

**STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT**

FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT

JUNE 30, 2019

**STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT**

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ESPAÑOLA PUBLIC SCHOOL DISTRICT**

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STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
Directory of Officials
June 30, 2019

BOARD OF EDUCATION

Ruben Archuleta	President
Yolanda M. Salazar	Vice-President
Gilbert A. Serrano	Secretary
Matthew Paña	Member
Pablo E. Luján.....	Member

SCHOOL OFFICIALS

Bobbie Gutierrez.....	Superintendent
Daniel O. Romero	Chief Financial and Operations Officer

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www.fierrocpa.comIndependent Auditors' ReportBrian S. Colón, State Auditor
and
Board of Education
Española Public School District
Española, 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 fund of the Española Public School District (the District), as of and for the year ended June 30, 2019, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the District's nonmajor governmental funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2019, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Summary of Opinions

<i>Opinion Unit</i>	<i>Type of Opinion</i>
Governmental Activities	Adverse
Operational Fund	Adverse
Transportation Fund	Adverse
Instructional Materials Fund	Qualified
Title XIX Medicaid 3 to 21 Years Fund	Qualified
Debt Service Fund	Qualified
Other Governmental Funds:	
<i>Special Revenue Funds</i>	
Food Service Fund	Adverse
Athletics Fund	Unmodified
Activity Transportation Fund	Unmodified
Title I IASA Fund	Adverse
Entitlement IDEA-B Fund	Adverse
Discretionary IDEA-B Fund	Qualified
Competitive IDEA-B Fund	Qualified
Preschool IDEA-B Fund	Qualified
Early Intervention IDEA-B Fund	Unmodified
Title II Fund	Adverse
Fresh Fruits & Vegetables Fund	Qualified
21st Century Fund	Adverse
IDEA-B Risk Pool Fund	Qualified
Results Plan IDEA-B Fund	Unmodified
Title III English Language Acquisition Fund	Qualified
Teacher/Principal Training & Recruiting Fund	Adverse
Safe & Drug Free Schools & Community Fund	Unmodified
Rural & Low Income Schools Fund	Unmodified
Title I School Improvement Fund	Qualified
Title III Immigrant Funding Fund	Unmodified
Reading First Fund	Qualified
Carl D. Perkins Special Project Fund	Qualified
Carl D. Perkins Secondary Redistribution Fund	Unmodified
Title I Federal Stimulus Fund	Unmodified
ARRA IDEA-B Fund	Qualified
ARRA IDEA-B Preschool Fund	Unmodified
Education of Homeless Federal Stimulus Fund	Qualified
Title I School Improvement Federal Stimulus Fund	Unmodified
Title VIII Impact Aid Special Education Fund	Unmodified
Impact Aid Indian Education Fund	Unmodified
Child & Adult Food Fund	Qualified
Title VII Indian Education EASIE Grant Fund	Unmodified
Enlace UNM Fund	Qualified
LANL Foundation Fund	Unmodified
PNM Foundation Fund	Unmodified
Dual Credit Instructional Materials Fund	Qualified
2008 GO Bond Student Library Fund	Qualified
2010 GO Bond Library Fund	Unmodified
2012 GO Bond Student Library SB-66 Fund	Unmodified
TANF (PED) School Aged Child Care Fund	Unmodified

Summary of Opinions (continued)

<i>Opinion Unit</i>	<i>Type of Opinion</i>
Other Governmental Funds:	
<i>Special Revenue Funds (continued)</i>	
Incentive for School IMPR ACT PED Fund	Qualified
Truancy Initiative Fund	Adverse
Libraries GO Bonds Law of 2004 Fund	Qualified
Pre-K Initiative Fund	Adverse
Beginning Teacher Mentoring Program Fund	Unmodified
Breakfast for Elementary Students Fund	Qualified
Summer Enrichment Fund	Qualified
Kindergarten Three Plus Fund	Qualified
GO Library Books Fund	Qualified
Suicide Prevention Fund	Qualified
Private Direct Grants Fund	Qualified
School Based Health Center Fund	Qualified
Education of Homeless Fund	Unmodified
USDA 2020 Equipment Fund	Unmodified
Title IV: Student Success Academic Achievement Fund	Unmodified
CSI Grant Fund	Unmodified
High School Redesign Fund	Unmodified
Text Messaging Systems Fund	Unmodified
2018 Excellence in Teaching Awards Fund	Unmodified
K-3 Plus 4&5 Pilot Fund	Unmodified
<i>Capital Projects Funds</i>	
Bond Building Fund	Qualified
Special Capital Outlay State Fund	Qualified
Capital Improvements SB-9 Fund	Qualified
SB-9 Local Fund	Qualified
Educational Technology Equipment Act Fund	Qualified
<i>Debt Service Funds</i>	
Deferred Sick Leave Fund	Unmodified
Educational Technology Fund	Qualified
Agency Funds	Unmodified
Budgetary Comparison Statements:	
Operational Fund Budgetary Comparison	Unmodified
Transportation Fund Budgetary Comparison	Unmodified
Instructional Materials Fund Budgetary Comparison	Qualified
Title XIX Medicaid 3 to 21 Years Fund Budgetary Comparison	Unmodified

Basis for Adverse Opinions

At year-end, the District failed to initiate electronic payments for accrued payroll liabilities reflected as paid within the accounting records. The effect was to understate cash and accrued payroll liabilities at June 30, 2019. The affected opinion units and amounts were as follows:

<i>Opinion Unit</i>	<i>Understated Cash and Accrued Payroll</i>
Governmental Activities	\$ 1,640,686
Operational Fund	\$ 1,367,338
Transportation Fund	\$ 46,448
Title XIX Medicaid 3 to 21 Years Fund	\$ 38,001
Food Service Fund	\$ 52,415
Title I IASA Fund	\$ 34,203
Entitlement IDEA-B Fund	\$ 33,416
Title II Fund	\$ 1,621
21st Century Fund	\$ 19,620

Basis for Adverse Opinions (continued)

<u>Opinion Unit</u>	<u>Understated Cash and Accrued Payroll</u>
Teacher/Principal Training & Recruiting Fund	\$ 11,092
Truancy Initiative Fund	\$ 4,585
Pre-K Initiative Fund	\$ 22,560

Basis for Qualified Opinions

The District discovered numerous errors within their accounting records related to previous fiscal years. The School District restated beginning of year balances for cash, receivables, capital assets, and liabilities. We were unable to verify the restatements to the various opinion units. The opinion units and amounts restated are as follows:

<u>Opinion Unit</u>	<u>Restated Equity</u>
Instructional Materials Fund	\$ (7,000)
Debt Service Fund	\$ 137,260
Discretionary IDEA-B Fund	\$ (17,743)
Competitive IDEA-B Fund	\$ (2,213)
Preschool IDEA-B Fund	\$ 2,055
Fresh Fruits & Vegetables Fund	\$ (22,724)
IDEA-B Risk Pool	\$ (2)
Title III English Language Acquisition Fund	\$ (126,765)
Title I School Improvement Fund	\$ (2,396)
Reading First Fund	\$ (20,266)
Carl D Perkins Special Project Fund	\$ (6,599)
ARRA IDEA-B Fund	\$ (1,236)
Education of Homeless Federal Stimulus Fund	\$ (728)
Child & Adult Food Fund	\$ (61,732)
Enlace UNM Fund	\$ (942)
Dual Credit Instructional Materials Fund	\$ (9,254)
2008 GO Bond Student Library Fund	\$ (2,074)
Incentive for School IMPR ACT PED Fund	\$ (10,101)
Libraries GO Bonds Law of 2004 Fund	\$ (196)
Breakfast for Elementary Students Fund	\$ (3,280)
Summer Enrichment Fund	\$ (7,238)
Kindergarten Three Plus Fund	\$ (12,295)
GO Library Books Fund	\$ (12,713)
Suicide Prevention Fund	\$ (3,618)
Private Direct Grants Fund	\$ (45,717)
School Based Health Center Fund	\$ (50,021)
Bond Building Fund	\$ (714,822)
Special Capital Outlay State Fund	\$ 19,657
Capital Improvements SB-9 Fund	\$ (262,991)
SB-9 Local Fund	\$ 104,028
Educational Technology Equipment Act Fund	\$ (370,301)
Educational Technology Fund	\$ 362,591
Instructional Materials Fund Budgetary Comparison	\$ (7,000)

Adverse Opinions

In our opinion, because of the significance of the matter described in the *Basis for Adverse Opinions* paragraph, the financial statements of those opinion units and funds do not present fairly as of June 30, 2019, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Qualified Opinions

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinions* paragraph, the financial statements of those opinion units and funds referred to above present fairly, in all material respects, the financial position of the Española Public School District, as of June 30, 2019, and the changes in financial position thereof, and the respective budgetary comparison for the instructional materials fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the District, as of June 30, 2019, and the respective changes in financial position thereof, and the respective budgetary comparisons for the operational and transportation funds, and major special revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management'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.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the District's basic financial statements and the combining and individual fund financial statements. The schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the other schedules required by Section 2.2.2 of NMAC 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 supporting schedules required by Section 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements.

Other Matters (continued)

Other Information (continued)

Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion the schedule of expenditures of federal awards and other schedules required by Section 2.2.2 NMAC, except for the possible effects of the matter discussed in the *Basis for Qualified Opinions* paragraph, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2020 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Fierro + Fierro, P.A.

Fierro & Fierro, P.A.
Las Cruces, New Mexico

February 28, 2020

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities
Assets	
Current assets:	
Cash	\$ 7,317,110
Property taxes receivables	1,509,935
Intergovernmental receivables	2,756,994
Inventory	83,530
Total current assets	11,667,569
Noncurrent assets:	
Restricted:	
Program funds	1,525
Capital assets:	
Land	4,861,879
Other capital assets, net of depreciation	58,252,102
Total noncurrent assets	63,115,506
Total assets	74,783,075
Deferred Outflows of Resources	
Pension related	22,488,186
OPEB related	5,636,505
Total deferred outflows of resources	28,124,691

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

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
STATEMENT OF NET POSITION (CONCLUDED)
JUNE 30, 2019

	Governmental Activities
Liabilities	
Current liabilities:	
Accounts payable	250,149
Other current liabilities	430,300
Accrued interest payable	94,648
Unearned revenues	1,940,794
Current maturities of:	
Bonds payable	2,635,000
Compensated absences	133,006
Total current liabilities	5,483,897
Noncurrent liabilities:	
Bonds payable	18,991,215
Compensated absences	179,962
Net pension liability	85,479,644
Net OPEB liability	20,797,746
Total noncurrent liabilities	125,448,567
Total liabilities	130,932,464
Deferred Inflows of Resources	
Pension related	1,777,617
OPEB related	5,373,755
Total deferred inflows of resources	7,151,372
Net Position	
Net investment in capital assets	41,487,766
Restricted for:	
Transportation	114,431
Instructional materials	90,473
Special revenue	226,225
Capital projects	122,940
Debt service	3,764,610
Unrestricted	(80,982,515)
Total net position	\$ (35,176,070)

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

**STATE OF NEW MEXICO
 ESPAÑOLA PUBLIC SCHOOL DISTRICT
 STATEMENT OF ACTIVITIES
 JUNE 30, 2019**

Functions/Programs	Expenses	Program Revenues			Net (Expenses)
		Charges for Services	Operating Grants And Contributions	Capital Grants and Contributions	Revenues and Changes in Net Position
					Governmental Activities
Primary Government:					
Governmental activities:					
Current:					
Instruction	\$ 27,512,318	\$ 165,188	\$ 6,562,056	\$ 424,845	\$ (20,360,229)
Support services:					
Students	6,767,117	-	-	-	(6,767,117)
Instruction	864,087	-	42,254	-	(821,833)
General administration	2,411,078	-	-	-	(2,411,078)
School administration	2,921,733	-	-	-	(2,921,733)
Central services	2,304,145	-	-	-	(2,304,145)
Operation of plant	10,336,834	-	-	-	(10,336,834)
Student transportation	2,065,093	-	1,453,141	-	(611,952)
Other	44,794	-	-	-	(44,794)
Operation services:					
Food	2,556,028	18,139	1,943,510	-	(594,379)
Unallocated depreciation	2,185	-	-	-	(2,185)
Interest on long-term debt	589,918	-	-	-	(589,918)
Total primary government	<u>\$ 58,375,330</u>	<u>\$ 183,327</u>	<u>\$ 10,000,961</u>	<u>\$ 424,845</u>	(47,766,197)
General Revenues:					
Property taxes:					
Levied for general purposes					149,205
Levied for capital projects					1,297,453
Levied for debt service					3,866,794
State equalization guarantee					29,884,687
Interest income					83,237
Donations					8,978
Total general revenues					<u>35,290,354</u>
Change in net position					(12,475,843)
Net position, beginning of year					(21,197,680)
Restatement					<u>(1,502,547)</u>
Net position, beginning of year, restated					<u>(22,700,227)</u>
Net position, end of year					<u>\$ (35,176,070)</u>

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

GOVERNMENTAL FUND FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019**

	General Fund						Total Governmental Funds
	Operational Fund	Transportation Fund	Instructional Materials Fund	Title XIX Medicaid 3 to 21 Years Fund	Debt Service Fund	Other Governmental Funds	
<u>ASSETS</u>							
Cash	\$ 134,260	\$ 127,466	\$ 90,473	\$ 1,260,019	\$ 3,279,341	\$ 2,425,551	\$ 7,317,110
Receivables, net	41,973	-	-	-	994,646	3,230,310	4,266,929
Inventory	66,882	-	-	-	-	16,648	83,530
Due from other funds	3,671,971	-	-	-	-	-	3,671,971
Restricted:							
Program funds	-	-	-	-	-	1,525	1,525
Total assets	\$ 3,915,086	\$ 127,466	\$ 90,473	\$ 1,260,019	\$ 4,273,987	\$ 5,674,034	\$ 15,341,065
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>							
Liabilities:							
Accounts payable	\$ 111,167	\$ 13,035	\$ -	\$ -	\$ -	\$ 125,947	\$ 250,149
Other current liabilities	430,300	-	-	-	-	-	430,300
Unearned revenues	-	-	-	1,260,019	-	680,775	1,940,794
Due to other funds	-	-	-	-	-	3,671,971	3,671,971
Total liabilities	541,467	13,035	-	1,260,019	-	4,478,693	6,293,214
Deferred Inflows of Resources:							
Noncurrent taxes	39,032	-	-	-	915,367	440,186	1,394,585
Fund Balances:							
Nonspendable:							
Inventory	66,882	-	-	-	-	16,648	83,530
Reserved for:							
Transportation	-	114,431	-	-	-	-	114,431
Instructional materials	-	-	90,473	-	-	-	90,473
Special revenue funds	-	-	-	-	-	635,291	635,291
Capital project funds	-	-	-	-	-	847,691	847,691
Debt service funds	-	-	-	-	3,358,620	405,990	3,764,610
Unassigned	3,267,705	-	-	-	-	(1,150,465)	2,117,240
Total fund balances	3,334,587	114,431	90,473	-	3,358,620	755,155	7,653,266
Total liabilities, deferred inflows of resources and fund balances	\$ 3,915,086	\$ 127,466	\$ 90,473	\$ 1,260,019	\$ 4,273,987	\$ 5,674,034	\$ 15,341,065

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

**STATE OF NEW MEXICO
 ESPAÑOLA PUBLIC SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET
 GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2019**

Total fund balance governmental funds (page eleven)	\$	7,653,266
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		63,113,981
Delinquent property taxes not collected within sixty days after year end are not considered "available" revenues and are considered to be unearned revenue in the fund financial statements, but are considered revenue in the statement of activities.		1,394,585
Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:		
Deferred outflows of resources related to pension		22,488,186
Deferred inflows of resources related to pension		<u>(1,777,617)</u>
Deferred outflows/inflows of resources related to pensions, net		20,710,569
Deferred outflows and inflows or resources related to OPEB are applicable to future periods and, therefore, are not reported in the funds:		
Deferred outflows of resources related to OPEB		5,636,505
Deferred inflows of resources related to OPEB		<u>(5,373,755)</u>
Deferred outflows/inflows of resources related to OPEB, net		262,750
Certain liabilities, including accrued compensated absences, accrued interest payable, bonds payable, net pension liability and net OPEB liability, are not due and payable in the current period and, therefore, are not reported in the funds:		
Accrued compensated absences		(312,968)
Accrued interest payable		(94,648)
General obligation bonds		(21,626,215)
Net pension liability		(85,479,644)
Net OPEB liability		<u>(20,797,746)</u>
Net position of governmental activities (page nine)	\$	<u><u>(35,176,070)</u></u>

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

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund			Title XIX Medicaid 3 to 21 Years Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
	Operational Fund	Transportation Fund	Instructional Materials Fund				
Revenues:							
Property taxes	\$ 119,681	\$ -	\$ -	\$ -	\$ 2,806,730	\$ 1,349,715	\$ 4,276,126
Intergovernmental:							
Federal	881,132	-	-	641,551	-	5,704,380	7,227,063
State	30,113,364	1,453,141	121,124	-	-	1,405,751	33,093,380
Charges for services	14,138	-	-	-	-	111,460	125,598
Interest	73,629	-	-	-	-	9,608	83,237
Miscellaneous	61,522	-	-	-	-	5,325	66,847
Total revenues	31,263,466	1,453,141	121,124	641,551	2,806,730	8,586,239	44,872,251
Expenditures:							
Current:							
Instruction	16,038,472	-	79,401	94,452	-	3,681,360	19,893,685
Support services:							
Students	4,170,690	-	-	485,030	-	470,936	5,126,656
Instruction	444,193	-	-	-	-	190,343	634,536
General administration	1,248,953	-	-	-	28,022	848,675	2,125,650
School administration	2,044,417	-	-	-	-	53,730	2,098,147
Central services	1,763,730	-	-	62,069	-	30,310	1,856,109
Operation of plant	5,757,420	-	-	-	-	582,563	6,339,983
Student transportation	115,358	1,232,275	-	-	-	245,974	1,593,607
Other	44,794	-	-	-	-	-	44,794
Operation services:							
Food	14,755	-	-	-	-	2,183,189	2,197,944
Capital outlay	198,972	105,606	-	-	-	155,475	460,053
Debt service:							
Principal	-	-	-	-	2,250,000	320,000	2,570,000
Interest and other charges	-	-	-	-	593,137	7,223	600,360
Total expenditures	31,841,754	1,337,881	79,401	641,551	2,871,159	8,769,778	45,541,524

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

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund			Title XIX Medicaid 3 to 21 Years Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
	Operational Fund	Transportation Fund	Instructional Materials Fund				
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	(578,288)	115,260	41,723	-	(64,429)	(183,539)	(669,273)
Other Financing Sources (Uses):							
Bond proceeds	-	-	-	-	-	301,215	301,215
Net change in fund balance	(578,288)	115,260	41,723	-	(64,429)	117,676	(368,058)
Fund balance, beginning of year	2,934,388	20,333	55,750	1,027,767	3,285,789	2,130,838	9,454,865
Restatement	978,487	(21,162)	(7,000)	(1,027,767)	137,260	(1,493,359)	(1,433,541)
Fund balance, beginning of year, restated	3,912,875	(829)	48,750	-	3,423,049	637,479	8,021,324
Fund balance, end of year	<u>\$ 3,334,587</u>	<u>\$ 114,431</u>	<u>\$ 90,473</u>	<u>\$ -</u>	<u>\$ 3,358,620</u>	<u>\$ 755,155</u>	<u>\$ 7,653,266</u>

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

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
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

Amounts reported governmental funds are different from the statement of activities because:

