

State of New Mexico
Cobre Consolidated School District No. 2

**FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS'
REPORT THEREON**

For the Fiscal Year Ended June 30, 2019

Cobre Consolidated School District No. 2
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Cobre Consolidated School District No. 2
DIRECTORY OF OFFICIALS
June 30, 2019

BOARD OF EDUCATION

Ralph Sepulveda	President
Frank Cordova	Vice-President
Frank Gomez	Secretary
Gabriel Holguin	Member
Gilbert Guadiana	Member

SCHOOL OFFICIALS

Robert Mendoza	Superintendent
Teresa Holguin	Director of Finance

MIKE STONE, C.P.A.
LINDA STONE MCGEE, C.P.A.
KAY STONE, C.P.A.
KELLEY WYATT, C.P.A.

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INDEPENDENT AUDITOR'S REPORT

Brian S. Colón, Esq., State Auditor
And
Board of Education
Cobre Consolidated School District No. 2
Bayard, 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 and major special revenue funds of the Cobre Consolidated School District No. 2, as of and for the year ended June 30, 2019, and the related notes to the financial statements which collectively comprise the Cobre Consolidated School District No. 2's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 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 Cobre Consolidated School District No. 2 as of June 30, 2019, and the respective changes in financial position and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that information related to the District's pension plan presented on pages 44 to 46 and the District's other postemployment benefits presented on pages 47 to 49 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 evidence sufficient to express an opinion or provide any assurance.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the Cobre Consolidated School District No. 2's financial statements that collectively comprise the District's basic financial statements. The Schedule of Expenditures of Federal Awards as required by the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Guidance, Cost Principles, and Audit Requirements for Federal Awards*, and the other schedules presented as other supplementary

information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards and the other supplementary information are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and the other supplementary information are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2020, on our consideration of the Cobre Consolidated School District No. 2's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreement and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Cobre Consolidated School District No. 2's internal control over financial reporting and compliance.

Stone, McGee & Co CPAs

Silver City, New Mexico
February 7, 2020

Stone, McGee & Co.
Certified Public Accountants

Cobre Consolidated School District No. 2
STATEMENT OF NET POSITION
June 30, 2019

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 5,171,950
Property taxes receivable	621,861
Accounts receivable	41,609
Due from other governments	2,381,794
Inventory	8,642
	<u>8,225,856</u>
	<u>\$ 8,225,856</u>
Capital assets:	
Land and improvements	\$ 747,139
Buildings and improvements	71,279,768
Equipment	4,070,892
Construction in progress	581,449
Less accumulated depreciation	(41,841,817)
	<u>34,837,431</u>
Total capital assets, net of depreciation	<u>\$ 34,837,431</u>
Total assets	<u>\$ 43,063,287</u>
Deferred Outflows of Resources	
Related to other postemployment benefits	\$ 698,938
Related to pensions	10,149,932
	<u>10,848,870</u>
Total deferred outflows of resources	<u>\$ 10,848,870</u>
Liabilities	
Accounts payable	\$ 185,614
Long-term liabilities:	
Portion due or payable within one year:	
Bonds payable	1,275,000
Accrued interest payable	99,534
Portion due or payable after one year:	
Net pension liability	36,307,801
Net other postemployment benefits liability	8,678,012
Bonds payable	9,410,000
Compensated absences	83,815
	<u>56,039,776</u>
Total liabilities	<u>\$ 56,039,776</u>

Cobre Consolidated School District No. 2
STATEMENT OF NET POSITION (concluded)
 June 30, 2019

Deferred Inflows of Resources

Unavailable revenue	\$	12,590
Related to other postemployment benefit liability		2,242,238
Related to pensions		973,995
		973,995
Total deferred inflows of resources	\$	3,228,823

Net Position

Net investment in capital assets	\$	28,572,420
Restricted for:		
Capital projects		81,155
Debt service		2,095,563
Other purposes		1,317,529
Unrestricted		(37,423,109)
		(37,423,109)
Total net position	\$	(5,356,442)

Cobre Consolidated School District No. 2
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2019

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position Total Governmental Activities</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Capital Grants and Contributions</u>
<u>Functions/Programs</u>					
Governmental activities:					
Instruction	\$ 14,147,894	\$ 83,833	\$ 2,828,570	\$ -	\$ (11,235,491)
Support services - Students	2,933,953	65,076	526,484		(2,342,393)
Support services - Instruction	792,419		67,088		(725,331)
General administration	1,465,832		129,868		(1,335,964)
School administration	1,376,032		95,586		(1,280,446)
Central services	478,665				(478,665)
Operation of plant	3,044,028		825	79,769	(2,963,434)
Food services	1,178,570	14,958	845,666		(317,946)
Transportation	1,053,160		650,071		(403,089)
Other support services	111,538				(111,538)
Bond issue costs	74,196				(74,196)
Interest on long-term debt	227,262				(227,262)
	<u>\$ 26,883,549</u>	<u>\$ 163,867</u>	<u>\$ 5,144,158</u>	<u>\$ 79,769</u>	<u>\$ (21,495,755)</u>
Total governmental activities					

General revenues:	
Property taxes:	
Levied for general purposes	\$ 98,042
Levied for debt service	1,703,412
Levied for capital improvements	521,729
State aid - formula grants	12,127,402
Federal aid-formula grants	101,624
Recoveries and refunds	97,621
Unrestricted investment earnings	<u>60,607</u>
 Total general revenues and special items	 <u>\$ 14,710,437</u>
 Change in net position	 \$ (6,785,318)
Net position, beginning of year	<u>1,428,876</u>
Net position - end of year	<u><u>\$ (5,356,442)</u></u>

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

Cobre Consolidated School District No. 2
BALANCE SHEETS
GOVERNMENTAL FUNDS
June 30, 2019

	General Fund	Title I	Title I Striving Reader
Assets			
Cash and investments	\$ -	\$ -	\$ -
Accounts receivable	41,609		
Property taxes receivable	21,769		
Inventory			
Due from other governments		496,791	465,787
Interfund receivable	118,154		
Total assets	\$ 181,532	\$ 496,791	\$ 465,787
Liabilities			
Accounts payable	\$ 157,300	\$ -	\$ -
Interfund payable		496,791	465,787
Total liabilities	\$ 157,300	\$ 496,791	\$ 465,787
Deferred Inflows of Resources			
Unavailable revenue	\$ 20,061	\$ -	\$ -
Total deferred inflows of resources	\$ 20,061	\$ -	\$ -
Fund balance:			
Nonspendable:			
Inventories	\$ -	\$ -	\$ -
Restricted for:			
Education	4,472		
Food service			
Transportation			
Social services			
Capital projects			
Debt service			
Unassigned	(301)		
Total fund balances	\$ 4,171	\$ -	\$ -
Total liabilities, deferred inflows of resources and fund balances	\$ 181,532	\$ 496,791	\$ 465,787

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

<u>Pre-K Initiative</u>	<u>Bond Building</u>	<u>Debt Service</u>	<u>Other Funds</u>	<u>Governmental Funds</u>
\$ -	\$ 4,501,144	\$ 587,650	\$ 83,156	\$ 5,171,950
		427,714	172,378	41,609
406,553			8,642	621,861
		1,169,211	1,012,663	8,642
			994,285	2,381,794
				2,281,650
<u>\$ 406,553</u>	<u>\$ 4,501,144</u>	<u>\$ 2,184,575</u>	<u>\$ 2,271,124</u>	<u>\$ 10,507,506</u>
\$ -	\$ -	\$ -	\$ 28,314	\$ 185,614
406,553			912,519	2,281,650
<u>\$ 406,553</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 940,833</u>	<u>\$ 2,467,264</u>
\$ -	\$ -	\$ 395,038	\$ 174,552	\$ 589,651
\$ -	\$ -	\$ 395,038	\$ 174,552	\$ 589,651
\$ -	\$ -	\$ -	\$ 8,642	\$ 8,642
			675,540	680,012
			16,920	16,920
	4,501,144		455,345	455,345
		1,789,537	5,169	4,501,144
			(5,877)	1,794,706
				(6,178)
<u>\$ -</u>	<u>\$ 4,501,144</u>	<u>\$ 1,789,537</u>	<u>\$ 1,155,739</u>	<u>\$ 7,450,591</u>
<u>\$ 406,553</u>	<u>\$ 4,501,144</u>	<u>\$ 2,184,575</u>	<u>\$ 2,271,124</u>	<u>\$ 10,507,506</u>

Cobre Consolidated School District No. 2
**RECONCILIATION OF THE BALANCE SHEET-GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION**
 June 30, 2019

Total governmental fund balances	\$ 7,450,591
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	34,837,431
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds:	
Property taxes receivable subject to the 60 day availability period	577,061
Deferred outflows and inflows of resources related to pensions and other postemployment benefits are applicable to future periods and, therefore, are not reported in the funds	
Deferred inflows of resources related to pensions	(973,995)
Deferred outflows of resources related to pensions	10,149,932
Deferred inflows related to other postemployment benefits	(2,242,238)
Deferred outflows related to other postemployment benefits	698,938
Long-term liabilities, including bonds payable, accrued interest payable, and compensated absences are not due and payable in the current period and therefore are not reported in the funds:	
Net pension liability	(36,307,801)
Net other postemployment benefits liability	(8,678,012)
Bonds payable	(10,685,000)
Accrued interest payable	(99,534)
Compensated absences	(83,815)
	(5,356,442)
<i>Net position of governmental activities</i>	<u><u>\$ (5,356,442)</u></u>

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

Cobre Consolidated School District No. 2
**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

For The Fiscal Year Ended June 30, 2019

	General Fund	Title I	Title I Striving Reader
Revenues:			
Property taxes	\$ 98,558	\$ -	\$ -
Fees and charges	39,243		
State aid	12,716,364		
Federal aid	101,624	498,542	656,931
Earnings on investments	482		
Miscellaneous	97,621		
	<u>\$ 13,053,892</u>	<u>\$ 498,542</u>	<u>\$ 656,931</u>
Expenditures:			
Current:			
Instruction	\$ 6,834,656	\$ 394,575	\$ 656,931
Support services - Students	1,680,311		
Support services - Instruction	528,846		
General administration	816,418	95,690	
School administration	910,748	4,777	
Central services	361,603		
Operation of plant	1,735,525		
Food service			
Transportation	554,872	3,500	
Other support services	111,538		
Bond issue costs			
Debt service:			
Principal			
Interest			
Capital outlay			
	<u>\$ 13,534,517</u>	<u>\$ 498,542</u>	<u>\$ 656,931</u>
Revenues over (under) expenditures	\$ (480,625)	\$ -	\$ -
Other financing sources:			
Bond proceeds			
	<u>\$ (480,625)</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance	\$ (480,625)	\$ -	\$ -
Fund balance, July 1, 2018	<u>484,796</u>	<u>-</u>	<u>-</u>
Fund balance, June 30, 2019	<u>\$ 4,171</u>	<u>\$ -</u>	<u>\$ -</u>

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

<u>Pre-K Initiative</u>	<u>Bond Building</u>	<u>Debt Service</u>	<u>Other Funds</u>	<u>Governmental Funds Total</u>
\$ -	\$ -	\$ 1,709,605	\$ 525,228	\$ 2,333,391
544,040			90,246	129,489
			911,612	14,172,016
	59,351	397	2,171,965	3,429,062
			377	60,607
				97,621
<u>\$ 544,040</u>	<u>\$ 59,351</u>	<u>\$ 1,710,002</u>	<u>\$ 3,699,428</u>	<u>\$ 20,222,186</u>
\$ 389,375	\$ -	\$ -	\$ 1,512,180	\$ 9,787,717
			562,525	2,242,836
23,108			67,088	595,934
46,557			14,661	949,877
			40,661	1,002,743
	1,975			361,603
			654,132	2,391,632
85,000			917,229	917,229
			14,700	658,072
				111,538
	74,196			74,196
		1,415,000		1,415,000
		231,901		231,901
	1,019,424		108,469	1,127,893
<u>\$ 544,040</u>	<u>\$ 1,095,595</u>	<u>\$ 1,646,901</u>	<u>\$ 3,891,645</u>	<u>\$ 21,868,171</u>
\$ -	\$ (1,036,244)	\$ 63,101	\$ (192,217)	\$ (1,645,985)
	3,500,000			3,500,000
\$ -	\$ 2,463,756	\$ 63,101	\$ (192,217)	\$ 1,854,015
	2,037,388	1,726,436	1,347,956	5,596,576
<u>\$ -</u>	<u>\$ 4,501,144</u>	<u>\$ 1,789,537</u>	<u>\$ 1,155,739</u>	<u>\$ 7,450,591</u>

Cobre Consolidated School District No. 2
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES**
For The Year Ended June 30, 2019

Net change in fund balances-total governmental funds \$ 1,854,015

*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 as depreciation expense:

Capital outlay	1,127,893
Depreciation	(2,822,058)

Revenues in the Statement of Activities that do not provide current
financial resources are not reported as revenues in the funds. This is the net
change during the year:

Property taxes	(10,207)
Intergovernmental grants	(113,748)

Bond proceeds are reported as financing sources in the funds. In the Statement of
Activities, however, issuing debt increases long-term liabilities. (3,500,000)

Repayment of debt principal is an expenditure in the governmental
funds, but the repayment reduces long-term liabilities in the
Statement of Net Assets 1,415,000

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

Pension contributions	1,429,509
Cost of benefits earned	(6,322,375)

Governmental funds report other postemployment benefit contributions as
expenditures. However, in the Statement of Activities, the cost of other
postemployment benefits earned net of employee contributions is reported as
other postemployment benefits expense

Post employment benefit contributions	210,968
Cost of benefits earned	(91,847)

In the Statement of Activities, interest is accrued on outstanding bonds,
whereas in governmental funds, an interest expenditure is reported
when due. This is the net change during the year. 4,639

Some expense reported in the Statement of Activities, such as
compensated absences, do not require the use of current financial
resources and therefore are not reported as expenditures in
governmental funds. This is the net change during the year.

