21st Century Public Academy
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Notes to Financial Statements

Note 13 – Subsequent Accounting Standard Pronouncements (continued)

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.

Note 14 – Restatement

The accompanying financial statements include the impact of prior period adjustments on the following balances related to errors in capital assets, debt, pension and other post-employment benefits. The errors made were due to lack of controls and lack of documentation available in the prior year. Management reconciled all beginning balances for 2018. As a result, it was determined for the year ended June 30, 2018, net position balance for the School was understated by \$1,850,966 and overstated for the Foundation by \$1,122,432. For the School the 2018 impact to the change in net position is an overstatement of \$1,850,996. For the Foundation, there was no impact to the change in net position. Accordingly, the cumulative effect of the accounting change is recorded at the beginning of the year in the financial statements as detailed below.

	<u>Governmental Activities</u>
Net deficit, June 30, 2018, as previously reported	\$(4,091,048)
Cumulative affect of net pension and other post-employment benefits	(15,544)
Cumulative affect of restatement of capital assets	<u>1,866,510</u>
Net deficit, June 30, 2018, as restated	<u><u>\$(2,240,082)</u></u>
	<u>Component Unit</u>
Net position, June 30, 2018, as previously reported	\$ 1,055,450
Cumulative affect of restatement of capital assets and long-term debt	<u>(1,122,432)</u>
Net position, June 30, 2018, as restated	<u><u>\$ (66,982)</u></u>

Note 15 – Management’s Plan

School

The School’s current charter with Albuquerque Public Schools is through June 30, 2020. The School is in the process of renewing their charter to extend their charter and remain open.

There is substantial doubt about the School’s ability to continue as a going concern within one year after the issuance date. However, management of the School believes it has the ability to continue operations and has made the decision to renew their charter with the Public Education Commission (PEC) of the State of New Mexico. The School’s academic performance exceeds many of the local public middle schools and has received local recognition for its achievements. In addition, the school’s individual financial performance is positive. The lease purchase agreements as structured within the State of New Mexico do allow the school to cancel the agreement if they will negatively impact the school. The School expects the PEC to approve their charter for an additional 5 years.

Foundation

The Foundation has a debt payment due on July 2, 2020 in the amount of \$3,143,909 with a private investor. The Debt is for the building that the School currently resides in. The Foundation does not have the funding as of year-end to make this debt payment and the School does not have the funding as of year-end to assist the Foundation with the payment.

There is substantial doubt about the Foundation’s ability to continue as a going concern within one year after the issuance date. Management of the Foundation believes it has the ability to make the debt payment and continue operations. The Foundation is currently working with the debt holders on a short term plan for financing as well as with additional investors for an affordable long range plan. The plan is for the Foundation to obtain long-term private revenue bonds to pay the debt with a lease purchase arrangement with the school as allowed under New Mexico state law.

Required Supplementary Information

21st Century Public Academy
(A Component Unit of Albuquerque Municipal School District No. 12)
Schedule of Proportionate Share of the Net Pension Liability and Contributions
(Required Supplementary Information)
June 30, 2019

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, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Proportion of the net pension liability (asset)	0.03641%	0.04097%	0.03633%	0.03041%	0.02940%
Proportionate share of the net pension liability	\$ 4,329,634	\$ 4,553,188	\$ 2,614,464	\$ 1,969,737	\$ 1,674,632
Covered payroll	\$ 1,130,345	\$ 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	383.04%	390.26%	251.97%	227.85%	207.00%
Plan fiduciary net position as a percentage of the total pension liability	52.17%	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,				
	2019	2018	2017	2016	2015
Contractually required contributions	\$ 164,393	\$ 157,118	\$ 162,174	\$ 144,225	\$ 120,165
Contributions in relation to the contractually required contribution	164,393	157,118	162,174	144,225	120,165
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 1,182,683	\$ 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%	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, 2018.

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%.

21st Century Public Academy
(A Component Unit of Albuquerque Municipal School District No. 12)
Schedule of Proportionate Share of the Net OPEB Liability and Contributions
(Required Supplementary Information)
June 30, 2019

**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, 2018	Measurement Date June 30, 2017
Proportion of the net OPEB liability (asset)	0.02677%	0.02741%
Proportionate share of the net OPEB liability	\$ 1,164,055	\$ 1,242,132
Covered payroll	\$ 1,148,598	\$ 1,141,804
Proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	101.35%	108.79%
Plan fiduciary net position as a percentage of the total OPEB liability	13.14%	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, 2019	Year Ended June 30, 2018
Contractually required contributions	\$ 41,833	\$ 87,040
Contributions in relation to the contractually required contribution	41,322	43,684
Contribution deficiency (excess)	\$ 511	\$ 43,356
Covered payroll	\$ 1,148,598	\$ 1,141,804
Contributions as a percentage of covered payroll	3.60%	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

21st Century Public Academy
(A Component Unit of Albuquerque Municipal School District No. 12)
Combining Balance Sheet – Non-Major Governmental Funds
June 30, 2019