Net change in fund balances total governmental funds (page fourteen)	\$ (368,058)
<p>Capital outlay to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which depreciation exceeds capital outlay for the period.</p>	
Capital outlay	460,053
Depreciation expense	(3,290,461)
<p>Revenues in the statement of activities that do not provide current financial resources are reported as revenues in the funds:</p>	
Change in unearned revenues related to property taxes receivable	1,037,326
<p>The issuance of long-term debt (e.g., bonds, notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction; however, has any effect on net position:</p>	
Decrease in accrued interest payable	10,442
(Increase) in accrued compensated absences	(4,338)
Principal payments on bonds	2,570,000
Bond proceeds	(301,215)
Change in net pension liability and the related deferred outflows and deferred inflows of resources related to pensions	(11,793,638)
Change in net OPEB liability and the related deferred outflows and deferred inflows of resources related to OPEB	(795,954)
Net change in net position - governmental activities (page ten)	<u>\$ (12,475,843)</u>

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

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
OPERATIONAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance With Final Budget Over (Under)
	Original	Final				
Revenues:						
Property taxes	\$ 113,414	\$ 113,414	\$ 119,295	\$ 386	\$ 119,681	\$ 5,881
Intergovernmental:						
Federal	53,379	934,511	881,132	-	881,132	(53,379)
State	30,165,322	30,394,836	30,113,364	-	30,113,364	(281,472)
Charges of services	-	14,100	14,138	-	14,138	38
Interest	10,000	10,000	73,629	-	73,629	63,629
Miscellaneous	85,000	85,000	61,522	-	61,522	(23,478)
Total revenues	30,427,115	31,551,861	31,263,080	386	31,263,466	(288,781)
Expenditures:						
Current:						
Instruction	16,623,630	16,774,485	16,049,879	(11,407)	16,038,472	724,606
Support services:						
Students	4,231,071	4,503,557	4,164,699	5,991	4,170,690	338,858
Instruction	490,803	496,315	454,677	(10,484)	444,193	41,638
General administration	1,099,810	1,119,685	858,298	390,655	1,248,953	261,387
School administration	1,883,756	2,021,156	2,047,584	(3,167)	2,044,417	(26,428)
Central services	1,673,768	1,838,561	1,806,123	(42,393)	1,763,730	32,438
Operations of plant	6,827,196	6,991,978	5,978,283	(220,863)	5,757,420	1,013,695
Student transportation	94,578	134,377	115,358	-	115,358	19,019
Other	47,842	88,342	44,794	-	44,794	43,548
Operation services:						
Food	49,700	12,744	14,755	-	14,755	(2,011)
Capital outlay	28,702	194,402	198,972	-	198,972	(4,570)
Total expenditures	33,050,856	34,175,602	31,733,422	108,332	31,841,754	2,442,180
Net change	(2,623,741)	(2,623,741)	(470,342)	\$ (107,946)	\$ (578,288)	2,153,399
Cash balance, beginning of year	1,039,442	1,039,442	1,039,442			-
Cash repaid from other funds	-	-	3,261,632			3,261,632
Cash advanced to other funds	-	-	(3,671,971)			(3,671,971)
Cash restatement	-	-	(24,501)			(24,501)
Cash balance, end of year	\$ (1,584,299)	\$ (1,584,299)	\$ 134,260			\$ 1,718,559

Explanation of Differences:

Change in receivables	\$ (6,567)
Change in inventory	4,534
Change in accounts payable	317,434
Change in accrued liabilities	(430,300)
Change in unearned revenues	6,953
	<u>\$ (107,946)</u>

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

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
TRANSPORTATION FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual on Budgetary Basis</u>	<u>Budget to GAAP Differences</u>	<u>Actual on GAAP Basis</u>	<u>Budgetary Basis Variance With Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>				
Revenues:						
Intergovernmental:						
State	\$ 1,347,535	\$ 1,453,141	\$ 1,453,141	\$ -	\$ 1,453,141	\$ -
Expenditures:						
Current:						
Support services:						
Student transportation	1,347,535	1,347,535	1,219,374	12,901	1,232,275	128,161
Capital outlay	-	105,606	105,606	-	105,606	-
Total expenditures	<u>1,347,535</u>	<u>1,453,141</u>	<u>1,324,980</u>	<u>12,901</u>	<u>1,337,881</u>	<u>128,161</u>
Net change	-	-	128,161	<u>\$ (12,901)</u>	<u>\$ 115,260</u>	128,161
Cash balance, beginning of year	20,467	20,467	20,467			-
Cash restatement	-	-	(21,162)			<u>(21,162)</u>
Cash balance, end of year	<u>\$ 20,467</u>	<u>\$ 20,467</u>	<u>\$ 127,466</u>			<u>\$ 106,999</u>
Explanation of Differences:						
Change in accounts payable				<u>\$ (12,901)</u>		

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

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
INSTRUCTIONAL MATERIALS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance With Final Budget Over (Under)
	Original	Final				
Revenues:						
Intergovernmental:						
State	\$ 121,124	\$ 125,357	\$ 121,124	\$ -	\$ 121,124	\$ (4,233)
Expenditures:						
Current:						
Instruction	179,488	183,721	79,401	-	79,401	104,320
Net change	(58,364)	(58,364)	41,723	\$ -	\$ 41,723	100,087
Cash balance, beginning of year	55,750	55,750	55,750			-
Cash restatement	-	-	(7,000)			(7,000)
Cash balance, end of year	\$ (2,614)	\$ (2,614)	\$ 90,473			\$ 93,087

Explanation of Differences:
None.

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

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
TITLE XIX MEDICAID 3 TO 21 YEARS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance With Final Budget Over (Under)
	Original	Final				
Revenues:						
Intergovernmental:						
Federal	\$ 696,000	\$ 696,000	\$ 867,723	\$ (226,172)	\$ 641,551	\$ 171,723
Expenditures:						
Current:						
Instruction	927,422	927,422	94,452	-	94,452	832,970
Support services:						
Students	895,085	895,085	485,974	(944)	485,030	409,111
Central services	68,995	68,995	62,069	-	62,069	6,926
Total expenditures	<u>1,891,502</u>	<u>1,891,502</u>	<u>642,495</u>	<u>(944)</u>	<u>641,551</u>	<u>1,249,007</u>
Net change	(1,195,502)	(1,195,502)	225,228	<u>\$ (225,228)</u>	<u>\$ -</u>	1,420,730
Cash balance, beginning of year	1,028,711	1,028,711	1,028,711			-
Cash restatement	-	-	6,080			6,080
Cash balance, end of year	<u>\$ (166,791)</u>	<u>\$ (166,791)</u>	<u>\$ 1,260,019</u>			<u>\$ 1,426,810</u>
Explanation of Differences:						
Change in accounts payable				\$ 944		
Change in unearned revenues				<u>(226,172)</u>		
				<u>\$ (225,228)</u>		

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

FIDUCIARY FINANCIAL STATEMENT

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2019

	Agency Fund
Assets:	
Cash	<u>\$ 717,953</u>
Liabilities:	
Deposits held for others	<u>\$ 717,953</u>

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

NOTES TO THE FINANCIAL STATEMENTS

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Española Public School District (District) was created under the provision of Chapter 22 Article 5, Paragraph 4, New Mexico State Statutes 1978, to provide public education for the children within the District. The school board is authorized to establish policies and regulations for its own government, consistent with the laws of the state of New Mexico and the regulations of the state board of education, and the legislative finance committee. The board selects a superintendent who administers the District.

The summary of significant accounting policies of the District is presented to assist in the understanding of the District's financial statements. The financial statements and notes are the representation of the District's management, who is responsible for their integrity and objectivity. The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to governmental units.

The Governmental Accounting Standard Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements have incorporated all applicable GASB pronouncements, as well as Financial Accounting Standards Board (FASB) statements and interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on accounting procedures that do not conflict with or contradict GASB pronouncements. The more significant of the District's accounting policies are described below.

A. Reporting Entity

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

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

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

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

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus*, and the *accrual basis of accounting*, as is the fiduciary fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions*. Property taxes are recognized as revenue in the year for which the taxes are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting

C. and Financial Statement Presentation (continued)

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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

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

The *special revenue funds* account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

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

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

Under the requirements of GASB Statement No. 34, the District is required to present certain of its governmental funds as major funds, based upon certain criteria. The major funds presented in the fund financial statements include the following, in addition to the general fund, which may include funds that were not required to be presented as major but were at the discretion of management:

Major Funds

The *operational fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are provided by District school tax levy, state equalization, and earnings from investments.

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting

C. and Financial Statement Presentation (continued)

Major Funds (continued)

Expenditures include all costs associated with the daily operations of the schools, except for those items included in other funds.

The *transportation fund* is used to account for the state equalization, received from the Public Education Department (PED), which is used to pay for the costs associated with transporting school age children. This is considered by PED to be a sub-fund of the general fund.

The *instructional materials fund* is used to account for the monies received from the Public Education Department (PED), for the purpose of purchasing instructional materials (books, manuals, periodicals, etc.) used in the education of students. This is considered by PED to be a sub-fund of the general fund.

The *Title XIX Medicaid 3 to 21 Years fund* is used to account for a program providing school-based screening, diagnostic services, and other related health services and administrative activities in conformance with the approved Medicaid State Plan, in order to improve health and developmental outcomes for children. Authority for the creation of this fund is the Social Security Act, Title XIX, as amended; Public Laws 89-97, 90-248, and 91-56; 42 U.S.C. 1396 et seq., as amended.

The *debt service fund* is used to account for the accumulation of resources for the payment of general long-term debt principal and interest.

Additionally, the government reports the following fund types:

Fiduciary Funds

The *fiduciary funds* are purely custodial (assets and liabilities), and do not involve measurement of results of operations. These funds account for assets held by the District in a trustee capacity.

Agency Funds

Agency funds are used to account for assets that the government holds for others in an agency capacity. These agency funds are as follows:

The *school activity funds* account for assets held by the District as an agent for the individual schools and school organizations.

The *clearing agency fund* accounts for assets held by the District before they are remitted to other entities, such as withholdings including pension, retiree health care, and others.

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting

C. and Financial Statement Presentation (continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

Private-sector standards of accounting and financial reporting under FASB and AICPA guidance are now included in GASB guidance by GASB 62.

Program revenues are categorized as (a) charges for services, which include revenues collected for cafeteria fees and lost books, etc., (b) program-specific grants, which include revenues received from state and federal sources, such as Title I and IDEA-B, to be used as specified within each program grant agreement, and (c) program-specific capital grants and contributions, which include revenues from the state resources, such as SB-9 and HB-33 funding, to be used for capital projects. Internally dedicated resources are reported as *general revenues*, rather than as program revenues. Likewise, general revenues include all taxes and other items not properly included among program revenues.

The District reports all direct expenses by function in the statement of activities. Direct expenses are those that are clearly identifiable with a function. The District does not currently employ indirect cost allocation systems.

Depreciation expense is specifically identified by function and is included in the direct expense of each function, except for that portion of depreciation that is identified as unallocated on the statement of activities.

Interest on long-term debt is considered an indirect expense and is reported separately on the statement of activities.

D. Assets, Liabilities and Net Position or Equity

1. Cash and Investments

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

State statutes authorize the District to invest in certificates of deposit, obligations of the U.S. Government, and the state treasurer's investment pool.

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities and Net Position or Equity (continued)

1. Cash and Investments (continued)

The District is authorized under the provision of Chapter 6, Article 10, NMSA 1978, to deposit its money in banks, savings and loan associations, and/or credit unions whose accounts are insured by an agency of the United States.

Money market investments and participating interest-earning investment contracts that have a remaining maturity at the time of purchase of one year or less, and are held by governments other than external investment pools should be measured at amortized cost as provided in paragraph 9 of GASB No. 72. The District demands deposits and short-term investments with original maturities of three months or less from the date of acquisition are reported at amortized cost per GASB statement No. 72. The state treasurer's investment pool operates in accordance with appropriate state laws and regulations.

2. Receivables and Payables

Interfund activity is reported as either loans or services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related costs as a reimbursement. All other interfund transactions are treated as transfers.

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion deemed uncollectible.

The District receives monthly income from a tax levy in Rio Arriba and Santa Fe Counties. The funds are collected by the county treasurer, and are remitted to the school district the following month. Under the modified accrual method of accounting, the amount remitted by the Rio Arriba and Santa Fe county treasurers in July 2019, is considered *measurable and available* and, accordingly, is recorded as revenue during the year ended June 30, 2019.

Certain special revenue funds are administered on a reimbursement method of funding, and other funds are operated on a cash advance method of funding. The funds incurred the cost and submitted the necessary request for reimbursement or advance, respectively.

3. Prepaid Items

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

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities and Net Position or Equity (continued)

4. Instructional Materials

The New Mexico Public Education Department (PED) receives federal material leasing funds from which it makes annual allocations to the various school districts for the purchase of educational materials. Of each allocation, fifty percent is restricted to the requisition of material listed in the State Board of Education *state adopted instructional material* list, while fifty percent of each allocation is available for purchases directly from vendors, for which the school district receives cash drawdowns, or transfer to the fifty percent account for requisition of material from the adopted list. The school districts are allowed to carry forward unused textbook credits from year to year.

5. Inventory

Inventory is valued at lower of cost (first-in, first-out) or market. Inventory in the operational and food services funds, consist of expendable supplies held for consumption and related supplies. The cost is recorded as expenditure at the time individual inventory items are purchased. The reported inventories are equally offset by a fund balance reserve, which indicates that they do not constitute *available spendable resources* even though they are a component of net position.

6. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000, and an estimated useful life in excess of one year. Such assets are recorded at historical cost, or estimated historical cost, if purchased or constructed. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets, retroactive to 1979, are included as part of the governmental capital assets reported in the government-wide statements.

Donated capital assets received prior to June 15, 2015, are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015, are recorded at acquisition value. Information technology equipment, including software, is being capitalized and included in furniture, fixtures, and equipment in accordance with NMAC 2.20.1.9 C (5).

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

**STATE OF NEW MEXICO
 ESPAÑOLA PUBLIC SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities and Net Position or Equity (continued)

6. Capital Assets (continued)

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements	40
Land improvements	20
Furniture, fixtures, and equipment	3-10
Vehicles	10

7. Unearned Revenues/Noncurrent Taxes

Accounting principles generally accepted in the United States of America require that grant revenue be recognized at the time the related expense is made, if the expenditure of funds is the prime factor for determining eligibility for reimbursement; therefore, amounts received and not expended in the special revenue funds are shown as unearned revenues.

Amounts receivable from the property taxes levied for the current year, that are not considered to be *available* under the current financial resources measurement focus, are reported as noncurrent taxes in the governmental fund financial statements.

8. Deferred Inflows/Outflows of Resources

GASB 63 amended previous guidance on unearned revenues in the government-wide financial statements to include deferred outflow of resources, which is the consumption of net assets by the government that is applicable to a future reporting period, and deferred inflow of resources, which is acquisition of net assets by the government that is applicable to a future reporting period.

9. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources, are reported in the government-wide statement of net position.

10. Long-Term Obligations

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

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities and Net Position or Equity (continued)

10. Long-Term Obligations (continued)

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

11. Net Position or Fund Equity

Governmental funds report fund balance classifications, that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes, for which amounts in those funds can be spent. The detail of which is presented in Note 14.

In the government-wide financial statements, fund equity is classified as net position and is displayed in three components:

Net Investment in Capital Assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt, are also included in this component of net position.

Restricted – Consists of net position 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. Enabling legislation authorizes the government to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers), and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. The restricted component consists of restricted assets reduced by liabilities, and deferred inflows of resources related to those assets.

Unrestricted – All other net positions that do not meet the definition of restricted or net investment in capital assets.

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

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities and Net Position or Equity (continued)

12. 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 Plan (ERP) and additions to/deductions from ERP's fiduciary net position have been determined on the same basis as they are reported by ERP. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

13. Post-Employment Benefits Other than Pensions (OPEB)

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

14. Reclassifications

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

15. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund from expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements are reported as transfers. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

16. Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates affecting the District's financial statements include management's estimate of the useful lives of capital assets.

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Revenues

1. State Equalization Guarantee

School districts in the state of New Mexico receive a state equalization guarantee distribution, which is defined as *that amount of money distributed to each school district to insure that the school district's operating revenue, including its local and federal revenues as defined in Chapter 22, Section 825, NMSA 1978, is a least equal to the school district's program cost.*

A school district's program costs are determined through the use of various formulas using program units, which take into consideration; (1) early childhood education; (2) basic education; (3) special education; (4) bilingual-multicultural education; (5) size, etc. Payment is made from the public school fund under the authority of the director of public school finance. The District received \$29,884,687 in state equalization guarantee distributions during the year ended June 30, 2019.

2. Tax Revenues

The District receives mill levy and ad-valorem tax revenues primarily for debt service and capital outlay purposes. Tax revenues are recognized when they are in the hands of the collecting agency. The District records only the portion of the taxes considered to be measurable and available on a modified accrual basis. The District recognized \$4,276,126 in tax revenues during the year ended June 30, 2019. Descriptions of the individual debt service and capital outlay funds contained in these financial statements, include information regarding the authority for the collection and use of these taxes.

Property taxes attach an enforceable lien on property as of January 1. Tax notices are sent to property owners by November 1st of each year to be paid in whole or in two installments by November 10th and April 10th of each year. Rio Arriba County and Santa Fe County collect county, city, and school taxes and distributes them to each fund once per month, except in June when the taxes are distributed twice to close out the fiscal year.

3. Transportation Distribution

School districts in the state of New Mexico receive student transportation distributions. The transportation distribution is allocated to each school district in accordance with formulas developed by the state transportation director, and the director of public school finance. The funds shall be used only for the purpose of making payments to each school district for the to-and-from school transportation costs of students in grades K through 12 attending public school within the school district. The District received \$1,453,141 in transportation distributions during the year ended June 30, 2019.

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Revenues (continued)

4. Instructional Materials

The New Mexico Public Education Department (PED) receives federal material leasing funds, from which it makes annual allocations to the various school districts for the purchase of educational materials. Of each allocation, fifty percent is restricted to the requisition of materials listed in the State Board of Education's *State Adopted Instructional Material* list, while the other fifty percent of each allocation is available for purchases directly from vendors. Allocations received from the state for the year ended June 30, 2019, totaled \$121,124.

5. Public School Capital Outlay

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

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

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

The council shall consider all applications for assistance from the fund, and after public hearing shall either approve or deny the application. Applications for grant assistance shall only be accepted by the council after a district has complied with the provisions of this section. The council shall list all applications in order of priority, and all allocations shall be made on a priority basis.

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

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Revenues (continued)

6. SB-9 State Match

The director shall distribute to any school district that has imposed a tax under the Public School Capital Improvements Act (22-25-1 to 22-25-10 NMSA 1978) an amount from the public school capital improvements fund that is equal to the amount by which the revenue estimated to be received from the imposed tax, as specified in Subsection B of Section 22-25-3 NMSA 1978, assuming a one hundred percent collection rate, is less than an amount calculated by multiplying the product obtained by the rate imposed in the District under the Public School Capital Improvements Act. The distribution shall be made by December 1, of each year that the tax is imposed in accordance with Section 22-25-3 NMSA 1978. Provided, however, in the event that sufficient funds are not available in the public school capital improvement funds to make the state distribution provided for in this section, the dollar per program unit figure shall be reduced as necessary.

7. Public School Capital Outlay

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

8. Federal Grants

The District receives revenues from various federal departments, both direct and indirect, which are legally restricted to expenditures for specific purposes. These programs are reported as special revenue funds. Each program operated under its own budget, which has been approved by the federal department or the flow through agency, usually the New Mexico Public Education Department. The various budgets are approved by the local school board and the New Mexico Public Education Department.