32,893

Change in Net Position of Governmental Activities \$ (6,785,318)

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

Cobre Consolidated School District No. 2
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Property taxes	\$ 96,541	\$ 96,541	\$ 98,722	\$ 2,181
Fees and charges	49,000	49,000	22,265	(26,735)
Federal sources			101,624	101,624
State sources	12,704,373	12,798,550	12,713,998	(84,552)
Local sources	20,000	20,000	2,050	(17,950)
Interest income	835	835	482	(353)
Total revenues	\$ 12,870,749	\$ 12,964,926	\$ 12,939,141	\$ (25,785)
Expenditures:				
Current:				
Instruction	\$ 6,688,588	\$ 6,782,765	\$ 6,783,047	\$ (282)
Support services - Students	1,308,736	1,308,736	1,674,588	(365,852)
Support services - Instruction	540,459	540,459	526,489	13,970
General administration	803,225	803,225	807,830	(4,605)
School administration	781,282	781,282	909,834	(128,552)
Central services	363,551	363,551	359,639	3,912
Operation of plant	2,160,506	2,160,506	1,685,923	474,583
Pupil transportation	578,871	578,871	554,319	24,552
Other support services	4,837	4,837		4,837
Capital outlay				-
Total expenditures	\$ 13,230,055	\$ 13,324,232	\$ 13,301,669	\$ 22,563
Net change in fund balance	\$ (359,306)	\$ (359,306)	\$ (362,528)	\$ (3,222)
Fund balance, July 1, 2018	359,306	359,306	369,583	10,277
Fund balance, June 30, 2019	\$ -	\$ -	\$ 7,055	\$ 7,055
Net change in fund balance, GAAP			\$ (480,625)	
Revenue accruals (net)			(114,751)	
Expenditure accruals (net)			232,848	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ (362,528)</u>	

Cobre Consolidated School District No. 2
SPECIAL REVENUE FUND- TITLE 1
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Federal sources	\$ 334,552	\$ 513,897	\$ 92,129	\$ (421,768)
Expenditures:				
Current:				
Instruction	\$ 225,784	\$ 399,784	\$ 394,575	\$ 5,209
Support services - Students				-
Support services - Instruction				-
General administration	96,673	102,018	95,690	6,328
School administration	12,095	12,095	4,777	7,318
Central services				-
Operation of plant				-
Pupil transportation			3,500	(3,500)
Other support services				-
Capital outlay				-
Total expenditures	\$ 334,552	\$ 513,897	\$ 498,542	\$ 15,355
Net change in fund balance	\$ -	\$ -	\$ (406,413)	\$ (406,413)
Fund balance, July 1, 2018			(90,378)	(90,378)
Fund balance, June 30, 2019	\$ -	\$ -	\$ (496,791)	\$ (496,791)
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			(406,413)	
Expenditure accruals (net)				
Net change in fund balance, NON-GAAP budgetary basis			\$ (406,413)	

The accompanying notes are an integral part of these financial statements

Cobre Consolidated School District No. 2
SPECIAL REVENUE FUND- TITLE I STRIVING READER
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Federal sources	\$ -	\$ 837,203	\$ 191,144	\$ (646,059)
Expenditures:				
Current:				
Instruction	\$ -	\$ 837,203	\$ 656,931	\$ 180,272
Support services - Students				-
Support services - Instruction				-
General administration				-
School administration				-
Central services				-
Operation of plant				-
Pupil transportation				-
Other support services				-
Capital outlay				-
Total expenditures	\$ -	\$ 837,203	\$ 656,931	\$ 180,272
Net change in fund balance	\$ -	\$ -	\$ (465,787)	\$ (465,787)
Fund balance, July 1, 2018	-	-	-	-
Fund balance, June 30, 2019	\$ -	\$ -	\$ (465,787)	\$ (465,787)
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			(465,787)	
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			\$ (465,787)	

The accompanying notes are an integral part of these financial statements

Cobre Consolidated School District No. 2
SPECIAL REVENUE FUND - PRE K INITIATIVE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
State sources	\$ 546,693	\$ 546,693	\$ 395,731	\$ (150,962)
Expenditures:				
Current:				
Instruction	\$ 382,778	\$ 382,778	\$ 389,375	\$ (6,597)
General administration	22,100	22,100	23,108	(1,008)
School administration	56,815	56,815	46,557	10,258
Transportation	85,000	85,000	85,000	-
Total expenditures	<u>\$ 546,693</u>	<u>\$ 546,693</u>	<u>\$ 544,040</u>	<u>\$ 2,653</u>
Net change in fund balance	\$ -	\$ -	\$ (148,309)	\$ (148,309)
Fund balance, July 1, 2018	<u>-</u>	<u>-</u>	<u>(258,244)</u>	<u>(258,244)</u>
Fund balance, June 30, 2019	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (406,553)</u>	<u>\$ (406,553)</u>
Net change in fund balance, GAAP			\$ -	
Revenue accruals (net)			(148,309)	
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ (148,309)</u>	

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

Cobre Consolidated School District No. 2
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2019

	<u>Agency Funds</u>
Assets	
Cash and investments	<u>\$ 259,062</u>
Total assets	<u><u>\$ 259,062</u></u>
Liabilities	
Deposits held for others	<u>\$ 259,062</u>
Total liabilities	<u><u>\$ 259,062</u></u>

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

Cobre School Consolidated School District No. 2
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

Note 1 **Summary of Significant Accounting Policies**

Cobre Consolidated School District No. 2, organized under the laws of the State of New Mexico, operates under the school board-superintendent form of government. The System provides public education opportunities for children from first through twelfth grade, including but not limited to classroom and vocational studies; as well as school oriented social and athletic activities.

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the District are discussed below.

A. REPORTING ENTITY

These financial statements present the District (the primary government). As defined by GAAP, component units are legally separate entities that are included in the District's reporting entity because of the significance of their operating or financial relations with the District. Based on the criterion in GAAP, the District has no component units.

B. BASIS OF PRESENTATION

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The District has no business-type activities.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into two major categories: governmental, and fiduciary. An emphasis is placed on major funds within the governmental categories. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that category or type.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the District and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds. Included in the General Fund are sub-funds; Operational, the Unrestricted District Fund; Transportation, which accounts for State source revenue used to transport students; Instructional Materials, which accounts for State Source Funds used to purchase textbooks; and Non-instructional Support, which accounts for various student extracurricular activities.

Special Revenue Funds

Special Revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes.

Capital Project Fund

The Capital project Funds are used to account for resources restricted for the acquisition or construction of specific capital projects or items.

Debt Service Fund

The Debt Service Fund accounts for the accumulation of financial resources for the payment of interest and principle on the general long-term debt of the District.

Fiduciary Funds

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support District programs. The reporting focus is on net position and changes in net position and are reported using accounting principles similar to proprietary funds.

Agency Funds account for assets held in a purely custodial capacity. Since agency funds are custodial in nature (i.e.) assets equal liabilities, they do not involve the measurements of results of operations. Typically, these funds are owned by clubs, athletic teams, and/or student organizations.

The emphasis in fund financial statements is on the major funds in the governmental category. Non-major funds are summarized into a single column.

The District's fiduciary funds are presented in the fiduciary fund financial statements by type (pension, private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated in to the government-wide statements.

Major Fund Descriptions

General – See above description.

Title 1, Title 1 Striving Reader – Funds used to account for the federal assistance administered by the New Mexico Public Education Department to provide assistance to educationally deprived students in low-income areas of the District. Required by the New Mexico Public Education Department Manual of Procedures for New Mexico School Districts to be accounted for as a separate fund within the Special Revenue Funds (P.L. 103-382).

Pre-K Initiative – To account for the State assistance provided to the District to establish a pre-kindergarten program for children. Authority is the New Mexico Public Education Department as funded by the New Mexico Legislature, and is a Special Revenue Fund.

Bond Building – to account for bond proceeds plus any income earned thereon. The proceeds are restricted for the purpose of making additions to and furnishing of school buildings or purchasing or improving school grounds or any combination thereof as approved by the voters of the District. This is a Capital Project Fund.

Debt Service – See above description.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Position and the Statement of Activities, governmental activities are presented using the economic resources measurement focus as defined in item “b” below.

In the fund financial statements, the “current financial resources” measurement focus is used.

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets, deferred outflows of resources, liabilities and deferred inflows of resources are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The government-wide financial statements utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), and financial position. All assets, deferred outflows of resources, liabilities and deferred inflows of resources (whether current or noncurrent) associated with their activities are reported. Revenues, expenses, gains, losses, assets, deferred outflow of resources, liabilities and deferred inflows of resources resulting from non-exchange transactions are recognized when the earnings process is complete.

BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual:

The government-wide financial statements and the fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

2. Modified Accrual:

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

Substantially all governmental fund revenues are accrued. In applying GASBS No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as deferred outflows of resources by the provider and deferred inflows of resources by the recipient. Grant revenues not collected within 60 days of year end are recorded as receivables and deferred inflows of resources. Such amounts are recorded net of estimated uncollectible accounts.

Property tax receivables are recognized net of estimated refunds and uncollectible amounts in the period for which the taxes are levied, even if they are not available. Property taxes not collected within 60 days of year end are reported as deferred inflows of resources in the fund statements. Property taxes are considered fully collectible.

In the government –wide Statement of Net Position, the governmental activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a fully accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position is reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position. The District first utilizes restricted resources when an expense is incurred and for purposes for which both restricted and unrestricted net positions are available.

The government-wide Statement of Activities reports both the gross and net cost of each of the District's functions. The functions are also supported by generally government revenues (property taxes, certain intergovernmental revenues, and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Charges for services include revenues based on exchange or exchange-like transactions. These revenues arise from charges to customers or applicants who purchase use or directly benefit from the goods, services or privileges provided. Revenues in this category include fees charged for specific services, such as attendance at athletic

events, food service, copies and auxiliary services. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function) are normally covered by general revenue (property taxes, intergovernmental revenues, interest income, etc.).

The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities.

D. BUDGETS

Budgets for the General, Special Revenue, Debt Service and Capital Projects funds are prepared by management and approved by the local school board and the Public Finance School Division of the Department of Education. Included in the bond building fund, when applicable, are payments made by the Public School Facilities Authority directly to vendors on behalf of the District, and bond proceeds held and disbursed to vendors by the New Mexico Finance Authority. Such amounts are excluded from the budgetary comparison of the bond building fund. The Non-Instructional Student Support Sub-Fund, which is a part of the General Fund, is not budgeted and is therefore not included in the budgetary comparison statements.

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.

Actual expenditures may not exceed the budget on a functional category basis, 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 Education Department.

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

E. CASH AND INVESTMENTS

Cash includes amounts in demand deposits as well as short-term investments with a maturity of six months from the date acquired by the government. State statutes authorize the government to invest in obligations of the U.S. Treasury, interest-bearing accounts with local financial institutions and the State Treasurer Pool.

New Mexico Statutes require that financial institutions with public monies on deposit pledge collateral, to the owners of such monies, in an amount not less than 50% of the public monies held on deposit. Collateral pledged is held in safekeeping by other financial institutions, with safekeeping receipts held by the District. The pledged securities remain in the name of the financial institution. Repurchase agreements are required to be collateralized 102%.

F. INVENTORIES

Except for U.S.D.A. commodities, which are shown at estimated value, inventories are valued at cost (first-in, first-out). Inventory in the Cafeteria Fund consists mainly of food items. Inventories, in other governmental fund types, consist primarily of supply-type assets.

G. CAPITAL ASSETS

Capital assets purchased or acquired with an original cost of \$5,000.00 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	20-50 years
Software and library resources	3-5 years
Machinery and equipment	5-10 years
Improvements	10-20 years

The accounting treatment over property, plant and equipment depends on whether they are reported in the government-wide financial statements or fund financial statements. In the government-wide financial statements, fixed assets are accounted for as capital assets. In the fund financial statements, fixed assets are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

H. LONG-TERM DEBT

The accounting treatment of long-term debt depends on whether the assets are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of bonds payable and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures.