	14000	21000	24101	24106	24153	24154
	Instructional Materials	Food Services	Title I IASA	Entitlement IDEA-B	English Language Acquisition	Teacher/Principal Training & Recruiting
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 23,114	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts receivable:						
Due from other governments	2,628	-	7,924	28,454	566	8,056
Other	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ 25,742</u>	<u>\$ -</u>	<u>\$ 7,924</u>	<u>\$ 28,454</u>	<u>\$ 566</u>	<u>\$ 8,056</u>
LIABILITIES AND FUND BALANCE						
LIABILITIES						
Current liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	10,277	-	-
Due to other funds	-	3,768	7,924	18,177	566	8,056
TOTAL LIABILITIES	<u>-</u>	<u>3,768</u>	<u>7,924</u>	<u>28,454</u>	<u>566</u>	<u>8,056</u>
FUND BALANCE						
Nonspendable	-	-	-	-	-	-
Restricted	25,742	-	-	-	-	-
Committed	-	-	-	-	-	-
Assigned for subsequent year	-	-	-	-	-	-
Unassigned (deficit)	-	(3,768)	-	-	-	-
Total fund balance (deficit)	<u>25,742</u>	<u>(3,768)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 25,742</u>	<u>\$ -</u>	<u>\$ 7,924</u>	<u>\$ 28,454</u>	<u>\$ 566</u>	<u>\$ 8,056</u>

21st Century Public Academy
(A Component Unit of Albuquerque Municipal School District No. 12)
Combining Balance Sheet – Non-Major Governmental Funds
June 30, 2019

	25153 Title XIX Medicaid 3/21 Years	26163 Golden Apple Foundation	26211 Target School Grants	31200 Public School Capital Outlay	31700 Capital Improvements SB-9 (Satte Match)	Total
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 16,982	\$ 5	\$ -	\$ -	\$ -	\$ 40,101
Accounts receivable:						
Due from other governments	-	-	-	-	315	47,943
Other	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ 16,982</u>	<u>\$ 5</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 315</u>	<u>\$ 88,044</u>
LIABILITIES AND FUND BALANCE						
LIABILITIES						
Current liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-	-	10,277
Due to other funds	-	-	-	-	315	38,806
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>315</u>	<u>49,083</u>
FUND BALANCE						
Nonspendable	-	-	-	-	-	-
Restricted	16,982	5	-	-	-	42,729
Committed	-	-	-	-	-	-
Assigned for subsequent year	-	-	-	-	-	-
Unassigned (deficit)	-	-	-	-	-	(3,768)
Total fund balance (deficit)	<u>16,982</u>	<u>5</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,961</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 16,982</u>	<u>\$ 5</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 315</u>	<u>\$ 88,044</u>

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, 2019

	14000	21000	24101	24106	24153	24154
	Instructional Materials	Cafeteria	Title I IASA	Entitlement IDEA-B	English Language Acquisition	Teacher/Principal Training & Recruiting
REVENUES						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Local and county sources	-	6,015	-	-	-	-
State sources	10,707	-	-	-	-	-
Federal sources	-	-	31,250	71,476	566	13,226
Total revenues	10,707	6,015	31,250	71,476	566	13,226
EXPENDITURES						
Current:						
Instruction	14,614	-	30,602	-	566	13,226
Support services:						
Students	-	-	648	71,476	-	-
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	-	5,944	-	-	-	-
Community services operations	-	-	-	-	-	-
Facilities, supplies, & materials	-	-	-	-	-	-
Debt Service - Principal	-	-	-	-	-	-
Debt Service - Interest	-	-	-	-	-	-
Total expenditures	14,614	5,944	31,250	71,476	566	13,226
EXCESS (DEFICIENCY OF REVENUES OVER (UNDER) EXPENSES	(3,907)	71	-	-	-	-
FUND BALANCES, BEGINNING OF YEAR (deficit)	29,649	(3,839)	-	-	-	-
FUND BALANCES, END OF YEAR (deficit)	\$ 25,742	\$ (3,768)	\$ -	\$ -	\$ -	\$ -

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, 2019

	25153 Title XIX Medicaid 3/21 Years	26163 Golden Apple Foundation	26211 Target School Grants	31200 Public School Capital Outlay	31700 Capital Improvements SB-9 (Satte Match)	Total
REVENUES						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Local and county sources	-	-	-	-	-	6,015
State sources	-	-	-	179,645	315	190,667
Federal sources	10,350	-	-	-	-	126,868
Total revenues	10,350	-	-	179,645	315	323,550
EXPENDITURES						
Current:						
Instruction	-	-	750	-	-	59,758
Support services:						
Students	225	-	-	-	-	72,349
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	-	-	-	-	-	5,944
Community services operations	-	-	-	-	-	-
Facilities, supplies, & materials	-	-	-	179,645	315	179,960
Debt Service - Principal	-	-	-	-	-	-
Debt Service - Interest	-	-	-	-	-	-
Total expenditures	225	-	750	179,645	315	318,011
EXCESS (DEFICIENCY OF REVENUES OVER (UNDER) EXPENSES	10,125	-	(750)	-	-	5,539
FUND BALANCES, BEGINNING OF YEAR	6,857	5	750	-	-	33,422
FUND BALANCES, END OF YEAR	\$ 16,982	\$ 5	\$ -	\$ -	\$ -	\$ 38,961

