



KRIEGEL/GRAY/SHAW & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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STATE OF NEW MEXICO

CAPITAN MUNICIPAL SCHOOLS

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

JUNE 30, 2019

CAPITAN MUNICIPAL SCHOOLS

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CAPITAN MUNICIPAL SCHOOLS

OFFICIAL ROSTER

JUNE 30, 2019

BOARD OF EDUCATION

<u>Name</u>	<u>Title</u>
<i>Daryl Lindsay</i>	<i>President</i>
<i>Gary Tregembo</i>	<i>Vice-President</i>
<i>Dennis Rich</i>	<i>Secretary</i>
<i>Troy Stone</i>	<i>Member</i>
<i>Ben Hazen</i>	<i>Member</i>

SCHOOL OFFICIALS

<i>Patti Nesbitt</i>	<i>Superintendent</i>
<i>Kimberly Stone</i>	<i>Associate Superintendent of Business Services</i>

INDEPENDENT AUDITORS' REPORT

Mr. Brian S. Colón, State Auditor and
The Office of Management and Budget
and Board of Education
Capitan Municipal Schools
Capitan, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund of the Capitan Municipal Schools' (the Schools), as of and for the year ended June 30, 2019, and the related notes to the financial statements which collectively comprise the Schools' basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Schools' nonmajor governmental funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2019, 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 misstatements, 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.

Mr. Brian S. Colón, State Auditor and
The Office of Management and Budget
and Board of Education
Capitan Municipal Schools
Capitan, New Mexico
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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, each major fund, and the aggregate remaining fund information of the Capitan Municipal Schools', as of June 30, 2019, and the respective changes in financial position and the respective budgetary comparisons for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund of the Schools' as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 12 and the pension liability schedules on pages 55 through 58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Mr. Brian S. Colón, State Auditor and
The Office of Management and Budget
and Board of Education
Capitan Municipal Schools
Capitan, New Mexico
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Other Information

Our audit was conducted for the purpose of forming opinions on the Schools' financial statements, the combining and individual fund financial statements, and the budgetary comparisons. *The other schedules required by 2.2.2.NMAC* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The *supplementary information required by 2.2.2 NMAC* is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the *supplementary information required by 2.2.2 NMAC* 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 October 30, 2019 on our consideration of the Capitan Municipal Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Schools' internal control over financial reporting and compliance.

Kriegel/Gray/Shaw & Co., P.C.

Kriegel/Gray/Shaw & Co., P.C.
Las Cruces, New Mexico

October 30, 2019

CAPITAN MUNICIPAL SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019

As management of the Capitan Municipal Schools', we offer readers of the Schools' financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2019. Readers should also review the basic financial statements and notes to enhance their understanding of the Schools' financial performance.

In June 1999, GASB approved Statement #34 "Basic Financial Statements and Management Discussion and Analysis for State and Local Government." In June 2001, the GASB approved Statement #37 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus" and Statement #38 "Certain Financial Statement Note Disclosures". Statement #37 clarifies and modifies Statement #34 and should be implemented simultaneously with Statement #34. Statement #38 modifies, establishes and rescinds certain financial statement disclosure requirements. The School implemented the provisions of the above statements effective July 1, 2003.

Financial Highlights

Key financial highlights for fiscal year ended June 30, 2019 are as follows:

- The liabilities and deferred inflows of the School exceeded its assets and deferred outflows at the end of the fiscal year by \$2,255,462 (net position). Of this amount, \$7,877,947 is invested in capital assets, \$1,435,036 is restricted for Capital Projects, \$566,952 is restricted for Debt Service, \$566,952 for Special Revenue Funds, \$0 is restricted for General Fund, and (\$12,253,221) is unrestricted and may be used to meet the Schools' ongoing obligations. The deferred inflows of resources related to the net pension liability and OPEB liability is \$1,047,624.
- The School's total net position decreased by \$2,255,462 which is reflected in the Schools' Statement of Activities. The School's liabilities increased by \$300,906 in fiscal year 2019.
- At June 30, 2019, the unreserved and undesignated fund balance for the general fund was \$1,059,840 which reflects an increase of \$191,713 from the previous fiscal year. This was predominantly related to an increase in equalization funds and a receipt of forest reserve funding in the amount of \$159,247.
- Total accumulated depreciation on capital assets as of June 30, 2019 is \$9,794,823. This includes current year depreciation in the amount of \$882,558.
- Capital Outlay additions were \$449,447 in the year ending June 30, 2019. These capital outlay expenditures were a result of building and improvements. The Capital Outlay expenditures in this fiscal year included air conditioning units, intercom control panel, a vehicle and other equipment. The major portion of these capital purchases were funded utilizing Capital Outlay funds, such as Bond Building and SB-9.
- The Schools' general obligation bond debt balance is \$2,720,000.

CAPITAN MUNICIPAL SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019

Basic Financial Statements

In general, the purpose of financial reports is to provide external parties reading the financial statements with information that will help them to make decisions or draw conclusions about the reporting entity. There are many external parties that read and use the Schools' financial statements; however, these parties do not always have the same objectives. This annual report consists of a series of financial statements and notes to those statements. These statements are organized so that the reader may understand the Schools' overall financial position. In accordance with required reporting requirements, the School presents (1) government-wide financial statements and (2) fund financial statements.

Government-wide financial statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the Schools' finances, in a manner similar to that of a private sector business.

The *statement of net position* presents information on all of the Schools' assets and liabilities, with the difference between the two reported as *net position*. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The *statement of activities* presents information showing how the Schools' net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows only in future fiscal periods (e.g. uncollected taxes).

Both the *statement of net position* and the *statement of activities* distinguish functions of the School that are primarily supported by property taxes and state revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through fees and charges. The governmental activities of the School include education, pupil transportation, food service and community service. The School does not have any business-type activities.

The *government-wide financial statements* can be found on pages 13 through 14 of the financial statements.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School, like other Schools, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the School can be divided into two categories: governmental funds and fiduciary funds.

CAPITAN MUNICIPAL SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019

Governmental Funds

Government Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available as the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of government funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Schools' near-term financing decisions. A reconciliation to facilitate the comparison of the governmental funds and governmental activities has been provided.

The School has four individual governmental fund groups. Information is presented separately in the governmental fund balance sheets and in the governmental funds statement of revenues, expenditures, and changes in fund balance for the following funds: General Fund, Special Revenue Funds, Capital Projects Fund, and Debt Service Fund

The basic governmental fund financial statements can be found on pages 15 through 20 of the financial statements.

Fiduciary Funds

Fiduciary Funds are used to account for resources held in trust for the benefit of parties outside the School. Fiduciary fund financial statements consist of a statement of fiduciary net assets and a statement of changes in fiduciary net assets. These funds are not reported in the government-wide financial statements.

The fiduciary fund financial statements can be found on page 24 of the financial statements.

CAPITAN MUNICIPAL SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019

Overview of the Schools' Financial Position and Operations the Schools' overall financial position and operations for the current year as compared to the previous fiscal year are as follows:

CAPITAN MUNICIPAL SCHOOLS
Summary of Net Position

	Governmental Activities	
	2019	2018
Assets:		
Cash and other equivalents	\$2,431,664	\$2,477,204
Restricted cash	523,489	805,272
Current assets and other assets	389,436	327,279
Capital assets, net	16,099,313	16,532,424
<i>Total assets</i>	19,443,902	20,142,179
Deferred outflows of resources	3,794,975	4,118,199
Liabilities:		
Current and other liabilities	147,342	152,714
Noncurrent liabilities	24,299,373	23,993,095
<i>Total liabilities</i>	24,446,715	24,145,809
Deferred inflows of resources	1,047,624	926,127
Net Position:		
Net investment in capital assets	7,877,947	7,151,738
Restricted:		
Debt Services	566,952	320,132
Capital projects	1,435,036	2,147,048
Special revenue funds	117,824	94,238
General fund	0	0
Unrestricted net position	(12,253,221)	(10,524,714)
<i>Total net position</i>	(\$2,255,462)	(\$811,558)

CAPITAN MUNICIPAL SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019

As noted in the schedule above, the School has no unrestricted funds in the current year as most are tied to net investment in capital assets, the net pension liability and OPEB liability. Unrestricted funds can be used at the *discretion* of the School and to meet ongoing obligations to creditors and stakeholders \$2,119,812 is restricted for the stated purposes. The remaining \$7,877,947 of the Schools' net position is net investment in capital assets. This indicates that the accumulated depreciation along with the asset values exceed existing related debt. The pension liability and the OPEB liability as required by government accounting standards has significantly impacted the net position on the financials.

Governmental activities decreased the Schools' overall net position by \$1,443,904. This decrease was due to a bond issuance, increase in the net pension liability, and the OPEB liability during the fiscal year. Nonetheless, the Schools' liquidity, the ability to convert assets into cash to pay for obligations and commitments, remains secure. Cash and cash equivalents represent 87% of the Schools' current assets indicating a highly liquid position.

The major elements of the Schools' governmental activities contributing to the decrease in the change in net position are listed on the next page.

CAPITAN MUNICIPAL SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019

CAPITAN MUNICIPAL SCHOOLS
Summary of Changes in Net Position

	Governmental Activities	
	2019	2018
Revenues:		
<u>Program Revenues:</u>		
Charges for services	\$113,414	\$98,389
Operating grants and contributions	1,307,824	1,067,015
Capital grants and contributions	58,410	28,360
<u>General Revenue:</u>		
Property Taxes:		
General purpose	115,668	114,351
Debt service	941,782	794,502
Capital projects	873,969	864,107
Grants and contributions, not restricted	4,648,120	4,488,873
Unrestricted investment earnings	48,971	9,428
Other	3,688	36,210
<i>Total revenues</i>	8,111,846	7,501,235
Expenditures		
Direct instruction	6,124,258	5,479,923
Students	539,657	452,234
Instruction	8,136	895
General administration	254,683	314,156
School administration	293,511	271,789
Central services	194,098	180,152
Operation and maintenance of plant	630,665	617,389
Student transportation	423,254	462,783
Other support services	11,499	915
Food services	302,559	333,745
Capital outlay	693,518	641,582
Interest on long-term debt	79,912	89,848
<i>Total expenditures</i>	9,555,750	8,845,411
<i>Change in net position</i>	(1,443,904)	(1,344,176)
Net position, beginning of year	(811,558)	9,416,309
Restatements	0	(8,883,691)
<i>Net position, end of year</i>	(\$2,255,462)	(\$811,558)

As noted above, the School is heavily dependent on federal and state aid, which comprises 74% of its total revenues. Correspondingly, the School spends 70% of total revenues on instruction and student support, the two primary functions that indicate direct school spending.

CAPITAN MUNICIPAL SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019

General Fund Budgetary Highlights

Budget to actual comparison schedules are presented for the funds making up general fund on pages 21 through 23.

The original expenditure budget for the Schools' general fund was \$5,342,296. The final general fund expenditure budget was \$5,675,275 of which \$4,637,776 was expended in the current year. Budgets were not exceeded in any of the functions in the general fund.

Of the \$4,788,952 general fund revenue budget, the School received 100% plus in actual revenue for an increase of \$30,912 in actual revenue received over budgeted revenue.

The original expenditure budget in the Schools' debt service fund did not increase for this year. Surplus cash balances were used to pay bond principal payments on old bond series. Even with this use of cash, the School maintains a strong financial position in the debt service fund.

Capital Assets and Debt Administration

Capital Assets

The Schools' current year investment in capital assets as of June 30, 2019 is \$7,877,947. The Schools' assets include land and land improvements, building and building improvements, equipment and furniture, and vehicles.

Depreciation calculated as a result of GASB 34 implementation resulted in an accumulated depreciation balance of \$9,794,823, of which \$882,558 is for depreciation in the current year. Additional information of the Schools' capital assets is presented in Note 7. on page 38 of the financial statements.

Long-term obligations

At the end of the current year, the School had \$8,235,942 in long-term debt related to governmental activities. Of this debt, 33% was related to general obligation bonds still outstanding at the end of the year. The debt position of the School is summarized below and is more fully analyzed in Note 8. on page 39 of the financial statements.

CAPITAN MUNICIPAL SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019

Governmental Activities

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019	Due Within One Year
General Obligation Bonds					
General Obligation Bonds - Series 2013	\$3,130,000	\$0	\$410,000	\$2,720,000	\$420,000
Ed Tech Bonds - Series 2015	595,000	0	245,000	350,000	220,000
Ed Tech Bonds - Series 2018	850,000	0	0	850,000	230,000
Other Debt NMPSFA - P13-003	4,792,728	0	500,000	4,292,728	500,000
Compensated Absences	12,355	34,010	23,151	23,214	0
	\$9,380,083	\$34,010	\$1,178,151	\$8,235,942	\$1,370,000

During the fiscal year, the School reduced total bond debt principle by \$1,155,000 in accordance with schedule bond payments. In addition the school continued paying back the advance for the Middle School/High School construction to NMPSFA.