I. COMPENSATED ABSENCES

The District’s policies, regarding vacation time, permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources. These liabilities have typically been liquidated from general fund resources.

J. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents consumption of net position that applies to a future period, and so will not be recognized as an outflow or resource (expenses/expenditures) until then. The Government has deferred outflows of resources related to pensions as discussed in Note 5, and other postemployment benefits as discussed in Note 6.

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenues) until that time. The Government has three types of items, one of which arises under the full accrual basis of accounting and all of which arise under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item unavailable revenue, is reported in both the statement of net position and the governmental funds balance sheet, if necessary. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The Government reports unavailable revenue from the following sources:

	Statement Of Net Position	<u>Governmental Funds Balance Sheet</u>			
		General Fund	Debt Service Fund	Other Funds	Total
Advances received under expenditure driven grants	\$ 12,590	\$	\$	\$ 12,590	\$ 12,590
Property taxes	<u> </u>	<u>20,061</u>	<u>395,038</u>	<u>161,962</u>	<u>577,061</u>
Total	<u>\$ 12,590</u>	<u>\$ 20,061</u>	<u>\$395,038</u>	<u>\$174,552</u>	<u>\$ 589,561</u>

In addition, the District reports deferred inflows of resources related to pensions as discussed in Note 5, and other postemployment benefits as discussed in Note 6.

K. EQUITY CLASSIFICATIONS

Government-wide Statements

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

- a. Net investment in capital assets – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – all other net positions that do not meet the definition of “restricted” or “net investment in capital assets.”

Fund Statements

During the year ended June 30, 2011, the District implemented GASB Statement 54 “Fund Balance Reporting and Governmental Fund Type Definitions”. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used.

- Non-spendable fund balance – amounts that are not in a spendable form (such as inventory) or are required to remain intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by the government itself, using its highest level of decision-making authority, to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change its constraints.
- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the government body delegates the authority.
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are reported only in the general fund.

The Board of Education establishes (and modifies or rescinds) fund balance commitments by adoption of a resolution or a vote of the Board. This is typically done through the adoption and amendment of the budget. Assigned fund balance is established by the Board of Education through adoption or amendment of the budget as intended for a specific purpose (such as purchase of fixed assets, construction, debt service or for other purposes). Expenditures incurred are normally paid from the most highly constrained fund balance.

L. PROPERTY TAX

Property taxes attach as an enforceable lien on property as of January 1. Property tax rates for the year are set no later than September 1 each year by the Secretary of Finance and Administration. The rates of tax are then used by County Assessors to develop the property tax schedule by October 1. Taxes are payable in equal semiannual installments by November 10 and April 10 of the subsequent year and become delinquent 30 days later. Taxes are collected on behalf of the District by the County Treasurer and are remitted to the District in the month following collection. Because the Treasurer of the County in which the District is located is statutorily required to collect taxes as an intermediary agency for all forms of government, distribution of taxes are made through the applicable County to the District.

The District is permitted to levy taxes for general operating purposes up to \$.50 per \$1,000 of taxable value for both residential and nonresidential property, taxable value being defined as one third of the fully assessed value. In addition, the district is allowed to levy taxes for payments of bond principal and interest in amounts approved by voters of the District, as well as a Two Mill Levy for District improvements. The District’s total tax rate to finance general government services for the year ended June 30, 2019 was \$.402 per \$1,000 for non-residential property and \$.311 for residential property. The District’s tax rate for debt service was \$6.509 per \$1,000 for both residential and nonresidential

property. The District's tax rate for District improvements was \$1.979 per \$1,000 for residential and \$2.00 for nonresidential property.

M. INTERFUND ACTIVITY

Inter-fund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as inter-fund receivables and payable 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 inter-fund transactions are treated as transfers. Inter-fund activity between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

N. USE OF ESTIMATES

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

Note 2 Custodial Credit Risk

Custodial credit risk is the risk in the event of a bank failure the government's deposits may not be returned to it. The District does not have a deposit policy for credit risk beyond that disclosed in Note 1.

As of June 30, 2019, \$275,188 of the government bank balance of \$3,342,737 was exposed to custodial credit risk as follows:

Uninsured and collateralized		<u>\$ 275,188</u>
	<u>Bank Balance</u>	<u>Carrying Amount</u>
Deposits by custodial risk category:		
Insured	\$ 250,000	\$ 250,000
Collateral held by the pledging bank's agent in the District's name	2,817,549	682,139
Uninsured and collateralized	<u>275,188</u>	<u>-0-</u>
	<u>\$ 3,342,737</u>	<u>\$ 932,139</u>

The District also has \$4,498,873 on deposit with the New Mexico Finance Authority. These funds are unspent bond proceeds.

Note 3 Capital Assets

Capital asset activity for the year ended June 30, 2019, was as follows:

	Balance <u>July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2019</u>
Capital assets not being depreciated:				
Land	\$ 747,139	\$ -	\$ -	\$ 747,139
Construction in progress	<u>118,138</u>	<u>972,885</u>	<u>509,574</u>	<u>581,449</u>
Total assets not being depreciated	<u>\$ 865,277</u>	<u>\$ 972,885</u>	<u>\$ 509,574</u>	<u>\$ 1,328,588</u>
Other capital assets:				
Building & improvements	\$ 70,770,194	\$ 509,574	\$ -	\$ 71,279,768
Furniture and equipment	<u>3,915,884</u>	<u>155,008</u>	<u>-</u>	<u>4,070,892</u>
Total other assets at historical cost	<u>\$ 74,686,078</u>	<u>\$ 664,582</u>	<u>\$ -</u>	<u>\$ 75,350,660</u>
Less accumulated depreciation:				
Buildings and improvements	\$(35,581,056)	\$(2,733,978)	\$ -	\$(38,315,034)
Furniture and equipment	<u>(3,438,703)</u>	<u>(88,080)</u>	<u>-</u>	<u>(3,526,783)</u>
Total accumulated depreciation	<u>\$(39,019,759)</u>	<u>\$(2,822,058)</u>	<u>\$ -</u>	<u>\$(41,841,817)</u>
Total capital assets, net	<u>\$ 36,531,596</u>	<u>\$ (1,184,591)</u>	<u>\$ 509,574</u>	<u>\$ 34,837,431</u>

Depreciation expense was charged to the governmental activities as follows:

Instruction	\$ 1,467,470
Student support	28,220
Instructional support	49,386
Administration general	225,765
Administration school	75,869
Central services	3,084
Plant operation	436,074
Transportation	395,088
Food Services	<u>141,102</u>
	<u>\$ 2,822,058</u>

The District has construction commitments totaling approximately \$4,500,000 at June 30, 2019, funded principally by the issuance of bonds.

Note 4 Long-term Debt

Changes in long-term debt were as follows during the year end June 30, 2019:

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2019</u>	<u>Due In</u> <u>One Year</u>
G.O. Bonds, 2011	\$ 5,100,000	\$ -0-	\$ 1,100,000	\$ 4,000,000	\$ 1,000,000
G.O. Bonds, 2017	3,500,000	-0-	315,000	3,185,000	275,000
G.O. Bonds, 2019	<u>-0-</u>	<u>3,500,000</u>	<u>-0-</u>	<u>3,500,000</u>	<u>-0-</u>
	<u>\$ 8,600,000</u>	<u>\$3,500,000</u>	<u>\$ 1,415,000</u>	<u>\$10,685,000</u>	<u>\$ 1,275,000</u>
Compensated absences	<u>\$ 116,708</u>	<u>\$ 32,676</u>	<u>\$ 65,569</u>	<u>\$ 83,815</u>	<u>\$ -0-</u>

Annual debt service for bonds payable requirements are as follows:

Due in fiscal year ending June 30:

	<u>Principal</u>	<u>Interest</u>
2020	\$ 1,275,000	\$ 247,485
2021	1,400,000	219,724
2022	1,490,000	178,605
2023	1,420,000	135,476
2024	420,000	110,156
2025-2029	2,330,000	411,323
2030-2034	2,120,000	125,679
2035-2039	<u>230,000</u>	<u>115</u>
	<u>\$ 10,685,000</u>	<u>\$ 1,428,563</u>

No compensated absences are considered due and payable in the next fiscal year.

GENERAL OBLIGATION BONDS

The bonds and bond interest are paid from property tax levies enacted specifically for the debt retirement. The revenues pledged totaled \$12,113,563 at June 30, 2019, and equal 100% of the tax levies enacted to repay the bonded indebtedness. The bonds were sold to erect and furnish facilities for the District. Interest rates range from 1.73% to 3.570% for individually scheduled retirements, and maturity dates range from 2022 through 2035. The property tax levies expire when the related bond indebtedness is repaid.

During the year ended June 30, 2019, the District recognized \$1,709,605 in property taxes pledged to retire the bonded indebtedness, and retired \$1,646,900 in bond principal and interest.

Note 5 Pension Plan

Summary of Significant Accounting Policies

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 amortized cost.

General Information about the Pension Plan

Plan Description

ERB was created by the State's Education Retirement Act, Section 22-11-1 through 22-11-52. NMSA 1978, as amended, to administer the New Mexico Educational Employees' Retirement Plan (Plan). The Plan is a cost-sharing, multiple employer 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 agencies providing educational programs. The Plan is a pension trust fund of the State of New Mexico. The New Mexico Legislature has the authority to set or amend contribution rates.

ERB issues a publicly available financial report and a comprehensive annual financial report that can be obtained at www.nmerb.org.

Benefits Provided

A member's retirement benefit is determined by a formula which includes three component parts: the member's final average salary (FAS), the number of years of service credit, and 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. A brief summary of Plan coverage provisions follows:

For members employed before July 1, 2010, a member is eligible to retire when one of the following events occurs: the member's age and earned service credit add up to the sum of 75 or more; the member is at least sixty-five years of age and has five or more years of earned service credit; or the member has service credit totaling 25 years or more.

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

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 lump sum to the member's surviving beneficiary. There are three benefit options available: single life annuity; single life annuity monthly benefit reduced to provide for a 100% survivor's benefit; or single life annuity monthly benefit is reduce to provide for a 50% survivor's benefit.

Retired members and surviving beneficiaries receiving benefits receive an automatic cost of living adjustment (COLA) to their benefit each July 1, beginning in the year the member attains or would have attained age 65 or on July 1 of the year following the member's retirement date, whichever is later. Prior to June 30, 2013 the COLA adjustment was equal to one half the change in the Consumer Price Index (CPI), except that the COLA shall not exceed 4% nor be less than 2%, unless the change in CPI is less than 2%, in which case, the COLA would equal the change in the CPI, but never less than zero. As of July 1, 2013, for current and future retirees the COLA was immediately reduced until the plan is 100% funded. The COLA reduction was 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 1.8%. All other retirees will have a 20% COLA reduction; their average COLA will be 1.6%. 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 1.9%. All other retirees will have a 10% COLA reduction; their average will be 1.8%. 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.

A member is eligible for a disability benefit provided (a) he or she has credit for at least 10 years of service, and (b) the disability is approved by ERB. The monthly benefit is equal to 2% of FAS times years of service, but not less than the smaller of (a) one-third of FAS or (b) 2% of FAS times year of service projected to age 60. The disability benefit commences immediately upon the member's retirement. Disability benefits are payable as a monthly life annuity, with a guarantee that, if the payments made do not exceed the member's accumulated contributions, determined as of the date of retirement, the balance will be paid in a lump sum to the member's surviving beneficiary. If the disabled member survives to age 60, the regular optional forms of payment are then applied. A member with five or more years of earned service credit on deferred status may retire on disability retirement when eligible under the Rule of 75 or when the member attains age 65.

Contributions

The contribution requirements of defined benefit plan members and the Cobre Consolidated School District No. 2 are established in state statute under Chapter 10, Article 11, NMSA, 1978. The requirements may be amended by acts of the legislature. For fiscal year ended June 30, 2019 employers contributed 13.90% and employees earning \$20,000 or less continued to contribute 7.9% and employees earning more than \$20,000

contributed an increased amount of 10.70% of their gross annual salary. Contributions to the pension plan from the Cobre Consolidated School District No. 2 were \$1,429,509 for the year ended June 30, 2019.