21st Century Public Academy
(A Component Unit of Albuquerque Municipal School District No. 12)
Schedule of Changes in Fiduciary Assets and Liabilities – Agency Funds
(Required by 2.2.2 NMAC)
June 30, 2019

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
ASSETS				
Cash and cash equivalents	\$ 24,556	\$ 57,343	\$ (44,411)	\$ 37,488
TOTAL ASSETS	<u>\$ 24,556</u>	<u>\$ 57,343</u>	<u>\$ (44,411)</u>	<u>\$ 37,488</u>
LIABILITIES				
Deposits held for others	\$ 24,556	\$ 57,343	\$ (44,411)	\$ 37,488
TOTAL LIABILITIES	<u>\$ 24,556</u>	<u>\$ 57,343</u>	<u>\$ (44,411)</u>	<u>\$ 37,488</u>

21st Century Public Academy
(A Component Unit of Albuquerque Municipal School District No. 12)
Schedule of Collateral Pledged by Depository for Public Funds
(Required by 2.2.2 NMAC)
June 30, 2019

<u>Name of Depository</u>	<u>Description of Pledged Collateral</u>	<u>Fair/Par Market Value June 30, 2019</u>	<u>Safekeeping Agent</u>
Bank of NY Mellon	3140J6EC7, 4.0%, 10/1/47	\$ 35,533	Bank of NY Mellon
Bank of NY Mellon	3138WG3V4, 2.5%, 5/1/31	231,107	Bank of NY Mellon
		<u>\$ 266,640</u>	
	Total amount on deposit	\$ 681,466	
	Less: FDIC	<u>(250,000)</u>	
	Total uninsured public money	431,466	
	50% collateral requirement	215,733	
	Total pledged	<u>266,640</u>	
	Over pledged	<u>\$ 50,907</u>	

21st Century Public Academy
(A Component Unit of Albuquerque Municipal School District No. 12)
Schedule of Cash and Cash Equivalents
(Required by 2.2.2 NMAC)
June 30, 2019

	Primary Government
	Wells Fargo Bank
Operating account-business checking	\$ 643,443
Reconciling items	<u>(107,680)</u>
Reconciled balance at June 30, 2019-operating account	<u>535,763</u>
Balance per statement of net position	<u><u>\$ 535,763</u></u>
Activity account-business checking	\$ 38,023
Reconciling items	<u>(535)</u>
Reconciled balance at June 30, 2019-activity account	<u>37,488</u>
Balance per agency funds	<u><u>\$ 37,488</u></u>

21st Century Public Academy
(A Component Unit of Albuquerque Municipal School District No. 12)
Cash Reconciliation
(Required by 2.2.2 NMAC)
June 30, 2019

	Operational Account 11000	Instructional Materials 14000	Food Services 21000	Student Activity 23000	Projects Account 24000	Direct Account 25000
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)	-	-	-
June 30, 2018 Adjustments/Reconciling Differences	(628)	(1)	-	-	-	-
June 30, 2018 Cash Available to Budget	(45,920)	29,648	(3,838)	24,556	-	6,847
2018-2019 Revenue	2,388,063	8,079	6,015	57,343	71,517	10,360
2018-2019 Expenditures	(2,280,320)	(14,614)	(5,945)	(44,411)	(116,517)	(225)
Permanent Cash Transfers/Revisions	-	-	-	-	-	-
Adjustments	-	-	-	-	-	-
June 30, 2019 Cash Available to Budget	61,823	23,113	(3,768)	37,488	(45,000)	16,982
June 30, 2019 Payroll Liabilities	212,091	-	-	-	10,275	-
June 30, 2019 Temporary Interfund Loans	(101,968)	-	3,768	-	34,725	-
June 30, 2019 Adjustments/Reconciling Differences	18,338	1	-	-	-	-
June 30, 2019 Cash (Book Balance)	<u>\$ 190,284</u>	<u>\$ 23,114</u>	<u>\$ -</u>	<u>\$ 37,488</u>	<u>\$ -</u>	<u>\$ 16,982</u>
Reconciliation to PED Cash Report Line 7						
June 30, 2019 Cash (Book Balance)	\$ 190,284	\$ 23,114	\$ -	\$ 37,488	\$ -	\$ 16,982
June 30, 2019 Payroll Liabilities	(212,091)	-	-	-	(10,275)	-
June 30, 2019 Temporary Interfund Loans	101,968	-	(3,768)	-	(34,725)	-
Audit adjustments and reclassifications/other reconciling	(18,338)	(1)	-	-	-	-
Line 7 PED Cash Report June 30, 2019	<u>\$ 61,823</u>	<u>\$ 23,113</u>	<u>\$ (3,768)</u>	<u>\$ 37,488</u>	<u>\$ (45,000)</u>	<u>\$ 16,982</u>