The District also receives revenues from the federal department that are unrestricted to expenditures for special purposes. These revenues are reported in the operational fund.

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Budgets for the general, special revenue, capital projects, and debt service funds are prepared by management, and are approved by the local board of education and the school budget and planning unit of the public education department. Auxiliary student activity accounts are not budgeted.

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

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

The budgetary information presented in these financial statements has been amended in accordance with the above procedures. The school district follows these procedures in establishing the budgetary data reflected in the financial statements:

- In April or May, the local school board submits to the District Budget Planning Unit (DBPU) of the New Mexico Public Education Department a proposed operating budget for the ensuing fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them. All budgets submitted to the state of New Mexico Public Education Department (PED) by the District shall contain headings and details as described by law and have been approved by the Public Education Department.
- In May or June of each year, the proposed operating budget will be reviewed and approved by the DBPU, and certified and approved by the local school board at a public hearing of which notice has been published by the local school board that fixes the estimated budget for the school district for the ensuing fiscal year.
- The school board meeting, while not intended for the general public, is open for the general public unless a closed meeting has been called.
- The operating budget will be used by the District until they have been notified that the budget has been approved by the DBPU and the local school board. The budget shall be integrated formally into the accounting system. Encumbrances shall be used as an element of control and shall be integrated into the budget system.
- The District shall make corrections, revisions, and amendments to the estimated budgets fixed by the local school board to recognize actual cash balances and carryover funds, if any. These adjustments shall be reviewed and approved by the DBPU.

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

Budgetary Information (continued)

- The superintendent is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the school board and the state of New Mexico Public Education Department.
- Budget change requests are processed in accordance with budget preparation and maintenance of the Manual of Procedures Public School Accounting and Budgeting. Such changes are initiated by the school district and approved by the DBPU.
- Legal budget control for expenditures is by function.
- Appropriations lapse at fiscal year end. Funds unused during the fiscal year may be carried over into the next fiscal year by budgeting those in the subsequent fiscal year's budget. The budget of the District has been amended during the current fiscal year in accordance with these procedures. The budget schedules included in the accompanying financial statements reflect the approved budget and amendment thereto.
- Formal budgetary integration is employed as a management control device during the year for the general fund, special revenue funds, capital projects fund, and debt service funds.
- Budgets for the general, special revenue, capital projects, and debt service funds are adopted on a basis not consistent with generally accepted accounting principles (GAAP). Encumbrances are treated the same way for GAAP purposes and for budget purposes.

The Board of Education may approve amendments to the appropriated budget, which are required when a change is made affecting budgeted ending fund balance. New Mexico Administrative Code 6.2.2.9 prohibits the District from exceeding budgetary control at the function level.

The accompanying statements of revenues, expenditures and changes in fund balance-budget (non-GAAP budgetary basis) and actual, present comparisons of the legally adopted budget with actual data on a budgetary basis.

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of resultant basis, perspective, equity, and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2019, is presented.

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

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

3. CASH AND TEMPORARY INVESTMENTS

State statutes authorize the investment of District funds in a wide variety of instruments, including certificates of deposit and other similar obligations, state investment pool, money market accounts, and U.S. government obligations. All invested funds of the District properly followed state investment requirements as of June 30, 2019.

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

The rate of interest in non-demand interest-bearing accounts shall be set by the state board of finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on U.S. treasury bills of the same maturity on the day of deposit.

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

The collateral pledged is listed as supporting schedules within this report. The types of collateral allowed are limited to direct obligations of the United States government and all bonds issued by any agency, district, or political subdivision of the state of New Mexico.

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

Primary Government

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk, other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). At June 30, 2019, \$10,266,236 of the District's deposits of \$10,523,519 was exposed to custodial credit risk. As of June 30, 2019, the carrying amount of these deposits was \$8,035,063.

New Mexico State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the District for at least one half of the amount on deposit with the institution. The schedule listed below will meet the state of New Mexico Office of the State Auditor's requirements in reporting the insured portion of the deposits.

**STATE OF NEW MEXICO
 ESPAÑOLA PUBLIC SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2019**

3. CASH AND TEMPORARY INVESTMENTS (continued)

Primary Government (continued)

	Century Bank	Wells Fargo Bank
Total amounts of deposits	\$ 10,516,236	\$ 7,283
Less FDIC coverage	(250,000)	(7,283)
Uninsured public funds	10,266,236	-
Pledged collateral held by pledging bank's agent, but not in the District's name	(7,611,870)	-
Uninsured and uncollateralized funds	\$ 2,654,366	\$ -
Total pledged collateral	\$ 7,611,870	\$ -
50% pledged collateral requirement per State Statute	5,133,118	-
Pledged collateral over (under) the requirement	\$ 2,478,752	\$ -

Reconciliation of Cash

Statement of Net Position:	
Cash	\$ 7,317,110
Statement of Fiduciary Assets and Liabilities	717,953
Total cash reported on financial statements	\$ 8,035,063

4. INVENTORY

Inventory is valued at the lower of cost (first-in, first-out) or market. Inventory consists of expendable supplies held for consumption. The cost is recorded as expenditure at the time individual inventory items are purchased. The reported inventories are equally offset by a fund balance reserve that indicates that they do not constitute available spendable resources even though they are a component of net current assets.

Inventories at June 30, 2019, consisted of the following:

Operational Fund	\$ 66,882
Food Service Fund	16,648
	\$ 83,530

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

5. RECEIVABLES

Receivables as of June 30, 2019, are as follows:

	Operational Fund	Debt Service Fund	Non-Major Funds	Total
Property taxes	\$ 41,973	\$ 994,646	\$ 473,316	\$ 1,509,935
Intergovernmental	-	-	2,756,994	2,756,994
Total receivables	<u>\$ 41,973</u>	<u>\$ 994,646</u>	<u>\$ 3,230,310</u>	<u>\$ 4,266,929</u>

The above receivables are deemed 100% collectible. In accordance with GASB Statement No. 33, property tax receivables should be presented net of unearned revenues on the governmental fund financial statements.

6. INTERFUND RECEIVABLES AND PAYABLES

The District records temporary interfund receivable and payables to enable the funds to operate until grant monies are received. The composition of interfund balances as of June 30, 2019, is as follows:

<u>Governmental Activities</u>	Interfund Receivables	Interfund Payables
Major Funds:		
Operational Fund	\$ 3,671,971	\$ -
Non-Major Funds	-	3,671,971
	<u>\$ 3,671,971</u>	<u>\$ 3,671,971</u>

All interfund balances are to be paid within one year.

**STATE OF NEW MEXICO
 ESPAÑOLA PUBLIC SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2019**

7. CAPITAL ASSETS

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

	Balance 06/30/18	Adjustments	Additions	Deletions	Balance 06/30/19
Capital assets, not being depreciated:					
Land	\$ 4,861,879	\$ -	\$ -	\$ -	\$ 4,861,879
Capital assets, being depreciated:					
Land improvements	7,680,094	-	166,837	(11,226)	7,835,705
Buildings and building improvements	134,143,575	-	-	-	134,143,575
Equipment and vehicles	5,324,600	902,005	293,216	(120,833)	6,398,988
Total capital assets, being depreciated	147,148,269	902,005	460,053	(132,059)	148,378,268
Less accumulated depreciation for:					
Land and land improvements	(2,911,361)	-	(447,166)	11,226	(3,347,301)
Buildings and building improvements	(79,688,832)	-	(2,444,710)	-	(82,133,542)
Equipment and vehicles	(4,041,560)	(326,011)	(398,585)	120,833	(4,645,323)
Total accumulated depreciation	(86,641,753)	(326,011)	(3,290,461)	132,059	(90,126,166)
Total capital assets, being depreciated, net	60,506,516	575,994	(2,830,408)	-	58,252,102
Total capital assets, net	<u>\$ 65,368,395</u>	<u>\$ 575,994</u>	<u>\$ (2,830,408)</u>	<u>\$ -</u>	<u>\$ 63,113,981</u>

Depreciation expense for the year ended June 30, 2019, in the amount of \$3,290,461 was charged to the following functions:

Instruction	\$ 128,721
Support services - students	69
Support services - instruction	3,926
Support services - central services	933
Operation of plant	3,012,156
Student transportation	136,121
Operation services - food	6,350
Unallocated depreciation	2,185
	<u>\$ 3,290,461</u>

**STATE OF NEW MEXICO
 ESPAÑOLA PUBLIC SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2019**

8. LONG-TERM DEBT

During the year ended June 30, 2019, the following changes occurred in the liabilities reported in the government-wide statement of net position:

	Balance 06/30/18	Restatement	Additions	Deletions	Balance 06/30/19	Amounts Due Within One Year
Bonds payable	\$ 23,250,000	\$ 645,000	\$ 301,215	\$ (2,570,000)	\$ 21,626,215	\$ 2,635,000
Compensated absences	308,630	-	238,487	(234,149)	312,968	133,006
Total	<u>\$ 23,558,630</u>	<u>\$ 645,000</u>	<u>\$ 539,702</u>	<u>\$ (2,804,149)</u>	<u>\$ 21,939,183</u>	<u>\$ 2,768,006</u>

General Obligation Bonds

The District had the following general obligation bond series outstanding during the fiscal year ended June 30, 2019:

Series	Maturity Date	Original Amount	Interest Rate	Balance
2011A	9/1/2024	\$ 9,900,000	3-3.25%	\$ 8,330,000
2013	3/1/2028	\$ 9,800,000	2-2.25%	7,435,000
Ed Tech - 2014	9/1/2019	\$ 1,600,000	0.53-1.58%	325,000
2014	3/1/2028	\$ 8,300,000	2.86%	5,235,000
2019	9/1/2024	\$ 1,650,363	1.98%	301,215
				<u>\$ 21,626,215</u>

The annual requirements to amortize all bonds as of June 30, 2019, including interest payments, are as follows:

	Principal	Interest	Total
2020	\$ 2,635,000	\$ 538,971	\$ 3,173,971
2021	2,676,215	465,526	3,141,741
2022	2,445,000	399,153	2,844,153
2023	2,515,000	329,048	2,844,048
2024	2,585,000	256,960	2,841,960
2025-2028	8,770,000	349,622	9,119,622
	<u>\$ 21,626,215</u>	<u>\$ 2,339,280</u>	<u>\$ 23,965,495</u>

In prior years, the general fund was typically used to liquidate long-term liabilities other than general obligation bonds.

Compensated Absences

Administrative employees of the District are able to accrue a limited amount of vacation and other compensatory time during the year. During fiscal year June 30, 2019, compensated absences increased \$4,338 over the prior year accrual.

**STATE OF NEW MEXICO
 ESPAÑOLA PUBLIC SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2019**

8. LONG-TERM DEBT (continued)

Operating Leases

The District leases office equipment under short-term cancelable operating leases. Rental cost for the year ended June 30, 2019, was \$35,198.

9. RISK MANAGEMENT

The District is a member of the New Mexico Public Schools Insurance Authority (NMPSIA). NMPSIA was created to provide comprehensive core insurance programs by expanding the pool of subscribers to maximize cost containment opportunities for required insurance coverage. The District pays an annual premium to the NMPSIA based on claim experience and the status of the pool. The Risk Management Program includes workers compensation, general and automobile liability, automobile physical damage, and property and crime coverage. Also included under the risk management program are boiler, machinery and student accident insurance.

NMPSIA provides coverage for up to a maximum of \$750,000,000 for each property damage claim with a \$750 deductible to each building. General liability coverage is afforded to all employees, volunteers and school board members and the limit is subject to the NMSA Tort Claims Act on a per occurrence basis. The automobile and property liability limit is subject to the provisions of the Tort Claims Act. The crime limit is \$250,000 per occurrence for faithful performance. A limit of \$250,000 applies to depositor's forgery, credit card forgery, and money orders. A limit of \$100,000 applies to money and security, which includes a \$750 deductible. In case NMPSIA's assets are not sufficient to meet its liability claims, the agreement provides that subscribers, including the District, cannot be assessed additional premiums to cover the shortfall. As of June 30, 2019, there have been no claims that have exceeded insurance coverage.

10. OTHER REQUESTED INDIVIDUAL FUND DISCLOSURES

Excess of expenditures over appropriations by fund and function. The following fund exceeded approved budgetary authority for the year ended June 30, 2019:

Fund	Function	Total
Major Funds:		
Operational	School administration	\$ 26,428
	Food	2,011
	Capital outlay	4,570
Non-Major Funds:		
Athletics	Instruction	6,810
Preschool IDEA-B	Students	216
Impact Aid Indian Education	Students	1,630
Child & Adult Food Program	Central services	705
Bond Building	General administration	12,678
	Operation of plant	48,299
Capital Improvements SB-9	Capital outlay	110,136
SB-9 Local	Capital outlay	23,786
Educational Technology	Debt service - interest	122

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

11. PENSION PLAN – EDUCATION RETIREMENT BOARD (ERB)

General Information about the Pension Plan

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

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

The Plan is a pension trust fund of the state of New Mexico. The ERA assigns the authority to establish and amend benefit provisions to a seven-member Board of Trustees (Board); the state legislature has the authority to set or amend contribution rates and other terms of the Plan. NMERB is self-funded through investment income and educational employer contributions.

The Plan does not receive general fund appropriations from the state of New Mexico. All accumulated assets are held by the Plan in trust to pay benefits, including refunds of contributions as defined in the terms of the Plan. Eligibility for membership in the Plan is a condition of employment, as defined Section 22-11-2, NMSA 1978. Employees of public schools, universities, colleges, junior colleges, technical-vocational institutions, state special schools, charter schools, and state agencies providing an educational program, who are employed more than 25% of a full-time equivalency, are required to be members of the Plan, unless specifically excluded.

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

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

- 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 July 1, 2010, was refunded all member contributions, and then becomes reemployed after July 1, 2010 is as follows:

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11. RETIREMENT PLAN - EDUCATIONAL RETIREMENT BOARD (continued)

General Information about the Pension Plan (continued)

Summary of Plan Provisions for Retirement Eligibility (continued)

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

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

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

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

Benefit Options – The Plan has three benefit options available:

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

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

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11. RETIREMENT PLAN - EDUCATIONAL RETIREMENT BOARD (continued)

General Information about the Pension Plan (continued)

Benefit Options (continued) –

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

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

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

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

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

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

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11. RETIREMENT PLAN - EDUCATIONAL RETIREMENT BOARD (continued)

General Information about the Pension Plan (continued)

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

Contributions - For the fiscal year ended June 30, 2019 and 2018, educational employers contributed to the Plan based on the following rate schedule:

Fiscal Year	Date Range	Wage Category	Member Rate	Employer Rate	Combined Rate	Increase Over Prior Year
2019	7-1-18 to 6-30-19	Over \$20K	10.70%	13.90%	24.60%	0.00%
2019	7-1-18 to 6-30-19	\$20K or less	7.90%	13.90%	21.80%	0.00%
2018	7-1-17 to 6-30-18	Over \$20K	10.70%	13.90%	24.60%	0.00%
2018	7-1-17 to 6-30-18	\$20K or less	7.90%	13.90%	21.80%	0.00%

The contribution requirements are established in state statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the New Mexico Legislature. For the fiscal years ended June 30, 2019 and 2018, the District paid employee and employer contributions of \$2,958,852 and \$2,749,691, which equal the amount of the required contributions for each fiscal year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2019, the District reported a liability of \$85,479,644 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2018, using generally accepted actuarial principles. The roll-forward incorporates the impact of the new assumptions adopted by the Board on April 21, 2017. There were no other significant events of changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2018. Therefore, the employer's portion was established as of the measurement date of June 30, 2018.

The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating educational institutions, actuarially determined. At June 30, 2018, the District's proportion was 0.71884%, which was an increase of 0.0242% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the District recognized pension expense of \$11,793,638. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

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11. RETIREMENT PLAN - EDUCATIONAL RETIREMENT BOARD (continued)

General Information about the Pension Plan (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued) –

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 62,386	\$ 1,626,815
Change of assumptions	17,616,950	-
Net difference between projected and actual earnings on pension plan investments	189,230	-
Changes in proportion and differences between contributions and proportionate share of contributions	1,793,157	150,802
Employer contributions subsequent to the measurement date	2,826,463	-
Total	\$ 22,488,186	\$ 1,777,617

\$2,826,463 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2019	\$ 10,603,503
2020	7,090,454
2021	187,659
2022	2,490
2023	-
Thereafter	-

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11. RETIREMENT PLAN - EDUCATIONAL RETIREMENT BOARD (continued)

General Information about the Pension Plan (continued)

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

Inflation	2.5%										
Salary increases	3.25% composed of 2.50% inflation, plus a 0.75% productivity increase rate, plus a step-rate promotional increase for members with less than 10 years of service.										
Investment rate of return	7.25% compounded annually, net of expenses. This is made up of a 2.50% inflation rate and a 4.75 real rate of return.										
Average of Expected Remaining Service Lives	<table border="0" style="margin-left: 20px;"> <tr> <td style="text-align: left;">Fiscal Year</td> <td style="text-align: center;"><u>2017</u></td> <td style="text-align: center;"><u>2016</u></td> <td style="text-align: center;"><u>2015</u></td> <td style="text-align: center;"><u>2014</u></td> </tr> <tr> <td style="text-align: left;">Service life in years</td> <td style="text-align: center;">3.35</td> <td style="text-align: center;">3.77</td> <td style="text-align: center;">3.92</td> <td style="text-align: center;">3.88</td> </tr> </table>	Fiscal Year	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	Service life in years	3.35	3.77	3.92	3.88
Fiscal Year	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>							
Service life in years	3.35	3.77	3.92	3.88							
Mortality	<p>Healthy males : Based on RP-2000 Combined Mortality Table with White Collar adjustments, no set back, generational mortality improvements with Scale BB from the table's base year of 2000.</p> <p>Healthy females : Based on GRS Southwest Region Teacher Mortality Table, set back one year, generational mortality improvements in accordance with Scale BB from the table's base year of 2012.</p> <p>Disabled males : RP-2000 Disabled Mortality Table for males, set back three years, projected to 2016 with Scale BB.</p> <p>Disabled females : RP-2000 Disabled Mortality Table for females, no set back, projected to 2016 with Scale BB.</p> <p>Active members : RP-2000 Employee Mortality Tables, with males set back two years and scaled at 80%, and females set back five years and scaled at 70%. Static mortality improvement from the table's base year of 2000 to the year 2016 in accordance with Scale BB. No future improvement was assumed for pre-retirement mortality.</p>										
Retirement Age	Experience-based table rates based on age and service, adopted by the NMERB Board on April 21, 2017, in conjunction with the six-year experience study for the period ended June 30, 2016.										
Cost-of-living increases	1.90% per year, compounded annually; increases deferred until July 1st, following the year a member retires, or the year in which a member attains the age of 65 (67 for Tier 3), whichever is later or, for disabled retirees, until July 1st of the third year, following retirement.										
Payroll growth	3.00% per year (with no allowance for membership growth).										
Contribution accumulation	The accumulated member account balance with interest is estimated at the valuation date by assuming that member contributions increased 5.50% per year for all years prior to the valuation date. Contributions are credited with 4.00% interest, compounded annually, applicable to the account balances in the past as well as the future.										
Disability incidence	Approved rates applied to eligible members with at least 10 years of service.										