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

The total ERB pension liability, net pension liability, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2017. The total ERB 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 June 30, 2018. At June 30, 2019, the Cobre Consolidated School District No. 2 reported a liability of \$36,307,801 for its proportionate share of the net pension liability. The District's proportion of the net pension liability is based on the employer contributing entity's percentage of total employer contributions for the fiscal year ended June 30, 2018. The contribution amounts were defined by Section 22-11-21, NMSA 1978. At June 30, 2018, the District's proportion was .30533 percent, which was an increase of .01961 percent from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Cobre Consolidated School District No. 2 recognized pension expense of \$6,322,375. At June 30, 2019, the Cobre Consolidated School District No. 2 reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Differences between expected and actual experience	\$ 26,499	\$ (690,996)
Changes of assumptions	7,482,866	-
Net difference between projected and actual earnings on pension plan investments	80,376	
Changes in proportion and differences between Cobre Consolidated School District No. 2 contributions and proportionate share of contributions	1,130,682	(282,999)
Cobre Consolidated School District No. 2 contributions subsequent to the measurement date	<u>1,429,509</u>	<u>-</u>
Total	<u>\$10,149,932</u>	<u>\$ (973,995)</u>

\$1,429,509 reported as deferred outflows of resources related to pensions resulting from Cobre Consolidated School District No. 2 contributions subsequent to the measurement date June 30, 2018 will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. 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	\$ 4,413,372
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2021	3,134,542
2022	197,456
2023	1,058

Actuarial Assumptions

As described above, the total ERB pension liability and net pension liability are based on an actuarial valuation performed as of June 30, 2017. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2018 using generally accepted actuarial principles. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2018. Specifically, the liabilities measured as of June 30, 2018 incorporate the following assumptions:

1. All members with an annual salary of more than \$20,000 will contribute 10.7%.
2. Members hired after June 30, 2013 will have an actuarially reduced retirement benefit if they retire before age 55 and their COLA will be deferred until age 67.
3. COLA's for most retirees are reduced until ERB attains a 100% funded status.
4. These assumptions were adopted by ERB on April 21, 2017 in conjunction with the six-year experience study period ending June 30, 2016.

For the purposes of projecting future benefits, it is assumed that the full COLA is paid in all future years. The actuarial methods and assumptions used to determine contribution rates included in the measurement are as follows:

Actuarial Cost Method	Entry Age Normal
Single discount rate	5.69%
Inflation	2.5%
Salary Increases	Composition: 2.5% inflation, plus .75% productivity rate, plus step rate promotional increases for members with less than 10 years of service
Investment Rate of Return	7.25%
Retirement Age	Experience based table of age and service rates
Mortality	Healthy males: RP-2000 Combined Mortality Table with White Collar Adjustment, using Scale BB, from base year 2000 Healthy females: GRS Southwest Regional teacher mortality table, set back one year, generational mortality improvements in accordance with scale BB from the tables base year of 2012.

The long-term expected rate of return on pension plan investments is determined annually using a building-block approach that includes the following: 1) Rate of return projections

are the sum of current yield plus projected changes in price (valuation, defaults, etc.). 2) Application of key economic projections (inflation, real growth, dividends, etc.), and 3) Structural themes (supply and demand imbalances, capital flows, etc.). These items are developed for each major asset class.

Discount Rate

A single discount rate of 5.69% was used to measure the total ERB pension liability as of June 30, 2018. This single discount rate was based on the expected rate of return on pension plan investments of 7.25%. Based on the stated assumptions and the projection of cash flows, the Plan’s fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments through the year 2050. Therefore, the long-term expected rate of return on 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 projection of cash flows used to determine this single discount rate assumed that Plan contributions will be made at the current statutory levels. Additionally, contributions received through the Alternative Retirement Plan (ARP), ERBs defined contribution plan, are included in the projection of cash flows. ARP contributions are assumed to remain at a level percentage of ERB payroll, where the percentage of payroll is based on the most recent five year contribution history.

Sensitivity of the Cobre Consolidated School District No. 2’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table shows the sensitivity of the net pension liability to changes in the discount rate as of the fiscal year end 2018. In particular, the table presents the District’s net pension liability under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (4.69%) or one percentage point higher (6.69%) than the single discount rate.

	<u>1% Decrease</u> <u>(4.69%)</u>	<u>Discount Rate</u> <u>(5.69%)</u>	<u>1% Increase</u> <u>(6.69%)</u>
Cobre Consolidated School District No. 2’s proportionate share of the net pension liability	\$47,186,235	\$36,307,801	\$27,431,677

Pension Plan Fiduciary Net Position

Detailed information about the ERB’s fiduciary net position is available in the separately issued audited financial statements as of and for the years ended June 30, 2018 and 2017 which are publicly available at www.nmerb.org.

Note 6 Retiree Health Care Plan

Summary of Significant Accounting Policies

For purposes of measuring the net other postemployment benefits liability (OPEB) deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Retiree Health Care Authority (RHCA) and additions to/deductions from RHCA’s fiduciary net position have been determined on the same basis as they are reported by RHCA, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit

payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Health Care Authority

The New Mexico Retiree Health Care Authority (the Authority) 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 Retiree Health Care Fund (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.

RHCA issues a publicly available financial report and a comprehensive annual financial report that can be obtained at www.nmrhca.state.nm.us, or by contacting the New Mexico Retiree Health Care Authority at 4308 Carlisle N.E., Albuquerque, N.M. 87107.

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 of the Authority also participate in the Fund.

The plan has 299 participating employers and 156,025 current members, including active employees, terminated eligible members, retirees, and surviving spouses. As of June 30, 2018, membership in the plan consists of the following:

Plan membership:

Current retirees and surviving spouses	51,205
Inactive and eligible for deferred benefit	11,471
Current active members	<u>93,349</u>
	<u>156,025</u>
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	<u>48,756</u>
	<u>93,349</u>

The Authority is an independent agency of the State of New Mexico. The funds administered by the Authority are considered part of the State of New Mexico financial reporting entity and are OPEB Trust Funds of the State of New Mexico. The Authority's financial information is included with the financial presentation of the State of New Mexico.

Employer and employee contributions to the Authority total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee's salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee

contributions are non-refundable under any circumstance, including termination of the employer's participation in the Authority.

Current retirees are required to make monthly contributions for individual basic medical coverage. The Board may designate other plans as "optional coverages". See Section 10-7C-13 NMSA 1978 for more details.

The plan's actuarial valuation and measurement of the net OPEB liability and other OPEB amounts were performed by the Authority's independent actuary as of June 30, 2017, and rolled forward to a measurement date of June 30, 2018. The plan's valuation and measurement of the total OPEB liability and related net OPEB liability were performed in accordance with GASB No. 74. The components of the net OPEB liability as of June 30, 2018 are as follows:

	<u>June 30, 2018</u>
Total OPEB liability	\$ 5,006,011,109
Plan fiduciary net position	<u>(657,656,294)</u>
Net OPEB liability	<u>\$ 4,348,354,815</u>
Plan fiduciary net position as a percentage of the total OPEB liability (funded status)	13.14%

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

The Cobre Consolidated School District No. 2 reported a liability of \$8,678,012 for its proportionate share of the net OPEB liability. The District's proportion of the net OPEB liability based on the employer contributing entity's percentage of total employer contributions for the fiscal year ended June 30, 2018. At June 30, 2018, the District's proportion was .19957 percent, an increase of .01063 percent over June 30, 2017.

For the year ended June 30, 2019, the District recognized OPEB expense of \$91,847. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to other postemployment benefits from the following sources:

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Differences between expected and actual experience	\$	\$ 513,794
Net difference between projected and actual earnings on plan investments		108,298
Changes in proportion	487,970	
Changes of assumptions		1,620,146
The District's contributions subsequent to the measurement date	<u>210,968</u>	<u> </u>
Total	<u>\$ 698,938</u>	<u>\$2,242,238</u>

\$210,968 reported as deferred outflows of resources related to OPEB resulting from the District contributions subsequent to the measurement date, June 30, 2018 will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:

2020	\$ (466,321)
2021	(466,321)
2022	(466,321)
2023	(336,573)
2024	(18,732)

Actuarial Valuation

The total OPEB liability as of June 30, 2018 was determined by an actuarial valuation as of June 30, 2017, rolled forward to June 30, 2018. The mortality, retirement, disability, turnover and salary increase assumptions are based on the PERA annual valuation as of June 30, 2016 and the ERB actuarial experience study as of June 30, 2016. The following actuarial assumptions were applied to the actuary's measurement:

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 members; 2.25% for PERA members
Projected payroll increases	3.50% to 12.5% based on years of service and inflation
Investment rate of return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation
Health care cost trend rate	8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 for Medicare medical plan costs
Mortality	ERB members: RP-2000 Combined Healthy Mortality Table with White Collar Adjustment (males) and GRS Southwest Region Teacher Mortality Table (females) PERA Members: RP-2000 Combined Healthy Mortality.

Rate of Return

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

inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumptions.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Rate of Return</u>
U.S. Core Fixed Income	20%	2.1%
U.S. Equity – Large Cap	20%	7.1%
Non U.S. – Emerging Markets	15%	10.2%
Non U.S. – Developed Equities	12%	7.8%
Private Equity	10%	11.8%
Credit and Structured Finance	10%	5.3%
Real Estate	5%	4.9%
Absolute Return	5%	4.1%
U.S. Equity – Small/Mid Cap	3%	7.1%

Discount Rate

The discount rate used to measure the 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 the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the Fund’s fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2029. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2029. Beyond 2029, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Thus 4.08% is the blended discount rate.

Sensitivity of the Net District’s OPEB Liability

The following presents the District’s net OPEB liability, calculated using the discount rate of 4.08%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percent lower or 1-percent higher than the current rate:

<u>1% Decrease</u> <u>(3.08%)</u>	<u>Current Discount</u> <u>(4.08%)</u>	<u>1% Increase</u> <u>(5.08%)</u>
\$10,502,438	\$8,678,012	\$7,239,957

The following represents the District’s net OPEB liability, calculated using the current health cost trend rate as well as a health cost trend rate that is 1% lower or 1% higher than the current rate.

<u>1% Decrease</u>	<u>Current Trend Rates</u>	<u>1% Increase</u>
\$ 7,335,962	\$ 8,678,012	\$ 9,730,209

Note 7 Risk Management

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

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

Note 8 Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. 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 government expects such amounts, if any, to be immaterial.

Note 9 Inter-fund Activity

	Inter-Fund Receivable			
	<u>General</u>	<u>Debt Service</u>	<u>Other Funds</u>	<u>Total</u>
<u>Inter-fund Payable</u>				
Title 1	\$ 118,154	\$ 378,637	\$ -0-	\$ 496,791
Title 1 Striving Reader		465,787		465,787
Pre-K Initiative		324,787	81,766	406,553
Other Funds	-0-	-0-	912,519	912,519
	\$ 118,154	\$ 1,169,211	\$ 994,285	\$ 2,281,650

These transactions were used to fund operations in the short-term, and are expected to be repaid within one year.

There were no inter-fund transfers during the year ended June 30, 2018.

Note 10 Restricted Net Position

At June 30, 2019, net positions restricted for other purposes included the following balances:

Education	\$ 151,554
Social Services	455,345
Food Services	25,562
District Improvements	685,068

\$ 1,317,529

The District reports restricted positions of \$3,494,247 of which \$3,494,247 is restricted by enabling legislation.

Note 11 Expenditures in Excess of Budgetary Authority

The District incurred expenditures in excess of budgetary authority in the following funds and subfunds:

General Fund:	
Sub-fund Operational:	
Student Support	\$ 365,852
General Administration	4,605
School Administration	
128,552	
Title 1:	
Transportation	3,500
Pre-K Initiative:	
Instruction	6,597
General Administration	1,008

The District is in the process of reviewing its budget adjustment procedures to alleviate these overruns. The hiring of professional staff has been accomplished, and budget adjustment requests will be made in the future.

Note 12 Evaluation of Subsequent Events

The District has evaluated subsequent events through February 7, 2020, the date which the financial statements were available to be issued.

Note 13 Tax Abatement Disclosures

The District has no need to make tax abatement disclosures as required by Governmental Accounting Standards Board Statement 77, since no abatements exist.

Note 14 Fund Balance Deficits

The District had a fund balance deficit in the non-major Athletics Fund of \$5,877. As revenues are collected or transfers are made, the deficit will be reduced.

Cobre Consolidated School District No. 2
NONMAJOR GOVERNMENTAL FUNDS DESCRIPTION
June 30, 2019

SPECIAL REVENUE FUNDS

Cafeteria – Fund used to account for revenues generated by the District as well as the federal assistance received and the related expenditures necessary to provide food services for the District. Required by the New Mexico Department of Education Manual of Procedures for New Mexico School Districts to be accounted for as a separate fund within the Special Revenue Funds (PSAB, Supplement 17).

Athletics – To account for the revenues received, and the related expenditures incurred, by the District related to athletic functions (PSAB, Supplement 3).

Grads/Grads Plus – To provide grants to States or Territories to assist needy families with children so that children can be cared for in their own homes; to reduce dependency by promoting job preparation, work, and marriage; to reduce and prevent out-of-wedlock pregnancies; and to encourage the formation and maintenance of two-parent families. Social Security Act, Title IV, Part A, as amended; Personal Responsibility and Work Opportunity Reconciliation Act of 1996, Public Law 104-193. The fund was created by state grant provision.

Title I – Fund used to account for federal resources administered by the New Mexico State Department of Education to provide assistance to educationally deprived students in low-income areas of the District. Required by the New Mexico Department of Education Manual of Procedures for New Mexico School Districts to be accounted for as a separate fund within the Special Revenue Funds (P.L. 103-382).