Relevant Current Economic Factors, Decisions and Conditions

The School proposed a General Obligation Bond for \$22 million to build a new Elementary and School Cafeteria and pay off the debt to PSCOC for the new Middle and High School. This bond failed on August 15, 2017 by a hefty margin. Our Elementary students are still without any kind of air circulation with classrooms exceeding 80 degrees for more than two months in the fall and two months in the spring. The Board of Education and Administration is back to the drawing board and trying to come up with other ways to meet the needs of our students as well as fix the health and safety hazards such as broken sidewalks that exist on our campus.

The first step to this plan is to create a new Facility Master Plan to meet the continued needs of our students.

Request for Information

This financial report is designed to provide various interested parties with a general overview of the Schools' finances and to show the Schools' accountability for the money it receives. If you have any questions about this report or require additional information, contact the Schools' Finance Department as follows:

Kimberly Stone, Associate Superintendent of Business Services
(575) 354-8500
Physical and Mailing Address:
519 Smokey Bear Blvd.
P.O. Box 278
Capitan, New Mexico 88316
e-mail: kimberly.stone@capitantigers.org

CAPITAN MUNICIPAL SCHOOLS

STATEMENT OF NET POSITION

JUNE 30, 2019

	Primary Government Governmental Activities
Assets	
Cash and cash equivalents	\$2,431,664
Receivables:	
Property taxes	73,130
Intergovernmental	310,209
Inventories - food	6,097
Restricted Assets:	
Cash - with trustee/debt service	523,489
Capital Assets:	
Capital assets not depreciated	249,712
Capital assets, depreciated	25,644,424
Accumulated depreciation	(9,794,823)
<i>Total capital assets</i>	16,099,313
<i>Total assets</i>	19,443,902
Deferred outflows of resources	
Pension Plan	3,607,611
OPEB Plan	187,364
<i>Total deferred outflows of resources</i>	3,794,975
Liabilities	
Accounts payable	29,728
Accrued payroll expenses	95,561
Accrued interest payable	22,053
Long-term liabilities:	
Current portion of long-term debt	1,370,000
Long-term debt	6,842,728
Bond premium	8,638
Compensated absences	23,214
Net pension liability	12,954,416
Net OPEB liability	3,100,377
<i>Total liabilities</i>	24,446,715
Deferred inflows of resources	
Pension Plan	246,543
OPEB Plan	801,081
<i>Total deferred inflows of resources</i>	1,047,624
Net Position	
Net investment in capital assets	7,877,947
Restricted for:	
Grant purposes	117,824
Capital projects	1,435,036
Debt Service	566,952
Unrestricted (deficit)	(12,253,221)
<i>Total net position</i>	(\$2,255,462)

The Notes to Financial Statements are an integral part of these statements.

CAPITAN MUNICIPAL SCHOOLS
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenues			(Net (Expense) Revenue and Changes in Net Assets)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary Government					
Governmental Activities:					
Instruction	\$6,124,258	\$21,528	\$722,059	\$0	(\$5,380,671)
Support services:					
Students	539,657	36,098	17,082	0	(486,477)
Instruction	8,136	0	0	0	(8,136)
General administration	254,683	0	0	0	(254,683)
School administration	293,511	0	0	0	(293,511)
Central services	194,098	14,254	0	0	(179,844)
Operation & maintenance of plant	630,665	0	0	58,410	(572,255)
Student transportation	423,254	0	300,168	0	(123,086)
Other support services	11,499	0	0	0	(11,499)
Food services	302,559	41,534	268,515	0	7,490
Capital outlay	693,518	0	0	0	(693,518)
Interest on long term debt	79,912	0	0	0	(79,912)
Total governmental activities	\$9,555,750	\$113,414	\$1,307,824	\$58,410	(\$8,076,102)

General Revenues

Property taxes:	
Levied for general purposes	\$115,668
Levied for debt service	941,782
Levied for capital projects	873,969
State equalization	4,648,120
Investment income	48,971
Other	3,688
Total general revenues and transfers	6,632,198
Change in net position	(1,443,904)
Net position (deficit), beginning of year, as previously stated	(811,558)
Net position (deficit), end of year	(\$2,255,462)

The Notes to Financial Statements are an integral part of these statements.

CAPITAN MUNICIPAL SCHOOLS

GOVERNMENTAL FUNDS

BALANCE SHEETS

JUNE 30, 2019

	General Fund			Capital Improvements SB-9 Local
	Operational	Transportation	Instructional Materials	
ASSETS				
Cash	\$845,216	\$0	\$0	\$917,716
Receivables:				
Property taxes	4,465	0	0	32,056
Intergovernmental	0	0	1,189	0
Due from other funds	307,819	0	0	0
Inventory - food	0	0	0	0
Restricted assets:				
Cash held with trustee	0	0	0	0
Total assets	\$1,157,500	\$0	\$1,189	\$949,772
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$0	\$0	\$0	\$23,246
Accrued payroll expenses	95,561	0	0	0
Due to other funds	0	0	0	0
Total liabilities	95,561	0	0	23,246
Deferred inflows of resources:				
Property taxes	3,288	0	0	24,157
Fund Balances:				
Restricted for:				
Grant purposes	0	0	1,189	0
Capital project	0	0	0	902,369
Debt service	0	0	0	0
Committed	0	0	0	0
Assigned	0	0	0	0
Unassigned	1,058,651	0	0	0
Total fund balance	1,058,651	0	1,189	902,369
Total liabilities, deferred inflows of resources, and fund balances	\$1,157,500	\$0	\$1,189	\$949,772

The Notes to Financial Statements are an integral part of these statements.

CAPITAN MUNICIPAL SCHOOLS

GOVERNMENTAL FUNDS

BALANCE SHEETS

JUNE 30, 2019

	Ed Tech Equipment Act	Debt Service	Ed Tech Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash	\$12,714	\$64,227	\$495,051	\$96,740	\$2,431,664
Receivables:					
Property taxes	0	18,617	17,992	0	73,130
Intergovernmental	0	0	0	309,020	310,209
Due from other funds	0	0	0	0	307,819
Inventory - food	0	0	0	6,097	6,097
Restricted assets:					0
Cash held with trustee	523,489	0	0	0	523,489
Total assets	\$536,203	\$82,844	\$513,043	\$411,857	\$3,652,408
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$6,482	\$0	\$0	\$0	\$29,728
Accrued payroll expenses	0	0	0	0	95,561
Due to other funds	0	0	0	307,819	307,819
Total liabilities	6,482	0	0	307,819	433,108
Deferred inflows of resources:					
Property taxes	0	14,057	14,878	0	56,380
Fund Balances:					
Restricted for:					
Grant purposes	0	0	0	116,635	117,824
Capital project	529,721	0	0	2,946	1,435,036
Debt service	0	68,787	498,165	0	566,952
Committed	0	0	0	0	0
Assigned	0	0	0	0	0
Unassigned	0	0	0	(15,543)	1,043,108
Total fund balance	529,721	68,787	498,165	104,038	3,162,920
Total liabilities, deferred inflows of resources, and fund balances	\$536,203	\$82,844	\$513,043	\$411,857	\$3,652,408

The Notes to Financial Statements are an integral part of these statements.

CAPITAN MUNICIPAL SCHOOLS
RECONCILIATION OF THE FUND BALANCE OF GOVERNMENTAL FUNDS
TO GOVERNMENTAL ACTIVITIES NET POSITION
JUNE 30, 2019

FUND BALANCE of Governmental Funds	\$3,162,920
Amounts reported for governmental activities in the statement of net position are different because:	
Fund balances - total governmental funds	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	16,099,313
Other liabilities are not due and payable in the current period and therefore are not reported in the funds - accrued interest payable.	(22,053)
Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and therefore are not reported in the funds.	(8,244,580)
The net pension liability and related deferred inflows and outflows are not due and payable in the current period and therefore, are not reported in the funds.	(9,593,348)
The other post employment benefits (OPEB) and related deferred inflows and outflows are not due and payable in the current period and therefore, are not reported in the funds.	(3,714,094)
Property tax revenue deferred in the funds is fully accrued for governmental activities.	56,380
<i>Net position of governmental activities</i>	<i>(\$2,255,462)</i>

The Notes to Financial Statements are an integral part of these statements.

CAPITAN MUNICIPAL SCHOOLS

GOVERNMENTAL FUNDS

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	General Fund			
	Operational	Transportation	Instructional Materials	Capital Improvements SB-9 Local
REVENUES				
Taxes				
Taxes levied/assessed	\$112,380	\$0	\$0	\$849,812
Local sources				
Investment income	12,637	0	0	16,252
Food services	0	0	0	0
District activities	21,528	0	0	0
Other revenues	2,319	0	0	0
State sources				
Unrestricted	4,648,120	0	0	0
Restricted Grants	0	300,168	18,210	0
Federal sources				
Unrestricted - state pass-through	22,880	0	0	0
Restricted Grants	0	0	0	0
Restricted - state pass-through	0	0	0	0
Other Items	0	0	0	1,369
Total revenues	4,819,864	300,168	18,210	867,433
EXPENDITURES				
Current:				
Instruction	2,903,225	0	27,105	0
Student Services				
Students	391,022	0	0	0
Instruction	895	0	0	0
General administration	223,268	0	0	8,492
School administration	293,511	0	0	0
Central services	190,020	0	0	0
Operation & maintenance of plant	603,437	0	0	0
Student transportation	5,878	300,168	0	0
Other support services	0	0	0	0
Operation of Non-instructional Services				
Food services operations	8,000	0	0	0
Capital outlay	0	0	0	700,318
Debt Service:				
Principal	0	0	0	500,000
Interest	0	0	0	0
Total expenditures	4,619,256	300,168	27,105	1,208,810
<i>Revenues over (under) expenditures</i>	200,608	0	(8,895)	(341,377)
Other financing sources (uses):	0	0	0	0
Net change in fund balances	200,608	0	(8,895)	(341,377)
Fund balance, beginning of year	858,043	0	10,084	1,243,746
Fund balance, end of year	\$1,058,651	\$0	\$1,189	\$902,369

The Notes to Financial Statements are an integral part of these statements.

CAPITAN MUNICIPAL SCHOOLS

GOVERNMENTAL FUNDS

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Ed Tech Equipment Act	Debt Service	Ed Tech Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Taxes					
Taxes levied/assessed	\$0	\$493,433	\$498,957	\$0	\$1,954,582
Local sources					
Investment income	13,740	2,423	3,683	236	48,971
Food services	0	0	0	41,534	41,534
District activities	0	0	0	14,254	35,782
Other revenues	0	0	0	17,082	19,401
State sources					
Unrestricted	0	0	0	0	4,648,120
Restricted Grants	43,634	0	0	154,988	517,000
Federal sources					
Unrestricted - state pass-through	0	0	0	0	22,880
Restricted Grants	0	0	0	37,682	37,682
Restricted - state pass-through	0	0	0	807,688	807,688
Other Items	0	0	0	0	1,369
Total revenues	57,374	495,856	502,640	1,073,464	8,135,009
EXPENDITURES					
Current:					
Instruction	0	0	0	584,559	3,514,889
Student Services					
Students	0	0	0	146,135	537,157
Instruction	0	0	0	7,241	8,136
General administration	0	4,933	6,991	0	243,684
School administration	0	0	0	0	293,511
Central services	0	0	0	0	190,020
Operation & maintenance of plant	0	0	0	0	603,437
Student transportation	0	0	0	0	306,046
Other support services	0	0	0	10,584	10,584
Operation of Non-instructional Services					
Food services operations	0	0	0	278,299	286,299
Capital outlay	427,871	0	0	14,776	1,142,965
Debt Service:					
Principal	0	410,000	245,000	0	1,155,000
Interest	0	63,449	21,303	0	84,752
Total expenditures	427,871	478,382	273,294	1,041,594	8,376,480
<i>Revenues over (under) expenditures</i>	(370,497)	17,474	229,346	31,870	(241,471)
Other financing sources (uses):	0	0	0	0	0
Net change in fund balances	(370,497)	17,474	229,346	31,870	(241,471)
Fund balance, beginning of year	900,218	51,313	268,819	72,168	3,404,391
Fund balance, end of year	\$529,721	\$68,787	\$498,165	\$104,038	\$3,162,920

The Notes to Financial Statements are an integral part of these statements.

CAPITAN MUNICIPAL SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Net change in fund balances - Governmental Funds (\$241,471)

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

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.