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11. RETIREMENT PLAN - EDUCATIONAL RETIREMENT BOARD (continued)

General Information about the Pension Plan (continued)

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

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

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

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

Discount Rate - A single discount rate of 5.69% was used to measure the total pension liability as of June 30, 2018. This rate is .21% less than the 5.90% discount rate used for June 30, 2017. The June 30, 2018 single discount rate was based on a long-term expected rate of return on pension plan investments of 7.25%, and a municipal bond rate of 3.62%. Based on the stated assumptions and the projection of cash flows, the pension plan’s fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2050. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the 2050 fiscal year, and the municipal bond rate was applied to all benefit payments after that date. The projection of cash flows used to determine June 30, 2018 single discount rate, assumed that plan member and employer contributions will be made to the current statutory levels.

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11. RETIREMENT PLAN - EDUCATIONAL RETIREMENT BOARD (continued)

General Information about the Pension Plan (continued)

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 5.69 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.69 percent) or 1-percentage-point higher (6.69 percent) than the current rate:

	1% Decrease 4.69%	Current Discount Rate 5.69%	1% Increase 6.69%
District's proportionate share of the net pension liability	\$ 110,090,798	\$ 85,479,644	\$ 64,582,540

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued NMERB's financial reports. The reports can be found on NMERB's website at https://www.nmerb.org/Annual_reports.html.

12. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

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

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

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12. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

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

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

Contributions – Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee’s salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer’s participation in the Fund. Contributions to the Fund from the District were \$300,042 for the year ended June 30, 2018.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – At June 30, 2019, the District reported a liability of \$20,797,746 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. The District’s proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2018. At June 30, 2018, the District’s proportion was 0.47829 percent.

For the year ended June 30, 2019, the District recognized OPEB expense of \$1,102,963. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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12. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued) –

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 1,231,360
Differences between actual and projected earnings on OPEB plan investments	-	259,548
Changes of assumptions	-	3,882,847
Changes in proportion	5,336,463	-
Contributions made after the measurement date	300,042	-
	\$ 5,636,505	\$ 5,373,755

Deferred outflows of resources totaling \$300,042 represent District contributions to the Fund made subsequent to the measurement date, and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ended June 30:	
2020	\$ (234,748)
2021	(234,748)
2022	(234,748)
2023	76,208
2024	590,744
	\$ (37,292)

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

Valuation date	June 30, 2017
Actuarial cost method	Entry age normal, level percent of pay, calculated on individual employee basis
Asset valuation method	Market value of assets
Actuarial assumptions:	
Inflation	2.50% for ERB members; 2.25% for PERA members
Projected payroll increases	3.25% to 12.50%, based on years of service, including inflation
Investment rate of return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation

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12. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

Actuarial assumptions (continued) –

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

Discount Rate – The discount rate used to measure the Fund’s total OPEB liability is 4.08% as of June 30, 2018. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund 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.

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12. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

Discount Rate (continued) – Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2029. Beyond 2029, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Thus, 4.08% is the blended discount rate.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates – The following presents the net OPEB liability of the District, as well as what the District’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.08 percent) or 1-percentage-point higher (5.08 percent) than the current discount rate:

1% Decrease (3.08%)	Current Discount (4.08%)	1% Increase (5.08%)
\$25,170,170	\$ 20,797,746	\$17,351,302

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

1% Decrease	Current Trend Rates	1% Increase
\$ 17,581,387	\$ 20,797,746	\$ 23,319,444

OPEB Plan Fiduciary Net Position – Detailed information about the OPEB plan’s fiduciary net position is available in NMRHCA’s audited financial statements for the year ended June 30, 2018.

Payable Changes in the Net OPEB Liability – At June 30, 2019, the District reported all outstanding contributions due to NMRHCA for the year ended June 30, 2019 have been paid.

13. POTENTIAL ADDITIONAL LIABILITIES

In October 2019, the District received a notice from the Internal Revenue Service (IRS) assessing a penalty of \$430,300 for failure to file health insurance coverage informational employees’ returns for 2016. The District has recorded the liability and expense during the fiscal year ended June 30, 2019. The District failed to file the informational returns for 2017 and 2018, and anticipates similar penalties for those fiscal years. The District has requested the penalties be abated for reasonable cause. If the penalties are not abated, the expense and liabilities will be recorded within the operational fund.

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ESPAÑOLA PUBLIC SCHOOL DISTRICT
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14. GOVERNMENTAL FUND BALANCE

In the fund financial statements, governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Some governments may not have policies or procedures that are comparable to those policies that underlie the classifications and, therefore, would not report amounts in all possible fund balance classifications.

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

Non-spendable – Consists of amounts that cannot be spent because they are either: (a) not in spendable form; or (b) legally or contractually required to be maintained intact.

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

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

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

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

Fund balances at June 30, 2019 are as follows:

	Operational Fund	Transportation Fund	Instructional Materials Fund	Title XIX Medicaid 3 to 21 Years Fund	Debt Service Fund	Other Governmental Funds	Total
Fund Balances							
Nonspendable:							
Inventory	\$ 66,882	\$ -	\$ -	\$ -	\$ -	\$ 16,648	\$ 83,530
Restricted for:							
Transportation	-	114,431	-	-	-	-	114,431
Instructional materials	-	-	90,473	-	-	-	90,473
Special revenue	-	-	-	-	-	635,291	635,291
Capital projects	-	-	-	-	-	847,691	847,691
Debt service	-	-	-	-	3,358,620	405,990	3,764,610
Unassigned	3,267,705	-	-	-	-	(1,150,465)	2,117,240
Total fund balances	<u>\$ 3,334,587</u>	<u>\$ 114,431</u>	<u>\$ 90,473</u>	<u>\$ -</u>	<u>\$ 3,358,620</u>	<u>\$ 755,155</u>	<u>\$ 7,653,266</u>

**STATE OF NEW MEXICO
 ESPAÑOLA PUBLIC SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2019**

15. RESTATEMENT OF NET POSITION

During the fiscal year the District contracted with a vendor to perform a detailed review of the District's beginning balances. The contractor noted numerous instances of variances within the District's beginning balances. The effect of the changes are as follows:

Ending fund balance - 06-30-18:	\$	(21,197,680)
Restatements:		
Government-Wide:		
Debt was understated		(645,000)
Capital assets were understated		575,994
Major Funds:		
Operational fund		978,487
Pupil transportation fund		(21,162)
Instructional materials fund		(7,000)
Title XIX Medicaid 3 to 21 years fund		(1,027,767)
Debt service fund		137,260
Non-Major Funds:		
Special revenue funds		(631,521)
Capital projects funds		(1,224,429)
Debt service funds		362,591
		(1,502,547)
Total restatements		(1,502,547)
Ending fund balance, restated - 06-30-18	\$	(22,700,227)

16. UNRESTRICTED NET POSITION

The government-wide statement of net position reflects an unrestricted (deficit) net position of (\$80,982,515) at June 30, 2019. Generally accepted accounting principles for governments requires the District reflect their share of the state's pension plan and retiree post-employment health insurance plan. The New Mexico Educational Retirement Board manages the state's educational pension plan while the New Mexico Retire Health Care Authority manages the retiree post-employment health care plan. At June 30, 2019, the District's share of the net pension liability is \$85,479,644 and the net post-employment health care liability is \$20,797,746. Those liabilities indicate the plans do not have sufficient assets to satisfy future obligations. The District does not control the funding or investment policies of the plans.

17. NON-MAJOR FUNDS – DEFICIT FUND BALANCES

At June 30, 2019, the District has several non-major funds that reflect deficit fund balances. The deficit fund balances result from unfunded expenditures not reimbursed by the individual funding sources. The District will analysis each fund and determine if the individual funding sources will reimburse the unfunded expenditures. For those funds unable to receive reimbursement, the District will seek authority from the New Mexico Public Education Department to transfer cash from the operational fund to reduce the deficit fund balances to zero. The non-major funds reflecting the deficit fund balances and amounts are as follows:

**STATE OF NEW MEXICO
 ESPAÑOLA PUBLIC SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2019**

17. NON-MAJOR FUNDS – DEFICIT FUND BALANCES (continued)

Non-Major Fund	Amount
Activity Transportation	\$ 85,080
Title I IASA	\$ 31,401
Discretionary IDEA-B	\$ 17,743
Competitive IDEA-B	\$ 2,213
Fresh Fruits & Vegetables	\$ 22,724
IDEA-B Risk Pool	\$ 2
Title III English Language Acquisition	\$ 126,765
Teacher Principal Training & Recruiting	\$ 39,788
Title I School Improvement	\$ 2,396
Reading First	\$ 20,266
ARRA IDEA-B	\$ 1,236
Education of Homeless Federal Stimulus	\$ 728
Impact Aid Indian Education	\$ 39,226
Dual Credit Instructional Materials	\$ 9,254
2008 GO Bond Student Library	\$ 2,074
2012 GO Bond Student Library SB-66	\$ 1,299
Libraries GO Bonds Law of 2004	\$ 196
Breakfast for Elementary Students	\$ 3,280
Summer Enrichment	\$ 7,238
Kindergarten Three Plus	\$ 12,295
High School Redesign	\$ 510
Bond Building	\$ 719,751
Capital Improvements SB-9	\$ 5,000

18. TAX ABATEMENT

Tax abatement agreements are reductions in tax revenues that result from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promise to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments. Presently, the Española Public School District has no tax abatement agreements.

19. CONTINGENT LIABILITIES

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

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

SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
NONMAJOR GOVERNMENTAL FUNDS DESCRIPTION
JUNE 30, 2019

SPECIAL REVENUE FUNDS

The special revenue funds are used to account for federal, state and local funded grants. These grants are awarded to the District with the purpose of accomplishing specific educational tasks. Grants accounted for in the special revenue funds include:

Food Service – To account for the cost of operating a student food program and is financed with federal grants and fees paid by program users.

Athletics - This fund is used to account for fees generated at athletic activities throughout the school district. The gate receipts are obtained from the general public and are expended in this fund. The authority for creation of this fund is 6.20.2 NMAC.

Activity Transportation – To account for budgeted revenues and expenditures that relate to student activities other than athletics.

Title I IASA – To account for the objectives to provide supplemental educational opportunity for academically disadvantaged children in the area of residing. Campuses are identified for program participation by the percentage of students on free or reduced price lunches. Any school with a free and reduced price lunch percentage that is equal to or greater than the total district percentage becomes eligible for program participation. Any student whose test scores fall below District established criteria and who is attending a Title I campus is eligible to receive Title I services. Poverty is the criteria that identify a campus; educational need determines the students to be served. Federal revenues accounted for in this fund are allocated to the District through the New Mexico Department of Education. Authority for creation of this fund is Part A of Chapter I of Title I of Elementary and Secondary Education Act (ESEA) of 1965, as amended, Public Law 103-383.

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

Discretionary IDEA-B – To account for a program funded by a federal grant to assist the District in providing free appropriate public education to all children with disabilities. Funding is authorized by Individuals with Disabilities Education Act, Part B, Section 611, as amended, 20 U.S.C. 1411-1420.

Competitive IDEA-B – To account for a program funded by a federal grant to assist the District in providing free appropriate public education to all children with disabilities. Funding is authorized by Individuals with Disabilities Education Act, Part B, Section 611, as amended, 20 U.S.C. 1411-1420.

Preschool IDEA-B – The objective of the Assistance to States for the Education of Handicapped Children Program is to assist in providing free, appropriate public education to all handicapped children from ages three to five. Federal revenues accounted for in this fund are allocated to the District through the New Mexico Department of Children, Youth and Families. Authority for creation of this fund is Public Law 105-17.

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
NONMAJOR GOVERNMENTAL FUNDS DESCRIPTION
JUNE 30, 2019

SPECIAL REVENUE FUNDS (continued)

Early Invention IDEA-B – To account for a program funded by a federal grant to assist the District to make improvements in elementary and secondary education. Funding is authorized by Elementary and Secondary Education Act of 1965, as amended, Title I, Chapter 2, Part A; Augustus F. Hawkins-Robert T. Stafford Elementary and Secondary School Improvements of 1988, Public Law 100-297, 20 U.S.C. 2911-2952, 2971-2976.

TITLE II IASA (Math/Science) – IDEA grant requires each state to ensure that a free appropriate public education (FAPE) is available to all eligible children with disabilities to provide benefits available to, children with disabilities who are enrolled by their parents in private schools, including religious schools, when the provision of FAPE is not at issue. In IDEA, these children are often referred to as “parentally placed private school children” with disabilities, and the benefits available to them differ from the benefits for children with disabilities in public schools.

Fresh Fruits & Vegetables – To account for a program funded by a federal grant to provide a variety of free fresh fruits and vegetables to children to help create a healthier school environment. Funding is authorized by the Agriculture, Rural Development, Food and Drug Administration and Related Agencies Act, signed in November 2005, Public Law 109-97.

21st Century – To account for a program funded by a federal grant utilized to expand an after school, weekend and summer program. The program is designed to integrate the visual and performing arts with literacy, life skills and physical activity for kindergarten to twelfth grade focusing on the neighborhood and the community as a classroom. Funding is authorized by the Elementary and Secondary Education Act of 1965 (ESEA), as amended, Title IV, Part B.

IDEA-B Risk Pool – To account for a program funded by a federal grant to assist the District in providing free appropriate public education to all children with disabilities. Funding is authorized by the Individuals with Disabilities Education Act, Part B, Section 611-620, as amended, Public Law 91-230, 93-380, 94-142, 98-199, 99-457, 100-639, and 101-476, 20 U.S.C. 1411-1420.

Results Plan IDEA-B – To account for a program funded by a federal grant to assist the District in providing free appropriate public education to all handicapped children. Funding authorized by the Individuals with Disabilities Education Act, Part B, Sections 611-620, as amended; Public Laws 91-230, 93-380, 94-142, 98-199, 99-457, 100-639, and 101-476, 20 U.S.C. 1411-1420. The fund was created by the authority of federal grant provisions.

Title III English Language Acquisition – To provide funds to improve the educational performance of limited English proficient students by assisting the children to learn English and meet state academic content standards.

Teacher/Principal Training and Recruiting – To improve the skills of teachers and the quality of instruction in mathematics and science, and also to increase the accessibility of such instruction to all students.

Safe and Drug Free Schools and Community – To establish a local program of alcohol and drug abuse education and prevention coordinated with related community efforts and resources.

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
NONMAJOR GOVERNMENTAL FUNDS DESCRIPTION
JUNE 30, 2019

SPECIAL REVENUE FUNDS (continued)

Rural and Low Income Schools – To account for a grant with the purpose of providing financial assistance to rural districts to carry out activities to help improve the quality of teaching and learning in their schools. Authorized by Elementary and Secondary Education Act of 1965 (ESEA), Title VI, Part B, as amended.

Title I School Improvement – To account for federal funds to provide family-center education projects to help parents become full partners in the education of their children and to assist children in reaching their full potential as leaders. Funding is authorized by Public Law 100-297.

Title III Immigrant Funding – To account for funds to provide education and opportunity to immigrant students. Funding is competitive based on the quality of the program and significant increase of the number of students from previous years.

Reading First – To account for federal funds administered by the New Mexico Public Education Department for a comprehensive reading approach that incorporates research-based materials, intensive and systematic on-site professional development and an assessment-teaching-learning cycle that feeds assessment data into dynamic instructional decision-making. Funding is authorized by Public Law 100-297.

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

Carl D. Perkins Secondary Redistribution – The redistribution unused portion of Carl D. Perkins funds. The objective is to provide secondary education institutions the opportunity to develop, implement, and operate programs using different models of curricula that integrate vocation and academic learning. The purpose of Perkins is to provide individuals with the academic and technical skills needed to succeed in a knowledge and skills based economy. Perkins supports career and technical education that prepares its students both for post-secondary education and the careers of their choice.

Title I Federal Stimulus – To provide supplemental educational opportunity for academically disadvantaged children in the area of residing. Campuses are identified for program participation by the percentage of students on free or reduced price lunches. Any school with a free and reduced price lunch percentage that is equal to or greater than the total district percentage becomes eligible for program participation. Any student whose test scores fall below District established criteria and who is attending a Title I campus, is eligible to receive Title I services. Poverty is the criteria that identify a campus; educational need determines the students to be served. Federal revenues accounted for in this fund are allocated to the District through the New Mexico Department of Education. Authority for creation of this fund is a Part A of Chapter I of Title I of Elementary and Secondary Education Act (ESEA) of 1965, as amended, Public Law 103-383.

ARRA IDEA-B – To account for a program funded by a federal grant to assist the school in providing free appropriate public education to all handicapped children. Funding authorized by the American Recovery and Reinvestment Act of 2009. The fund was created by the authority of federal grant provisions.

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
NONMAJOR GOVERNMENTAL FUNDS DESCRIPTION
JUNE 30, 2019

SPECIAL REVENUE FUNDS (continued)

ARRA IDEA-B Preschool – The American Recovery and Reinvestment Act of 2009 (ARRA), Public Law 111-5, appropriates significant new funding for programs under Parts B and C of the Individuals with Disabilities Education Act (IDEA). Part B of the IDEA provides funds to state educational agencies (SEAs) and through them to local educational agencies (LEAs) to help them ensure that children with disabilities, including children aged three through five, have access to a free appropriate public education to meet each child’s unique needs, and prepare each child for further education, employment and independent living.

Education of Homeless Federal Stimulus – To account for federal funds for activity for, and services to, homeless children and youth including preschool-age children that enable these children and youth to enroll, attend, and success in school. These services provide before or after school tutoring, supplemental instruction and enriched educational activities. All activities may be provided on school grounds or at other facilities including sectarian property.

Title I – School Improvement Federal Stimulus – School Improvement Grants (SIG), authorized under section 1003(g) of Title I of the Elementary and Secondary Education Act of 1965 (Title I or ESEA), are grants, through state education agencies (SEA), to local educational agencies (LEA), for use in Title I schools identified for improvement, corrective action, or restructuring. Districts or LEAs must demonstrate the greatest need for the funds and the strongest commitment to sue the funds to provide adequate resources in order to raise substantially the achievement of their students so as to enable the schools to make adequate yearly programs (AYP) and exit in needs of improvement status. School improvement grant funds are to be focused in these areas depending on the capacity of the District.

Title VIII - Impact Aid Special Education – To account for funding of a federal program to provide financial assistance to local educational agencies (LEAs), where enrollments or availability of revenue are adversely affected by federal activities, i.e., where the tax base of a district is reduced through the federal acquisition of real property (Section 2), or where there are a significant number of children who reside on federal (including Indian) lands and/or children whose parents are employed on federal property or in the uniformed services (Section 3(a) and 3(b)): where there is a significant decrease (Section 3(c)) or a sudden and substantial increase (Section 4) in school enrollment as the result of federal activities; to provide disaster assistance for reduced or increased operating costs (Section 7(a)), for replacing or repairing damaged or destroyed supplies, equipment, and books, and for repairing minor damage to facilities. Funding authorized by Public Law 81-874.

Impact Aid Indian Education – To account for funding of a federal program to provide financial assistance to local educational agencies (LEAs), where enrollments or availability of revenue are adversely affected by federal activities, i.e., where the tax base of a district is reduced through the federal acquisition of real property (Section 2), or where there are a significant number of children who reside on federal (including Indian) lands and/or children whose parents are employed on federal property or in the uniformed services (Section 3(a) and 3(b)): where there is a significant decrease (Section 3(c)) or a sudden and substantial increase (Section 4) in school enrollment as the result of federal activities; to provide disaster assistance for reduced or increased operating costs (Section 7(a)), for replacing or repairing damaged or destroyed supplies, equipment, and books, and for repairing minor damage to facilities. Funding authorized by Public Law 81-874.