Entitlement Fund – Entitlement funds are used to account for federal resources administered by the New Mexico State Department of Education to provide for the special education needs of handicapped children three to five years old. Required by the New Mexico Department of Education Manual of Procedures for New Mexico School Districts to be accounted for as a separate fund within the Special Revenue Funds (P.L. 94-142 and P.L. 99-457).

Pre-School – Fund used to account for federal resources administered by the New Mexico State Department of Education to provide for the special education needs of handicapped children. Required by the New Mexico Department of Education Manual of Procedures for New Mexico School Districts to be accounted for as a separate fund within the Special Revenue Funds (P.L. 94-142 and P.L. 99-457).

Teacher Training – Created by P.L. 107-110 to improve teacher and principal quality and ensure that all teachers are highly qualified.

Capital Improvements – SB9 – Provides funding for routine school source maintenance, improving school grounds, buildings, remodeling, furnishings, computers, software and technology infrastructure.

Day Care Child Care Block Grant – To account for the federal resources to provide daycare services for the District.

Excellence in Teaching – To account for State resources utilized to financially reward teachers recognized as outstanding in their field, Authorized by NMPED.

NM Reads To Lead K-3 Fund – Grants to provide an overarching goal of increasing student achievement in grades K-3 to ensure that all students are proficient in reading before entering fourth grade.

Kindergarten 3 Plus Pre-K Initiative – Fund used to account for federal resources administered the New Mexico State Department of Education to provide for the special education needs handicapped children three to five years old. Required by the New Mexico Department of Education Manual of Procedures for New Mexico School Districts to be accounted for as a separate fund within the Special Revenue Funds (P.L. 94-142 and P.L. 99-457).

Medicaid – To account for the federal assistance to improve primary health care and increase health education (P.L. 015-33); and is a Special Revenue Fund.

2009 Dual Credit Instruction – To account for state grant received to provide college credits to high school students, authority, State Grant PED.

School Health – Intended to aid organizations with a goal of improving the health and wellness of children and their families through nutrition, physical activity, disease prevention and management, or supporting safe environments.

Child and Adult Foods/Fruits and Vegetables – To account for the resources granted to ensure that children get an adequate diet of fruits and vegetables with meals. (NMPED regulations).

USHSD Truancy Prevention Fund – To account for the grant sponsored by the Department of Health and Human Services for programs to educate students on pregnancy prevention.

Library SB301 G.O. Bonds, Library Bonds, and REC Operating – to account for funds to upgrade libraries, books, and equipment (NMPED), Laws of 2004.

Energy Efficiency – To fund energy efficiency and renewable energy renovations at existing facilities.

CAPITAL PROJECT FUNDS

NM Highway Dept. – State – To account for the state resources to be used for specific construction projects.

DEBT SERVICE

Ed Tech Debt – To account for revenue to be used to service debt requirements related to technology equipment.

Cobre Consolidated School District No. 2
**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY OF
THE EDUCATIONAL RETIREMENT BOARD (ERB) PLAN
LAST 10 FISCAL YEARS***

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Cobre Consolidated School District No. 2's proportion of the net pension liability	.30533%	.28572%	.28747%	.30508%	.29769
Cobre Consolidated School District No. 2's proportionate share of the net pension liability	\$ 36,307,801	\$ 31,753,401	\$ 20,687,588	\$ 19,760,856	\$ 16,985,381
Cobre Consolidated School District No. 2's covered payroll	\$ 10,261,910	\$ 8,563,931	\$ 8,229,722	\$ 8,329,661	\$ 8,439,369
Cobre Consolidated School District No. 2's proportionate share of the net pension liability as a percentage of its covered payroll	354%	371%	251%	237%	201%
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 requirements to show information for 10 years. However, until a full 10 year trend is compiled, Cobre Consolidated School District No. 2 will present information for those years for which information is available.

Cobre Consolidated School District No. 2
SCHEDULE OF CONTRIBUTIONS
EDUCATIONAL RETIREMENT BOARD (ERB) PENSION PLAN
***LAST 10 FISCAL YEARS**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 1,429,509	\$ 1,186,127	\$ 1,130,986	\$ 1,140,033	\$ 1,173,109
Contributions in relation to contractually required contribution	<u>(1,429,509)</u>	<u>(1,186,127)</u>	<u>(1,130,986)</u>	<u>(1,140,033)</u>	<u>(1,173,109)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Cobre Consolidated School District No. 2's covered payroll	10,261,910	8,563,931	\$ 8,229,722	\$ 8,329,661	\$ 8,439,369
Contributions as a percentage of covered payroll	13.93%	13.85%	13.74%	13.69%	13.90%

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, Cobre Consolidated School District No. 2 will present information for those years for which information is available.

Cobre Consolidated School District No. 2
NOTES TO REQUIRED EDUCATIONAL RETIREMENT BOARD (ERB)
SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2019

Changes in benefit terms – The COLA and retirement eligibility benefits changes in recent years are described in the **Benefits Provided** subsection of the financial statement note disclosure **General Information on the Pension Plan**.

Changes of Assumptions

ERB conducts an actuarial experience study for the Plan on a biennial basis. Based on the six-year actuarial experience study for period ending June 30, 2016, presented to the Board of Trustees on April 21, 2017, ERB implemented the following changes in assumptions for the fiscal year 2017, which are also applicable to the fiscal year 2018:

1. Fiscal year 2017 valuation assumptions that changed based on this study:
 - a. Lower inflation assumption from 3.00% to 2.50%
 - b. Lower payroll growth from 3.50% to 3.00%
 - c. Wage inflation rate from 3.75% to 3.25%
 - d. Investment return assumption from 7.75% to 7.25%
 - e. Annual assumed COLA from 2.00% to 1.9%

All other assumptions remain unchanged.

See also the **Actuarial Assumptions** subsection of the financial statement note disclosure **General Information on the Pension Plan**.

Cobre Consolidated School District No. 2
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET OTHER
 POSTEMPLOYMENT BENEFIT (OPEB) LIABILITY OF THE
 RETIREE HEALTH CARE AUTHORITY (RHCA) PLAN
 LAST 10 FISCAL YEARS*

	2019	2018
Cobre Consolidated School District No. 2's proportion of the net OPEB liability	.19957%	.18894%
Cobre Consolidated School District No. 2's share of the OPEB liability	\$ 8,678,012	\$ 8,562,143
Cobre Consolidated School District No. 2's covered employee payroll	\$ 10,548,407	\$ 8,521,678
Cobre Consolidated School District No. 2's proportionate share of the net OPEB liability as a percentage of it covered employee payroll	82%	100%
Plan fiduciary net position as a percentage of the total OPEB liability	13.14%	11.34%

*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10 year trend is compiled, Cobre Consolidated School District No. 2 will present information for those years for which information is available.

Cobre Consolidated School District No. 2
 SCHEDULE OF CONTRIBUTIONS
 RETIREE HEALTH CARE AUTHORITY (RHCA) PLAN
 LAST 10 FISCAL YEARS*

	2019	2018
Contractually required contributions	\$ 210,968	\$ 170,434
Contributions in relation to contractually required contributions	(210,968)	(170,434)
Contribution deficiency (excess)	\$ -	\$ -
Cobre Consolidated School District No. 2's covered employee payroll	\$ 10,548,407	\$ 8,521,678
Cobre Consolidated School District No. 2's contributions as a percentage of its covered employee payroll	2%	2%

*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10 year trend is compiled, Cobre Consolidated School District No. 2 will present information for those years for which information is available.

Cobre Consolidated School District No. 2
NOTES TO REQUIRED RETIREE HEALTH CARE AUTHORITY (RHCA)
SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2019

Changes in benefit terms – The COLA and retirement eligibility benefits changes in recent years are described in the **Benefits Provided** subsection of the financial statement note disclosure **General Information on the Retiree Health Care Plan**.

Changes of Assumptions

RHCA conducted an actuarial experience study for the Plan as of June 30, 2017. The mortality, retirement, disability, turnover and salary increase assumptions are based on the Public Employees Retirement Association (PERA) of New Mexico Actuarial Valuation as of June 30, 2016, and the New Mexico Educational Retirement Board (ERB) Actuarial Experience Study as of June 30, 2016. Changes in those assumptions as they relate to the Cobre Consolidated School District No. 2 are detailed in the ERB notes to supplementary information included elsewhere in this report.

1. Fiscal year 2018 valuation assumptions are as follows:
 - a. Inflation assumptions 2.50% for ERB, 2.25% for PERA
 - b. Investment return assumption 7.25%
 - c. Health care trend 8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 years for Medicare medical plan costs

See also the **Actuarial Assumptions** subsection of the financial statement note disclosure **General Information on the Pension Plan**.

Cobre Consolidated School District No. 2
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2019

	Special Revenue Funds			
	Cafeteria	Athletics	Title I Direct Student	Entitlement
Assets				
Cash and investments	\$ -	\$ -	\$ -	\$ -
Inventory	8,642			
Property taxes receivable				
Interfund receivable				
Due from other governments	<u>74,217</u>		<u>209,475</u>	<u>163,600</u>
Total assets	<u><u>\$ 82,859</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 209,475</u></u>	<u><u>\$ 163,600</u></u>
Liabilities				
Accounts payable	\$ 7,618	\$ -	\$ -	\$ 72
Interfund payable	<u>57,686</u>	<u>\$ 5,877</u>	<u>209,475</u>	<u>163,528</u>
Total liabilities	<u><u>\$ 65,304</u></u>	<u><u>\$ 5,877</u></u>	<u><u>\$ 209,475</u></u>	<u><u>\$ 163,600</u></u>
Deferred Inflows of Resources				
Unavailable revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total deferred inflows of resources	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Fund balance:				
Nonspendable:				
Inventories	\$ 8,642	\$ -	\$ -	\$ -
Restricted for:				
Education				
Social services				
Food service	8,913			
Debt service				
Unassigned		<u>(5,877)</u>		
Total fund balances	<u><u>\$ 17,555</u></u>	<u><u>\$ (5,877)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Total liabilities, deferred inflows of resources, and fund balances	<u><u>\$ 82,859</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 209,475</u></u>	<u><u>\$ 163,600</u></u>

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

Special Revenue Funds

Preschool	Teacher Training	Grads Plus	Child and Adult Food	Reads to Lead	Capital Imp. SB 9
\$ 4,590	\$ -	\$ 8,000	\$ 8,007	\$ -	\$ -
	64,281			191,280	166,891 513,375
<u>\$ 4,590</u>	<u>\$ 64,281</u>	<u>\$ 8,000</u>	<u>\$ 8,007</u>	<u>\$ 191,280</u>	<u>\$ 680,266</u>
\$ -	\$ 4,875 59,406	\$ -	\$ -	\$ - 191,280	\$ 13,826
<u>\$ -</u>	<u>\$ 64,281</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 191,280</u>	<u>\$ 13,826</u>
<u>\$ 4,590</u>	<u>\$ -</u>	<u>\$ 8,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 156,610</u>
<u>\$ 4,590</u>	<u>\$ -</u>	<u>\$ 8,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 156,610</u>
\$ -	\$ -		\$ -	\$ -	\$ -
			8,007		509,830
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,007</u>	<u>\$ -</u>	<u>\$ 509,830</u>
<u>\$ 4,590</u>	<u>\$ 64,281</u>	<u>\$ 8,000</u>	<u>\$ 8,007</u>	<u>\$ 191,280</u>	<u>\$ 680,266</u>

Cobre Consolidated School District No. 2
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET (continued)
June 30, 2019

	Special Revenue Funds			
	Medicaid	Dual Credit	School Health	Day Care
Cash and investments	\$ -	\$ -	\$ 62,559	\$ -
Inventory				
Property taxes receivable				
Interfund receivable	372,725			84,523
Due from other governments	84,543	3,410		
Total assets	<u>\$ 457,268</u>	<u>\$ 3,410</u>	<u>\$ 62,559</u>	<u>\$ 84,523</u>
Liabilities				
Accounts payable	\$ 1,923	\$ -	\$ -	\$ -
Interfund payable		3,410		
Total liabilities	<u>\$ 1,923</u>	<u>\$ 3,410</u>	<u>\$ -</u>	<u>\$ -</u>
Deferred Inflows of Resources				
Unavailable revenue	\$ -	\$ -	\$ -	\$ -
Total deferred inflows of resources	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance:				
Nonspendable:				
Inventories	\$ -	\$ -	\$ -	\$ -
Restricted for:				
Education			62,559	84,523
Social services	455,345			
Food service				
Debt service				
Unassigned				
Total fund balances	<u>\$ 455,345</u>	<u>\$ -</u>	<u>\$ 62,559</u>	<u>\$ 84,523</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 457,268</u>	<u>\$ 3,410</u>	<u>\$ 62,559</u>	<u>\$ 84,523</u>