Current year capital additions	449,447
Depreciation expense	(882,558)
Current year capital deletions, net of depreciation	0

Property tax revenue deferred (change) in the funds is fully accrued for governmental activities. (23,163)

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

Amortization of bond premium	4,320
Increase in compensated absences	(10,859)
Bond proceeds	0
Principal payments on bonds and other debt	1,155,000
Interest Payable	4,840

The current year change in the net pension liability is not recorded in the funds as it is a long-term liability. (1,943,036)

The current year change in the net other post employment benefits (OPEB) liability is not recorded in the funds as it is a long-term liability. 43,576

Change in net position of governmental activities ***(\$1,443,904)***

CAPITAN MUNICIPAL SCHOOLS
OPERATIONAL FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable)
REVENUES				
Local sources	\$112,499	\$112,499	\$133,907	\$21,408
State sources	4,631,533	4,673,653	4,648,120	(25,533)
Federal sources	0	0	22,880	22,880
Investment income	2,800	2,800	12,637	9,837
Miscellaneous/donations	0	0	2,320	2,320
<i>Total revenues</i>	<u>4,746,832</u>	<u>4,788,952</u>	<u>4,819,864</u>	<u>30,912</u>
EXPENDITURES				
Current:				
Instruction	3,139,320	3,269,917	2,903,225	366,692
Support Services				
Students	529,248	602,370	391,022	211,348
Instruction	1,000	1,000	895	105
General administration	334,463	356,621	224,858	131,763
School administration	329,166	340,999	293,511	47,488
Central services	197,859	213,948	190,020	23,928
Operation and maintenance of plant	731,418	809,143	620,367	188,776
Student transportation	51,885	53,340	5,878	47,462
Other support services	10,937	10,937	0	10,937
Operation of non-instructional services				
Food services operations	17,000	17,000	8,000	9,000
Capital outlay	0	0	0	0
Debt Services:				
Principal	0	0	0	0
Interest	0	0	0	0
<i>Total expenditures</i>	<u>5,342,296</u>	<u>5,675,275</u>	<u>4,637,776</u>	<u>1,037,499</u>
<i>Excess (deficiency) of revenues over expenditures</i>	(595,464)	(886,323)	<u>182,088</u>	<u>1,068,411</u>
<i>Budgeted cash carryover</i>	<u>595,464</u>	<u>886,323</u>		
	<u>\$0</u>	<u>\$0</u>		

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues and other financial sources over expenditures and other financing uses (budgetary)	\$182,088
Adjustments for revenue accruals, transfers, earnings on investments	0
Adjustments for expenditures for payables, inventory, other expenditure accruals	18,520
<u>Net changes in fund balance (GAAP basis)</u>	<u>\$200,608</u>

The Notes to Financial Statements are an integral part of these statements.

CAPITAN MUNICIPAL SCHOOLS
TRANSPORTATION FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable)
REVENUES				
Local sources	\$0	\$0	\$0	\$0
State sources	300,168	300,168	300,168	0
Federal sources	0	0	0	0
Investment income	0	0	0	0
Miscellaneous/donations	0	0	0	0
<i>Total revenues</i>	300,168	300,168	300,168	0
EXPENDITURES				
Current:				
Instruction	0	0	0	0
Support Services				
Students	0	0	0	0
Instruction	0	0	0	0
General administration	0	0	0	0
School administration	0	0	0	0
Central services	0	0	0	0
Operation and maintenance of plant	0	0	0	0
Student transportation	300,168	300,168	300,168	0
Other support services	0	0	0	0
Operation of non-instructional services				
Food services operations	0	0	0	0
Capital outlay	0	0	0	0
Debt Services:				
Principal	0	0	0	0
Interest	0	0	0	0
<i>Total expenditures</i>	300,168	300,168	300,168	0
<i>Excess (deficiency) of revenues over expenditures</i>	\$0	\$0	\$0	\$0

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues and other financial sources over expenditures and other financing uses (budgetary)	\$0
Adjustments for revenue accruals, transfers, earnings on investments	0
Adjustments for expenditures for payables, inventory, other expenditure accruals	0
Net changes in fund balance (GAAP basis)	\$0

The Notes to Financial Statements are an integral part of these statements.

CAPITAN MUNICIPAL SCHOOLS
INSTRUCTIONAL MATERIALS FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable)
REVENUES				
Local sources	\$0	\$0	\$0	\$0
State sources	17,021	18,210	17,021	(1,189)
Federal sources	0	0	0	0
Investment income	0	0	0	0
Miscellaneous/donations	0	0	0	0
<i>Total revenues</i>	<u>17,021</u>	<u>18,210</u>	<u>17,021</u>	<u>(1,189)</u>
EXPENDITURES				
Current:				
Instruction	34,531	28,294	27,105	1,189
Support Services				
Students	0	0	0	0
Instruction	0	0	0	0
General administration	0	0	0	0
School administration	0	0	0	0
Central services	0	0	0	0
Operation and maintenance of plant	0	0	0	0
Student transportation	0	0	0	0
Other support services	0	0	0	0
Operation of non-instructional services				
Food services operations	0	0	0	0
Capital outlay	0	0	0	0
Debt Services:				
Principal	0	0	0	0
Interest	0	0	0	0
<i>Total expenditures</i>	<u>34,531</u>	<u>28,294</u>	<u>27,105</u>	<u>1,189</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(17,510)</u>	<u>(10,084)</u>	<u>(10,084)</u>	<u>0</u>
<i>Budgeted cash carryover</i>	<u>17,510</u>	<u>10,084</u>		
	<u>\$0</u>	<u>\$0</u>		

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues and other financial sources over expenditures and other financing uses (budgetary)	(\$10,084)
Adjustments for revenue accruals, transfers, earnings on investments	1,189
Adjustments for expenditures for payables, inventory, other expenditure accruals	0
<u>Net changes in fund balance (GAAP basis)</u>	<u>(\$8,895)</u>

The Notes to Financial Statements are an integral part of these statements.

CAPITAN MUNICIPAL SCHOOLS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUNDS
JUNE 30, 2019

	<u>Agency Funds</u>
ASSETS	
Cash	\$52,338
<i>Total assets</i>	<i>\$52,338</i>
LIABILITIES	
Deposits held for others	\$52,338
<i>Total liabilities</i>	<i>\$52,338</i>

The Notes to Financial Statements are an integral part of these statements.

CAPITAN MUNICIPAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Capitan Municipal Schools (the District) provides kindergarten, elementary, middle and secondary educational services to school age residents of the District. The Capitan Municipal Schools' School Board was created under the provision of Chapter 22, Article 5, Paragraph 4, New Mexico Statutes 1978 to provide public education for the children within the District. The School Board is authorized to establish policies and regulations for its own government consistent with the laws of the State of New Mexico and the regulations of the State Board of Education and the Legislative Finance Committee. The School Board is comprised of five members who are elected for terms of four years.

This summary of significant accounting policies of the District is presented to assist in the understanding of the District's financial statements. The financial statements and notes are the representation of the Capitan Municipal Schools' management who is responsible for their integrity and objectivity. The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements have incorporated all applicable GASB statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on accounting procedures. The more significant of the government's accounting policies are described below.

Financial Reporting Entity

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statement No. 61. Blended component units, although legally separate entities, are in substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity. Based upon the application of these criteria, the District has no component units, and is not a component unit of another governmental agency.

CAPITAN MUNICIPAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

CAPITAN MUNICIPAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The government reports the following major governmental funds:

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

The *Transportation Fund* is used to account for the State Equalization received from the State Department of Education which is used to pay for the costs associated with transporting school age children.

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

The *Bond Building Fund* is used to account for the accumulation of resources for the funds provided from the District's bond issues. Resources are used for the purpose of erecting, remodeling, making additions to, or furnishing public school buildings and purchasing or improving public school grounds. Financing is provided by ad valorem taxes as specified by Article 15 of the Finance of Counties, Municipalities, and School Districts Act, and the payment of, general long-term debt principal, interest and related costs.

Ed Tech Equipment Act is used to upgrade the technology infrastructure and many of the components of the technology systems within the schools. The fund was created by the Education Technology Equipment Act (Section 6-15A-1 through 6-15A-16, NMSA 1978, as amended). No minimum balance required according to legislation.

Capital Improvements SB-9 is used to account for expenditures of property taxes levied and stat matching funds restricted to maintenance and capital improvement projects as adopted by school board resolution. Authority for the creation of this fund is NMSA 22-25-1 to 22-25-10.

The *Debt Service Fund* is to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Debt Service is to account for the accumulation of resources for, and the payment of, general long-term principal, interest and related costs of general obligation bonds. The primary source of revenue is property taxes. The authorization for this fund is the bond ordinance.

Additionally, the government reports the following fund types:

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. There were no such transactions during the fiscal year ended June 30, 2019.

CAPITAN MUNICIPAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Net Position or Equity

Deposits and Investments: The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

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

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

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

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

The District receives monthly income from a tax levy in Lincoln County. The funds are collected by the County Treasurers and are remitted to the School District the following month. Under the modified accrual method of accounting, the amount remitted by the County Treasurers in July and August is considered 'measurable and available' and, accordingly, is recorded as revenue in the governmental fund statements during the year ended June 30, 2019.

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.

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

Instructional Materials: The New Mexico Public Education Department (PED) receives federal mineral leasing funds from which it makes annual allocations to the various school districts for the purchase of educational materials. Of each allocation, fifty percent is restricted to the requisition of materials listed in the New Mexico Public Education Department "State Adopted Instructional Material" list, while fifty percent of each allocation is available for purchases directly from vendors. The districts are allowed to carry forward unused allocations from year to year.

Inventory: Inventory is valued at cost utilizing the purchase basis of accounting. Inventory in the Special Revenue Funds consists of U.S.D.A. commodities and other purchased food and non-food supplies. The cost of purchased food is recorded as expenditure at the time individual inventory items are consumed. The U.S.D.A. commodities are recorded at year-end by audit adjusting entries. Commodities consumed during the year are reported as revenues and expenditures; unused commodities are reported as inventories. Non-commodity inventories are equally offset by a fund balance reserve, which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

CAPITAN MUNICIPAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets: Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Information Technology Equipment including software is being capitalized and included in furniture, fixtures and equipment in accordance with NMAC 2.20.1.9 C (5).

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest was included as part of the cost of capital assets under construction. Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Land improvements	20-50
Buildings & building improvements	20-50
Furniture, fixtures and equipment	3-15
Vehicles	3-15

Unearned Revenues: Accounting principles generally accepted in the United States of America require that grant revenue be recognized at the time the related expense is made if the expenditure of funds is the prime factor for determining eligibility for reimbursement; therefore, amounts received and not expended in the Special Revenue Funds are shown as unearned revenues. Amounts receivable from the property taxes levied for the current year that are not considered to be “available” under the current financial resources measurement focus are reported as unearned revenues in the governmental fund financial statements.

Deferred Inflows/Outflows of Resources: GASB 63 amended previous guidance on Unearned Revenues in the Government-Wide Financial Statements to include deferred outflow of resources, which is the consumption of net assets by the government that is applicable to a future reporting period and deferred inflow of resources, which is acquisition of net assets by the government that is applicable to a future reporting period.

Compensated Absences: The District permits eligible employees to accumulate a limited amount of earned but unused personal leave and vacation, which will be paid if not used, upon termination from the District. Accumulation and use of leave is based on hours rather than days. Unused leave may accumulate from year to year up to a maximum number of hours equal to one half the number of hours in the employee’s annual contract. No more leave can be accumulated once the maximum is reached. As accumulated leave time is used and drops below the maximum, the employee may again accumulate leave hours up to the maximum limit. Employees will earn leave at the following rate:

1762.5-hour contract	9.375 hours/month (12-month employees) up to 881.25 hours
1747.5-hour contract	9.375 hours/month (12-month custodian) up to 873.75 hours
1566-hour contract	9 hours/month (HS/MS office personnel) up to 783 hours
1494-hour contract	9 hours/month (Elementary office personnel) up to 747 hours
1386-hour contract	9 hours/month (Certified Staff) up to 693 hours
1192-hour contract	8 hours/month (Educational Assistants) up to 596 hours

CAPITAN MUNICIPAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

On compensation for accumulated leave, any employee who has accumulated hours of leave equal 80% of his/her maximum allowable accumulation when they resign or retire from the District shall be eligible for compensation at the rate of \$1.50/hour for each hour of unused leave. The rates are:

- 881.25 hours of eligible accumulation must have 705 hours of earned leave
- 873.75 hours of eligible accumulation must have 699 hours of earned leave
- 783 hours of eligible accumulation must have 626.5 hours of earned leave
- 747 hours of eligible accumulation must have 597.6 hours of earned leave
- 693 hours of eligible accumulation must have 554 hours of earned leave
- 596 hours of eligible accumulation must have 477 hours of earned leave

Employees entitled to vacation time when resigning or retiring will be paid for unused vacation time. However, an equivalent number of hours of leave eligible for the Longevity Incentive will be deducted. Employees who are terminated or discharged from the District are not eligible for this compensation. No liability is reported for unpaid accumulated sick leave, as no payment is required upon termination of service by employees.

Long-term Obligations: In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond issuance costs are reflected as a current period expense per GASB 65.

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

Fund Equity: In the fund financial statements, governmental funds report reservations of fund balance that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. These designations are established to earmark resources for specific future use and to indicate that the fund equity does not represent available spendable resources.

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

Restricted fund balance represents amounts that are constrained either by: 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.

Committed fund balance represents amounts that are useable only for specific purposes by formal action of the government's highest level of decision-making authority.

Assigned fund balance represents amounts that are intended to be used for specific purposes but are neither restricted nor committed. Intent is expressed by the governing body or a subordinate high-level body or official whom the governing body has delegated.

Unassigned fund balance is the residual classification for the general fund and represents the amounts that have not been assigned to other funds, and that have not been restricted, committed, or assigned to specific purposes.

CAPITAN MUNICIPAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The District's policy is to apply restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

Reclassifications: Certain amounts presented in prior year data have been reclassified in order to be consistent with the current year's presentation.