21st Century Public Academy
(A Component Unit of Albuquerque Municipal School District No. 12)
Cash Reconciliation
(Required by 2.2.2 NMAC)
June 30, 2019

	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, 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
June 30, 2018 Adjustments/Reconciling Differences	-	-	-	-	-	(629)
June 30, 2018 Cash Available to Budget	755	-	-	49,425	89,280	150,753
2018-2019 Revenue	-	179,645	5,955	166,364	81,943	2,975,284
2018-2019 Expenditures	(750)	(179,645)	(69,117)	(32,649)	(48,985)	(2,793,493)
Permanent Cash Transfers/Revisions	-	-	-	-	-	-
Adjustments	-	-	-	-	-	-
June 30, 2019 Cash Available to Budget	5	-	(63,162)	183,140	122,238	332,544
June 30, 2019 Payroll Liabilities	-	-	-	-	-	222,366
June 30, 2019 Temporary Interfund Loans	-	-	63,162	-	-	2
June 30, 2019 Adjustments/Reconciling Differences	-	-	-	-	-	18,339
June 30, 2019 Cash (Book Balance)	<u>\$ 5</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 183,140</u>	<u>\$ 122,238</u>	<u>\$ 573,251</u>
					Less Activity fund	<u>\$ 37,488</u>
					Total net position	<u>\$ 535,763</u>
Reconciliation to PED Cash Report Line 7						
June 30, 2019 Cash (Book Balance)	\$ 5	\$ -	\$ -	\$ 183,140	\$ 122,238	\$ 573,251
June 30, 2019 Payroll Liabilities	-	-	-	-	-	(222,366)
June 30, 2019 Temporary Interfund Loans	-	-	(63,162)	-	-	(2)
Audit adjustments and reclassifications/other reconciling	-	-	-	-	-	(18,339)
Line 7 PED Cash Report June 30, 2019	<u>\$ 5</u>	<u>\$ -</u>	<u>\$ (63,162)</u>	<u>\$ 183,140</u>	<u>\$ 122,238</u>	<u>\$ 332,544</u>

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. Brian S. Colón, Esq.
New Mexico State Auditor

We have audited, 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 (the “School”) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School’s basic financial statements, and have issued our report thereon dated November 4, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of *the School’s* internal control. Accordingly, we do not express an opinion on the effectiveness of the School’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 have not been identified. However, as described in the accompanying *schedule of findings and responses*, we did identify 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* as items 2019-004, 2019-010, 2019-011, 2019-012 to be material weaknesses.

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* as items 2019-001 and 2019-007 to be significant deficiencies.

Compliance and Other Matters

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

We noted certain matters that are required to be reported per Section 12-6-5 NMSA 1978, that we have described in the schedule of findings and responses as items 2019-002, 2019-003, 2019-005, 2019-006, 2019-008, 2019-009, 2019-013.

Response to Findings

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

Mess Adams LLP

Albuquerque, New Mexico
November 4, 2019

21st Century Public Academy
(A Component Unit of Albuquerque Municipal School District No. 12)
Summary of Auditor's Results (As Required by 2.2.2.10 NMAC L(1)(f))
June 30, 2019

Financial Statements

Type of report the auditor issued on whether the financial
statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

☒ Yes

☐ No

☒ Yes

☐ None reported

Compliance and other matters noted?

☒ Yes

☐ No

SECTION I – FINANCIAL STATEMENT FINDINGS

2019-001 Internal Control over Financial Reporting (Previously reported as finding 2018-005) (Significant Deficiency)

Condition: The following was noted during the audit:

- Accrual adjustments provided for accruals were not correct. The original adjustments to accrue accounts receivable had cash and revenue instead of accounts receivable and revenue.
- Accrual entries provided by the school were incorrect and had to be adjusted multiple times. Original amounts received did not agree to payroll register.
- Pension and OBEP July 1, 2018 beginning balances were reconciled and had to be corrected by \$15,544.

Management Progress: Management made progress from the prior year finding regarding 1) capital asset entries provided were correct, accrual entries for deposit were corrected, accrual adjustments for accounts payable were properly accounted for, and revenue and expense were properly accounted for.

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.

Context: See Condition.

Cause: Management oversight.

Effect: Possible misstatement to the School's financial statements.

Repeat finding: This was previously reported as finding 2018-005.

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

Views of responsible officials and planned corrective actions: All accrual adjustments provided were done to remove excess payroll liabilities from the general ledger. Management believes that the excess payroll liabilities were correctly identified and addressed. The school is now implementing the payroll voucher management module within the financial system which will ensure payroll liabilities are correctly accounted for.

Person Responsible: Business Manager

Auditor response: Adjustments had to be corrected multiple times for the financial statements.

21st Century Public Academy
(A Component Unit of Albuquerque Municipal School District No. 12)
Schedule of Findings and Responses
June 30, 2019

2019-002 Chief Procurement Officer (Previously reported as finding 2018-007) (Other Non-Compliance)

Condition: The School did not have a Chief Procurement Officer from July 1, 2018 through October 19, 2018.