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

Special Revenue Funds			
<u>Energy Efficiency</u>	<u>Truancy Prevention</u>	<u>GO Bond Library</u>	<u>Teaching Excellence</u>
\$ -	\$ -	\$ -	\$ -
18,628	68,796	9,681	53,720
<u>\$ 18,628</u>	<u>\$ 68,796</u>	<u>\$ 9,681</u>	<u>\$ 53,720</u>
\$ -	\$ -	\$ -	\$ -
	68,796	9,681	53,720
<u>\$ -</u>	<u>\$ 68,796</u>	<u>\$ 9,681</u>	<u>\$ 53,720</u>
\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -
18,628			
<u>\$ 18,628</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ 18,628</u>	<u>\$ 68,796</u>	<u>\$ 9,681</u>	<u>\$ 53,720</u>

Cobre Consolidated School District No. 2
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET (concluded)
June 30, 2019

	<u>Special Revenue Fund</u>	<u>Capital Project Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
	<u>Kindergarten 3+</u>	<u>NM Highway Department</u>	<u>ED Tech Debt Service</u>	
Cash and investments	\$ -	\$ -	\$ -	\$ 83,156
Inventory				8,642
Property taxes receivable			5,487	172,378
Interfund receivable			5,034	994,285
Due from other governments	<u>48,633</u>	<u>41,027</u>		<u>1,012,663</u>
 Total assets	 <u>\$ 48,633</u>	 <u>\$ 41,027</u>	 <u>\$ 10,521</u>	 <u>\$ 2,271,124</u>
 Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ 28,314
Interfund payable	<u>48,633</u>	<u>41,027</u>		<u>912,519</u>
 Total liabilities	 <u>\$ 48,633</u>	 <u>\$ 41,027</u>	 <u>\$ -</u>	 <u>\$ 940,833</u>
 Deferred Inflows of Resources				
Unavailable revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,352</u>	<u>\$ 174,552</u>
 Total deferred inflows of resources	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 5,352</u>	 <u>\$ 174,552</u>
 Fund balance:				
Nonspendable:				
Inventories	\$ -	\$ -	\$ -	\$ 8,642
Restricted for:				
Education				675,540
Social services				455,345
Food service				16,920
Debt service			5,169	5,169
Unassigned				<u>(5,877)</u>
 Total fund balances	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 5,169</u>	 <u>\$ 1,155,739</u>
 Total liabilities, deferred inflows of resources, and fund balances	 <u>\$ 48,633</u>	 <u>\$ 41,027</u>	 <u>\$ 10,521</u>	 <u>\$ 2,271,124</u>

Cobre Consolidated School District No. 2
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For The Fiscal Year Ended June 30, 2019

	Special Revenue Funds				
	Cafeteria	Athletics	Title I Direct Student	Entitlement	Preschool
Revenues:					
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Fees and charges	14,958	44,590			
State aid					
Federal aid	842,556		310,723	453,226	17,086
Earnings on investments	35	2			
Miscellaneous					
Total revenues	\$ 857,549	\$ 44,592	\$ 310,723	\$ 453,226	\$ 17,086
Expenditures:					
Current:					
Instruction	\$ -	\$ 50,469	\$ 302,579	\$ 306,585	\$ 16,592
Support services - Students				89,162	
Support services - Instruction				57,407	
General administration			8,144	72	494
School administration					
Operation of plant					
Food services	917,229				
Transportation					
Other support services					
Debt service:					
Principal					
Interest					
Capital outlay					
Total expenditures	\$ 917,229	\$ 50,469	\$ 310,723	\$ 453,226	\$ 17,086
Revenues over (under) expenditures	\$ (59,680)	\$ (5,877)	\$ -	\$ -	\$ -
Other financing sources (uses):					
Transfer in					
Net change in fund balance	\$ (59,680)	\$ (5,877)	\$ -	\$ -	\$ -
Fund balance, July 1, 2018	77,235	-	-	-	-
Fund balance, June 30, 2019	\$ 17,555	\$ (5,877)	\$ -	\$ -	\$ -

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

Special Revenue Funds

Teacher Training	Grads Plus	Child and Adult Food	Reads to Lead	Capital Imp. SB 9
\$ -	\$ -	\$ -	\$ -	\$ 524,925
64,281		3,110	390,862	340
<u>\$ 64,281</u>	<u>\$ -</u>	<u>\$ 3,110</u>	<u>\$ 390,862</u>	<u>\$ 525,265</u>
\$ 47,649 415	\$ -	\$ - 2,415	\$ 387,271	\$ -
1,821 14,396			3,591	653,307
				28,700
<u>\$ 64,281</u>	<u>\$ -</u>	<u>\$ 2,415</u>	<u>\$ 390,862</u>	<u>\$ 682,007</u>
\$ -	\$ -	\$ 695	\$ -	\$ (156,742)
\$ -	\$ -	\$ 695	\$ -	\$ (156,742)
-	-	7,312		666,572
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,007</u>	<u>\$ -</u>	<u>\$ 509,830</u>

Cobre Consolidated School District No. 2
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (continued)
For The Fiscal Year Ended June 30, 2019

	Special Revenue Funds			
	Medicaid	Dual Credit	School Health	Day Care
Revenues:				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Fees and charges				30,698
State aid		3,410		
Federal aid	448,971			32,012
Earnings on investments				
Miscellaneous				
Total revenues	<u>\$ 448,971</u>	<u>\$ 3,410</u>	<u>\$ -</u>	<u>\$ 62,710</u>
Expenditures:				
Current:				
Instruction	\$ 132,391	\$ 3,410	\$ -	\$ -
Support services - Students	285,108			65,098
Support services - Instruction				
General administration				
School administration				
Operation of plant				
Food services				
Transportation				
Other support services				
Debt service:				
Principle				
Interest				
Capital outlay				
Total expenditures	<u>\$ 417,499</u>	<u>\$ 3,410</u>	<u>\$ -</u>	<u>\$ 65,098</u>
Revenues over (under) expenditures	\$ 31,472	\$ -	\$ -	\$ (2,388)
Other financing sources (uses):				
Transfer in				
Net change in fund balance	\$ 31,472	\$ -	\$ -	\$ (2,388)
Fund balance, July 1, 2018	<u>423,873</u>	<u>-</u>	<u>62,559</u>	<u>86,911</u>
Fund balance, June 30, 2019	<u><u>\$ 455,345</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 62,559</u></u>	<u><u>\$ 84,523</u></u>

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

Special Revenue Funds

Energy Efficiency	Truancy Prevention	GO Bond Library	Teaching Excellence
\$ -	\$ -	\$ -	\$ -
	120,327	9,681	53,720
<u>\$ -</u>	<u>\$ 120,327</u>	<u>\$ 9,681</u>	<u>\$ 53,720</u>
\$ -	\$ -	\$ -	\$ 53,720
	120,327	9,681	
<u>\$ -</u>	<u>\$ 120,327</u>	<u>\$ 9,681</u>	<u>\$ 53,720</u>
\$ -	\$ -	\$ -	\$ -
18,628	-	-	-
<u>\$ 18,628</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Cobre Consolidated School District No. 2
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (concluded)

For The Fiscal Year Ended June 30, 2019

	Special Revenue Fund <u>Kindergarten 3+</u>	Capital Project Fund <u>NM Highway Department</u>	Debt Service Funds <u>Ed Tech Debt Service</u>	<u>Total</u>
Revenues:				
Property Taxes	\$ -	\$ -	\$ 303	\$ 525,228
Fees and charges				90,246
State aid	253,843	79,769		911,612
Federal aid				2,171,965
Earnings on investments				377
Miscellaneous				-
	<u>\$ 253,843</u>	<u>\$ 79,769</u>	<u>\$ 303</u>	<u>\$ 3,699,428</u>
Expenditures:				
Current:				
Instruction	\$ 211,514	\$ -	\$ -	\$ 1,512,180
Support services - Students				562,525
Support services - Instruction				67,088
General administration	539			14,661
School administration	26,265			40,661
Operation of plant	825			654,132
Food services				917,229
Transportation	14,700			14,700
Other support services				-
Debt service:				
Principle				-
Interest				-
Capital outlay		79,769		108,469
	<u>\$ 253,843</u>	<u>\$ 79,769</u>	<u>\$ -</u>	<u>\$ 3,891,645</u>
Revenues over (under) expenditures	\$ -	\$ -	\$ 303	\$ (192,217)
Other financing sources (uses):				
Transfer in				-
Net change in fund balance	\$ -	\$ -	\$ 303	\$ (192,217)
Fund balance, July 1, 2018	-		4,866	1,347,956
Fund balance, June 30, 2019	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,169</u>	<u>\$ 1,155,739</u>

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

Cobre Consolidated School District No. 2
GENERAL FUND
COMBINING BALANCE SHEET
June 30, 2019

	Operational	Transportation	Instructional Materials
Assets			
Cash and investments	\$ -	\$ -	\$ -
Accounts receivable	41,609		
Taxes receivable	21,769		
Due from other governments			
Interfund receivable			21,083
Total assets	\$ 63,378	\$ -	\$ 21,083
 Liabilities			
Accounts payable	\$ 157,300	\$ -	\$ -
Interfund payable	14,028		
Total liabilities	\$ 171,328	\$ -	\$ -
 Deferred Inflows of Resources			
Unavailable revenue	\$ 20,061	\$ -	\$ -
Total deferred inflows of resources	\$ 20,061	\$ -	\$ -
 Fund balance:			
Restricted for education	\$ 4,472	\$ -	\$ -
Unassigned	(132,483)		21,083
Total fund balances	\$ (128,011)	\$ -	\$ 21,083
Total liabilities, deferred inflows of resources, and fund balances	\$ 63,378	\$ -	\$ 21,083

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

<u>Non - Instructional Support</u>	<u>Total</u>
\$ -	\$ -
	41,609
	21,769
	-
<u>111,099</u>	<u>132,182</u>
<u>\$ 111,099</u>	<u>\$ 195,560</u>
\$ -	\$ 157,300
	<u>14,028</u>
<u>\$ -</u>	<u>\$ 171,328</u>
<u>\$ -</u>	<u>\$ 20,061</u>
<u>\$ -</u>	<u>\$ 20,061</u>
\$ -	\$ 4,472
<u>111,099</u>	<u>(301)</u>
<u>\$ 111,099</u>	<u>\$ 4,171</u>
<u>\$ 111,099</u>	<u>\$ 195,560</u>

Cobre Consolidated School District No. 2
GENERAL FUND
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For The Fiscal Year Ended June 30, 2019

	Operational	Transportation	Instructional Materials
Revenues:			
Property taxes	\$ 98,558	\$ -	\$ -
Fees and charges	39,243		
State aid	12,129,768	546,871	39,725
Federal aid	101,624		
Earnings on investments	482		
Miscellaneous	2,050		
	<u>\$ 12,371,725</u>	<u>\$ 546,871</u>	<u>\$ 39,725</u>
Total revenues			
Expenditures:			
Current:			
Instruction	\$ 6,806,389	\$ -	\$ 28,267
Support services - Students	1,680,311		
Support services - Instruction	528,846		
General administration	816,418		
School administration	910,748		
Central services	361,603		
Operation of plant	1,735,525		
Transportation	8,001	546,871	
Food services			
Other support services			
Capital outlay			
	<u>\$ 12,847,841</u>	<u>\$ 546,871</u>	<u>\$ 28,267</u>
Total expenditures			
Revenues over (under) expenditures	\$ (476,116)	\$ -	\$ 11,458
Other financing sources:			
Loan proceeds			
Operating transfers in (out)			
	<u>\$ (476,116)</u>	<u>\$ -</u>	<u>\$ 11,458</u>
Net change in fund balance			
Fund balance, July 1, 2018	348,105	-	9,625
Fund balance, June 30, 2019	<u>\$ (128,011)</u>	<u>\$ -</u>	<u>\$ 21,083</u>

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

<u>Non-Instructional Support</u>	<u>Total</u>
\$ -	\$ 98,558
	39,243
	12,716,364
	101,624
	482
<u>95,571</u>	<u>97,621</u>
<u>\$ 95,571</u>	<u>\$ 13,053,892</u>
\$ -	\$ 6,834,656
	1,680,311
	528,846
	816,418
	910,748
	361,603
	1,735,525
	554,872
	-
111,538	111,538
	-
<u>111,538</u>	<u>\$ 13,534,517</u>
\$ (15,967)	\$ (480,625)
	-
	-
<u>(15,967)</u>	<u>\$ (480,625)</u>
<u>127,066</u>	<u>484,796</u>
<u>\$ 111,099</u>	<u>\$ 4,171</u>