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
NONMAJOR GOVERNMENTAL FUNDS DESCRIPTION
JUNE 30, 2019

SPECIAL REVENUE FUNDS (continued)

Child and Adult Food Program – To account for the activities of a program to provide for healthier schools by providing a health center at the schools. Funding is from the New Mexico Department of Health.

Title VII Indian Education EASIE Grant – To account for a program funded by a federal grant to develop and carry out supplementary elementary and secondary school programs designed to meet the special educational and culturally related academic needs of Indian children, for example to: (1) improve academic performance; (2) reduce school dropout rates and improve attendance; and (3) integrate the value of cultural education into the school curriculum for Indian children. Funding authorized by Indian Education Act of 1988, Title V, Part C, Subpart 1, as amended, Public Law 100-297 and 93-638, 25 U.S.C. 2601-2606.

Enlace UNM – The ENLACE Statewide Collaborative focuses on student access and success, family and community engagement, leadership and professional development, and policy development. We provide coaching, mentoring, and tutoring to increase retention and to promote graduation at elementary, middle, and high schools. We are also involved in a variety of student success initiatives to increase retention and to promote graduation in higher education.

LANL Foundation – To account for an educational enrichment grant received from Los Alamos National Laboratory.

PNM Foundation – To account for a grant received from Public Services Company of New Mexico for an educational project.

Dual Credit Instructional Materials – To purchase college textbooks for students who dual enroll in college credited courses while still attending high school.

2008 GO Bond Student Library Fund – To account for funds used to purchase library books and library supplies for all school sites.

2010 GO Bond Library – To account for funds for each library facility for improvements or acquisition and to acquire library resources to support the library program. The funds generated by the GO Bonds may not be used to supplant existing or prior library material funding within school districts receiving these funds.

2012 GO Bond Student Library SB-66 – To account for the funds available to acquire library books, equipment and library resources for public school libraries.

TANF (PED) School Aged Child Care – To account for federal funds administered by the New Mexico Public Education Department to provide after school programs, parent education classes and family support programs. Authority for the creation of this fund is from the New Mexico Public Education Department.

Incentives for School Improvement Act – To account for monies received from the Award for High Improving Schools provided by the state of New Mexico, for the purpose of identifying special needs at awarded locations and to purchase items to improve those schools.

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
NONMAJOR GOVERNMENTAL FUNDS DESCRIPTION
JUNE 30, 2019

SPECIAL REVENUE FUNDS (continued)

Truancy Initiative PED – To hire three truancy and dropout prevention coaches.

Libraries GO BONDS Laws of 2004 – Funds used to purchase library books and library supplies for all school sites.

Pre-K Initiative – To account for monies received from the state of New Mexico to be used to provide direct services to 20 four-year-old children in pre-Kindergarten programs at Mariposa Elementary and Tome Elementary.

Beginning Teacher Mentoring Program – The objective of this program is to provide beginning teachers an effective transition into the teaching profession, retain capable teachers, improve the achievement of students, and improve the overall success of the school. Funding is provided by the New Mexico Board of Education. Authority for creation of this fund is NMSA 22-2-8-10.

Breakfast for Elementary Students – The 2005 Legislative General Appropriations Act allocated \$475,000 to implement Breakfast in the Classroom for elementary schools in need of improvement based on 2004-2005 AYP designation.

AP Expansion (Summer Enrichment) – To undertake work and activities and pedagogy that target and support the alignment and expansion of Advanced Placement Education, to improve student and teacher learning and training.

Kindergarten Three Plus – The funding is part of a pilot project for kindergarten through third grade students at both Ann Parish Elementary and Desert View Elementary. Funds used for teachers, educational assistants, nurses, an academic coach, and PE coach at both schools.

GO Library Books – To account for funds to purchase school library books.

Suicide Prevention – This initiative will focus on promoting suicide prevention as a core component to healthcare services and promoting and implementing effective clinical and professional practices to assess and treat individuals at risk for suicidal behaviors.

Private Direct Grants – To account for various private direct grants allocated to the school district.

School Based Health Clinics – To account for funds administered by the Department of Health and the county of Doña Ana in support of providing primary care and mental health service on school campus.

Education of Homeless – To account for funds to ensure that homeless children and youth have equal access to the same free, appropriate public education as other children; to provide activities for and services to ensure that these children enroll in, attend, and achieve success in school. To establish or designate an office in each State Educational Agency (SEA) for the coordination of education for homeless children and youth; to development and implement programs for school personnel to heighten awareness of specific problems of homeless children and youth, and to provide grants to Local Educational Agencies (LEAs). Funding is authorized by the McKinney-Vento Homeless Assistance Act, Title VII, Subtitle B.

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
NONMAJOR GOVERNMENTAL FUNDS DESCRIPTION
JUNE 30, 2019

SPECIAL REVENUE FUNDS (continued)

USDA 2010 Equipment – To account for funds awarded through priority to high need schools where fifty percent or more of the enrolled students are eligible for free or reduced price meals. All funds are to be spent for new kitchen equipment over \$1,000. The approved purchase must be spent on milk coolers. Funding is authorized by the U.S. Department of Agriculture’s School Grant funded by the National School Lunch Program.

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

CSI Grant – To account for funds used to support the implementation of evidence-based interventions to improve outcomes for students. Funding will be formulaic based on enrollment and other factors. This shift aligns with the priorities of the new administration, in particular, providing equitable support and funding to all schools. The New Mexico Public Education Department (PED) implemented the state’s new System of School Support and Accountability in the fall of 2019. This system will include an indicator of English Learner Progress toward English Language Proficiency. This will be the first time PED has aligned the accountability system and the Every Student Succeeds Act, the department will identify additional Title I schools in need of Comprehensive Support and Improvement (CSI).

High School Redesign – To account for funds from an initiative that will promote a rethinking of the high school learning experience, and challenge schools to: (1) redesign academic content and instructional practices to align with postsecondary education and careers and to foster deep understanding and mastery, with student-centered learning in a culture of high expectations; (2) personalize learning opportunities to support the educational needs and interests of individual students, optimize the pace of learning, and customize content and practices for students to master challenging academic content and pursue their interests; (3) provide academic and wrap-around support services for those students who need them, such as tutoring, mentoring, and comprehensive supports, so that all learners, including low-income students, English learners, and students with disabilities, can successfully graduate and transition smoothly into postsecondary learning and adulthood; (4) provide evidence-based professional development to deepen educators’ skills, support collaboration and expand a comprehensive system of student support. This award is designed to fund Espanola Valley High School at the respective funding level as identified. Funding is authorized by Title I, Part A, Basic Grants to LEAs.

Text Messaging Systems – To account for funds to provide opportunities for streamlined communication with parents of high school students related to upcoming tests and absences. This funding is to be used to cover costs that are directly connected to the purchase of equipment and or software that will support the implementation of automated text messaging systems to communicate with students’ families for these purposes. Funding is authorized by the New Mexico Public Education Department.

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
NONMAJOR GOVERNMENTAL FUNDS DESCRIPTION
JUNE 30, 2019

SPECIAL REVENUE FUNDS (continued)

2018 Excellence in Teaching Awards – To account for funds from state special appropriation funding to be used solely for Excellence in Teacher salary supplements. These salary supplements are \$5,000 or \$10,000 per teacher and may only be awarded to teachers who have met the award criteria.

K-3 Plus 4&5 Pilot – To account for funds for additional educational time for students in kindergarten through fifth grade with at least twenty-five instructional days, beginning up to two months earlier than the regular school year.

CAPITAL PROJECTS FUNDS

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. The District has the following separate funds classified as capital projects funds:

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

Special Capital Outlay State – To account for special appropriations monies received from the state of New Mexico under Chapter 4, Laws of 1996 for the purpose of upgrading the Española Public School District's facilities.

Capital Improvement SB-9 – To account for erecting, remodeling, making additional to and furnishing of school buildings, or purchasing or improving school grounds or any combination thereof as identified by the local school board. Financing is provided by the state of New Mexico's State Equalization Matching, and a special tax levy as authorized by the Public School District Capital Improvements Act (22-25-1 to 22-25-10 NMSA 1979).

Educational Technology Equipment Act – To account for purchases of computer equipment and computer software. The authority for the creation of this fund is the Federal Property and Administrative Services Act of 1949, Ch. 288, 63 Stat 377, and the National Defense Authorization Act for the Fiscal Year 1996, Public Law 104-106.

DEBT SERVICE FUNDS

Deferred Sick Leave – To accumulate funds to reimburse employees who do not use all of their accumulated sick leave. Funding authority is the State of New Mexico Public Education Department.

Educational Technology – To accumulate resources for payment of principle and interest due on educational technology bonds. Financing is provided by a special tax levy approved by the voters of the schools and assessed by the county assessor, collected, and remitted to the schools by the county treasurer.

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
JUNE 30, 2019

Special Revenue Funds

	Food Service	Athletics	Activity Transportation	Title I IASA	Entitlement IDEA-B	Discretionary IDEA-B	Competitive IDEA-B	Preschool IDEA-B	Early Intervention IDEA-B
ASSETS									
Cash	\$ 678,981	\$ 2,233	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1
Receivables, net	-	-	-	525,628	655,577	-	-	15,234	-
Inventory	16,648	-	-	-	-	-	-	-	-
Restricted:									
Program funds	-	-	-	-	-	-	-	-	-
Total assets	\$ 695,629	\$ 2,233	\$ -	\$ 525,628	\$ 655,577	\$ -	\$ -	\$ 15,234	\$ 1
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ 45,384	\$ 887	\$ 3,091	\$ 10,678	\$ 108	\$ -	\$ -	\$ -	\$ -
Unearned revenues	-	-	-	-	116,846	-	-	2,055	1
Due to other funds	-	-	81,989	546,351	538,623	17,743	2,213	13,179	-
Total liabilities	45,384	887	85,080	557,029	655,577	17,743	2,213	15,234	1
Deferred Inflows of Resources:									
Noncurrent taxes	-	-	-	-	-	-	-	-	-
Fund Balances:									
Nonspendable:									
Inventory	16,648	-	-	-	-	-	-	-	-
Reserved for:									
Special revenue funds	633,567	1,346	-	-	-	-	-	-	-
Capital project funds	-	-	-	-	-	-	-	-	-
Debt service funds	-	-	-	-	-	-	-	-	-
Unassigned	-	-	(85,080)	(31,401)	-	(17,743)	(2,213)	-	-
Total fund balances	650,215	1,346	(85,080)	(31,401)	-	(17,743)	(2,213)	-	-
Total liabilities, deferred inflows of resources and fund balances	\$ 695,599	\$ 2,233	\$ -	\$ 525,628	\$ 655,577	\$ -	\$ -	\$ 15,234	\$ 1

**STATE OF NEW MEXICO
 ESPAÑOLA PUBLIC SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 OTHER GOVERNMENTAL FUNDS
 JUNE 30, 2019**

Special Revenue Funds

	Title II	Fresh Fruits & Vegetables	21st Century	IDEA-B Risk Pool	Results Plan IDEA-B	Title III English Language Acquisition	Teacher/ Principal Training & Recruiting	Safe & Drug Free Schools & Community	Rural & Low Income Schools
ASSETS									
Cash	\$ 7,935	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,841	\$ 97,596
Receivables, net	12,985	-	404,360	-	3,307	4,484	230,747	-	-
Inventory	-	-	-	-	-	-	-	-	-
Restricted:									
Program funds	-	-	-	-	-	-	-	-	-
Total assets	<u>\$ 20,920</u>	<u>\$ -</u>	<u>\$ 404,360</u>	<u>\$ -</u>	<u>\$ 3,307</u>	<u>\$ 4,484</u>	<u>\$ 230,747</u>	<u>\$ 1,841</u>	<u>\$ 97,596</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,859	\$ -	\$ -
Unearned revenues	20,920	-	-	-	-	-	-	1,841	97,596
Due to other funds	-	22,724	404,034	2	3,307	131,249	242,676	-	-
Total liabilities	20,920	22,724	404,034	2	3,307	131,249	270,535	1,841	97,596
Deferred Inflows of Resources:									
Noncurrent taxes	-	-	-	-	-	-	-	-	-
Fund Balances:									
Nonspendable:									
Inventory	-	-	-	-	-	-	-	-	-
Reserved for:									
Special revenue funds	-	-	326	-	-	-	-	-	-
Capital project funds	-	-	-	-	-	-	-	-	-
Debt service funds	-	-	-	-	-	-	-	-	-
Unassigned	-	(22,724)	-	(2)	-	(126,765)	(39,788)	-	-
Total fund balances	<u>-</u>	<u>(22,724)</u>	<u>326</u>	<u>(2)</u>	<u>-</u>	<u>(126,765)</u>	<u>(39,788)</u>	<u>-</u>	<u>-</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 20,920</u>	<u>\$ -</u>	<u>\$ 404,360</u>	<u>\$ -</u>	<u>\$ 3,307</u>	<u>\$ 4,484</u>	<u>\$ 230,747</u>	<u>\$ 1,841</u>	<u>\$ 97,596</u>

**STATE OF NEW MEXICO
 ESPAÑOLA PUBLIC SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 OTHER GOVERNMENTAL FUNDS
 JUNE 30, 2019**

Special Revenue Funds

	Title I School Improvement	Title III Immigrant Funding	Reading First	Carl D Perkins Special Project	Carl D. Perkins Secondary Redistribution	Title I Federal Stimulus	ARRA IDEA-B	ARRA IDEA-B Preschool	Education of Homeless Federal Stimulus
ASSETS									
Cash	\$ -	\$ 10,907	\$ -	\$ -	\$ 869	\$ 44,960	\$ -	\$ 214	\$ -
Receivables, net	-	-	-	53,351	-	-	-	-	-
Inventory	-	-	-	-	-	-	-	-	-
Restricted:									
Program funds	-	-	-	-	-	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ 10,907</u>	<u>\$ -</u>	<u>\$ 53,351</u>	<u>\$ 869</u>	<u>\$ 44,960</u>	<u>\$ -</u>	<u>\$ 214</u>	<u>\$ -</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unearned revenues	-	10,907	-	3,594	869	44,960	-	214	-
Due to other funds	2,396	-	20,266	49,757	-	-	1,236	-	728
Total liabilities	2,396	10,907	20,266	53,351	869	44,960	1,236	214	728
Deferred Inflows of Resources:									
Noncurrent taxes	-	-	-	-	-	-	-	-	-
Fund Balances:									
Nonspendable:									
Inventory	-	-	-	-	-	-	-	-	-
Reserved for:									
Special revenue funds	-	-	-	-	-	-	-	-	-
Capital project funds	-	-	-	-	-	-	-	-	-
Debt service funds	-	-	-	-	-	-	-	-	-
Unassigned	(2,396)	-	(20,266)	-	-	-	(1,236)	-	(728)
Total fund balances	<u>(2,396)</u>	<u>-</u>	<u>(20,266)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,236)</u>	<u>-</u>	<u>(728)</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ -</u>	<u>\$ 10,907</u>	<u>\$ -</u>	<u>\$ 53,351</u>	<u>\$ 869</u>	<u>\$ 44,960</u>	<u>\$ -</u>	<u>\$ 214</u>	<u>\$ -</u>

**STATE OF NEW MEXICO
 ESPAÑOLA PUBLIC SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 OTHER GOVERNMENTAL FUNDS
 JUNE 30, 2019**

Special Revenue Funds

	Title I School Improvement Federal Stimulus	Title VIII Impact Aid Special Education	Impact Aid Indian Education	Child & Adult Food	Title VII Indian Education EASIE Grant	Enlace UNM	LANL Foundation	PNM Foundation	Dual Credit Instructional Materials
ASSETS									
Cash	\$ 2,995	\$ 26,053	\$ -	\$ 153,311	\$ 53,640	\$ 642	\$ 20,641	\$ 52	\$ -
Receivables, net	-	-	-	-	-	-	-	-	-
Inventory	-	-	-	-	-	-	-	-	-
Restricted:									
Program funds	-	-	-	-	-	-	-	-	-
Total assets	<u>\$ 2,995</u>	<u>\$ 26,053</u>	<u>\$ -</u>	<u>\$ 153,311</u>	<u>\$ 53,640</u>	<u>\$ 642</u>	<u>\$ 20,641</u>	<u>\$ 52</u>	<u>\$ -</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ -	\$ -	\$ -	\$ 34,082	\$ -	\$ -	\$ -	\$ -	\$ -
Unearned revenues	2,995	26,053	-	119,229	53,640	642	20,641	-	-
Due to other funds	-	-	39,226	-	-	-	-	-	9,254
Total liabilities	2,995	26,053	39,226	153,311	53,640	642	20,641	-	9,254
Deferred Inflows of Resources:									
Noncurrent taxes	-	-	-	-	-	-	-	-	-
Fund Balances:									
Nonspendable:									
Inventory	-	-	-	-	-	-	-	-	-
Reserved for:									
Special revenue funds	-	-	-	-	-	-	-	52	-
Capital project funds	-	-	-	-	-	-	-	-	-
Debt service funds	-	-	-	-	-	-	-	-	-
Unassigned	-	-	(39,226)	-	-	-	-	-	(9,254)
Total fund balances	-	-	(39,226)	-	-	-	-	52	(9,254)
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,995</u>	<u>\$ 26,053</u>	<u>\$ -</u>	<u>\$ 153,311</u>	<u>\$ 53,640</u>	<u>\$ 642</u>	<u>\$ 20,641</u>	<u>\$ 52</u>	<u>\$ -</u>

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
JUNE 30, 2019

Special Revenue Funds

	2008 GO Bond Student Library	2010 GO Bond Library	2012 GO Bond Student Library SB-66	TANF (PED) School Aged Child Care	Incentive for School IMPR ACT PED	Truancy Initiative	Libraries GO Bonds Law of 2004	Pre-K Initiative	Beginning Teacher Mentoring Program
ASSETS									
Cash	\$ -	\$ 29	\$ -	\$ 4,946	\$ 10,101	\$ -	\$ -	\$ -	\$ 6,756
Receivables, net	-	-	20,505	-	-	29,987	-	176,822	-
Inventory	-	-	-	-	-	-	-	-	-
Restricted:									
Program funds	-	-	-	-	-	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ 29</u>	<u>\$ 20,505</u>	<u>\$ 4,946</u>	<u>\$ 10,101</u>	<u>\$ 29,987</u>	<u>\$ -</u>	<u>\$ 176,822</u>	<u>\$ 6,756</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ -	\$ -	\$ 1,276	\$ -	\$ -	\$ -	\$ -	\$ 838	\$ -
Unearned revenues	-	29	-	4,946	10,101	-	-	55,832	6,756
Due to other funds	2,074	-	20,528	-	-	29,987	196	120,152	-
Total liabilities	2,074	29	21,804	4,946	10,101	29,987	196	176,822	6,756
Deferred Inflows of Resources:									
Noncurrent taxes	-	-	-	-	-	-	-	-	-
Fund Balances:									
Nonspendable:									
Inventory	-	-	-	-	-	-	-	-	-
Reserved for:									
Special revenue funds	-	-	-	-	-	-	-	-	-
Capital project funds	-	-	-	-	-	-	-	-	-
Debt service funds	-	-	-	-	-	-	-	-	-
Unassigned	(2,074)	-	(1,299)	-	-	-	(196)	-	-
Total fund balances	<u>(2,074)</u>	<u>-</u>	<u>(1,299)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(196)</u>	<u>-</u>	<u>-</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ -</u>	<u>\$ 29</u>	<u>\$ 20,505</u>	<u>\$ 4,946</u>	<u>\$ 10,101</u>	<u>\$ 29,987</u>	<u>\$ -</u>	<u>\$ 176,822</u>	<u>\$ 6,756</u>