Management Progress: Management corrected the finding subsequent to October 19, 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 until October 2019.

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 was previously reported as finding 2018-007.

Recommendation: The School should ensure that a Certified Procurement Officer is registered and employed at all times during the fiscal year.

Views of responsible officials and planned corrective actions: The school has appointed and employed a registered CPO.

Person Responsible: Administration

21st Century Public Academy
(A Component Unit of Albuquerque Municipal School District No. 12)
Schedule of Findings and Responses
June 30, 2019

2019-003 - Retiree Health Care timely payments (Previously reported as finding 2018-008) (Other Non-Compliance)

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

Management Progress: The July 2018 payment was the only payment late during the year. This was prior to the notification of the issue during the 2018 audit. There were no other late payments during fiscal year 2019.

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: The July 2018 payment was the only payment late during the year. This was prior to the notification of the issue during the 2018 audit. There were no other late payments during fiscal year 2019.

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

Repeat Finding: Previously reported as finding 2018-008

Recommendation: The School should develop 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.

Views of responsible officials and planned corrective actions: Processes have been implemented by management that will ensure that all RHC payments are made timely.

Person Responsible: Business Manager

21st Century Public Academy
(A Component Unit of Albuquerque Municipal School District No. 12)
Schedule of Findings and Responses
June 30, 2019

2019-004: Capital Assets (previously reported as 2018-015) (Material weakness)

Condition: The following was noted during our testwork of Capital Assets:

- School did not include the tax amounts paid with assets capitalized in the amount of \$3,294.
- The School did not properly identify Construction in Progress of \$252,868 causing depreciation to be overstated by \$92,353.
- The July 1, 2018 beginning balance had to be corrected by \$1,866,510 to reconcile the prior year balances.

Management progress: Management made significant progress on this finding during the year in reconciling total assets. This resulted in the restatement to beginning balance.

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 grounds, 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 controls over capital assets.

Effect: The classification of the asset was not being tracked correctly.

Repeat finding: This was previously reported as finding 2018-015.

Recommendation: We recommend that the school update policies, procedures and controls to ensure that all assets be properly capitalized and depreciated.

Views of responsible officials and planned corrective actions: Management did track and record all asset additions from fiscal year 2019. However, management did fail to record all applicable tax with the asset additions. Management will implement a review process over all invoices for capital additions and include all applicable expenses into amounts calculated for capital additions. This review process will be solidified in the Spring of 2020 with the implementation occurring at the fiscal year end in June 2020.

Person Responsible: Business Manager

21st Century Public Academy
(A Component Unit of Albuquerque Municipal School District No. 12)
Schedule of Findings and Responses
June 30, 2019

2019-005 Budgetary Conditions (Previously reported as 2018-021) (Other Non-Compliance)

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

Fund 24101 (Function 2000) -\$500

Management's Progress: Management has not made progress on this 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: Management oversight.

Effect: Non-compliance with state statutes.

Repeat finding: This was previously reported as finding 2018-021.

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.

Views of responsible officials and planned corrective actions: A review of all funds and functions will be undertaken each quarter to ensure budgetary compliance is maintained. Management will ensure to update the budget in the schools accounting system as BARs are approved in OBMS.

Person Responsible: Business Manager

21st Century Public Academy
(A Component Unit of Albuquerque Municipal School District No. 12)
Schedule of Findings and Responses
June 30, 2019

2019-006 - RHC and ERB Payments (previously finding 2018-026) (Other Non-Compliance)

Condition: Education Retirement Board (ERB) payments for the year did not agree to the general ledger by \$19,976. In addition, we noted the one form where the amounts on the form were greater than the calculated amount. A correction form has not been submitted to ERB. As a result of this variance, the journal entry provided to record the pension liability was incorrect.

Retire Health Care (RHC) payments for the year did not agree to the general ledger by \$2,642.

Management progress: Management did not make progress on this finding.

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: Previously reported as finding 2018-026.

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.

Views of responsible officials and planned corrective actions: Processes have been put in place to ensure all payroll liabilities are properly recorded, reported and paid. The business manager has implemented the payroll voucher management module to correctly process the payments. Regular monthly reviews of the reports are being completed for RHC and ERB payments. Implementation by 11/30/19.

Person Responsible: Business Manager

21st Century Public Academy
(A Component Unit of Albuquerque Municipal School District No. 12)
Schedule of Findings and Responses
June 30, 2019

2019-007 Payroll Transactions (Previously reported as finding 2018-027) (Significant Deficiency)

Condition: The school incorrectly calculated payroll on a payroll run during the year and subsequently overpaid the Internal Revenue Service. The check was received on March 11, 2019 but had not been paid back to employees as of June 30, 2019.

Managements progress: Management made progress by correcting the prior year finding related to the principal contract.

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.

Cause: This was done by the prior business manager and the school is having difficulty identifying what the refund stemmed from.

Effect: The school has not returned funds to employees for over-deduction of IRS.