Cobre Consolidated School District No. 2
GENERAL FUND/OPERATIONAL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Property taxes	\$ 96,541	\$ 96,541	\$ 98,722	\$ 2,181
Fees and charges	49,000	49,000	22,265	(26,735)
Federal sources			101,624	101,624
State sources	12,117,777	12,210,452	12,127,402	(83,050)
Local sources	20,000	20,000	2,050	(17,950)
Interest income	835	835	482	(353)
 Total revenues	 \$ 12,284,153	 \$ 12,376,828	 \$ 12,352,545	 \$ (24,283)
 Expenditures:				
Current:				
Instruction	\$ 6,643,628	\$ 6,736,303	\$ 6,754,780	\$ (18,477)
Support services - Students	1,308,736	1,308,736	1,674,588	(365,852)
Support services - Instruction	540,459	540,459	526,489	13,970
General administration	803,225	803,225	807,830	(4,605)
School administration	781,282	781,282	909,834	(128,552)
Central services	363,551	363,551	359,639	3,912
Operation of plant	2,160,506	2,160,506	1,685,923	474,583
Pupil transportation	32,000	32,000	7,448	24,552
Other support services	4,837	4,837		4,837
Capital outlay				-
 Total expenditures	 \$ 12,638,224	 \$ 12,730,899	 \$ 12,726,531	 \$ 4,368
 Net change in fund balance	 \$ (354,071)	 \$ (354,071)	 \$ (373,986)	 \$ (19,915)
 Fund balance, July 1, 2018	 354,071	 354,071	 359,958	 5,887
 Fund balance, June 30, 2019	 \$ -	 \$ -	 \$ (14,028)	 \$ (14,028)
 Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ (476,116)	
Revenue accruals (net)			(114,751)	
Expenditure accruals (net)			216,881	
 Net change in fund balance, NON-GAAP budgetary basis			 \$ (373,986)	

The accompanying notes are an integral part of these financial statements

Cobre Consolidated School District No. 2
GENERAL FUND/TRANSPORTATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
State sources	\$ 546,871	\$ 546,871	\$ 546,871	\$ -
Expenditures:				
Current:				
Pupil transportation	546,871	546,871	546,871	-
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance, July 1, 2018	-	-	-	-
Fund balance, June 30, 2019	\$ -	\$ -	\$ -	\$ -
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			-	
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			\$ -	

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

Cobre Consolidated School District No. 2
GENERAL FUND/INSTRUCTIONAL MATERIALS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
State sources	\$ 39,725	\$ 41,227	\$ 39,725	\$ (1,502)
 Expenditures:				
Current:				
Instruction	\$ 44,960	\$ 46,462	\$ 28,267	\$ 18,195
Support services - Instruction	-	-	-	-
Total expenditures	\$ 44,960	\$ 46,462	\$ 28,267	\$ 18,195
Net change in fund balance	\$ (5,235)	\$ (5,235)	\$ 11,458	\$ 16,693
Fund balance, July 1, 2018	5,235	5,235	9,625	4,390
Fund balance, June 30, 2019	\$ -	\$ -	\$ 21,083	\$ 21,083
 Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ 11,458	
Revenue accruals (net)			-	
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			\$ 11,458	

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

Cobre Consolidated School District No. 2
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Fiscal Year Ended June 30, 2019

	<u>Balance</u> <u>July 1, 2018</u>	<u>Receipts</u>	<u>Disburse-</u> <u>ments</u>	<u>Balance</u> <u>June 30, 2019</u>
Assets				
Cash and investments:				
Cobre High School	\$ 87,616	\$ 235,331	\$ (188,438)	\$ 134,509
Snell Middle School	30,619	28,072	(16,713)	41,978
Bayard Elementary	12,031	9,625	(1,038)	20,618
Central Elementary	5,571	8,007	(7,549)	6,029
Hurley Elementary	5,826	7,117	(4,516)	8,427
San Lorenzo	9,405	4,013	(5,255)	8,163
All Students	<u>37,036</u>	<u>25,963</u>	<u>(23,661)</u>	<u>39,338</u>
 Total assets	 <u>\$ 188,104</u>	 <u>\$ 318,128</u>	 <u>\$ (247,170)</u>	 <u>\$ 259,062</u>
 Liabilities				
Deposits held for others:				
Cobre High School	\$ 87,616	\$ 235,331	\$ (188,438)	\$ 134,509
Snell Middle School	30,619	28,072	(16,713)	41,978
Bayard Elementary	12,031	9,625	(1,038)	20,618
Central Elementary	5,571	8,007	(7,549)	6,029
Hurley Elementary	5,826	7,117	(4,516)	8,427
San Lorenzo	9,405	4,013	(5,255)	8,163
All Students	<u>37,036</u>	<u>25,963</u>	<u>(23,661)</u>	<u>39,338</u>
 Total liabilities	 <u>\$ 188,104</u>	 <u>\$ 318,128</u>	 <u>\$ (247,170)</u>	 <u>\$ 259,062</u>

Cobre Consolidated School District No. 2
SCHEDULE OF PLEDGED COLLATERAL
June 30, 2019

	<u>First American Bank</u>	<u>Total</u>
Checking and CD's	\$ 3,342,737	\$ 3,342,737
Total on deposit	\$ 3,342,737	\$ 3,342,737
Less: FDIC insurance	(250,000)	(250,000)
Total uninsured public funds	<u>\$ 3,092,737</u>	<u>\$ 3,092,737</u>
50% collateralization requirement (Section 6-10-17 NMSA)	<u>\$ 1,546,369</u>	<u>\$ 1,546,369</u>
Pledged Securities:		
FHLB Clovis Muni SD #1 189414KF1 8/1/25	\$ 339,329	\$ 339,329
FHLB FHLMC 3128MC6M2 5/1/26	132,916	132,916
Ruidoso, NM SD #3 781338HQ4 8/1/20	404,972	404,972
Gadsden, NM ISD 362550MF9 8/15/22	1,006,112	1,006,112
FHLB San Juan ISD 798359KQ7 8/1/28	365,860	365,860
FHLB Gallup McKinley SD 364010RR1 5/1/26	518,285	518,285
Bernalillo, NM SD #1 085279PK7 8/1/19	<u>50,075</u>	<u>50,075</u>
Total pledged securities	<u>\$ 2,817,549</u>	<u>\$ 2,817,549</u>
Pledged securities over (under) requirement	<u>\$ 1,271,181</u>	<u>\$ 1,271,181</u>

Securities pledged by First American Bank are held by the First American Trust Department in Artesia, NM. Safekeeping receipts are held by the District. The pledged collateral is listed at fair market value.

Cobre Consolidated School District No. 2
SCHEDULE OF INDIVIDUAL DEPOSIT ACCOUNTS AND INVESTMENTS
 June 30, 2019

	Type of Account	Bank Balance	Reconciled Balance
<u>First American Bank</u>			
Operational	Checking	\$ 1,654	\$ (2,783)
Cafeteria	Checking	4,929	4,929
Payroll	Checking	615,259	(1,533,518)
Debt Service	Checking	1,761,894	1,761,894
SB-9	Checking	577,698	508,614
Bond Building	Checking	2,272	2,272
Special Revenue	Checking	(117)	(185,191)
Athletics	Checking	2,316	(910)
Activity	Checking	376,832	376,832
Total First American Bank		\$ 3,342,737	\$ 932,139
<u>New Mexico Finance Authority</u>			
Bond Building	Checking	\$ 4,498,873	\$ 4,498,873
Total cash and investments		\$ 7,841,610	\$ 5,431,012

Cobre Consolidated School District No. 2
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
ALL FUNDS BY SCHOOL DISTRICT CLASSIFICATION
For The Fiscal Year Ended June 30, 2019

	<u>Operational</u>	<u>Transportation</u>	<u>Instructional Materials</u>	<u>Food Services</u>	<u>Athletics</u>
Total cash and investments as of July 1, 2018	\$ 351,054	\$ -	\$ 9,625	\$ 64,824	\$ -
Add: Current year receipts	12,352,545	497,160	39,726	720,248	44,592
Less: Current year expenditures	<u>(12,698,084)</u>	<u>(546,871)</u>	<u>(28,266)</u>	<u>(842,758)</u>	<u>(50,469)</u>
Total cash and investments as of June 30, 2019	<u>\$ 5,515</u>	<u>\$ (49,711)</u>	<u>\$ 21,085</u>	<u>\$ (57,686)</u>	<u>\$ (5,877)</u>

Cobre Consolidated School District No. 2
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS (continued)
ALL FUNDS BY SCHOOL DISTRICT CLASSIFICATION
For The Fiscal Year Ended June 30, 2019

	<u>Agency</u>	<u>Federal Flowthrough</u>	<u>Federal Direct</u>	<u>State Flowthrough</u>
Total cash and investments as of July 1, 2018	\$ -	\$ 202,306	\$ 443,723	\$ (99)
Add: Current year receipts		403,140	399,551	448,361
Less: Current year expenditures		<u>(1,995,842)</u>	<u>(463,917)</u>	<u>(1,375,883)</u>
Total cash and investments as of June 30, 2019	<u>\$ -</u>	<u>\$ (1,390,396)</u>	<u>\$ 379,357</u>	<u>\$ (927,621)</u>

Cobre Consolidated School District No. 2
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS (continued)
ALL FUNDS BY SCHOOL DISTRICT CLASSIFICATION
For The Fiscal Year Ended June 30, 2019

	<u>Local or State Fund</u>	<u>Bond Building</u>	<u>Special Capital Outlay State</u>	<u>SB-9</u>	<u>Energy Efficiency</u>
Total cash and investments as of July 1, 2018	\$ 62,559	\$ 2,037,387	\$ -	\$ 611,762	\$ 18,628
Add: Current year receipts	-	3,533,102	-	526,298	-
Less: Current year expenditures	-	(1,069,345)	(79,769)	(680,221)	-
Total cash and investments as of June 30, 2019	<u>\$ 62,559</u>	<u>\$ 4,501,144</u>	<u>\$ (79,769)</u>	<u>\$ 457,839</u>	<u>\$ 18,628</u>

Cobre Consolidated School District No. 2
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS (continued)
ALL FUNDS BY SCHOOL DISTRICT CLASSIFICATION
For The Fiscal Year Ended June 30, 2019

	<u>Ed Tech Debt Service</u>	<u>PSCOC 20%</u>	<u>Debt Service</u>	<u>Ed Tech Equipment</u>
Total cash and investments as of July 1, 2018	\$ 4,836	\$ 55,426	\$ 1,690,843	\$ -
Add: Current year receipts	198	111	1,712,919	
Less: Current year expenditures		-	(1,646,901)	
Total cash and investments as of June 30, 2019	<u>\$ 5,034</u>	<u>\$ 55,537</u>	<u>\$ 1,756,861</u>	<u>\$ -</u>

Cobre Consolidated School District No. 2
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS (concluded)
ALL FUNDS BY SCHOOL DISTRICT CLASSIFICATION
For The Fiscal Year Ended June 30, 2019

	State Direct	Total
Total cash and investments as of July 1, 2018	\$ -	\$ 5,552,874
Add: Current year receipts		20,677,951
Less: Current year expenditures		(21,478,326)
Total cash and investments as of June 30, 2019	\$ -	\$ 4,752,499
Audit adjustments:		
Receipts that were received by the district but not recorded in the general ledger		234,001
Activity cash balances not on PED report		464,061
Payroll bank account reconciled bank balance		
Unreconcilable		(19,549)
Cash balance per audit report.		\$ 5,431,012

Cobre Consolidated School District No. 2
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Fiscal Year Ended June 30, 2019

<u>Federal Grantor/Pass-through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Passed Through to Subrecipients</u>	<u>Federal Expenditures</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Passed through N.M. Department of Education:				
Title I Grants to Lea's:	84.010			
Title I		24.101	\$ -	\$ 498,542
Title I Striving Reader		24.145		656,931
Title I Direct Student Services		24.193		310,723
Total Title I				<u>\$ 1,466,196</u>
Special Education Cluster:				
Special Education- Grants to States	84.027	24.106	\$ -	\$ 453,226
Special Education-Preschool Grants	84.173	24.109		17,086
Total Special Education Cluster			<u>\$ -</u>	<u>\$ 470,312</u>
Teacher Quality State Grants	84.367	24.154	\$ -	\$ 64,281
Total U.S. Department of Education			<u>\$ -</u>	<u>\$ 2,000,789</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
Direct:				
Child Care and Development	93.596	N/A	\$ -	\$ 65,098
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Direct Programs:				
Schools and Roads-Grants to States	10.665	N/A	\$ -	\$ 101,624
Child and Adult Food	10.558	N/A		2,415
Passed through N.M. Department of Education:				
Child Nutrition Cluster:				
National School Lunch Program	10.555	N/A	\$ -	\$ 596,807
Summer Food Service Program For Children	10.559	N/A		19,852
School Breakfast Program	10.553	N/A		225,897
Total Child Nutrition Cluster			<u>\$ -</u>	<u>\$ 842,556</u>
Total U.S. Department of Agriculture			<u>\$ -</u>	<u>\$ 946,595</u>
Total expenditures of federal awards			<u>\$ -</u>	<u>\$ 3,012,482</u>

See the accompanying notes to the Schedule of Expenditures of Federal Awards.

Cobre Consolidated School District No. 2
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2019

Note 1 Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Cobre Consolidated School District No. 2, under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Cobre Consolidated School District No. 2, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Cobre Consolidated School District No. 2.

Note 2 Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following cost principles contained in the Uniform Guidance.

Note 3 Non-Monetary Assistance

Non-monetary assistance is reported in the schedule at the fair market value of the USDA commodities received. The District received \$66,853 in food commodities during the 2018-2019 fiscal year.