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

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.

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

Revenues

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

A school district's program costs are determined through the use of various formulas using 'program units' which take into consideration 1) early childhood education; 2) basic education; 3) special education; 4) bilingual-multicultural education; 5) size, etc. Payment is made from the public-school fund under the authority of the Director of Public School Finance. The District received \$4,648,120 in state equalization guarantee distributions during the year ended June 30, 2019.

Tax Revenues: The District receives mill levy and ad-valorem tax revenues primarily for operational, debt service and capital outlay purposes. Property taxes are assessed on January 1st of each year and are payable in two equal installments, on November 10th of the year in which the tax bill is prepared and April 10th of the following year with the levies becoming delinquent 30 days (one month) thereafter. The District recognizes tax revenues in the period for which they are levied in the government-wide financial statements. The District records only the portion of the taxes considered 'measurable' and 'available' in the governmental fund financial statements. The District recognized \$1,954,582 in tax revenues in the governmental fund financial statements during the year ended June 30, 2019. Descriptions of the individual debt service and capital outlay funds contained in these financial statements include information regarding the authority for the collection and use of these taxes.

CAPITAN MUNICIPAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Transportation Distribution: School districts in the State of New Mexico receive student transportation distributions. The transportation distribution is allocated to each school district in accordance with formulas developed by the State Transportation Director and the Director of Public School Finance. The funds shall be used only for the purpose of making payments to each school district for the to-and-from school transportation costs of students in grades K through twelve attending public school within the school district. The District received \$300,618 in transportation distributions during the year ended June 30, 2019.

Instructional Materials: The District had allocations allowed by the State for the current year of \$18,210. Of the allocation, the District used \$18,210 to purchase textbooks during the year. Allocations received and utilized are reflected in revenue and expenditures of the General Fund.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

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

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

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

CAPITAN MUNICIPAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

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

1. In April or May, the superintendent submits to the Board of Education a proposed operating budget of the fiscal year commencing the following July. The operating budget includes proposed expenditures and the means of financing them and has approval by the Department of Education.
2. In Mayor June, the budget is approved by the Board of Education.
3. The school board meeting is open for the general public unless a closed meeting has been called.
4. The superintendent is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the school board and the State of New Mexico Department of Education.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds.
6. Budgets for the General, Special Revenue, Debt Service and Capital Projects Funds are adopted on a basis not consistent with generally accepted accounting principles (GAAP). Encumbrances are treated the same way for GAAP purposes and for Budget purposes.

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

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

NOTE 3. CASH AND TEMPORARY INVESTMENTS

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

CAPITAN MUNICIPAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 3. CASH AND TEMPORARY INVESTMENTS (CONTINUED)

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

According to the Federal Deposit Insurance Corporation, public unit deposits are funds owned by the public unit. Time deposits, savings deposits and interest bearing NOW accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution. Capitan Municipal Schools' funds were in an interest-bearing account and therefore were not subject to the Dodd Frank Act.

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 District for a least one half of the amount on deposit with the institution. The schedule listed below will meet the State of New Mexico, Office of the State Auditor's requirements in reporting the insured portion of the deposits.

	First Savings Bank
Total deposit in bank	\$2,898,799
Less: FDIC insurance – demand deposits	(250,000)
<i>Uninsured public funds</i>	2,648,799
Pledged collateral held by pledging bank's agent, but not in the District's name	(3,374,626)
<i>Uninsured and uncollateralized (overcollateralized) public funds</i>	<i>(\$725,827)</i>
<hr/>	
Total pledged collateral	\$3,374,626
50% pledged collateral requirement per state statute	(1,324,400)
<i>Pledged collateral (under) over the requirement</i>	<i>\$2,050,226</i>

Custodial credit risk is the risk that in the event of a bank failure, the governments' deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2019, \$0 of the District's bank balance of \$2,898,799 was exposed to custodial credit risk.

Restricted Cash:

The District also has cash being held by New Mexico Finance Authority which is restricted for capital projects in the amount of \$523,489.

CAPITAN MUNICIPAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 3. CASH AND TEMPORARY INVESTMENTS (CONTINUED)

Reconciliation of Cash and Temporary Investments

Governmental Funds - Balance Sheet

Cash and cash equivalents	\$2,431,664
Cash held with trustee	523,489
Cash - Agency funds	52,338
Add outstanding checks and other reconciling items	414,798
<hr/>	
<i>Bank Balance of Deposits</i>	<i>\$3,422,289</i>

Custodial Credit Risk- Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have an investment policy for custodial credit risk. New Mexico State Statutes require collateral pledged to be delivered for the securities underlying an overnight repurchase agreement, or a joint safekeeping receipt to be issued to the District for at least on hundred two percent of the fair value of the securities underlying overnight repurchase accounts invested with the institution.

As of June 30, 2019, the District had no investment in the State Treasurer Local Government and therefore no balances were exposed to custodial credit risk.

CAPITAN MUNICIPAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 4. ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2019, are as follows:

	<u>Intergovernmental</u>	<u>Property Tax</u>
General Fund	\$1,189	\$4,465
Capital Improvements SB-9 Local	0	32,056
Ed Tech Debt Service	0	17,992
Debt service	0	18,617
Non-major Governmental Funds:		
Dual Credit PED	232	0
Food service	16,744	0
IDEA-B Autism	7,353	0
IDEA-B Risk Pool	51,161	0
IDEA-B Entitlement	54,937	0
IDEA-B Preschool	1,887	0
NM Grown Fresh Fruit & Vegetables	4,401	0
Rural Education Achievement	6,958	0
Teacher Principal Training	17,148	0
Title I	141,561	0
Title IV Student Support Academic Achivement	6,638	0
	<u>\$310,209</u>	<u>\$73,130</u>

The above receivables are deemed collectible.

NOTE 5. ACCOUNTS PAYABLES

Accounts payable as of June 30, 2019, are as follows:

Payable to suppliers	\$29,728
Held checks (reinstated cash)	95,561
<i>Total accounts payable and accrued expenses</i>	<u>\$125,289</u>

CAPITAN MUNICIPAL SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

Inter-fund balances at June 30, 2019 consisted of the following:

	<u>Inter-fund Payable</u>
	Nonmajor
	Governmental Funds
Inter-fund receivable:	
General Fund	\$307,819

CAPITAN MUNICIPAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 7. CAPITAL ASSETS

A summary of capital assets and changes occurring during the year ended June 30, 2019, including those changes pursuant to the implementation of GASB Statement No. 34, follows. Land is not subject to depreciation.

	Balance June 30, 2018	Additions	Deletions	Transfers	Balance June 30, 2019
Governmental Activities:					
Capital assets, not being depreciated:					
Land	\$96,884	\$0	\$0	\$0	\$96,884
Construction in progress	127,160	152,828	0	(127,160)	152,828
<i>Total capital assets, not being depreciated</i>	<i>224,044</i>	<i>152,828</i>	<i>0</i>	<i>(127,160)</i>	<i>249,712</i>
Capital assets, being depreciated:					
Buildings and improvements	\$20,711,494	\$195,575	\$0	\$127,160	\$21,034,229
Land improvements	2,509,146	0	0	0	2,509,146
Furniture, fixtures and equipment	898,079	50,049	(71,800)	0	876,328
Vehicles	1,173,726	50,995	0	0	1,224,721
<i>Total capital assets being depreciated</i>	<i>25,292,445</i>	<i>296,619</i>	<i>(71,800)</i>	<i>127,160</i>	<i>25,644,424</i>
Less accumulated depreciation:					
Buildings and improvements	(\$6,164,467)	(\$598,405)	\$0	\$0	(\$6,762,872)
Land improvements	(1,650,593)	(130,477)	0	0	(1,781,070)
Furniture, fixtures and equipment	(705,437)	(34,754)	71,800	0	(668,391)
Vehicles	(463,568)	(118,922)	0	0	(582,490)
<i>Total accumulated depreciation</i>	<i>(8,984,065)</i>	<i>(882,558)</i>	<i>71,800</i>	<i>0</i>	<i>(9,794,823)</i>
<i>Depreciable capital assets, net</i>	<i>16,308,380</i>	<i>(585,939)</i>	<i>0</i>	<i>127,160</i>	<i>15,849,601</i>
<i>Total capital assets, net</i>	<i>\$16,532,424</i>	<i>(\$433,111)</i>	<i>\$0</i>	<i>\$0</i>	<i>\$16,099,313</i>

Depreciation expense for the year ended June 30, 2019 was charged to the following functions and funds:

Governmental Activities:	
Instruction	\$709,909
Student support - students	2,500
Student support - general administration	4,460
Student support - central services	4,078
Student support - operation & maintenance of plant	27,228
Student support - transportation	117,208
Student support - other support services	915
Food services operations	16,260
	<u>\$882,558</u>

CAPITAN MUNICIPAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 8. LONG-TERM DEBT

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. These bonds are issued with varying terms and varying amounts of principal maturing each year. All general obligation bonds as of June 30, 2019 are for governmental activities. The following bonds were issued for the purpose of erecting, furnishing, technology equipment, remodeling and making additions to District buildings and improving District grounds. A tax is annually assessed, levied and collected upon all taxable property within the District for the purpose of providing the necessary funds to meet the interest and principal payments as they become due.

Bonds outstanding at June 30, 2019, are comprised of the following:

<u>Series</u>	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Original Amount</u>
Series 2013	4/15/2013	1.00% - 2.125%	\$5,000,000
Series 2015	8/8/2015	2.00%	1,500,000
Series 2018	6/22/2018	2.74-1.91%	850,000
			\$7,350,000

The following is a summary of the long-term debt and the activity for the year ended June 30, 2019:

	<u>Balance</u>			<u>Balance</u>		<u>Due Within</u> <u>One Year</u>
	<u>June 30, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2019</u>		
General Obligation Bonds - Series 2013	\$3,130,000	\$0	\$410,000	\$2,720,000	\$420,000	
Ed Tech Bonds - Series 2015	595,000	0	245,000	350,000	220,000	
Ed Tech Bonds - Series 2018	850,000	0	0	850,000	230,000	
Other Debt NMPSFA - P13-003	4,792,728	0	500,000	4,292,728	500,000	
Compensated Absences	12,355	34,010	23,151	23,214	0	
	\$9,380,083	\$34,010	\$1,178,151	\$8,235,942	\$1,370,000	

The annual requirements to amortize the General Obligation Bonds as of June 30, 2019, including interest payments are as follows:

<u>Due in year ending June 30:</u>			<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>
2020	\$420,000	\$50,806	\$470,806
2021	435,000	42,256	477,256
2022	445,000	33,456	478,456
2023	460,000	24,406	484,406
2024	475,000	15,056	490,056
2025 - 2029	485,000	5,153	490,153
Total	\$2,720,000	\$171,133	\$2,891,133

CAPITAN MUNICIPAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 8. LONG-TERM DEBT (CONTINUED)

The annual requirements to amortize the Ed Tech Bonds series 2015 as of June 30, 2019, including interest payments are as follows:

Due in year ending June 30:	Principal	Interest	Total Debt Service
2020	\$220,000	\$4,800	\$224,800
2021	130,000	1,300	131,300
Total	\$350,000	\$6,100	\$356,100

The annual requirements to amortize the Ed Tech Bonds – series 2018 as of June 30, 2019, including interest payments are as follows:

Due in year ending June 30:	Principal	Interest	Total Debt Service
2020	\$230,000	\$16,541	\$246,541
2021	332,000	9,800	341,800
2022	178,000	4,178	182,178
2023	110,000	1,177	111,177
Total	\$850,000	\$31,696	\$881,696

The annual requirements to amortize the note payable to NM Public School Finance Authority (PSFA) as of June 30, 2019, including interest payments are as follows:

Due in year ending June 30:	Principal	Interest	Total Debt Service
2020	\$500,000	\$0	\$500,000
2021	3,792,728	0	3,792,728
Total	\$4,292,728	\$0	\$4,292,728

The general fund is typically used to liquidate long-term liabilities other than debt. The debt service fund liquidates general obligation bonds

PS COC advanced the District funds to construct the new middle school/high school. Although there is no note signed between PSFA and Capitan Municipal Schools, the District paid \$500,000 (principal) during the year ended June 30, 2019. In addition, according to the amortization schedule, the District will pay one subsequent annual payment of \$500,000 and anticipates that the final balloon payment of \$3,792,728 will be paid pending bond passage.

CAPITAN MUNICIPAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 9. LEASE AGREEMENTS

The District has an operating lease with Xerox Financial Services for seven copiers for 60 months at a \$1,351 monthly rate. Also, the District has a rental lease agreement for school bus parking and school bus maintenance at a monthly rate of \$1,500.

NOTE 10. RISK MANAGEMENT

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

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

In case the NMPSIA's assets are not sufficient to meet its liability claims, the agreement provides that subscribers, including the District, cannot be assessed additional premiums to cover the shortfall. As of June 30, 2019, there have been no claims that have exceeded insurance coverage.

NOTE 11. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

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

- A. Deficit fund balance of individual funds.
 - NM Reads to Lead (\$15,543)

Deficit Fund Balances will be funded by general fund transfers or additional grant funds.