Repeat Finding: Previously reported as finding 2018-027.

Recommendation: We recommend that the school modify policies and procedures to ensure that controls are updated to ensure that overpayments to employees do not occur. An additional review may be necessary prior to depositing funds in the bank.

Views of responsible officials and planned corrective actions: Management is contacting the IRS to provide a detail on the purpose of the refund check. When this is received, the school will determine the appropriate course of action.

Person Responsible: Business Manager

21st Century Public Academy
(A Component Unit of Albuquerque Municipal School District No. 12)
Schedule of Findings and Responses
June 30, 2019

2019-008 Not following school policy (Other Non-Compliance)

Condition: During review of conflict of interest statements, we noted that a board member is the husband of the assistant principal of the school for 2018. We noted no documentation in the minutes showing that the conflict was brought to the governance council and that the governance council made a decision based on the policy. On June 5, 2019, the assistance principal was hired to become the principal for the FY 20 school year. No documentation was noted in the minutes regarding a decision for this conflict.

Criteria: Per the schools conflict of interest policy, "transactions with parties with whom a conflicting interest exists may be undertaken only if all of the following are observed: 1) the conflicting interest if fully disclosed, 2) the person with the conflict of interest is excluded from the discussion and approval of such transaction, 3) a competitive bid or comparable valuation exists, and 4) the governing council or a duly constituted committee thereof has determined that the transaction is in the best interest of the organization. Disclosure in the organization should be made to the principal (or is she or he is the one with the conflict, then to the governance council president), who shall bring the matter to the attention of the governance council or a duly constituted committee thereof. Disclosure involving governing council members should be made to the governance council president, (or if she or he is the one with the conflict, then to the governance council vice-president) who shall bring these matters to the governance council or a duly constituted committee thereof. The governance council or a duly constituted committee thereof shall determine whether a conflict exists and in the case of an existing conflict, whether the contemplated transaction may be authorized as just, fair, and reasonable to 21st Century Public Academy. The decision of the governing council or a duly constituted committee thereof on these matters will rest in their sole discretion, and their concern must be the welfare of the 21st Century Public Academy and the advancement of its purpose."

Cause: Lack of documentation.

Effect: School is not in compliance with its policy.

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend that the school review its policies to ensure they are complying with and all decisions according to its policy are documented.

Views of responsible officials and planned corrective actions: The school's board member disclosed the relationship to the governance council. However, the minutes did not document this disclosure and subsequent action of the council. It should be noted that in subsequent governing council minutes the governing council member's recusal for related votes is noted. The board member resigned after the employee was promoted to Principal, reporting to the school's CEO. The school will ensure that it documents all conflicts as required in GC policy.

Person Responsible: Governing Council

21st Century Public Academy
(A Component Unit of Albuquerque Municipal School District No. 12)
Schedule of Findings and Responses
June 30, 2019

2019-009 IRS Penalty (Other Non-Compliance)

Condition: During 2019, the school paid a penalty in the amount of \$2,907 for a late 941 payment.

Criteria: 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.

Cause: Management oversight.

Effect: The school paid penalties that could have been used for other educational expenditures.

Repeat finding: This is not a repeat finding.

Recommendation: We recommend that the school review its timeline for 941 payments and ensure all amounts are paid by the required dates.

Views of responsible officials and planned corrective actions: Process have been implemented to ensure all payroll liabilities and related reports are submitted and timely paid.

Person Responsible: Business Manager

21st Century Public Academy
(A Component Unit of Albuquerque Municipal School District No. 12)
Schedule of Findings and Responses
June 30, 2019

SECTION I – FINANCIAL STATEMENT FINDINGS – COMPONENT UNIT

Cutler Charitable Foundation

2019-010: Financial Close and Reporting (Previously reported as 2018-028) (Material Weakness)

Condition: The Foundation was not maintaining a trial balance or a general ledger with the accounting activity during the fiscal year. In addition, we noted an amount of \$68,522 posted to fund balance that has not been properly reconciled. We noted no record or documentation of journal entries obtained for the trial balance support.

Management progress: *Management has not made progress on this finding.*

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 and the correct reporting framework in accordance with GASBS No. 39 paragraph 5.

Cause: The Foundation does not have a bookkeeper or CPA causing some lack of understanding of what is required.

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 was previously reported as 2018-028

Recommendation: We recommend that the foundation hire a CPA to ensure the books and records are current, accurate, and in accordance with GAAP. The Foundation should ensure the amounts recorded are recorded in accordance with the GASB framework and all reporting requirements are met.