**STATE OF NEW MEXICO
 ESPAÑOLA PUBLIC SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 OTHER GOVERNMENTAL FUNDS
 JUNE 30, 2019**

Special Revenue Funds

	Breakfast for Elementary Students	Summer Enrichment	Kindergarten Three Plus	GO Library Books	Suicide Prevention	Private Direct Grants	School Based Health Center	Education of Homeless	USDA 2020 Equipment
ASSETS									
Cash	\$ -	\$ -	\$ -	\$ 12,713	\$ 3,618	\$ 45,892	\$ 18,060	\$ -	\$ -
Receivables, net	1,072	-	-	-	-	-	-	4,679	19,058
Inventory	-	-	-	-	-	-	-	-	-
Restricted:									
Program funds	-	-	-	-	-	-	-	-	-
Program funds	<u>\$ 1,072</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,713</u>	<u>\$ 3,618</u>	<u>\$ 45,892</u>	<u>\$ 18,060</u>	<u>\$ 4,679</u>	<u>\$ 19,058</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 175	\$ -	\$ -	\$ -
Unearned revenues	-	-	-	12,713	3,618	45,717	18,060	-	-
Due to other funds	4,352	7,238	12,295	-	-	-	-	4,679	19,058
Total liabilities	<u>4,352</u>	<u>7,238</u>	<u>12,295</u>	<u>12,713</u>	<u>3,618</u>	<u>45,892</u>	<u>18,060</u>	<u>4,679</u>	<u>19,058</u>
Deferred Inflows of Resources:									
Noncurrent taxes	-	-	-	-	-	-	-	-	-
Fund Balances:									
Nonspendable:									
Inventory	-	-	-	-	-	-	-	-	-
Reserved for:									
Special revenue funds	-	-	-	-	-	-	-	-	-
Capital project funds	-	-	-	-	-	-	-	-	-
Debt service funds	-	-	-	-	-	-	-	-	-
Unassigned	<u>(3,280)</u>	<u>(7,238)</u>	<u>(12,295)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>(3,280)</u>	<u>(7,238)</u>	<u>(12,295)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,072</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,713</u>	<u>\$ 3,618</u>	<u>\$ 45,892</u>	<u>\$ 18,060</u>	<u>\$ 4,679</u>	<u>\$ 19,058</u>

**STATE OF NEW MEXICO
 ESPAÑOLA PUBLIC SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 OTHER GOVERNMENTAL FUNDS
 JUNE 30, 2019**

	Special Revenue Funds						Capital Project Funds		
	Title IV: Student Success Academic Achievement	CSI Grant	High School Redesign	Text Messaging Systems	2018 Excellence in Teaching Awards	K-3 Plus 4 & 5 Pilot	Total Special Revenue Funds	Bond Building	Special Capital Outlay State
ASSETS									
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,204,956	\$ -	\$ 19,657
Receivables, net	70,714	37,609	55,940	10,090	-	-	2,332,149	-	-
Inventory	-	-	-	-	-	-	16,648	-	-
Restricted:									
Program funds	-	-	-	-	-	-	-	-	-
Total assets	<u>\$ 70,714</u>	<u>\$ 37,609</u>	<u>\$ 55,940</u>	<u>\$ 10,090</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,553,753</u>	<u>\$ -</u>	<u>\$ 19,657</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 124,378	\$ -	\$ -
Unearned revenues	-	-	-	-	-	-	680,775	-	-
Due to other funds	70,714	37,609	56,450	10,090	-	-	2,522,375	719,751	-
Total liabilities	70,714	37,609	56,450	10,090	-	-	3,327,528	719,751	-
Deferred Inflows of Resources:									
Noncurrent taxes	-	-	-	-	-	-	-	-	-
Fund Balances:									
Nonspendable:									
Inventory	-	-	-	-	-	-	16,648	-	-
Reserved for:									
Special revenue funds	-	-	-	-	-	-	635,291	-	-
Capital project funds	-	-	-	-	-	-	-	-	19,657
Debt service funds	-	-	-	-	-	-	-	-	-
Unassigned	-	-	(510)	-	-	-	(425,714)	(719,751)	-
Total fund balances	<u>-</u>	<u>-</u>	<u>(510)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>226,225</u>	<u>(719,751)</u>	<u>19,657</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 70,714</u>	<u>\$ 37,609</u>	<u>\$ 55,940</u>	<u>\$ 10,090</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,553,753</u>	<u>\$ -</u>	<u>\$ 19,657</u>

**STATE OF NEW MEXICO
 ESPAÑOLA PUBLIC SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 OTHER GOVERNMENTAL FUNDS
 JUNE 30, 2019**

	Capital Project Funds				Debt Service Funds			
	Capital Improvements SB-9	SB-9 Local	Educational Technology Equipment Act	Total Capital Project Funds	Deferred Sick Leave	Educational Technology	Total Debt Service Funds	Total Other Governmental Funds
ASSETS								
Cash	\$ -	\$ 804,110	\$ 724	\$ 824,491	\$ 3,989	\$ 392,115	\$ 396,104	\$ 2,425,551
Receivables, net	424,845	354,292	-	779,137	-	119,024	119,024	3,230,310
Inventory	-	-	-	-	-	-	-	16,648
Restricted:								
Program funds	-	-	-	-	-	1,525	1,525	1,525
Total assets	<u>\$ 424,845</u>	<u>\$ 1,158,402</u>	<u>\$ 724</u>	<u>\$ 1,603,628</u>	<u>\$ 3,989</u>	<u>\$ 512,664</u>	<u>\$ 516,653</u>	<u>\$ 5,674,034</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ -	\$ 1,569	\$ -	\$ 1,569	\$ -	\$ -	\$ -	\$ 125,947
Unearned revenues	-	-	-	-	-	-	-	680,775
Due to other funds	429,845	-	-	1,149,596	-	-	-	3,671,971
Total liabilities	429,845	1,569	-	1,151,165	-	-	-	4,478,693
Deferred Inflows of Resources:								
Noncurrent taxes	-	329,523	-	329,523	-	110,663	110,663	440,186
Fund Balances:								
Nonspendable:								
Inventory	-	-	-	-	-	-	-	16,648
Reserved for:								
Special revenue funds	-	-	-	-	-	-	-	635,291
Capital project funds	-	827,310	724	847,691	-	-	-	847,691
Debt service funds	-	-	-	-	3,989	402,001	405,990	405,990
Unassigned	(5,000)	-	-	(724,751)	-	-	-	(1,150,465)
Total fund balances	<u>(5,000)</u>	<u>827,310</u>	<u>724</u>	<u>122,940</u>	<u>3,989</u>	<u>402,001</u>	<u>405,990</u>	<u>755,155</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 424,845</u>	<u>\$ 1,158,402</u>	<u>\$ 724</u>	<u>\$ 1,603,628</u>	<u>\$ 3,989</u>	<u>\$ 512,664</u>	<u>\$ 516,653</u>	<u>\$ 5,674,034</u>

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES – OTHER GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2019

	Special Revenue Funds								
	Food Service	Athletics	Activity Transportation	Title I IASA	Entitlement IDEA-B	Discretionary IDEA-B	Competitive IDEA-B	Preschool IDEA-B	Early Intervention IDEA-B
Revenues:									
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental:									
Federal	1,940,010	-	-	1,047,207	853,557	-	-	22,780	-
State	3,500	-	-	-	-	-	-	-	-
Charges for services	18,139	93,321	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-
Miscellaneous	-	5,000	-	-	-	-	-	-	-
Total revenues	1,961,649	98,321	-	1,047,207	853,557	-	-	22,780	-
Expenditures:									
Current:									
Instruction	-	97,444	85,938	829,522	627,691	-	-	-	-
Support services:									
Students	-	-	-	173,759	110,018	-	-	216	-
Instruction	(56)	-	-	394	90,873	-	-	-	-
General administration	-	-	-	49,952	46,356	-	-	-	-
School administration	-	-	-	1,373	2,470	-	-	-	-
Central services	-	-	-	-	617	-	-	-	-
Operation of plant	-	-	-	493	-	-	-	-	-
Student transportation	-	-	-	-	87,444	-	-	24,619	-
Operation services:									
Food	1,892,035	-	-	-	-	-	-	-	-
Capital outlay	198	-	-	-	-	-	-	-	-
Debt Service:									
Principal	-	-	-	-	-	-	-	-	-
Interest and other charges	-	-	-	-	-	-	-	-	-
Total expenditures	1,892,177	97,444	85,938	1,055,493	965,469	-	-	24,835	-
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	69,472	877	(85,938)	(8,286)	(111,912)	-	-	(2,055)	-
Other Financing Sources (Uses):									
Bond proceeds	-	-	-	-	-	-	-	-	-
Net change in fund balances	69,472	877	(85,938)	(8,286)	(111,912)	-	-	(2,055)	-
Fund balance, beginning of year	876,353	469	858	-	9,178	-	-	-	-
Restatement	(295,610)	-	-	(23,115)	102,734	(17,743)	(2,213)	2,055	-
Fund balance, beginning of year, restated	580,743	469	858	(23,115)	111,912	(17,743)	(2,213)	2,055	-
Fund balance, end of year	<u>\$ 650,215</u>	<u>\$ 1,346</u>	<u>\$ (85,080)</u>	<u>\$ (31,401)</u>	<u>\$ -</u>	<u>\$ (17,743)</u>	<u>\$ (2,213)</u>	<u>\$ -</u>	<u>\$ -</u>

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES – OTHER GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2019

	Special Revenue Funds								
	Title II	Fesh Fruit & Vegetables	21st Century	IDEA-B Risk Pool	Results Plan IDEA-B	Title III English Language Acquisition	Teacher/ Principal Training & Recruiting	Safe & Drug Free Schools & Community	Rural & Low Income Schools
Revenues:									
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental:									
Federal	9,930	-	842,200	-	37,848	5,115	275,092	-	-
State	-	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	325	-	-	-	-	-	-
Total revenues	9,930	-	842,525	-	37,848	5,115	275,092	-	-
Expenditures:									
Current:									
Instruction	12,985	-	683,716	-	34,143	4,557	300,913	-	-
Support services:									
Students	-	-	37,664	-	-	320	-	-	-
Instruction	-	-	8,221	-	3,705	-	-	-	-
General administration	-	-	40,082	-	-	238	13,389	-	-
School administration	-	-	43,528	-	-	-	-	-	-
Central services	-	-	28,988	-	-	-	-	-	-
Operation of plant	-	-	-	-	-	-	-	-	-
Student transportation	-	-	-	-	-	-	-	-	-
Operation services:									
Food	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-
Debt Service:									
Principal	-	-	-	-	-	-	-	-	-
Interest and other charges	-	-	-	-	-	-	-	-	-
Total expenditures	12,985	-	842,199	-	37,848	5,115	314,302	-	-
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	(3,055)	-	326	-	-	-	(39,210)	-	-
Other Financing Sources (Uses):									
Bond proceeds	-	-	-	-	-	-	-	-	-
Net change in fund balances	(3,055)	-	326	-	-	-	(39,210)	-	-
Fund balance, beginning of year	-	-	-	-	-	-	-	-	-
Restatement	3,055	(22,724)	-	(2)	-	(126,765)	(578)	-	-
Fund balance, beginning of year, restated	3,055	(22,724)	-	(2)	-	(126,765)	(578)	-	-
Fund balance, end of year	\$ -	\$ (22,724)	\$ 326	\$ (2)	\$ -	\$ (126,765)	\$ (39,788)	\$ -	\$ -

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES – OTHER GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2019

	Special Revenue Funds								
	Title I School Improvement	Title III Immigrant Funding	Reading First	Carl D. Perkins Special Project	Carl D. Perkins Secondary Redistribution	Title I Federal Stimulus	ARRA IDEA-B	ARRA IDEA-B Preschool	Education of Homeless Federal Stimulus
Revenues:									
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental:									
Federal	-	-	-	58,185	-	-	-	-	-
State	-	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-
Total revenues	-	-	-	58,185	-	-	-	-	-
Expenditures:									
Current:									
Instruction	-	-	-	56,701	-	-	-	-	-
Support services:									
Students	-	-	-	-	-	-	-	-	-
Instruction	-	-	-	-	-	-	-	-	-
General administration	-	-	-	4,038	-	-	-	-	-
School administration	-	-	-	-	-	-	-	-	-
Central services	-	-	-	-	-	-	-	-	-
Operation of plant	-	-	-	-	-	-	-	-	-
Student transportation	-	-	-	-	-	-	-	-	-
Operation services:									
Food	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-
Debt Service:									
Principal	-	-	-	-	-	-	-	-	-
Interest and other charges	-	-	-	-	-	-	-	-	-
Total expenditures	-	-	-	60,739	-	-	-	-	-
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	-	-	-	(2,554)	-	-	-	-	-
Other Financing Sources (Uses):									
Bond proceeds	-	-	-	-	-	-	-	-	-
Net change in fund balances	-	-	-	(2,554)	-	-	-	-	-
Fund balance, beginning of year	-	-	-	9,153	-	-	-	-	-
Restatement	(2,396)	-	(20,266)	(6,599)	-	-	(1,236)	-	(728)
Fund balance, beginning of year, restated	(2,396)	-	(20,266)	2,554	-	-	(1,236)	-	(728)
Fund balance, end of year	\$ (2,396)	\$ -	\$ (20,266)	\$ -	\$ -	\$ -	\$ (1,236)	\$ -	\$ (728)

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES – OTHER GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2019

	Special Revenue Funds								
	Title I School Improvement Federal Stimulus	Title VIII Impact Aid Special Education	Impact Aid Indian Education	Child & Adult Food	Title VII Indian Education EASIE Grant	Enlace UNM	LANL Foundation	PNM Foundation	Dual Credit Instructional Materials
Revenues:									
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental:									
Federal	-	2,315	18,878	236,069	2,871	-	-	-	-
State	-	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-
Total revenues	-	2,315	18,878	236,069	2,871	-	-	-	-
Expenditures:									
Current:									
Instruction	-	2,137	-	-	2,172	-	-	-	-
Support services:									
Students	-	-	45,806	-	565	-	-	-	-
Instruction	-	-	12,298	-	-	-	-	-	-
General administration	-	-	-	-	132	-	-	-	-
School administration	-	-	-	-	-	-	-	-	-
Central services	-	-	-	705	-	-	-	-	-
Operation of plant	-	-	-	-	-	-	-	-	-
Student transportation	-	-	-	-	-	-	-	-	-
Operation services:									
Food	-	-	-	235,364	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-
Debt Service:									
Principal	-	-	-	-	-	-	-	-	-
Interest and other charges	-	-	-	-	-	-	-	-	-
Total expenditures	-	2,137	58,104	236,069	2,869	-	-	-	-
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	-	178	(39,226)	-	2	-	-	-	-
Other Financing Sources (Uses):									
Bond proceeds	-	-	-	-	-	-	-	-	-
Net change in fund balances	-	178	(39,226)	-	2	-	-	-	-
Fund balance, beginning of year	-	-	-	61,732	-	942	5	52	-
Restatement	-	(178)	-	(61,732)	(2)	(942)	(5)	-	(9,254)
Fund balance, beginning of year, restated	-	(178)	-	-	(2)	-	-	52	(9,254)
Fund balance, end of year	\$ -	\$ -	\$ (39,226)	\$ -	\$ -	\$ -	\$ -	\$ 52	\$ (9,254)

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES – OTHER GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2019

	Special Revenue Funds								
	2008 GO Bond Student Library	2010 GO Bond Bond Library	2012 GO Bond Student Library SB-66	TANF (PED) School Aged Child Care	Incentive for School IMPR ACT PED	Truancy Initiative	Libraries GO Bonds Law of 2004	Pre-K Initiative	Beginning Teacher Mentoring Program
Revenues:									
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental:									
Federal	-	-	-	-	-	-	-	-	-
State	-	-	20,505	-	-	64,876	-	368,216	-
Charges for services	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-
Total revenues	-	-	20,505	-	-	64,876	-	368,216	-
Expenditures:									
Current:									
Instruction	-	-	-	-	-	-	-	247,504	-
Support services:									
Students	-	-	-	-	-	64,876	-	6,178	-
Instruction	-	-	21,780	-	-	-	-	-	-
General administration	-	-	-	-	-	-	-	3,334	-
School administration	-	-	-	-	-	-	-	-	-
Central services	-	-	-	-	-	-	-	-	-
Operation of plant	-	-	-	-	-	-	-	-	-
Student transportation	-	-	-	-	-	-	-	111,200	-
Operation services:									
Food	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-
Debt Service:									
Principal	-	-	-	-	-	-	-	-	-
Interest and other charges	-	-	-	-	-	-	-	-	-
Total expenditures	-	-	21,780	-	-	64,876	-	368,216	-
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	-	-	(1,275)	-	-	-	-	-	-
Other Financing Sources (Uses):									
Bond proceeds	-	-	-	-	-	-	-	-	-
Net change in fund balances	-	-	(1,275)	-	-	-	-	-	-
Fund balance, beginning of year	-	-	-	-	10,101	-	-	-	-
Restatement	(2,074)	-	(24)	-	(10,101)	-	(196)	-	-
Fund balance, beginning of year, restated	(2,074)	-	(24)	-	-	-	(196)	-	-
Fund balance, end of year	\$ (2,074)	\$ -	\$ (1,299)	\$ -	\$ -	\$ -	\$ (196)	\$ -	\$ -

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES – OTHER GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2019

	Special Revenue Funds								
	Breakfast for Elementary Students	Summer Enrichment	Kindergarten Three Plus	GO Library Books	Suicide Prevention	Private Direct Grants	School Based Health Center	Education of Homeless	USDA 2010 Equipment
Revenues:									
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental:									
Federal	-	-	-	-	-	-	-	12,546	19,058
State	36,732	-	393,764	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-
Total revenues	36,732	-	393,764	-	-	-	-	12,546	19,058
Expenditures:									
Current:									
Instruction	-	-	374,918	-	-	2,232	-	-	-
Support services:									
Students	-	-	-	-	-	-	-	11,949	-
Instruction	-	-	-	-	-	-	-	-	-
General administration	-	-	-	-	-	-	-	597	-
School administration	-	-	-	-	-	-	-	-	-
Central services	-	-	-	-	-	-	-	-	-
Operation of plant	-	-	-	-	-	-	-	-	-
Student transportation	-	-	18,846	-	-	-	-	-	-
Operation services:									
Food	36,732	-	-	-	-	-	-	-	19,058
Capital outlay	-	-	-	-	-	-	-	-	-
Debt Service:									
Principal	-	-	-	-	-	-	-	-	-
Interest and other charges	-	-	-	-	-	-	-	-	-
Total expenditures	36,732	-	393,764	-	-	2,232	-	12,546	19,058
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	-	-	-	-	-	(2,232)	-	-	-
Other Financing Sources (Uses):									
Bond proceeds	-	-	-	-	-	-	-	-	-
Net change in fund balances	-	-	-	-	-	(2,232)	-	-	-
Fund balance, beginning of year	-	-	-	12,713	3,618	47,949	50,021	-	-
Restatement	(3,280)	(7,238)	(12,295)	(12,713)	(3,618)	(45,717)	(50,021)	-	-
Fund balance, beginning of year, restated	(3,280)	(7,238)	(12,295)	-	-	2,232	-	-	-
Fund balance, end of year	\$ (3,280)	\$ (7,238)	\$ (12,295)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES – OTHER GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2019