Deficit net position of governmental activities:

Net Position (deficit) (\$2,255,462)

The deficit was created when the net pension liability and the OPEB liability were recorded. The deficit will be restored over time as the liabilities are funded through earnings or changes in each plan's contributions or benefits.

- B. Excess of expenditures over appropriations by fund and function.
 - None

CAPITAN MUNICIPAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 12. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (ERB)

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 website 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 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.

Benefits 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.

CAPITAN MUNICIPAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 12. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (ERB) (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 was refunded all member contributions, and then becomes re-employed after July 1, 2010 is as follows:

The member's age and earned service credit add up to the sum of 80 or more,

The member is at least sixty-seven years of age and has five or more years of earned service credit, or

The member has service credit totaling 30 years or more.

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

The member's minimum age is 55, and has earned 30 or more years of service credit. Those who retire earlier than age 55, but with 30 years of earned service credit will have a reduction in benefits to the actuarial equivalent of retiring at age 55.

The member's minimum age and earned service credit add up to the sum of 80 or more. Those who retire under the age of 65, and who have fewer than 30 years of earned service credit will receive reduced retirement benefits

The member's age is 67, and has earned 5 or more years of service credit.

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

Benefit Options – The Plan has three benefit options available.

Option A – Straight Life Benefit – The single life annuity option has no reductions to the monthly benefit, and there is no continuing benefit due to a beneficiary or estate, except the balance, if any, of member contributions plus interest less benefits paid prior to the member's death.

Option B – Joint 100% Survivor Benefit – The single life annuity monthly benefit is reduced to provide for a 100% survivor's benefit. The reduced benefit is payable during the life of the member, with the provision that, upon death, the same benefit is paid to the beneficiary for his or her lifetime. If the beneficiary predeceases the member, the member's monthly benefit is increased to the amount the member would have received under Option A Straight Life benefit. The member's increased monthly benefit commences in the month following the beneficiary's death.

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.

CAPITAN MUNICIPAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 12. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (ERB) (CONTINUED)

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.

Contributions – For the fiscal year 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
2019	7-1-18 to 6-30-19	Over \$20K	10.70%	13.90%	24.60%	0.00%
2019	7-1-18 to 6-30-19	\$20K or less	7.90%	13.90%	21.80%	0.00%
2018	7-1-17 to 6-30-18	Over \$20K	10.70%	13.90%	24.60%	0.00%
2018	7-1-17 to 6-30-18	\$20K or less	7.90%	13.90%	21.80%	0.00%

The contribution requirements are established in statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the New Mexico Legislature. For the fiscal years ended June 30, 2019 and 2018, the District paid employee and employer contributions of \$95,131 and \$91,140 which equal the amount of the required contributions for each fiscal year.

CAPITAN MUNICIPAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 12. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (ERB) (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2019, the District reported a liability of \$12,954,416 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. Therefore, the employer’s portion was established as of the measurement date of June 30, 2018. There were no significant events or changes in benefit provision that required an adjustment to the roll- forward liabilities as of June 30, 2018. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating educational institutions at June 30, 2018, actuarially determined. At June 30, 2018, the District’s proportion was .11%, which was an increase of .00159% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the District recognized pension expense of \$2,383,859. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$9,455	\$246,543
Changes of assumptions	2,669,844	0
Net difference between projected and actual earnings on pension plan investments	28,678	0
Changes in proportion and differences between Capitan Municipal Schools contributions and proportionate share of contributions	458,924	0
<u>Capitan Municipal Schools contributions subsequent to the measurement date</u>	<u>440,710</u>	<u>0</u>
<u>Total</u>	<u>\$3,607,611</u>	<u>\$246,543</u>

\$440,710 reported as deferred outflows of resources related to pensions resulting from District’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 ended June 30:	
2020	\$1,741,154
2021	1,126,757
2022	52,070
2023	377
<u>2024</u>	<u>0</u>
	<u>\$2,920,358</u>

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

CAPITAN MUNICIPAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 12 PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (ERB) (CONTINUED)

Inflation	2.50%										
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.										
Average of Expected Remaining Service Lives	<table border="0" style="width: 100%;"> <tr> <td style="width: 40%;">Fiscal year</td> <td style="text-align: center;"><u>2017</u></td> <td style="text-align: center;"><u>2016</u></td> <td style="text-align: center;"><u>2015</u></td> <td style="text-align: center;"><u>2014</u></td> </tr> <tr> <td>Service life in years</td> <td style="text-align: center;">3.35</td> <td style="text-align: center;">3.77</td> <td style="text-align: center;">3.92</td> <td style="text-align: center;">3.88</td> </tr> </table>	Fiscal year	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	Service life in years	3.35	3.77	3.92	3.88
Fiscal year	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>							
Service life in years	3.35	3.77	3.92	3.88							
Mortality	<p>Healthy males: Based on the RP-2000 Combined Mortality Table with White Collar adjustments, generational mortality improvements with Scale BB. Healthy females: Based on GRS Southwest Region Teacher Mortality Table, set back one-year, generational mortality improvements in accordance with Scale BB from the table’s base year of 2012. Disabled males: RP-2000 Disabled Mortality Table for males, set back three years, projected to 2016 with Scale BB. Disabled females: RP-2000 Disabled Mortality Table for females, no set back, projected to 2016 with Scale BB. Active members: RP-2000 Employee Mortality Tables, with males set back two years and scaled at 80%, and females set back five years and scaled at 70%. Static mortality improvement from the table’s base year of 2000 to the year 2016 in accordance with Scale BB. No future improvement was assumed for preretirement mortality.</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 of Tier 3), whichever is later or, for disabled retirees, until July 1 of the third year following retirement.										
Payroll growth	3.0% per year (with no allowance for membership growth).										
Contribution accumulation	The accumulated member account balance with interest is estimated at the valuation date by assuming that member contributions increased 5.50% per year for all years prior to the valuation date. Contributions are credited with 4.00% interest, compounded annually, applicable to the account balances in the past as well as the future.										
Disability Incidence	Approved rates applied to eligible members with at least 10 years of service.										

The 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 assumption changes, which included 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%.

CAPITAN MUNICIPAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 12 PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (ERB) (CONTINUED)

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

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

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Equities	33%	
Fixed income	26%	
Alternatives	40%	
Cash	1%	
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 rate is .21% less than the 5.90% discount rate used for June 30, 2017.

The June 30, 2018 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%. Based on the stated assumptions and the projection of cash flows, the pension 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.

Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate. The following presents the *District’s* proportionate share of the net pension liability calculated using the discount rate of 5.69 percent, as well as what the *District’s* proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1- percentage-point lower (4.69 percent) or 1-percentage-point higher (6.69 percent) than the current rate:

	1% Decrease (4.69%)	Current Discount Rate (5.69%)	1% Increase (6.69%)
Capitan Municipal Schools’ proportionate share of the net pension liability	\$16,835,779	\$12,954,416	\$9,787,466

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.

Payables to the pension plan. At June 30, 2019, the District had no outstanding amount of contributions to the pension plan and therefore, had no payables reported at fiscal year 2019.

CAPITAN MUNICIPAL SCHOOLS
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NOTE 13. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

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

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

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

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

Plan membership	
Current retirees and surviving spouses	\$51,205
Inactive and eligible for deferred benefit	11,471
Current active members	93,349
	\$156,025
Active membership	
State general	\$19,593
State police and corrections	1,886
Municipal general	17,004
Municipal police	3,820
Municipal FTRE	2,290
Educational Retirement Board	48,756
	\$93,349

Contributions – Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee’s salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by the statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer’s participation in the Fund. Contributions to the Fund from the District were \$63,421 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 District reported a liability of \$3,100,377 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 June 30, 2017. The District’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 District’s proportion was 0.07130 percent.

CAPITAN MUNICIPAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 13. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

For the year ended June 30, 2019, the District recognized OPEB expense of \$22,138. At June 30, 2019 the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Outflows of Resources	Inflows of Resources
Changes in Proportion	\$123,944	\$0
Difference between expected and actual experience	0	183,562
Changes in assumptions	0	578,827
Differences between actual and projected earnings on OPEB plan investments	0	38,692
Contributions made after the measurement date	63,420	0
Total	\$187,364	\$801,081

Deferred outflows of resources totaling \$63,420 represent District contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ended June 30:	
2020	(\$177,278)
2021	(177,278)
2022	(177,278)
2023	(130,923)
2024	(14,380)
	(\$677,137)

CAPITAN MUNICIPAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 13. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

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

Valuation Date	June 30, 2017
Actuarial cost method	Entry age normal, level percent of pay, calculated on individual employee basis
Asset valuation method	Market value of assets
Actuarial assumptions:	
Inflation	2.50% for ERB; 2.25% for PERA
Project 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 Collor 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 estimate for the long-term expected rate of return is summarized as follows:

Asset Class	Long-Term Rate of Return
U.S. core fixed income	2.1%
U.S. equity - large cap	7.1%
Non U.S. - emerging markets	10.2%
Non U.S. - developed equities	7.8%
Private equity	11.8%
Credit and structured finance	5.3%
Real estate	4.9%
Absolute return	4.1%
U.S. equity - small/mid cap	7.1%

CAPITAN MUNICIPAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 13. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

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 beneficiaries are included. Projected employer contributions that are intended to fund to the service costs for future plan members and the 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:

1% Decrease (3.08%)	Current Discount (4.08%)	1% Increase (5.08%)
\$3,752,186	\$3,100,377	\$2,586,606

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

1% Decrease	Current Discount	1% Increase
\$2,620,906	\$3,100,377	\$3,476,293

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.

Payable Changes in the Net OPEB Liability. At June 30, 2019, the District reported a payable of \$0 for outstanding contributions due to NMRHCA for the ended June 30, 2019.

NOTE 13. CONTINGENT LIABILITIES

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

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

CAPITAN MUNICIPAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 14. SURETY BOND

The officials and certain employees of the District are covered by a surety bond as required by Section 12-6-7, NMSA, 1978 Compilation.

NOTE 15. NON-CASH FEDERAL ASSISTANCE

The District receives USDA Commodities for use in sponsoring the National School Lunch and Breakfast programs. The value of commodities received for the year ended June 30, 2019 was \$15,045.

NOTE 16. MEMORANDUM OF UNDERSTANDING/JOINT POWERS AGREEMENT

Public School Finance Authority (PSFA)

Purpose: To provide funding to the Capitan Municipal Schools to replace existing high school with a new secondary school and renovate the existing middle school to replace the elementary school pursuant to the provisions of the PSCOA and in accordance with rules adopted by the PSCOC. The District will match 90% of the approved funding and receive an advance of \$6,800,000 to execute the construction project. The parties will cooperate to provide for an on-going inventory of school facilities and equipment, their condition, and maintenance activities related to them.

Participants: Public School Facilities Authority and Capitan Municipal Schools

Responsible Party for Operation and Audit: Capitan Municipal Schools

Beginning and Ending Date of Agreement: June 25, 2015 and shall remain in effect indefinitely

Actual Amount Contributed by PSFA: \$5,292,728.

REC

Purpose: To allow the submission of a consolidated application to the State Department of Education for certain funds granted to the State of New Mexico by the USDE under the Education of the Handicapped Act, Part B, PL 94- 142 among others.

Participants: Regional Education Cooperative (REC) and Capitan Municipal Schools

Responsible Party for Operation and Audit: Regional Education Cooperative

Beginning and Ending Date of Agreement: July 1, 2017 - June 30, 2018

Total Estimated Amount of Project and Actual Amount Contributed: The District paid the REC for services and costs totaling \$275,157 (technology services \$163,521, ancillary provider payments \$111,636).

CAPITAN MUNICIPAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 16. MEMORANDUM OF UNDERSTANDING/JOINT POWERS AGREEMENT (CONTINUED)

Dual Credit Program

Purpose: To increase the educational options and opportunities for high school students and increase the overall quality of instruction and learning available through secondary schools and to earn credit at the secondary and postsecondary levels simultaneously. Authorized by sections 21-1-1.2, 21-1B-3, 21-13-19 and 22-13-1.4 NMSA 1978 and 6.30.7 NMAC.

Participants: Capitan Municipal Schools and Eastern New Mexico University-Ruidoso

Responsible Party for Operation and Audit: None

Beginning and Ending Date of Agreement: July 1, 2014 - June 30, 2019 and shall automatically renew for additional fiscal years unless either party notifies the other party of their termination.

Total Estimated Amount of Project: None

NOTE 17. CONSTRUCTION COMMITMENTS

At June 30,2019 the District had the following construction contract commitments:

Billy Roach Renovations	Elementary Roof Damage Demo	\$23,232
Renegade Construction	Elementary Roof Repair	195,625
		\$218,857

NOTE 18. AGREEMENT WITH THE PUBLIC SCHOOL FACILITIES AUTHORITY

The Public School Facilities Authority and the Capitan Municipal Schools entered into an agreement to complete a capital outlay project pursuant to the provisions of the PSCOA and in accordance with rules adopted by the PSCOC. The State match of the approved project cost \$575,068 and the District was responsible for 90%, or \$5,292,728.