Views of responsible officials and planned corrective actions: The Cutler Charitable Foundation is, determined by the IRS, a 501c3 cash-based organization. The cash accounting system was stated on the foundation's IRS application of the 501c3 determination. The foundation has kept a general ledger for the auditor year of FY2019. When requested the foundation submitted their cash single entry general ledger along with the trial balance and all activity for the year. The foundation has kept to all the Federal regulations which state that a single-entry cash accounting system is acceptable. The foundation also works on a calendar year (January 1 to December 31). After speaking with the State auditor's office for clarification of a "component unit" the foundation is clear that a double entry accounting system is preferable to the State, GASB 39 paragraph 5. The Cutler Charitable Foundation is a small organization with at the most 4 transactions a month, it was a prudent decision to create a system that was trouble-free and straight forward for accounting method. The foundation has been interviewing accounting firms and individual accountants to handle the foundations books to meet the requirements set by the State of New Mexico. Since the foundation is small and does not raise funds itself cost is an issue, however the foundation has found someone to handle the required accounting format. The foundation is currently working on moving its books to a double entry format. *(continued on next page)*

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The Cutler Charitable Foundation wants to ensure that it is compliant with both the State of New Mexico and the IRS. Although the documents that were submitted to the auditors were single entry cash basis format and not double entry, it is not factual that the foundation did not maintain a general ledger. As of October 1, 2019, the foundation has an accountant that is experienced with non-profit foundation accounting systems and procedures. He has moved the foundation to a double entry accounting system and has reviewed all of the foundation's records and documents.

Person Responsible: All officers of the foundation.

2019-011: Lack of Internal Controls over Capital Assets (Previously reported as 2018-029) (Material Weakness)

Condition: During our audit we noted the following:

- The Foundation incorrectly capitalized construction in progress at year end in the amount of \$3,110,240. In addition, the Foundation recorded depreciation incorrectly in the amount of \$207,349.
- The Foundation did not properly record \$263,247 of depreciation expense related to the building into the trial balance provided.
- The July 1, 2018 beginning balance had to be corrected by \$1,081,293 to reconcile the prior year balances.

Managements progress: Management has not made progress correcting this finding.

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 does not have a bookkeeper or CPA causing some lack of understanding of what is required.

Effect: The Foundation's assets were not correctly tracked and adjusted for according to GAAP.

Repeat finding: This was previously reported as 2018-029

Recommendation: We recommend that the foundation hire a CPA to ensure the books and records are current, accurate, and in accordance with GAAP.

Views of responsible officials and planned corrective actions: In May of 2019, 21st Century Public Academy and the Cutler Charitable Foundation engaged Moss Adams in an AUP process to assist both the school and the foundation with verifying the cash status of the school and the capitalization and depreciation of the ongoing construction and renovated building. There was confusion as to how to "label" depreciation on what, and what should or should not be capitalized. The foundation welcomes input and direction as well as the opportunity to improve on their compliance to the State and the IRS.

The foundation has engaged an accountant who is currently setting up a corrected depreciation schedule for the end of the foundation's fiscal year, December 31.

Person Responsible: All officers of the foundation.

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2019-012: Lack of Internal Controls over Long-Term Debt (Previously reported as 2018-030) (Material Weakness)

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

- The 2019 beginning balance on the debt rollforward \$2,672,230 was incorrect posted to July 2018 instead of June 2018.
- No amounts were recorded as current.
- Accrued interest in the amount of \$26,829 was not recorded in the trial balance.
- The July 1, 2018 beginning balance on long-term debt had to be corrected by \$41,139 to reconcile the prior year balances.

Management's progress: *Management has not made progress on this finding.*

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 does not have a bookkeeper or CPA causing some lack of understanding of what is required.

Effect: The Foundation's balances of debt recorded were misstated during the year.

Repeat finding: This was previously reported as 2018-030

Recommendation: We recommend that the foundation hire a CPA to ensure the books and records are current, accurate, and in accordance with GAAP.

Views of responsible officials and planned corrective actions: The foundation, per the IRS application, is a cash only accounting. Moss Adams has informed the foundation that they are required to use an accrual-based accounting system. This was not fully communicated to the foundation during last year's audit. Although the foundation did not accrue anything because they have a cash-based system. In order to comply with what Moss Adams had directed, the foundation will have to inform the IRS that their accounting structure will be changed to an accrued system.

The foundation has engaged an accountant who is currently setting up a double entry format that will be reviewed to make sure that the rollforward, which will take place in January is correct. The foundation's fiscal year is January 1 to December 31. A roll over will not take place until the end of December 31, 2019.

Person Responsible: All officers of the foundation.

21st Century Public Academy

Schedule of Findings and Responses

June 30, 2019

2019-013: Filing of Annual Report (Other Non-Compliance)

Condition: The Foundation was late in filing its annual report with the secretary of state that was due on June 15, 2019.

Criteria: Per NMSA 53-8-53 Filing of annual report, the annual report of a domestic or foreign corporation shall be delivered to the commission on or before the fifteen day of the fifth month following the end of the taxable year.

Cause: Oversight by management.