	Special Revenue Funds						Capital Project Funds		
	Title IV: Student Success Academic Achievement	CSI Grant	High School Redesign	Text Messsaging Systems	2018 Excellence in Teaching Awards	K-3 Plus 4 & 5 Pilot	Total Special Revenue Funds	Bond Building	Special Capital Outlay State
Revenues:									
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental:									
Federal	70,714	177,962	72,043	-	-	-	5,704,380	-	-
State	-	-	-	10,090	16,148	67,075	980,906	-	-
Charges for services	-	-	-	-	-	-	111,460	-	-
Interest	-	-	-	-	-	-	-	2,514	-
Miscellaneous	-	-	-	-	-	-	5,325	-	-
Total revenues	70,714	177,962	72,043	10,090	16,148	67,075	6,802,071	2,514	-
Expenditures:									
Current:									
Instruction	69,817	169,433	179	-	16,148	63,210	3,681,360	-	-
Support services:									
Students	-	-	9,495	10,090	-	-	470,936	-	-
Instruction	-	-	53,128	-	-	-	190,343	-	-
General administration	897	8,529	3,392	-	-	-	170,936	12,678	-
School administration	-	-	6,359	-	-	-	53,730	-	-
Central services	-	-	-	-	-	-	30,310	-	-
Operation of plant	-	-	-	-	-	-	493	30,934	-
Student transportation	-	-	-	-	-	3,865	245,974	-	-
Operation services:									
Food	-	-	-	-	-	-	2,183,189	-	-
Capital outlay	-	-	-	-	-	-	198	50,807	-
Debt Service:									
Principal	-	-	-	-	-	-	-	-	-
Interest and other charges	-	-	-	-	-	-	-	-	-
Total expenditures	70,714	177,962	72,553	10,090	16,148	67,075	7,027,469	94,419	-
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	-	-	(510)	-	-	-	(225,398)	(91,905)	-
Other Financing Sources (Uses):									
Bond proceeds	-	-	-	-	-	-	-	-	-
Net change in fund balances	-	-	(510)	-	-	-	(225,398)	(91,905)	-
Fund balance, beginning of year	-	-	-	-	-	-	1,083,144	86,976	-
Restatement	-	-	-	-	-	-	(631,521)	(714,822)	19,657
Fund balance, beginning of year, restated	-	-	-	-	-	-	451,623	(627,846)	19,657
Fund balance, end of year	\$ -	\$ -	\$ (510)	\$ -	\$ -	\$ -	\$ 226,225	\$ (719,751)	\$ 19,657

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES – OTHER GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2019

	Capital Project Funds			Debt Service Funds			Total Other Governmental Funds	
	Capital Improvements SB-9	SB-9 Local	Educational Technology Equipment Act	Total Capital Project Funds	Deferred Sick Leave	Educational Technology		Total Debt Service Funds
Revenues:								
Property taxes	\$ -	\$ 1,010,395	\$ -	\$ 1,010,395	\$ -	\$ 339,320	\$ 339,320	\$ 1,349,715
Intergovernmental:								
Federal	-	-	-	-	-	-	-	5,704,380
State	424,845	-	-	424,845	-	-	-	1,405,751
Charges for services	-	-	-	-	-	-	-	111,460
Interest	-	-	-	2,514	-	7,094	7,094	9,608
Miscellaneous	-	-	-	-	-	-	-	5,325
Total revenues	424,845	1,010,395	-	1,437,754	-	346,414	346,414	8,586,239
Expenditures:								
Current:								
Instruction	-	-	-	-	-	-	-	3,681,360
Support services:								
Students	-	-	-	-	-	-	-	470,936
Instruction	-	-	-	-	-	-	-	190,343
General administration	-	10,075	291,349	314,102	-	363,637	363,637	848,675
School administration	-	-	-	-	-	-	-	53,730
Central services	-	-	-	-	-	-	-	30,310
Operation of plant	127,646	423,490	-	582,070	-	-	-	582,563
Student transportation	-	-	-	-	-	-	-	245,974
Operation services:								
Food	-	-	-	-	-	-	-	2,183,189
Capital outlay	80,684	23,786	-	155,277	-	-	-	155,475
Debt Service:								
Principal	-	-	-	-	-	320,000	320,000	320,000
Interest and other charges	-	-	-	-	-	7,223	7,223	7,223
Total expenditures	208,330	457,351	291,349	1,051,449	-	690,860	690,860	8,769,778
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	216,515	553,044	(291,349)	386,305	-	(344,446)	(344,446)	(183,539)
Other Financing Sources (Uses):								
Bond proceeds	-	-	301,215	301,215	-	-	-	301,215
Net change in fund balances	216,515	553,044	9,866	687,520	-	(344,446)	(344,446)	117,676
Fund balance, beginning of year	41,476	170,238	361,159	659,849	3,989	383,856	387,845	2,130,838
Restatement	(262,991)	104,028	(370,301)	(1,224,429)	-	362,591	362,591	(1,493,359)
Fund balance, beginning of year, restated	(221,515)	274,266	(9,142)	(564,580)	3,989	746,447	750,436	637,479
Fund balance, end of year	\$ (5,000)	\$ 827,310	\$ 724	\$ 122,940	\$ 3,989	\$ 402,001	\$ 405,990	\$ 755,155

SUPPORTING SCHEDULES

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES – AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Balance 06/30/18	Restatements	Additions	Deletions	Balance 06/30/19
ASSETS					
Abiquiu Elementary	\$ 14,247	\$ -	\$ 17,140	\$ (13,051)	\$ 18,336
Alcalde Elementary	11,951	-	27,283	(30,710)	8,524
Chimayo Elementary	20,033	-	20,999	(12,671)	28,361
Dixon Elementary	8,248	-	5,602	(3,837)	10,013
Fairview Elementary	36,788	-	49,577	(43,616)	42,749
Hernandez Elementary	9,423	-	11,663	(6,262)	14,824
James H. Rodriguez Elementary	46,065	-	48,208	(46,967)	47,306
Los Niños Elementary	1,114	-	8,386	(8,141)	1,359
Mountain View Elementary	293	-	-	-	293
San Juan Elementary	17,396	-	40,080	(25,622)	31,854
Sombrillo Elementary	12,935	-	21,577	(16,284)	18,228
Velarde Elementary	3,926	-	12,366	(7,650)	8,642
Carlos F. Vigil Middle School	53,075	-	27,027	(33,777)	46,325
Española Valley High School	224,673	-	142,337	(112,621)	254,389
Clearing account - agency funds	188,680	1,544	99,355	(102,829)	186,750
Total	\$ 648,847	\$ 1,544	\$ 531,600	\$ (464,038)	\$ 717,953
LIABILITIES					
Abiquiu Elementary	\$ 14,247	\$ -	\$ 17,140	\$ (13,051)	\$ 18,336
Alcalde Elementary	11,951	-	27,283	(30,710)	8,524
Chimayo Elementary	20,033	-	20,999	(12,671)	28,361
Dixon Elementary	8,248	-	5,602	(3,837)	10,013
Fairview Elementary	36,788	-	49,577	(43,616)	42,749
Hernandez Elementary	9,423	-	11,663	(6,262)	14,824
James H. Rodriguez Elementary	46,065	-	48,208	(46,967)	47,306
Los Niños Elementary	1,114	-	8,386	(8,141)	1,359
Mountain View Elementary	293	-	-	-	293
San Juan Elementary	17,396	-	40,080	(25,622)	31,854
Sombrillo Elementary	12,935	-	21,577	(16,284)	18,228
Velarde Elementary	3,926	-	12,366	(7,650)	8,642
Carlos F. Vigil Middle School	53,075	-	27,027	(33,777)	46,325
Española Valley High School	224,673	-	142,337	(112,621)	254,389
Clearing account - agency funds	188,680	1,544	99,355	(102,829)	186,750
Total	\$ 648,847	\$ 1,544	\$ 531,600	\$ (464,038)	\$ 717,953

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

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
SCHEDULE OF PLEDGED COLLATERAL
JUNE 30, 2019

Century Bank
 PO Box 1507
 Santa Fe, New Mexico 87504-1507

Security	CUSIP	Maturity	Market Value
Zuni N Mex Pub Sch Dist Teacher	98981RAJ6	08/01/20	\$ 127,890
McKinley Cnty N Mex GRT Rev	581615DG3	06/01/21	146,955
Los Alamos NM Pub Sch Dist	5422NCZ7	08/01/23	354,988
New Mexico St Educational Assistance	647110EP6	12/01/23	465,397
Las Vegas NM Gross Receipts Tax	51778TCB3	06/01/29	446,058
University Utah Univ Revs	915183XU6	08/01/34	1,193,340
Roswell NM Jnt Wtr & Swr Rev	778561KJ8	06/01/35	584,740
Indiana St Fin Auth Wastewater	45505MFB7	10/01/35	1,178,090
Livingston LA Utility Revenue	538685BH0	08/01/36	467,964
El Paso Tex Water & Sewer Rev	283822ND2	03/01/37	1,577,938
Laredo Tex Waterworks Swr Sys Rev	517039TU7	03/01/41	1,068,510
			<u>\$ 7,611,870</u>

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

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
SCHEDULE OF CASH
JUNE 30, 2019

Financial Institution/ Account Description	Type of Account	Financial Institution Balance	Reconciling Items	Reconciled Balance
Century Bank 322 Riverside Drive Española, NM 87532				
Operational account	Checking	\$ 10,134,685	\$ (2,486,071)	\$ 7,648,614
Bond 2011 Account	Checking	<u>381,551</u>	<u>(2,385)</u>	<u>379,166</u>
		<u>\$ 10,516,236</u>	<u>\$ (2,488,456)</u>	<u>\$ 8,027,780</u>
Wells Fargo Bank, N.A. 645 N. Riverside Drive Española, NM 87532				
Flexible Spending Account	Checking	<u>\$ 7,283</u>	<u>\$ -</u>	<u>\$ 7,283</u>

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

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
CASH RECONCILIATION
JUNE 30, 2019

	<u>Operational</u>	<u>Transportation</u>	<u>Instructional Materials</u>	<u>Food Service</u>	<u>Athletics</u>	<u>Activity Transportation</u>	<u>Title I IASA</u>
Cash, June 30, 2018	\$ 1,039,442	\$ 20,467	\$ 55,750	\$ 853,719	\$ 722	\$ 858	\$ -
Add:							
2018-2019 revenues	<u>31,263,080</u>	<u>1,453,141</u>	<u>121,124</u>	<u>1,800,313</u>	<u>98,321</u>	<u>-</u>	<u>1,133,085</u>
Total cash available	32,302,522	1,473,608	176,874	2,654,032	99,043	858	1,133,085
Less:							
2018-2019 expenditures	31,733,422	1,324,980	79,401	1,679,471	96,810	82,847	1,046,454
Permanent cash transfer	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	31,733,422	1,324,980	79,401	1,679,471	96,810	82,847	1,046,454
Other adjustments	<u>(24,501)</u>	<u>(21,162)</u>	<u>(7,000)</u>	<u>(295,610)</u>	<u>1</u>	<u>-</u>	<u>(21,476)</u>
Reconciled cash balance	544,599	127,466	90,473	678,951	2,233	(81,989)	65,155
Total outstanding loans	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash, June 30, 2019	544,599	127,466	90,473	678,951	2,233	(81,989)	65,155
Add/Less:							
Due to/from due to pooled cash	<u>(410,339)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>81,989</u>	<u>(65,155)</u>
Cash, per financial statement	<u>\$ 134,260</u>	<u>\$ 127,466</u>	<u>\$ 90,473</u>	<u>\$ 678,951</u>	<u>\$ 2,233</u>	<u>\$ -</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
CASH RECONCILIATION
JUNE 30, 2019

	Entitlement IDEA-B	Discretionary IDEA-B	Competitive IDEA-B	Preschool IDEA-B	Early Intervention IDEA-B	Title II	Fresh Fruits & Vegetables
Cash, June 30, 2018	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,788	\$ -
Add:							
2018-2019 revenues	688,363	-	-	14,817	-	5,077	-
Total cash available	688,363	-	-	14,817	-	17,865	-
Less:							
2018-2019 expenditures	970,403	-	-	24,835	-	12,985	-
Permanent cash transfer	-	-	-	-	-	-	-
Total expenses	970,403	-	-	24,835	-	12,985	-
Other adjustments	102,734	(17,743)	(2,213)	2,055	1	3,055	(22,724)
Reconciled cash balance	(179,306)	(17,743)	(2,213)	(7,963)	1	7,935	(22,724)
Total outstanding loans	-	-	-	-	-	-	-
Cash, June 30, 2019	(179,306)	(17,743)	(2,213)	(7,963)	1	7,935	(22,724)
Add/Less:							
Due to/from due to pooled cash	179,306	17,743	2,213	7,963	-	-	22,724
Cash, per financial statement	\$ -	\$ -	\$ -	\$ -	\$ 1	\$ 7,935	\$ -

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

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
CASH RECONCILIATION
JUNE 30, 2019

	<u>21st Century</u>	<u>IDEA-B Risk Pool</u>	<u>Results Plan IDEA-B</u>	<u>Title III English Language Acquisition</u>	<u>Teacher/ Principal Training & Recruiting</u>	<u>Safe & Drug Free Schools & Community</u>	<u>Rural & Low Income Schools</u>
Cash, June 30, 2018	\$ -	\$ -	\$ -	\$ 76,886	\$ -	\$ 1,841	\$ 94,100
Add:							
2018-2019 revenues	<u>827,717</u>	<u>-</u>	<u>50,719</u>	<u>5,676</u>	<u>285,632</u>	<u>-</u>	<u>3,497</u>
Total cash available	827,717	-	50,719	82,562	285,632	1,841	97,597
Less:							
2018-2019 expenditures	842,199	-	37,848	5,115	286,443	-	-
Permanent cash transfer	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses	842,199	-	37,848	5,115	286,443	-	-
Other adjustments	<u>-</u>	<u>(2)</u>	<u>-</u>	<u>(77,447)</u>	<u>(578)</u>	<u>-</u>	<u>(1)</u>
Reconciled cash balance	(14,482)	(2)	12,871	-	(1,389)	1,841	97,596
Total outstanding loans	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash, June 30, 2019	(14,482)	(2)	12,871	-	(1,389)	1,841	97,596
Add/Less:							
Due to/from due to pooled cash	<u>14,482</u>	<u>2</u>	<u>(12,871)</u>	<u>-</u>	<u>1,389</u>	<u>-</u>	<u>-</u>
Cash, per financial statement	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,841</u></u>	<u><u>\$ 97,596</u></u>

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

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
CASH RECONCILIATION
JUNE 30, 2019

	Title I School Improvement	Title III Immigrant Funding	Reading First	Carl D Perkins Special Project	Carl D Perkins Secondary Redistribution	Title I Federal Stimulus	ARRA IDEA-B
Cash, June 30, 2018	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 44,960	\$ 5,395
Add:							
2018-2019 revenues	-	-	-	66,385	11,057	-	-
Total cash available	-	-	-	66,385	11,057	44,960	5,395
Less:							
2018-2019 expenditures	-	-	-	60,739	-	-	-
Permanent cash transfer	-	-	-	-	-	-	-
Total expenses	-	-	-	60,739	-	-	-
Other adjustments	(2,396)	10,907	(20,266)	43,158	869	-	(6,631)
Reconciled cash balance	(2,396)	10,907	(20,266)	48,804	11,926	44,960	(1,236)
Total outstanding loans	-	-	-	-	-	-	-
Cash, June 30, 2019	(2,396)	10,907	(20,266)	48,804	11,926	44,960	(1,236)
Add/Less:							
Due to/from due to pooled cash	2,396	-	20,266	(48,804)	(11,057)	-	1,236
Cash, per financial statement	\$ -	\$ 10,907	\$ -	\$ -	\$ 869	\$ 44,960	\$ -

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

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
CASH RECONCILIATION
JUNE 30, 2019

	ARRA IDEA-B Preschool	Education of Homeless Federal Stimulus	Title I School Improvement Federal Stimulus	Title VIII Impact Aid Special Ed	Impact Aid Indian Education	Title XIX Medicaid 3 to 21 Years	Child and Adult Food	Title VII Indian Ed EASIE Grant
Cash, June 30, 2018	\$ 4,400	\$ -	\$ 2,995	\$ 8,890	\$ -	\$ 1,028,711	\$ 114,767	\$ 56,511
Add:								
2018-2019 revenues	-	-	-	19,478	18,878	867,723	240,531	-
Total cash available	4,400	-	2,995	28,368	18,878	1,896,434	355,298	56,511
Less:								
2018-2019 expenditures	-	-	-	2,137	58,104	642,495	201,987	2,869
Permanent cash transfer	-	-	-	-	-	-	-	-
Total expenses	-	-	-	2,137	58,104	642,495	201,987	2,869
Other adjustments	(4,186)	(728)	-	(178)	-	6,080	-	(2)
Reconciled cash balance	214	(728)	2,995	26,053	(39,226)	1,260,019	153,311	53,640
Total outstanding loans	-	-	-	-	-	-	-	-
Cash, June 30, 2019	214	(728)	2,995	26,053	(39,226)	1,260,019	153,311	53,640
Add/Less:								
Due to/from due to pooled cash	-	728	-	-	39,226	-	-	-
Cash, per financial statement	<u>\$ 214</u>	<u>\$ -</u>	<u>\$ 2,995</u>	<u>\$ 26,053</u>	<u>\$ -</u>	<u>\$ 1,260,019</u>	<u>\$ 153,311</u>	<u>\$ 53,640</u>

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

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
CASH RECONCILIATION
JUNE 30, 2019

	Enlace UNM	LANL Foundation	PNM Foundation	Dual Credit Instructional Materials	2008 GO Bond Student Library	2010 GO Bond Student Library	2012 GO Bond Student Library SB-66
Cash, June 30, 2018	\$ 942	\$ 643	\$ 52	\$ -	\$ -	\$ -	\$ -
Add:							
2018-2019 revenues	-	20,000	-	1,522	-	-	-
Total cash available	942	20,643	52	1,522	-	-	-
Less:							
2018-2019 expenditures	-	-	-	-	-	-	20,504
Permanent cash transfer	-	-	-	-	-	-	-
Total expenses	-	-	-	-	-	-	20,504
Other adjustments	(300)	(2)	-	1	(2,074)	29	(24)
Reconciled cash balance	642	20,641	52	1,523	(2,074)	29	(20,528)
Total outstanding loans	-	-	-	-	-	-	-
Cash, June 30, 2019	642	20,641	52	1,523	(2,074)	29	(20,528)
Add/Less:							
Due to/from due to pooled cash	-	-	-	(1,523)	2,074	-	20,528
Cash, per financial statement	<u>\$ 642</u>	<u>\$ 20,641</u>	<u>\$ 52</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
CASH RECONCILIATION
JUNE 30, 2019

	NM Reads to Lead K-3	Recruitment Support	TANF (PED) School Aged Child Care	Incentive for School IMPR ACT PED	Truancy Initiative	Libraries GO Bonds Law of 2004	Pre-K Initiative
Cash, June 30, 2018	\$ -	\$ -	\$ -	\$ 10,101	\$ -	\$ -	\$ -
Add:							
2018-2019 revenues	129,886	10,851	-	-	127,282	-	420,721
Total cash available	129,886	10,851	-	10,101	127,282	-	420,721
Less:							
2018-2019 expenditures	-	-	-	-	64,876	-	367,378
Permanent cash transfer	-	-	-	-	-	-	-
Total expenses	-	-	-	-	64,876	-	367,378
Other adjustments	-	-	4,946	-	-	(196)	-
Reconciled cash balance	129,886	10,851	4,946	10,101	62,406	(196)	53,343
Total outstanding loans	-	-	-	-	-	-	-
Cash, June 30, 2019	129,886	10,851	4,946	10,101	62,406	(196)	53,343
Add/Less:							
Due to/from due to pooled cash	(129,886)	(10,851)	-	-	(62,406)	196	(53,343)
Cash, per financial statement	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,946</u>	<u>\$ 10,101</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
CASH RECONCILIATION
JUNE 30, 2019