There is a written motion to approve an advance of \$6,800,000 from PSCOC. Although there was no note or amortization schedule signed between PSFA and Capitan Municipal Schools, the motion does state that the district will be responsible for paying back the amount borrowed over four years. As of June 30, 2019, the District has paid \$1,000,000 in principal payments (see Long Term Debt note 8).

CAPITAN MUNICIPAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 19. SUBSEQUENT EVENTS REVIEW

The Capitan Municipal Schools has evaluated subsequent events through October 30, 2019, which is the date the financial statements were available to be issued. Nothing additional is required to be reported.

NOTE 20. TAX ABATEMENTS

The School has not entered into any tax abatements that would be required to be disclosed under GASB 77.

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF CAPITAN MUNICIPAL SCHOOLS' PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY**
Educational Retirement Board (ERB) Plan
Last 10 Fiscal Years*

	As of Measurement Date				
	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
	2019	2018	2017	2016	2015
Capitan Municipal Schools' proportion of the net pension liability (asset)	0.1089%	0.1034%	0.10055%	0.09644%	0.09914%
Capitan Municipal Schools' proportionate share of the net pension liability (asset)	\$12,954,416	\$11,491,326	\$7,236,014	\$6,246,676	\$5,656,655
Capitan Municipal Schools' covered-employee payroll	\$3,044,669	\$2,944,748	\$2,633,121	\$2,532,049	\$2,732,688
Capitan Municipal Schools' proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	408.53%	390.23%	245.73%	237.23%	207.00%
Plan fiduciary net position as a percentage of the total pension liability	52.17%	52.95%	61.58%	63.97%	66.54%

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

SCHEDULE OF CAPITAN MUNICIPAL SCHOOLS' CONTRIBUTIONS

Educational Retirement Board (ERB) Pension Plan

Last 10 Fiscal Years*

	2019	2018	2017	2016	2015
Contractually required contribution	\$440,710	\$423,096	\$409,288	\$399,158	\$381,058
Contributions in relation to the contractually required contribution	\$440,710	\$423,096	\$409,288	\$399,158	\$381,058
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0
Capitan Municipal Schools' covered-employee payroll	\$3,171,017	\$3,044,669	\$2,944,748	\$2,633,121	\$2,532,049
Contributions as a percentage of covered-employee payroll	13.90%	13.90%	13.90%	15.16%	15.04%

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

CAPITAN MUNICIPAL SCHOOLS
SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
FOR THE YEAR ENDED JUNE 30, 2019

	As of Measurement Date	
	June 30, 2018 2019	June 30, 2017 2018
Employer's proportion of the net OPEB liability	0.07130%	0.06860%
Employer's proportionate share of the net OPEB liability	\$3,100,377	\$3,108,728
Employer covered-employee payroll	\$3,044,669	\$2,944,748
Employer's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	101.83%	105.57%
Plan fiduciary net position as a percentage of the total OPEB liability	13.14%	11.34%

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

CAPITAN MUNICIPAL SCHOOLS
SCHEDULE OF EMPLOYER'S CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
Contractually required contribution	\$63,421	\$60,894
Contributions in relation to the contractually required contribution	\$63,421	\$60,894
Contribution deficiency (excess)	\$0	\$0
Employer's covered-employee payroll	\$3,171,017	\$3,044,669
Contributions as a percentage of covered-employee payroll	2.00%	2.00%

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

CAPITAN MUNICIPAL SCHOOLS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2019

Educational Retirement Board (ERB) Pension Plan

Changes in benefit provisions. There were no modifications to the benefit provisions that were reflected in the actuarial valuation as of June 30, 2018.

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

Other Post Employment Benefits

Changes of benefit terms: The PERA and COLA and retirement eligibility benefits changes in recent years are described in Note 1 of PERA's CFAR. <https://www.saonm.org>

Assumptions: The Public Employee Retirement Association of New Mexico Annual Actuarial Valuations as of June 2017 report is available at <http://www.nmpera.org/>

SUPPLEMENTARY INFORMATION

CAPITAN MUNICIPAL SCHOOLS
SPECIAL REVENUE FUNDS
JUNE 30, 2019

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources, other than expendable trusts and major capital projects that are legally restricted to expenditures for specific purposes.

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

Athletics – This fund is used to account for fees generated at athletic activities throughout the School District. The gate receipts are obtained from the general public and are expended in this fund. The authority for creation of this fund is 6.20.2 NMAC. No minimum balance required according to legislation.

Breakfast for Elementary Students – The objective of this program is to provide breakfast to elementary students. Funding is provided by the New Mexico Public Education Department. No minimum balance required according to legislation.

Dual Credit (PED) – The purpose of this fund is to provide college credit for courses provided by high schools that meet the requirements. Authority is based on Memorandum of Understanding between the District, the schools within the agreements, and LEA. No minimum balance required according to legislation.

Excellence in Teaching Awards – This funding is to be used solely for Excellence in Teaching salary supplements. The supplements are \$5,000 or \$10,000 per teacher and may only be awarded to teachers who have met the award criteria. The authority for creation of this fund is the NM Public Education Department.

Food Services – This fund is utilized to account for Federal and Local sources of income relating to the food service programs. The Food Services Fund is segregated into two categories, one being the Federal funds and the other being Non-Federal funds. Federal funds consist of the National School Lunch Program, which is administered by the State of New Mexico for the purpose of making breakfast and lunch available to all school children and to encourage the domestic consumption of agricultural commodities and other food components. The Non-Federal funds consist of income derived from Snack-Bar facilities located in the District. Authority for the creation of this fund is NMSA 22-13-13. No minimum balance required according to legislation.

Fresh Fruit & Vegetables – The objective of this program to provide fruits and vegetables as part of the food services program. Federal revenues are provided by the United States Department of Agriculture – Food and Nutrition Services. The authority for creation of this fund is federal regulation 2 C.F.R. §200.33 and CFDA #10.582 Child Nutrition.

G.O. Bond Library – The purpose of this state funded program is to provide for library books per New Mexico State senate bill 122.

IDEA-B Autism – The objective of this grant is to support the district’s implementation of NMAP and improve the outcomes for students with Autism Spectrum Disorders through professional development, curriculum materials, trainings and travel expenses and supplies related to NMAP. Federal revenues accounted for in this fund are authorized by NMPED. No minimum balance required according to legislation.

IDEA B Entitlement – The purpose of this program is to account for revenue used to help maximize the resources in meeting the objective of handicapped children. The federal revenues in this fund are received from and administered by the New Mexico Department of Education. Authority for the creation of this fund is Part B of the Handicapped Act, Public Law 105-17. No minimum balance required according to legislation.

CAPITAN MUNICIPAL SCHOOLS
SPECIAL REVENUE FUNDS
JUNE 30, 2019

Special Revenue Funds (Continued)

IDEA-B Preschool – The objective of the Assistance to States for the Education of Handicapped Children Program is to assist in providing free, appropriate public education to all handicapped children from ages three to five. Federal revenues accounted for in this fund are allocated to the District through the New Mexico Department of Children, Youth and Families. Authority for creation of this fund is Public Law 105-17. No minimum balance required according to legislation.

IDEA-B Risk Pool - Federal funding to be utilized to assist local education agencies in addressing high need children with disabilities. The authority for the creation of the fund is Disabilities Education Act, Part B, (IDEA-B), Puente par los Ninos (Riskpool).

NM Grown – Fresh Fruit and Vegetables – This funding is to purchase only New Mexico grown fresh produce to be used in the district’s school meal and snack programs. The authority for creation of this fund is New Mexico Public Education Department.

NM Reads to Lead – The purpose of this state grant is to provide for the implementation of the K-3 reading initiative activities as specified by the legislation. The fund was created by grant provisions. No minimum balance required according to legislation.

REAP (Rural Educational Achievement Program) – To account for monies received to provide financial assistance to rural district to carry out activities to help improve the quality of teaching and learning. Authority for this program is contained in Title VI, Part B of the Elementary and Secondary Education Act of 1965. (ESEA), as amended by Public Law 107 - 110. No minimum balance required according to legislation.

Teacher/Principal Training – The purpose of this fund is to improve the skills of teachers and the quality of instruction in mathematics and science, and also to increase the accessibility of such instruction to all students. Authority for creation of this fund is Title II of the Elementary and Secondary Education Act (ESEA) of 1965 as amended, Public Law 103-382. No minimum balance required according to legislation.

Teacher Recruitment Initiative - State appropriated funding by the NM Public Education Department for such items as signing bonuses and travel costs for recruiting and hiring. The authority for creation of this fund is the NM Public Education Department.

Title I – This fund’s major objectives are to provide supplemental educational opportunities for academically disadvantaged children in the area where they reside. Campuses are identified for program participation by the percentage of students on free or reduced-price lunches. Any school with a free and reduced-price lunch percentage that is equal to or greater than the total district percentage becomes eligible for program participation. Any student whose test scores fall below District established criteria and who is attending a Title I campus is eligible to receive Title I services. Poverty is the criteria that identify a campus; education need determines the students to be served. Federal revenues accounted for in this fund are allocated to the District through the New Mexico Department of Education. Authority for the creation of this fund is Part A of Chapter I of Title I of Elementary and Secondary Education Act (ESEA) of 1965, as amended, Public Law 103-383. No minimum balance required according to legislation.

Title IV – Student Support and Academic Enrichment – This fund is utilized to support well-rounded educational opportunities, safe and healthy students and effective use of technology. The authority for creation of this fund is the Federal Department of Education under ESEA sections 4107, 4108, and 4109.

CAPITAN MUNICIPAL SCHOOLS

SPECIAL REVENUE FUNDS

JUNE 30, 2019

Title XIX Medicaid – The objective of this program is to provide federal funds for the implementation of the Medical Assistance Program Medicaid providing payments for medical assistance to low-income persons who are age 65 or over, blind, disabled, or members of families with dependent children or qualified pregnant women or children. Authority for creation of the Title XIX Medical Assistance Program is the Medicaid Title XIX of the Social Security Act, as amended, (42 USC 1396, et seq.) No minimum balance required according to legislation.

All funds are on a reimbursement basis, therefore there are no reverting fund requirements.

CAPITAN MUNICIPAL SCHOOLS

NONMAJOR SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEETS

JUNE 30, 2019

	Athletics	Breakfast for Elementary Students	Dual Credit PED	Excellence in Teaching Awards	Food Service
ASSETS					
Cash and cash equivalents	\$22,449	\$0	\$0	\$0	\$24,778
Receivables:					
Property taxes	0	0	0	0	0
Intergovernmental	0	0	232	0	16,744
Inventory- food	0	0	0	0	6,097
Total assets	\$22,449	\$0	\$232	\$0	\$47,619
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	\$0	\$0	\$0	\$0	\$0
Accrued payroll expenses	0	0	0	0	0
Due to other funds	0	0	232	0	0
<i>Total liabilities</i>	0	0	232	0	0
Fund Balance:					
Restricted - grant purposes	22,449	0	0	0	47,619
Assigned	0	0	0	0	0
Unrestricted	0	0	0	0	0
<i>Total fund balance</i>	22,449	0	0	0	47,619
Total liabilities and fund balance	\$22,449	\$0	\$232	\$0	\$47,619

The Notes to Financial Statements are an integral part of these statements.

CAPITAN MUNICIPAL SCHOOLS
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2019

	IDEA-B Autism	IDEA-B Entitlement	IDEA-B Preschool	IDEA-B Risk Pool	NM Grown Fresh Fruits & Vegetables
ASSETS					
Cash and cash equivalents	\$0	\$0	\$0	\$0	\$0
Receivables:					
Property taxes	0	0	0	0	0
Intergovernmental	7,353	54,937	1,887	51,161	4,400
Inventory- food	0	0	0	0	0
Total assets	\$7,353	\$54,937	\$1,887	\$51,161	\$4,400
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	\$0	\$0	\$0	\$0	\$0
Accrued payroll expenses	0	0	0	0	0
Due to other funds	7,353	54,937	1,887	51,161	4,400
Total liabilities	7,353	54,937	1,887	51,161	4,400
Fund Balance:					
Restricted - grant purposes	0	0	0	0	0
Assigned	0	0	0	0	0
Unrestricted	0	0	0	0	0
Total fund balance	0	0	0	0	0
Total liabilities and fund balance	\$7,353	\$54,937	\$1,887	\$51,161	\$4,400

The Notes to Financial Statements are an integral part of these statements.

CAPITAN MUNICIPAL SCHOOLS

NONMAJOR SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEETS

JUNE 30, 2019

	NM Reads to Lead	Non- Instructional Support	Rural Education Achievement Program	Teacher/ Principal Training
ASSETS				
Cash and cash equivalents	\$0	\$33,645	\$0	\$0
Receivables:				
Property taxes	0	0	0	0
Intergovernmental	0	0	6,958	17,149
Inventory- food	0	0	0	0
Total assets	\$0	\$33,645	\$6,958	\$17,149
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts payable	\$0	\$0	\$0	\$0
Accrued payroll expenses	0	0	0	0
Due to other funds	15,543	0	6,958	17,149
Total liabilities	15,543	0	6,958	17,149
Fund Balance:				
Restricted - grant purposes	0	33,645	0	0
Assigned	0	0	0	0
Unrestricted	(15,543)	0	0	0
Total fund balance	(15,543)	33,645	0	0
Total liabilities and fund balance	\$0	\$33,645	\$6,958	\$17,149

The Notes to Financial Statements are an integral part of these statements.