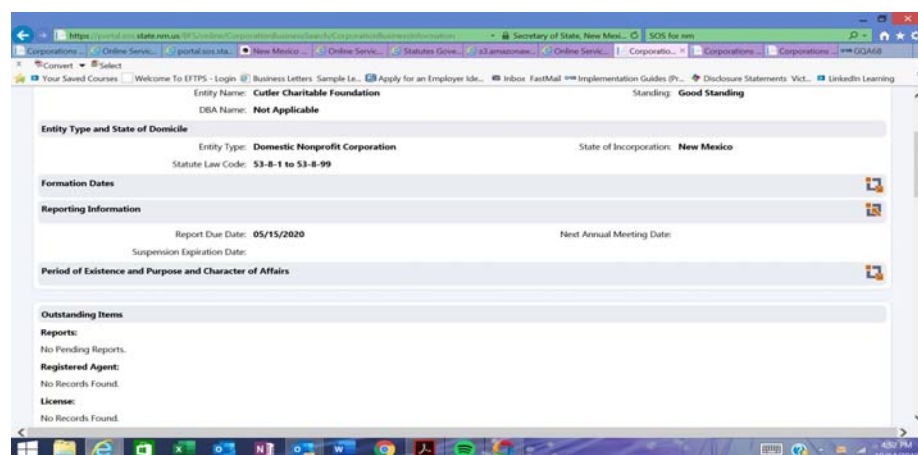
Effect: Foundation could be subject to penalties or renovation of license.

Repeat finding: This is not a repeat finding.

Recommendation: We recommend that the foundation file the report as soon as possible and ensure controls are in place to meet all state reporting requirements.

Views of responsible officials and planned corrective actions: The foundation is in good standing with the Secretary of State's Office. This is visible on the SOS Portal. The foundation contacted the SOS Portal Business Support as to why the filing history does not show that the report was submitted and Mr. Johnson stated that the SOS Portal does not have the capability to show that the report has been submitted, only the correspondence that the State was sent. He stated the way to know that a report has been submitted is by the "Good Standing" statement. Because of foundation's conversation with the SOS Portal Business Support about the filing history section of the portal, Mr. Johnson will be taking this issue to the programmers of the portal to see if this can be correct to include recording the submission of the report in the Filing History section.

The annual report was filled and is in good standing with the New Mexico Secretary of State. Please see the screen shot below.



Person Responsible: All officers of the foundation

Auditor Response: We suggest that the Foundation add controls to ensure corporate reports are submitted by the required due date.

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Summary Schedule of Prior Audit Findings
June 30, 2019

SECTION II – FINANCIAL STATEMENT FINDINGS – SCHOOL

21st CENTURY PUBLIC ACADEMY

2018-001 Purchasing	CLEARED
2018-002 Lack of Records	CLEARED
2018-003 Procurement Code	CLEARED
2018-004 Small Purchases	CLEARED
2018-005 Internal Control over Financial Reporting	Repeated and modified as 2019-001
2018-006 Vendor Controls and Required IRS Forms	CLEARED
2018-007 Chief Procurement Officer	Repeated and modified as 2019-002
2018-008 Retiree Health Care timely payments	Repeated and modified as 2019-003
2018-009 Contingent Fee contract	CLEARED
2018-010 Construction	CLEARED
2018-011 Construction change-order	CLEARED
2018-012 Lack of NM PED approval prior to approving Lease Purchase Agreement	CLEARED
2018-013 Bylaws	CLEARED
2018-014 Lack of Due Diligence	CLEARED
2018-015 Fixed Assets	Repeated and modified as 2019-004
2018-016 Vendor Overpayment	CLEARED
2018-017 Journal Entries	CLEARED
2018-018 Prepayment of Invoices	CLEARED
2018-019 Improper Disposal of Capital Assets	CLEARED
2018-020 Request for Reimbursement	CLEARED
2018-021 Budgetary Conditions	Repeated and modified as 2019-005
2018-022 4th quarter NMPED reports	CLEARED
2018-023 Outdated Policies	CLEARED
2018-024 T&E Adjustment	CLEARED
2018-025 Internal Control over Cash Receipts	CLEARED
2018-026 - RHC and ERB Payments	Repeated and modified as 2019-006
2018-027 Payroll Transactions	Repeated and modified as 2019-007

CUTLER CHARITABLE FOUNDATION

2018-028 Financial Close and Reporting	Repeated and modified as 2019-010
2018-029 Lack of Internal Controls over Capital Assets	Repeated and modified as 2019-011
2018-030 Lack of Internal Controls over Long-term Debt	Repeated and modified as 2019-012

21st Century Public Academy
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Exit Conference
June 30, 2019

An exit conference was held with the School on October 28, 2019. 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:

Mary Tarango, CEO
Zach Kirchgessner, Business Manager Vigil Group
Angie Lerner, Community Member
Virginia Trujillo, Board Chair
Roberta Velasquez, APS Charter Business Manager

Guadalupe Jaramillo, Senior Auditor State Auditor's Office
Shawn Beck, Director State Auditor's Office

Sheila Herrera, Moss Adams Senior Manager

An exit conference was held with the Foundation on October 30, 2019. 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

Mary Tarango, 21st Century Principal
Zach Kirchgessner, Vigil Group
Alec Houser, Board member
Rita Hirshey, Foundation representative

Guadalupe Jaramillo, Senior Auditor State Auditors Office
Shawn Beck, Director State Auditor's Office

Sheila Herrera, Moss Adams Senior Manager

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.