Note 4 Indirect Costs

The District has elected not to use the de Minimis indirect cost rate as allowed under the Uniform Guidance.

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

INDEPENDENT AUDITOR'S REPORT

Brian S. Colón, Esq., State Auditor
And
Board of Education
Cobre Consolidated School District No. 2
Bayard, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general and major special revenue funds of Cobre Consolidated School District No. 2 as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Cobre Consolidated School District No. 2's basic financial statements, and have issued our report thereon dated February 7, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Cobre Consolidated School District No. 2's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of Cobre Consolidated School District No. 2's 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 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 combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cobre Consolidated School District No. 2's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings and questioned costs as items 2019-002 through 2019-007.

Cobre Consolidated School District No. 2's Responses to Findings

Cobre Consolidated School District No. 2's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's responses were not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Stone, McGee & Co CPAs

Silver City, New Mexico
February 7, 2020

Stone, McGee & Co.
Certified Public Accountants

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

INDEPENDENT AUDITOR'S REPORT

Brian S. Colón, Esq., State Auditor
And
Board of Education
Cobre Consolidated School District No. 2
Bayard, New Mexico

Report on Compliance for Each Major Federal Program

We have audited Cobre Consolidated School District No. 2's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Cobre Consolidated School District No. 2's major federal programs for the year ended June 30, 2019. Cobre Consolidated School District No. 2's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Cobre Consolidated School District No. 2's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Cobre Consolidated School District No. 2's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Cobre Consolidated School District No. 2's compliance.

Opinion on Each Major Federal Program

In our opinion, Cobre Consolidated School District No. 2 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control over Compliance

Management of Cobre Consolidated School District No. 2 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Cobre Consolidated School District No. 2's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Cobre Consolidated School District No. 2's internal control over compliance.

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

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

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

Stone, McGee & Co CPAs

Silver City, New Mexico
February 7, 2020

Stone, McGee & Co.
Certified Public Accountants

Cobre Consolidated School District No. 2
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2019

Current Status

Findings – Financial Statement Audit

2018-001(2017-001) Activity bank receipts not deposited timely	Revised and repeated
2018-002 Expenditures in excess of budgetary authority	Revised and repeated
2018-003 Cash reporting not accurate	Revised and repeated

Findings and Questioned Costs – Major Federal Award Programs

None

Cobre Consolidated School District No. 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2019

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Cobre Consolidated School District No. 2 were prepared in accordance with Generally Accepted Accounting Principles.
2. One material weakness relating to the audit of the financial statements is reported in the *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*. No significant deficiencies are reported.
3. One instance of noncompliance material to the financial statements of Cobre Consolidated School District No. 2, which would be required to be reported in accordance with *Government Auditing Standards*, was disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal control over major federal award programs are reported in the *Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance*.
5. The auditor's report on compliance for the major federal award programs for Cobre Consolidated School District No. 2 expresses an unmodified opinion on all major programs.
6. No audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a) were noted during the audit.
7. The programs tested as major programs included: The Child Nutrition Cluster, consisting of the National School Lunch Program, CFDA No. 10.555, Summer Food Service Program for Children, CFDA No. 10.559, and School Breakfast Program, CFDA No. 10.553.
8. The threshold for distinguishing types A and B programs was \$750,000.
9. Cobre Consolidated School District No. 2 is a low-risk auditee.

FINDINGS – FINANCIAL STATEMENT AUDIT

2019-001(2018-003) Reconciliation of Bank Accounts (Material Weakness)

Condition – The District had not reconciled its bank accounts at June 30, 2019. Rather, in 7 of 9 bank accounts, discrepancies in the reconciling process created general ledger discrepancies of \$214,452. The District was unable to implement its corrective action plan due to personnel turnover.

Criteria – Sound accounting practice and the Public Education Department Manual of Procedures require monthly reconciliation of the bank accounts, and reconciliation of actual account balances with the general ledger.

Effect – The District had deposits of \$234,001 that had not been posted to the general ledger, and other reconciliation errors that resulted in an overall discrepancy between reconciled amounts and the general ledger of \$214,452. Reporting of financial data to the New Mexico Public Education Department was inaccurate.

Cause – The District’s Director of Finance retired June 30, 2018. The District’s new Director of Finance was promoted from within, which resulted in the District being required to fill the new Director’s former position as well. Since there was no overlap in the previous Director of Finance and the current Director of Finance for training purposes, the current Director of Finance was required to learn on the job. This caused delays in processing of the accounting information, and resulted in some priority processes, such as bank reconciliations, being delayed.

Recommendation – We recommend that the bank statements be reconciled on a monthly basis and compared and reconciled to general ledger balances to ensure the accuracy of the financial data.

Agency Response – The Finance Director has received additional formal training since assuming the position, and the District believes that the inexperience factor has been alleviated. Bank statements will be reconciled monthly, and compared and reconciled to the general ledger balances. The Director of Finance will be tasked with this duty, and it is expected that the reconciliation process will be current by February 28, 2020.

2019-002 Requests for Reimbursements (major noncompliance)

Condition – The District did not request timely reimbursements from the New Mexico Public Education Department for expenditures from federal and state grants, resulting in an abnormally large receivable balance in these funds at June 30, 2019.

Criteria – The Public Education Department, through its Manual of Procedures, details the requirements for federal and state reimbursements, including time constraints. If those requirements are not met, the District is not reimbursed.

Effect – The District’s cash flow has been substantially restricted, and there is an increased likelihood that the District could lose reimbursements for which expenditures have already been incurred.

Cause – The turnover in personnel, including the Director of Finance, and more stringent requirements by the Public Education Department have led to long delays in obtaining reimbursements.

Recommendation – We recommend that requests for reimbursement be given high priority by the Director of Finance, and that these reimbursements be calendared and submitted on a timely basis.

Agency Response – The Finance Director has given these reimbursement requests high priority, and has already submitted several. In addition, reimbursements by fund will be calendared and completed by the Finance Director on a timely basis. The responsibility for this task rests with the Director of Finance and is expected to be alleviated by March 31, 2020.

2019-003 (2017-001) Cash Depositing (Other Noncompliance)

Condition – In a test of 25 activity receipts from individual schools, 8 instances were noted, totaling \$237, where the deposit could not be tied to receipts in the Central Office.

The District implemented its plan to hold training sessions, and did hold them. However, changeover in personnel assigned to making the required deposits and changes in central office personnel led to this finding.

Criteria – The PED’s Manual of Procedures requires that deposit of receipts be reconciled from individual schools receipts to depositing in the central office.

Effect – The District has not complied with the PED Manual of Procedures, and there is an increased risk of conversion without the necessity of collusion.

Cause – The District school secretaries are charged with collecting and depositing activity receipts, and have indicated that in some instances, they are too busy to prepare the deposit and balance it to the receipts written.

Recommendation – We recommend that the District hold training sessions with school personnel, including principals, to stress the importance of reconciling receipts to cash collected and deposited with the Central Office.

Agency Response – The Director of Finance and the Superintendent have already held training sessions, and will continue to do so. As of now, neither the secretary responsible for the discrepancy or the principal of the school involved are employed by the District. The Director of Finance is charged with continuing monitoring of deposits.

2019-004(2018-002) Expenditures in Excess of Budgetary Authority (Other Noncompliance)

Condition – The District incurred expenditures in excess of budgetary authority in the following funds and functions:

General (Operational) – Student Support	\$	365,882
General Administration		4,605
School Administration		128,552
Title I	Transportation	3,500
Pre-K Initiative	Instruction	6,597
	General Administration	1,008

The District had turnover at the Director of Finance position and late adjustments of expenditures between funds, and was unable to make the budgetary adjustments to comply with the prior year’s implementation plan.

Criteria – New Mexico Administrative Code 6.20.29 requires, in part, that expenditures not exceed budgetary authority. The function is the legal level of control for public schools.

Effect – The internal controls established by adherence to budgets has been compromised, and excess spending could result. In addition, New Mexico statutes have been violated.

Cause – The District did not make the necessary year-end budget adjustments to alleviate these over-expenditures.

Recommendation – We recommend that the District continue to emphasize its policy of making year-end adjustments to budgets to alleviate excess expenditures. Supervisory personnel should be involved in the year-end budgetary adjustment process.

Agency Response – The District continues to emphasize year-end budget adjustments. In the future, the District has calendared the budget adjustment task and will make the necessary year-end adjustments. The Director of Finance is charged with budget adjustments, with secondary review by the Superintendent, and it is anticipated that all adjustments will be made in the June 30, 2020 fiscal year.

2019-005 Travel Reimbursements (Other Noncompliance)

Condition – In a test sample of 40 travel vouchers, we noted the following:

1. Employees were overpaid partial day per diem 6 times, totaling \$259.
2. Employees were underpaid partial day per diem 7 times, totaling \$66
3. Travel approval missing appropriate approval, 16 instances.
4. Travel reimbursement not paid timely, 27 instances.

Criteria – Sections 10-8-1 to 10-8-8 NMSA 1978, commonly called the Per Diem and Mileage Act, require that employees be reimbursed for travel under strict guidelines as to rates and dates, only after the approval prior to travel has been obtained from the appropriate supervisor.

Effect – The District has not complied with New Mexico statutes, and has expended \$259 in public funds that was not due the District employee.

Cause – The District incurred turnover at the position charged with generating travel reimbursements, and the person did not receive adequate training, resulting in delays in processing, lack of proper approvals, and misinterpretation of statutory reimbursement rates.

Recommendation – We recommend that the District provide oversight of travel reimbursements by the Director of Finance, and provide training to the employee involved as necessary.

Agency Response – The District has already provided training to the staff involved, and the Finance Director is now charged with reviewing travel reimbursements, and has already begun those processes.

2019-006 Expenditure Compliance (other Noncompliance)

Condition – In a test of 101 expenditures, we noted the following:

1. The purchase order was dated after the invoice in 21 instances.
2. 45 instances of late payment were noted, incurring \$650 in late charges.

Criteria – Sections 13-1-1 to 13-1-199 NMSA 1978, commonly called the Procurement Code, requires in part that the purchase of goods or services only be made after the purchase has been properly authorized by the appropriate level of supervision by the approval of a purchase order. In addition, sound accounting practice requires the prompt payment for goods and services when the purchase is complete.

Effect – There is an increased risk that non-priority goods or services could be purchased without authorization, and that substantial late fees could be incurred due to late payment.

Cause – District turnover and realignment resulting in increased on the job training that delayed the processing of purchase orders, resulting in purchases being made by District personnel without

the proper authorization. This turnover and realignment also resulted in delays in voucher payments beyond normal time limits as stated on the invoice.

Recommendation – We recommend that the Director of Finance oversee the purchase order and voucher payment process more closely to avoid purchases without proper authorization and late payment of invoices. We further recommend that all District personnel be reminded that purchases without proper authorization are against District policy and New Mexico law.

Agency response – The purchasing agent has received the appropriate training, is overseeing the purchase order process. In addition, particular attention is being paid to invoice payment by the Director of Finance. These processes have already been implemented, and the Director of Finance is responsible for the District’s continued compliance with purchasing requirements.

2019-007 Audit Report Submission (Other Noncompliance)

Condition – The audit report was submitted to the New Mexico State Auditor by common carrier on February 18, 2020

Criteria - Section 2.2.2.9A(d) NMAC, commonly called the Audit Rule, requires submission of the audit report by November 15, 2019.

Effect – Federal and state funding could be jeopardized if the audit is not submitted timely, and the Audit rule has been violated.

Cause – The District had significant turnover, including the Director of Finance, during the 2018-2019 fiscal year. As a result, certain tasks were not performed in time to deliver the audit report by the required deadline.

Recommendation – Establish a timeline with your auditor for when various tasks, both by the District and the auditor, will be completed, and adhere to that schedule. This would provide assurance that the audit process can be completed timely.

Agency Response – The recommendation will be adopted, and the Director of Finance will be charged with ensuring compliance with the required deadlines. It is expected that this will be accomplished in time to ensure timely delivery of the 2019-2020 audit report.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS

None

OTHER – FINANCIAL STATEMENT PREPARATION

The financial statements were prepared by Stone, McGee & Co., C.P.A.’s, with substantial assistance from District personnel, who have acknowledged and accepted responsibility for the financial statements.

EXIT CONFERENCE

The contents of this report were discussed February 6, 2020. Present at this exit conference were:

<u>Name</u>	<u>Title</u>	<u>Affiliation</u>
Frank Cordova	Board Vice-President	Cobre Consolidated Schools
Frank Gomez	Board Secretary	Cobre Consolidated Schools
Teresa Holguin	Director of Finance	Cobre Consolidated Schools
Corina Rivera	Audit Committee Member	Cobre Consolidated schools
Vicki Smith	Audit Committee Member	Cobre Consolidated Schools
Jacqueline Gonzales	Purchasing Agent	Cobre Consolidated Schools
Antonio Andazola	Accountant	Cobre Consolidated Schools
Mike Stone, CPA	Shareholder	Stone, McGee & Co., CPAs