CAPITAN MUNICIPAL SCHOOLS
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2019

	Title I	Title IV Student Support Academic Achievement	Title XIX Medicaid	Totals
ASSETS				
Cash and cash equivalents	\$0	\$0	\$12,922	\$93,794
Receivables:				
Property taxes	0	0	0	0
Intergovernmental	141,561	6,638	0	309,020
Inventory- food	0	0	0	6,097
Total assets	\$141,561	\$6,638	\$12,922	\$408,911
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts payable	\$0	\$0	\$0	\$0
Accrued payroll expenses	0	0	0	0
Due to other funds	141,561	6,638	0	307,819
Total liabilities	141,561	6,638	0	307,819
Fund Balance:				
Restricted - grant purposes	0	0	12,922	116,635
Assigned	0	0	0	0
Unrestricted	0	0	0	(15,543)
Total fund balance	0	0	12,922	101,092
Total liabilities and fund balance	\$141,561	\$6,638	\$12,922	\$408,911

The Notes to Financial Statements are an integral part of these statements.

CAPITAN MUNICIPAL SCHOOLS

NONMAJOR SPECIAL REVENUE FUNDS

COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Athletics	Breakfast for Elementary Students	Dual Credit PED	Excellence in Teaching Awards	Food Service
REVENUES					
Taxes					
Taxes levied/assessed	\$0	\$0	\$0	\$0	\$0
Local sources					
Investment income	34	0	0	0	8
Food services	0	0	0	0	41,534
District activities	14,254	0	0	0	0
Other revenues	0	0	0	0	0
State sources					
Restricted Grants	0	12,016	1,127	43,060	0
Federal sources					
Restricted Grants	0	0	0	0	15,045
Restricted - state pass-through	0	0	0	0	236,454
Other Items	0	0	0	0	0
Total revenues	14,288	12,016	1,127	43,060	293,041
EXPENDITURES					
Current:					
Instruction	19,119	0	1,127	43,060	0
Student Services					
Students	0	0	0	0	0
Instruction	0	0	0	0	0
General Administration	0	0	0	0	0
School Administration	0	0	0	0	0
Central Services	0	0	0	0	0
Operation & Maintenance of plant	0	0	0	0	0
Student transportation	0	0	0	0	0
Other Support Services	0	0	0	0	0
Operation of Non-instructional Services					
Food services operations	0	12,016	0	0	261,283
Capital outlay	0	0	0	0	0
Debt Service:					
Principal	0	0	0	0	0
Interest	0	0	0	0	0
Total expenditures	19,119	12,016	1,127	43,060	261,283
<i>Excess (deficiency) of revenues over expenditures</i>	(4,831)	0	0	0	31,758
Fund balance, beginning of year	27,280	0	0	0	15,861
Fund balance (deficit), end of year	\$22,449	\$0	\$0	\$0	\$47,619

The Notes to Financial Statements are an integral part of these statements.

CAPITAN MUNICIPAL SCHOOLS

NONMAJOR SPECIAL REVENUE FUNDS

COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	IDEA-B Autism	IDEA-B Entitlement	IDEA-B Preschool	IDEA-B Risk Pool	NM Grown Fresh Fruits & Vegetables
REVENUES					
Taxes					
Taxes levied/assessed	\$0	\$0	\$0	\$0	\$0
Local sources					
Investment income	0	0	0	0	0
Food services	0	0	0	0	0
District activities	0	0	0	0	0
Other revenues	0	0	0	0	0
State sources					
Restricted Grants	0	0	0	0	5,000
Federal sources					
Restricted Grants	0	0	0	0	0
Restricted - state pass-through	7,353	145,468	3,670	51,161	0
Other Items	0	0	0	0	0
Total revenues	7,353	145,468	3,670	51,161	5,000
EXPENDITURES					
Current:					
Instruction	7,353	95,120	3,670	51,161	0
Student Services					
Students	0	50,348	0	0	0
Instruction	0	0	0	0	0
General Administration	0	0	0	0	0
School Administration	0	0	0	0	0
Central Services	0	0	0	0	0
Operation & Maintenance of plant	0	0	0	0	0
Student transportation	0	0	0	0	0
Other Support Services	0	0	0	0	0
Operation of Non-instructional Services					
Food services operations	0	0	0	0	5,000
Capital outlay	0	0	0	0	0
Debt Service:					
Principal	0	0	0	0	0
Interest	0	0	0	0	0
Total expenditures	7,353	145,468	3,670	51,161	5,000
<i>Excess (deficiency) of revenues over expenditures</i>	0	0	0	0	0
Fund balance, beginning of year	0	0	0	0	0
Fund balance (deficit), end of year	\$0	\$0	\$0	\$0	\$0

The Notes to Financial Statements are an integral part of these statements.

CAPITAN MUNICIPAL SCHOOLS

NONMAJOR SPECIAL REVENUE FUNDS

COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	NM Reads to Lead	Non- Instructional Support	Rural Education Achievement Program	Teacher/ Principal Training
REVENUES				
Taxes				
Taxes levied/assessed	\$0	\$0	\$0	\$0
Local sources				
Investment income	0	194	0	0
Food services	0	0	0	0
District activities	0	0	0	0
Other revenues	0	17,082	0	0
State sources				
Restricted Grants	79,009	0	0	0
Federal sources				
Restricted Grants	0	0	0	0
Restricted - state pass-through	0	0	27,583	22,915
Other Items	0	0	0	0
Total revenues	79,009	17,276	27,583	22,915
EXPENDITURES				
Current:				
Instruction	79,482	0	27,583	22,915
Student Services				
Students	0	12,453	0	0
Instruction	0	0	0	0
General Administration	0	0	0	0
School Administration	0	0	0	0
Central Services	0	0	0	0
Operation & Maintenance of plant	0	0	0	0
Student transportation	0	0	0	0
Other Support Services	0	0	0	0
Operation of Non-instructional Services				
Food services operations	0	0	0	0
Capital outlay	0	0	0	0
Debt Service:				
Principal	0	0	0	0
Interest	0	0	0	0
Total expenditures	79,482	12,453	27,583	22,915
<i>Excess (deficiency) of revenues over expenditures</i>	(473)	4,823	0	0
Fund balance, beginning of year	(15,070)	28,822	0	0
Fund balance (deficit), end of year	(\$15,543)	\$33,645	\$0	\$0

The Notes to Financial Statements are an integral part of these statements.

CAPITAN MUNICIPAL SCHOOLS

NONMAJOR SPECIAL REVENUE FUNDS

COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Title I	Title IV Student Support Academic Achievement	Title XIX Medicaid	Totals
REVENUES				
Taxes				
Taxes levied/assessed	\$0	\$0	\$0	\$0
Local sources				
Investment income	0	0	0	236
Food services	0	0	0	41,534
District activities	0	0	0	14,254
Other revenues	0	0	0	17,082
State sources				
Restricted Grants	0	0	0	140,212
Federal sources				
Restricted Grants	0	17,825	4,812	37,682
Restricted - state pass-through	281,798	0	31,286	807,688
Other Items	0	0	0	0
Total revenues	281,798	17,825	36,098	1,058,688
EXPENDITURES				
Current:				
Instruction	233,831	0	0	584,421
Student Services				
Students	47,967	0	35,367	146,135
Instruction	0	7,241	0	7,241
General Administration	0	0	0	0
School Administration	0	0	0	0
Central Services	0	0	0	0
Operation & Maintenance of plant	0	0	0	0
Student transportation	0	0	0	0
Other Support Services	0	10,584	0	10,584
Operation of Non-instructional Services				
Food services operations	0	0	0	278,299
Capital outlay	0	0	0	0
Debt Service:				
Principal	0	0	0	0
Interest	0	0	0	0
Total expenditures	281,798	17,825	35,367	1,026,680
<i>Excess (deficiency) of revenues over expenditures</i>	0	0	731	32,008
Fund balance, beginning of year	0	0	12,191	69,084
Fund balance (deficit), end of year	\$0	\$0	\$12,922	\$101,092

The Notes to Financial Statements are an integral part of these statements.

CAPITAN MUNICIPAL SCHOOLS
CAPITAL PROJECTS FUNDS
JUNE 30, 2019

Capital Projects Funds

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

CAPITAN MUNICIPAL SCHOOLS

NONMAJOR CAPITAL PROJECTS FUNDS

COMBINING BALANCE SHEETS

JUNE 30, 2019

	Bond Building	Capital Improvements SB-9 State	Public School Capital Outlay	Total
ASSETS				
Cash and cash equivalents	\$0	\$2,946	\$0	\$2,946
Receivables:				
Property taxes	0	0	0	0
Intergovernmental	0	0	0	0
Due from other funds	0	0	0	0
<i>Total assets</i>	\$0	\$2,946	\$0	\$2,946
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts payable	\$0	\$0	\$0	\$0
Accrued payroll expenses	0	0	0	0
Due to other funds	0	0	0	0
<i>Total liabilities</i>	0	0	0	0
DEFERRED INFLOWS OF RESOURCES				
Property taxes	0	0	0	0
<i>Total deferred inflows of resources</i>	0	0	0	0
Fund Balance:				
Restricted for:	0	0	0	0
Capital projects	0	2,946	0	2,946
<i>Total fund balance</i>	0	2,946	0	2,946
<i>Total liabilities, deferred inflows of resources, and fund balance</i>	\$0	\$2,946	\$0	\$2,946

The Notes to Financial Statements are an integral part of these statements.

CAPITAN MUNICIPAL SCHOOLS

NONMAJOR CAPITAL PROJECTS FUNDS

COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Bond Building	Capital Improvements SB-9 State	Public School Capital Only	Total
REVENUES				
Taxes				
Taxes levied/assessed	\$0	\$0	\$0	\$0
Local sources				
Investment income	0	0	0	0
Food services	0	0	0	0
District activities	0	0	0	0
Other revenues	0	0	0	0
State sources				
Restricted Grants	0	14,776	0	14,776
Federal sources				
Restricted Grants	0	0	0	0
Restricted - state pass-through	0	0	0	0
Other Items	0	0	0	0
<i>Total revenues</i>	0	14,776	0	14,776
EXPENDITURES				
Current:				
Instruction	138	0	0	138
Capital outlay	0	14,776	0	14,776
Debt Service:				
Principal	0	0	0	0
Interest	0	0	0	0
<i>Total expenditures</i>	138	14,776	0	14,914
<i>Excess (deficiency) of revenues over expenditures</i>	(138)	0	0	(138)
<i>Fund balance - beginning of year</i>	138	2,946	0	3,084
<i>Fund balance - end of year</i>	\$0	\$2,946	\$0	\$2,946

The Notes to Financial Statements are an integral part of these statements.

CAPITAN MUNICIPAL SCHOOLS
TOTAL ALL NONMAJOR GOVERNMENTAL FUND TYPES
COMBINING BALANCE SHEET
JUNE 30, 2019

	Special Revenue	Capital Projects	Total
ASSETS			
Cash and cash equivalents	\$93,794	\$2,946	\$96,740
Receivables:			
Property taxes	0	0	0
Intergovernmental	309,020	0	309,020
Inventory - food	6,097	0	6,097
Due from other funds	0	0	0
<i>Total assets</i>	\$408,911	\$2,946	\$411,857
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	\$0	\$0	\$0
Accrued payroll expenses	0	0	0
Due to other funds	307,819	0	307,819
<i>Total liabilities</i>	307,819	0	307,819
DEFERRED INFLOWS OF RESOURCES			
Property taxes	0	0	0
<i>Total deferred inflows of resources</i>	0	0	0
Fund Balance:			
Restricted for:			
Grant purposes	116,635	0	116,635
Capital Projects	0	2,946	2,946
Debt Service	0	0	0
Unrestricted	(15,543)	0	(15,543)
<i>Total fund balance</i>	101,092	2,946	104,038
<i>Total liabilities, deferred inflows of resources, and fund balance</i>	\$408,911	\$2,946	\$411,857

The Notes to Financial Statements are an integral part of these statements.

CAPITAN MUNICIPAL SCHOOLS
TOTAL ALL NONMAJOR GOVERNMENTAL FUND TYPES
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Special Revenue	Capital Projects	Total
REVENUES			
Taxes			
Taxes levied/assessed	\$0	\$0	\$0
Local sources			
Investment income	236	0	236
Food services	41,534	0	41,534
District activities	14,254	0	14,254
Other revenues	17,082	0	17,082
State sources			
Restricted Grants	140,212	14,776	154,988
Federal sources			
Restricted Grants	37,682	0	37,682
Restricted - state passthrough	807,688	0	807,688
<i>Total revenues</i>	<u>1,058,688</u>	<u>14,776</u>	<u>1,073,464</u>
EXPENDITURES			
Current:			
Instruction	584,421	138	584,559
Student Services			
Students	146,135	0	146,135
Instruction	7,241	0	7,241
General administration	0	0	0
School administration	0	0	0
Central services	0	0	0
Operation & maintenance of plant	0	0	0
Student transportation	0	0	0
Other support services	10,584	0	10,584
Operation of Non-instructional Services			
Food services operations	278,299	0	278,299
Capital outlay	0	14,776	14,776
Debt Service:			
Principal	0	0	0
Interest	0	0	0
<i>Total expenditures</i>	<u>1,026,680</u>	<u>14,914</u>	<u>1,041,594</u>
<i>Excess (deficiency) of revenues over expenditures</i>	32,008	(138)	31,870
Fund balance - beginning of year	69,084	3,084	72,168
<i>Fund balance - end of year</i>	<u>\$101,092</u>	<u>\$2,946</u>	<u>\$104,038</u>

The Notes to Financial Statements are an integral part of these statements.

OTHER SUPPLEMENTARY INFORMATION

CAPITAN MUNICIPAL SCHOOLS
ALL AGENCY FUNDS
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Balance June 30, 2018	Increase	Decrease	Balance June 30, 2019
ASSETS				
Administration	\$246	\$800	\$228	\$818
Elementary school	0	0	0	0
Middle School	3,311	2,292	2,983	2,620
High school	36,582	96,858	93,623	39,817
Scholarships	11,583	0	2,500	9,083
<i>Total assets</i>	\$51,722	\$99,950	\$99,334	\$52,338
LIABILITIES				
Deposits held for others	\$51,722	\$99,950	\$99,334	\$52,338
<i>Total liabilities</i>	\$51,722	\$99,950	\$99,334	\$52,338

The Notes to Financial Statements are an integral part of these statements.

CAPITAN MUNICIPAL SCHOOLS

SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY OF PUBLIC FUNDS JUNE 30, 2019

<u>Name of Depository</u>	<u>Description of Pledged Collateral</u>	<u>Cusip</u>	<u>Maturity Date</u>	<u>Name and Location of Safekeeper</u>	<u>Fair Market Value June 30, 2019</u>
First Savings Bank, SD	FHLB Agency 2.25%	313378CR0	3/11/2022	Federal Reserve Bank Dallas, TX	\$607,290
First Savings Bank, SD	FHLMC E03114 2.5%	31294MN72	4/1/2022	Federal Reserve Bank Dallas, TX	20,364
First Savings Bank, SD	FNMA AQ7878 2.5%	3138MPXG5	12/1/2022	Federal Reserve Bank Dallas, TX	149,561
First Savings Bank, SD	FHLMC G14692 3.0%	3128MDNH2	2/1/2023	Federal Reserve Bank Dallas, TX	261,959
First Savings Bank, SD	FHLMC J22440 2.5%	31307AV90	2/1/2023	Federal Reserve Bank Dallas, TX	160,681
First Savings Bank, SD	FNMA AQ8239 2.5%	3138MQEM1	2/1/2023	Federal Reserve Bank Dallas, TX	353,117
First Savings Bank, SD	FNMA AR6691 2.5%	3138W4NH0	2/1/2023	Federal Reserve Bank Dallas, TX	230,028
First Savings Bank, SD	FHLMC J22976 2.5%	31307BJV34	3/1/2023	Federal Reserve Bank Dallas, TX	206,434
First Savings Bank, SD	Roswell ISD 3.0%	778550JG9	8/1/2023	Federal Reserve Bank Dallas, TX	313,701
First Savings Bank, SD	FNMA MA1859 3.0%	31418BB54	4/1/2024	Federal Reserve Bank Dallas, TX	141,218
First Savings Bank, SD	FNMA AB7142 2.5%	31417D5C3	12/1/2027	Federal Reserve Bank Dallas, TX	211,253
First Savings Bank, SD	FHLMC G16036 2.5%	3128ME4V0	1/1/2030	Federal Reserve Bank Dallas, TX	155,978
First Savings Bank, SD	FNMA BM1028 2.50%	3140J5EA3	12/1/2029	Federal Reserve Bank Dallas, TX	321,274
First Savings Bank, SD	FNMA AL8703 3.00%	3138ETU53	2/1/2030	Federal Reserve Bank Dallas, TX	136,189
First Savings Bank, SD	FHR 4080NA 2.00%	3137ARS72	5/15/2032	Federal Reserve Bank Dallas, TX	105,579

\$3,374,626

The Notes to Financial Statements are an integral part of these statements.

CAPITAN MUNICIPAL SCHOOLS
SCHEDULE OF DEPOSIT AND INVESTMENT ACCOUNTS
JUNE 30, 2019

<u>Deposit or Investment Account Type</u>	<u>First Savings Bank</u>
Operational Checking - Interest Bearing	\$990,832
Money Market - Interest Bearing	1,907,968
NMFA - Project Account (held by trustee)	523,489
<hr/>	
<i>Total on Deposit</i>	3,422,289
Reconciling Items	(414,798)
<hr/>	
<i>Reconciled Balance June 30, 2018</i>	3,007,491
<hr/> <hr/>	

Reconciliation to Financial Statements:

Cash and Cash Equivalents:

Total cash and cash equivalents per Statement of Net Position	\$2,431,664
Restricted Cash - per Statement of Net Position	523,489
Total cash and cash equivalents per Fiduciary Statement of Assets and Liabilities	52,338
<hr/>	
<i>Total Cash and Cash Equivalents</i>	3,007,491
<hr/> <hr/>	

The Notes to Financial Statements are an integral part of these statements.

CAPITAN MUNICIPAL SCHOOLS
CASH RECONCILIATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Operational Account	Transportation Account	Instructional Materials Account	Food Services Account
Cash per June 30, 2018 audit report	\$722,434	\$0	\$10,084	\$22,459
Interfund loans 6-30-18	244,936	0	0	0
	967,370	0	10,084	22,459
Add:				
2018-2019 revenues (cash basis)	4,819,864	300,168	17,021	261,253
<i>Total cash available</i>	5,787,234	300,168	27,105	283,712
Less:				
2018-2019 expenditures (cash basis)	(4,637,776)	(300,168)	(27,105)	(258,934)
PY payroll checks held - paid 18/19	(91,984)	0	0	0
CY payroll checks held - paid 19/20	95,561	0	0	0
Interfund loans 6-30-19	(300,861)	0	0	0
Cash June 30, 2019	\$852,174	\$0	\$0	\$24,778
Bank balance end of year	\$1,567,833	\$0	\$0	\$24,778
Outstanding checks	(414,798)	0	0	0
Interfund loans 6-30-19	(307,819)	0	0	0
Cash June 30, 2019	\$845,216	\$0	\$0	\$24,778

The Notes to Financial Statements are an integral part of these statements.

CAPITAN MUNICIPAL SCHOOLS
CASH RECONCILIATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Athletics Account	Non- Instructional Fund	Student Activities Fund	Federal Flowthrough Fund
Cash per June 30, 2018 audit report	\$27,279	\$28,822	\$51,722	\$0
Interfund loans 6-30-18	0	0	0	(195,204)
	27,279	28,822	51,722	(195,204)
Add:				
2018-2019 revenues (cash basis)	14,289	17,672	99,554	444,707
<i>Total cash available</i>	41,568	46,494	151,276	249,503
Less:				
2018-2019 expenditures (cash basis)	(19,119)	(12,849)	(98,938)	(530,189)
PY payroll checks held - paid 18/19	0	0	0	0
CY payroll checks held - paid 19/20	0	0	0	0
Interfund loans 6-30-19	0	0	0	280,686
Cash June 30, 2019	\$22,449	\$33,645	\$52,338	\$0
Bank balance end of year	\$22,449	\$33,645	\$52,338	(\$280,686)
Outstanding checks	0	0	0	0
Interfund loans 6-30-19	0	0	0	280,686
Cash June 30, 2019	\$22,449	\$33,645	\$52,338	\$0

The Notes to Financial Statements are an integral part of these statements.

CAPITAN MUNICIPAL SCHOOLS
CASH RECONCILIATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Public School Capital Outlay	Federal Direct Fund	State Flowthrough Fund	Bond Building Fund
Cash per June 30, 2018 audit report	\$4,145	\$12,191	\$0	\$138
Interfund loans 6-30-18	0	(10,406)	(24,787)	0
	4,145	1,785	(24,787)	138
Add:				
2018-2019 revenues (cash basis)	(4,145)	67,130	145,297	0
<i>Total cash available</i>	0	68,915	120,510	138
Less:				
2018-2019 expenditures (cash basis)	0	(62,951)	(140,685)	(138)
PY payroll checks held - paid 18/19	0	0	0	0
CY payroll checks held - paid 19/20	0	0	0	0
Interfund loans 6-30-19	0	0	20,175	0
Cash June 30, 2019	\$0	\$5,964	\$0	\$0
Bank balance end of year	\$0	\$5,964	(\$20,175)	\$0
Outstanding checks	0	0	0	0
Interfund loans 6-30-19	0	6,958	20,175	0
Cash June 30, 2019	\$0	\$12,922	\$0	\$0

The Notes to Financial Statements are an integral part of these statements.

CAPITAN MUNICIPAL SCHOOLS
CASH RECONCILIATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Capital Improvement SB-9 State	Capital Improvement SB9 Local	Ed Tech Equipment Act	Debt Service Fund	Ed Tech Debt Service Fund	Total
Cash per June 30, 2018 audit report	\$0	\$1,243,447	\$899,020	\$46,753	\$265,704	\$3,334,198
Interfund loans 6-30-18	(14,539)	0	0	0	0	0
	(14,539)	1,243,447	899,020	46,753	265,704	3,334,198
Add:						
2018-2019 revenues (cash basis)	32,261	867,432	58,572	495,856	502,641	8,139,572
<i>Total cash available</i>	17,722	2,110,879	957,592	542,609	768,345	11,473,770
Less:						
2018-2019 expenditures (cash basis)	(14,776)	(1,193,163)	(421,389)	(478,382)	(273,294)	(8,469,856)
PY payroll checks held - paid 18/19	0	0	0	0	0	(91,984)
CY payroll checks held - paid 19/20	0	0	0	0	0	95,561
Interfund loans 6-30-19	0	0	0	0	0	0
Cash June 30, 2019	\$2,946	\$917,716	\$536,203	\$64,227	\$495,051	\$3,007,491
Bank balance end of year	\$2,946	\$917,716	\$536,203	\$64,227	\$495,051	\$3,422,289
Outstanding checks	0	0	0	0	0	(414,798)
Interfund loans 6-30-19	0	0	0	0	0	0
Cash June 30, 2019	\$2,946	\$917,716	\$536,203	\$64,227	\$495,051	\$3,007,491

The Notes to Financial Statements are an integral part of these statements.

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

Mr. Brian S. Colón, State Auditor and
The Office of Management and Budget
and Board of Education
Capitan Municipal Schools
Capitan, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, the budgetary comparisons of the general fund of Capitan Municipal Schools, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Capitan Municipal Schools' basic financial statements and the combining and individual funds of Capitan Municipal Schools' presented as supplementary information, and have issued our report thereon dated October 30, 2019.

Internal Control over Financial Reporting

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

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

Mr. Brian S. Colón, State Auditor and
The Office of Management and Budget
and Board of Education
Capitan Municipal Schools
Capitan, New Mexico
Page Two

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Capitan Municipal Schools' 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.

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.

Kriegel/Gray/Shaw & Co., P.C.

Kriegel/Gray/Shaw & Co., P.C.
Las Cruces, New Mexico

October 30, 2019

CAPITAN MUNICIPAL SCHOOLS
SUMMARY OF AUDITOR'S RESULTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

FINANCIAL STATEMENTS

Type of Auditor's Report issued:

Unmodified

Internal Control Over Financial Reporting:

Material weakness(es) identified?

_____ Yes X No

Significant deficiencies identified that are not considered to be material weaknesses?

_____ Yes X No

Noncompliance material to financial statements noted?

_____ Yes X No

CAPITAN MUNICIPAL SCHOOLS
SCHEDULE OF FINDINGS AND RESPONES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

CURRENT YEAR FINDINGS:

None.

CURRENT STATUS ON PRIOR YEAR FINDINGS:

None.

CAPITAN MUNICIPAL SCHOOLS
EXIT CONFERENCE
JUNE 30, 2019

EXIT CONFERENCE:

The exit conference was held July 31, 2019 and was attended by the following:

Representing Capitan Municipal Schools:

Patti Nesbitt, Superintendent
Patrick Kennedy, Audit Committee
Kimberly Stone, Associate Superintendent of Business Services
Daryl Lindsay, Board Member - President
Ben Hazen, Board Member

Representing Kriegel/Gray/Shaw & Co., P.C.:

Debbie Gray, CPA/Shareholder
Jesus Cortez, Staff Auditor
Miguel Cortez, Staff Auditor

FINANCIAL STATEMENTS PREPARATION

Preparation of financial statements is the responsibility of management. Although, the Capitan Municipal Schools' personnel provided significant assistance in the preparation, the statements and related footnotes were prepared by Kriegel/Gray/Shaw & Co., P.C.