	Beginning Teacher Mentoring Program	Breakfast for Elementary Students	Summer Enrichment Program	Kindergarten Three Plus	Teachers Hard to Staff	GO Library Books	Suicide Prevention
Cash, June 30, 2018	\$ 6,756	\$ -	\$ -	\$ -	\$ -	\$ 12,713	\$ 3,618
Add:							
2018-2019 revenues	-	49,986	-	393,764	18,521	-	-
Total cash available	6,756	49,986	-	393,764	18,521	12,713	3,618
Less:							
2018-2019 expenditures	-	36,732	-	393,764	-	-	-
Permanent cash transfer	-	-	-	-	-	-	-
Total expenses	-	36,732	-	393,764	-	-	-
Other adjustments	-	(3,280)	(7,238)	(12,295)	-	-	-
Reconciled cash balance	6,756	9,974	(7,238)	(12,295)	18,521	12,713	3,618
Total outstanding loans	-	-	-	-	-	-	-
Cash, June 30, 2019	6,756	9,974	(7,238)	(12,295)	18,521	12,713	3,618
Add/Less:							
Due to/from due to pooled cash	-	(9,974)	7,238	12,295	(18,521)	-	-
Cash, per financial statement	<u>\$ 6,756</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,713</u>	<u>\$ 3,618</u>

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

**STATE OF NEW MEXICO
 ESPAÑOLA PUBLIC SCHOOL DISTRICT
 CASH RECONCILIATION
 JUNE 30, 2019**

	Private Direct Grants	School Based Health Center	Education of Homeless	USDA 2010 Equipment	Title IV Student Success Academic Achievement	CSI Grant	High School Redesign
Cash, June 30, 2018	\$ 47,949	\$ 50,021	\$ -	\$ -	\$ -	\$ -	\$ -
Add:							
2018-2019 revenues	-	-	7,867	-	-	140,353	16,103
Total cash available	47,949	50,021	7,867	-	-	140,353	16,103
Less:							
2018-2019 expenditures	2,057	-	12,546	19,058	70,714	177,962	72,553
Permanent cash transfer	-	-	-	-	-	-	-
Total expenses	2,057	-	12,546	19,058	70,714	177,962	72,553
Other adjustments	-	(31,961)	-	-	-	-	-
Reconciled cash balance	45,892	18,060	(4,679)	(19,058)	(70,714)	(37,609)	(56,450)
Total outstanding loans	-	-	-	-	-	-	-
Cash, June 30, 2019	45,892	18,060	(4,679)	(19,058)	(70,714)	(37,609)	(56,450)
Add/Less:							
Due to/from due to pooled cash	-	-	4,679	19,058	70,714	37,609	56,450
Cash, per financial statement	<u>\$ 45,892</u>	<u>\$ 18,060</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
CASH RECONCILIATION
JUNE 30, 2019

	Text Messaging Systems	2018 Excellence in Teaching Awards	K-3 Plus 4 & 5 Pilot	Bond Building	Special Capital Outlay State	Capital Improvements SB-9	SB-9 Local
Cash, June 30, 2018	\$ -	\$ -	\$ -	\$ 104,341	\$ -	\$ -	\$ 195,955
Add:							
2018-2019 revenues	-	16,148	67,075	2,514	-	-	1,007,515
Total cash available	-	16,148	67,075	106,855	-	-	1,203,470
Less:							
2018-2019 expenditures	10,090	16,148	67,075	111,784	-	429,845	481,499
Permanent cash transfer	-	-	-	-	-	-	-
Total expenses	10,090	16,148	67,075	111,784	-	429,845	481,499
Other adjustments	-	-	-	724,680	19,657	-	82,139
Reconciled cash balance	(10,090)	-	-	719,751	19,657	(429,845)	804,110
Total outstanding loans	-	-	-	-	-	-	-
Cash, June 30, 2019	(10,090)	-	-	719,751	19,657	(429,845)	804,110
Add/Less:							
Due to/from due to pooled cash	10,090	-	-	(719,751)	-	429,845	-
Cash, per financial statement	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,657</u>	<u>\$ -</u>	<u>\$ 804,110</u>

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

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
CASH RECONCILIATION
JUNE 30, 2019

	Educational Technology Equipment Act	Debt Service	Deferred Sick Leave	Educational Technology
Cash, June 30, 2018	\$ 361,159	\$ 3,285,789	\$ 3,989	\$ 383,856
Add:				
2018-2019 revenues	<u>301,215</u>	<u>2,802,230</u>	<u>-</u>	<u>338,870</u>
Total cash available	662,374	6,088,019	3,989	722,726
Less:				
2018-2019 expenditures	291,349	2,871,159	-	330,611
Permanent cash transfer	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses	291,349	2,871,159	-	330,611
Other adjustments	<u>(370,301)</u>	<u>62,481</u>	<u>-</u>	<u>-</u>
Reconciled cash balance	724	3,279,341	3,989	392,115
Total outstanding loans	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash, June 30, 2019	724	3,279,341	3,989	392,115
Add/Less:				
Due to/from due to pooled cash	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash, per financial statement	<u><u>\$ 724</u></u>	<u><u>\$ 3,279,341</u></u>	<u><u>\$ 3,989</u></u>	<u><u>\$ 392,115</u></u>

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

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
SCHEDULE OF THE ESPAÑOLA PUBLIC SCHOOL DISTRICT
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
EDUCATIONAL RETIREMENT BOARD (ERB) PLAN
LAST TEN FISCAL YEARS*

Fiscal Year	2019	2018	2017	2016	2015
Measurement Date	2018	2017	2016	2015	2014
District's proportionate of the net pension liability (asset)	0.71884%	0.69464%	0.68140%	0.69293%	0.71799%
District's proportionate share of the net pension liability (asset)	\$ 85,479,644	\$ 77,198,596	\$ 49,036,498	\$ 44,882,921	\$ 40,966,568
District's covered-employee payroll	\$ 21,416,255	\$ 20,219,804	\$ 18,673,949	\$ 18,919,209	\$ 19,790,533
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	399.13%	381.80%	262.59%	237.23%	207.00%
Plan fiduciary net position as a percentage of the total pension liability	52.17%	52.95%	61.58%	63.97%	66.54%

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

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
SCHEDULE OF ESPAÑOLA PUBLIC SCHOOL DISTRICT CONTRIBUTIONS
EDUCATIONAL RETIREMENT BOARD (ERB) PLAN
LAST TEN FISCAL YEARS *

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$ 2,959,783	\$ 2,792,762	\$ 2,783,391	\$ 2,705,111	\$ 2,739,207
Contributions in relation to the contractually required contribution	<u>2,959,783</u>	<u>2,792,762</u>	<u>2,783,391</u>	<u>2,705,111</u>	<u>2,739,207</u>
Annual contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
 SCHEDULE OF ESPAÑOLA MUNICIPAL SCHOOL DISTRICT
 PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
 RETIREE HEALTH CARE ACT (RHCA) PLAN
 LAST TEN FISCAL YEARS *

	<u>2019</u>	<u>2018</u>
District's proportionate of the net OPEB liability	0.47829%	0.36204%
District's proportionate share of the net OPEB liability	\$ 20,797,746	\$ 16,406,469
District's covered-employee payroll	\$ 20,521,591	\$ 15,081,310
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	101.35%	108.79%
Plan fiduciary net position as a percentage of the total OPEB liability	13.14%	11.34%

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

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
 SCHEDULE OF ESPAÑOLA MUNICIPAL SCHOOL DISTRICT CONTRIBUTIONS
 RETIREE HEALTH CARE ACT (RHCA) PLAN
 LAST TEN FISCAL YEARS *

	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 747,408	\$ 1,149,647
Contributions in relation to the contractually required contribution	<u>738,282</u>	<u>576,995</u>
Contribution deficiency (excess)	<u>\$ 9,126</u>	<u>\$ 572,652</u>
Employer's covered-employee payroll	\$ 20,521,591	\$ 15,081,310
Contributions as a percentage of covered-employee payroll	3.60%	3.83%

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

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2019

ERB PLAN

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

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

RHCA PLAN

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

Changes in assumptions and methods. There were no modifications to the assumptions and methods since the June 30, 2017 GASB 74 modifications.

COMPLIANCE SECTION

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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*

Independent Auditors' Report

Brian S. Colón, State Auditor
and
Board of Education
Española Public School District
Española, 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, the budgetary comparisons of the general fund and major special revenue fund, of the Española Public School District (District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and the combining and individual funds, presented as supplemental information, and have issued our report thereon dated February 28, 2020. Our report had various opinions on the opinion units and funds. The District understated cash and accrued payroll liabilities within some opinion units and funds, resulting in an adverse opinion for material misstated amounts. The District also restated beginning balances for assets and liabilities within various opinion units and funds resulting in a qualified opinion for material restatements.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompany schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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

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. We considered the deficiencies described in the accompanying schedule of findings and questioned costs as items 2016-005, 2018-003, 2018-004, 2018-005, and 2018-006 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District'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*, and which are described in the accompanying schedule of findings and questioned costs as items 2015-001, 2016-002, 2016-003, 2016-004, 2016-005, 2016-007, 2018-003, 2018-004, 2018-005, 2018-006, 2018-007, 2018-008, 2018-009, 2019-001 and 2019-002.

District's Responses to Findings

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Fierro & Fierro, P.A.
Las Cruces, New Mexico

February 28, 2020

FEDERAL FINANCIAL ASSISTANCE

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Report on Compliance for Each Major Program and on
Internal Control Over Compliance Required by Uniform Guidance

Independent Auditors' Report

Brian S. Colón, State Auditor
and
Board of Education
Española Public School District
Española, New Mexico

Report on compliance for Each Major Federal Program

We have audited the Española Public School District's (District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2019. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

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.



Fierro & Fierro, P.A.
Certified Public Accountants

February 28, 2020

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

Federal Grantor or Pass-Through Grantor/Program Title	Federal CFDA Number	Passed Through Grantor's Number	Federal Expenditures
U.S. Department of Agriculture:			
Child & Adult Care Food Program	10.558	25171	\$ 236,069
National School Lunch Equipment Grant	10.579	24183	19,058
U.S. Department of Agriculture/Passed through New Mexico Public Education Department:			
<i>Child Nutrition Cluster:</i>			
National School Lunch Program	10.555	21000	1,730,841
U.S. Department of Agriculture/Passed through NM Human Services Department (Non Cash Assistance):			
<i>Child Nutrition Cluster:</i>			
National School Lunch Program (Commodities)	10.555	21000	161,336
Total U.S. Department of Agriculture			2,147,304
U.S. Department of Education:			
Impact Aid - Special Education	84.041	25145	2,137
Impact Aid - Indian Education	84.041	25147	58,104
Indian Education - Grants to Local Educational Agencies	84.060	25184	2,869
U.S. Department of Education/Passed through New Mexico Public Education Department:			
<i>Title I Cluster:</i>			
Title I - Grants to Local Educational Agencies	84.010	24101	1,055,493
CSI - Comp Support and Improvement	84.010A	24190	177,962
High School Redesign	84.010A	24191	72,553
Total Title I Cluster			1,306,008
<i>Special Education (IDEA) Cluster:</i>			
Special Education - Grants to States	84.027	24106	965,469
Special Education - Grants to States (Private School)	84.027A	24115	24,835
Special Education - Grants to States (Results Plan)	84.027A	24132	37,848
Special Education - Preschool Grants	84.173	24109	24,835
Total Special Education (IDEA) Cluster			1,052,987
Education of Homeless	84.196	24113	12,546
Twenty-First Century Community Learning Centers	84.287	24119	842,199
English Language Acquisition State Grants	84.365	24153	5,115
Supporting Effective Instruction State Grants	84.367	24154	314,302
Title IV - Student Support and Academic Enrichment Program	84.424	24189	70,714
Total U.S. Department of Education			3,666,981
U.S. Department of Health and Human Services/Passed through New Mexico Department of Health and Human Services:			
Medical Assistance Program	93.778	25153	641,551
Total Expenditures of Federal Awards			<u>\$ 6,455,836</u>

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2019

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Española Public School District (District) 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 to Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

Summary of Significant Accounting Policies

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

Sub-Recipients

The District did not provide any federal awards to sub-recipients during the fiscal year.

Non-Cash Federal Assistance

The District receives USDA Commodities for use in sponsoring the National School Lunch Program. Per USDA guidance (FPI-18-2), donated USDA Commodities should be grouped with the National School Lunch Program and used the same CFDA number as the National School Lunch Program. The value of commodities received for the year ended June 30, 2019 was \$161,336. Commodities are recorded as revenues and expenditures in the Food Service Fund.

Indirect Cost Rate

The District used the federal indirect cost rate that was mandated by the New Mexico Public Education Department for the year ended June 30, 2019.

Reconciliation of Schedule of Expenditures of Federal Awards to Financial Statements

Total federal awards expended per schedule of expenditures of federal awards	\$ 6,455,836
Total expenditures funded by other sources	<u>39,085,688</u>
	<u>\$ 45,541,524</u>

**STATE OF NEW MEXICO
 ESPAÑOLA PUBLIC SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2019**

SECTION I – SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditors' report issued: Multiple; Adverse; Qualified and Unmodified

Internal control over financial reporting:

- Material weakness (es) identified? X Yes No
- Significant deficiency (ies) identified? X Yes None reported
- Noncompliance material to financial statements noted X Yes No

Federal Awards

Internal control over major programs:

- Material weakness (es) identified? Yes X No
- Significant deficiency (ies) identified? Yes X None reported

Type of auditors' report issued on
 Compliance with major programs: Unmodified

- Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a)? Yes X No

Program tested as major programs include:

Program	CFDA No.
National School Lunch Program	10.555
Twenty-First Century Community Learning Centers	84.287

- The threshold for distinguishing Types A and B programs was \$750,000.
- Auditee qualified as low-risk auditee? Yes X No

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

SECTION II – FINDINGS – FINANCIAL STATEMENTS

Finding 2015-001 – Other Non-Compliance – Expenditures and Procurement

Statement of Condition – During our testing of expenditures and procurement, we noted the following:

1. We selected sixty expenditures of the School District throughout the fiscal year and we noted the following deviations:
 - There were two instances, totaling \$4,725, where the purchase order was created after the goods or services had been received or rendered.
 - There were four instances, totaling \$6,500, where the purchase requisition was created after the goods or services had been received or rendered.
 - There was one instance, totaling \$225, where the invoice was dated in May 2017, and the purchase order, purchase requisition, and payment was made in January 2019. There was no documentation indicating if the goods were received in May 2017, or prior to payment.
2. During our review of compliance with the New Mexico Procurement Code, we noted twenty-eight instances, totaling \$142,309.42, where services rendered started prior to the issuance of a purchase requisition and a purchase order.

This is a repeated finding that has been modified. The completion of the prior year corrective action plan was pushed back to December 31, 2019.

Criteria – The School District is expected to conform to the rules and regulations they have adopted relating to internal controls as per NMSA 1978, Section 6-6-3. The School District has established policies and procedures regarding the retention of documentation, and the process for the procurement and subsequent payment of goods and services. One of the accounting procedures established, is that purchase requisitions and purchase orders must be completed prior to the acquisition of goods and services. This procedure ensures that sufficient budgetary authority (adequate funds) is available for the proposed purchase.

Effect – Noncompliance with the School District's policies and procedures could allow unauthorized transactions performed on the behalf of the School District. By completing the purchase requisition and purchase order after the goods and services have been procured, defeats the internal control procedures established by the School District. This unauthorized practice allows for the override of established management controls. The end result could be misappropriation of the School District's assets.

Cause – Due to poor planning and foresight, and at times miscommunication, the School District failed to ensure that all goods and services procured by the School District, during the fiscal year, had followed the required sequence of events related to the procurement and subsequent payment of goods and services.

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Finding 2015-001 – Other Non-Compliance – Expenditures and Procurement (continued)

Recommendation – We recommend the School District’s business office management conducts training related to procurement procedures to all individuals involved in the procurement process, including school personnel. Emphasis must be placed on proper planning and respect for policies and procedures that have been rooted in best practice and state statute. Stronger enforcement of said procedures, with appropriate disciplinary consequences, should be considered.

Views of Responsible Officials and Planned Corrective Actions – A new system of requiring all office managers submit requisition requests to Business Services for processing, has made the method more standardized and will reduce the number of these instances in the future. This was done at the beginning of fiscal year 2020 and we believe this change has had a positive effect as we are ensuring procurement was met before processing and correct it before it becomes an issue.

In addition to these changes, the District will continue to provide training to our office managers to stress the importance of following the Procurement Code and ramifications if they are not followed. We will continue to demand letters of justification when they are not met and will consider other punitive action, should the violation be egregious enough to warrant such action. Responsible Parties: Executive Director of Business & Finance, Comptroller and Chief Procurement Officer. Completion Date: Initial steps implemented on July 1, 2019. Training is continuous and on-going.

Finding 2016-002 – Other Non-Compliance – Cash Receipts and Deposits

Statement of Condition – We performed tests of cash receipts collected and deposited by the various schools and the central office. Our sample size consisted of fifty days in which the School District received cash. Within those days, one hundred fifteen deposits were tested. Those deposits contained various types of receipts such as: athletics gate receipts, fundraisers, adult meal receipts, grant revenues, and miscellaneous revenues. Our testing revealed the following discrepancies:

- We noted thirty-five instances where money was collected and not deposited within a twenty-four hour period. The exceptions were composed of the following:
 - Five instances of athletics receipts totaling \$3,184.50.
 - Five instances of adult meal receipts totaling \$86.75.
 - Nine instances of fundraiser revenue receipts totaling \$4,667.
 - Twelve instances of social clubs, dues, yearbook, or PAC activity receipts totaling \$3,902.73.
 - Four instances of miscellaneous revenue totaling \$92,519.10.
- We noted eighteen instances where the receipt was not attached to the supporting documents.

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Finding 2016-002 – Other Non-Compliance – Cash Receipts and Deposits (continued)

Statement of Condition (continued) – In addition to the delays in depositing receipts within a twenty-four hour period and the lack of receipts, we were unable to ascertain when the supporting documents, deposit information, and cash were delivered to the business manager as the District has not implemented procedures to document such activity.

We noted throughout the fiscal year the individual schools usually make three or four deposits per month.

The instances of not depositing receipts on a timely basis are very similar to the prior year finding, which has been modified and repeated. The School District failed to fully implement their prior year corrective action plan.

Criteria – Section 6.20.2.14A of the New Mexico Administrative Code states, “*School districts shall establish and maintain a cash management program to safeguard cash and provide prompt and accurate reporting that adheres to cash management requirements of the Office of Management and Budget (OMB) Circular A-102, and applicable state and federal laws and regulations.*”

Section 6.20.2.14C of the New Mexico Administrative Code states, “*Money received and receipted shall be deposited in the bank within twenty-four (24) hours or one banking day. If the distance to the bank is considerable, or the cash collection is limited to small amounts and or low volume and it is impractical to meet the twenty-four hour/one banking day requirement, the local board may request approval from the department for an alternative plan. The bank deposit slip shall have the numbers from applicable receipts entered on it or attached as a reference.*”

Effect – By not depositing money within twenty-four hours of receipt, the money could be lost, stolen, or misappropriated. Further, by not issuing a receipt for each cash transaction at the time of the deposit, could allow unintentional or intentional errors to occur, and not be detected and fully reconciled in a proper manner, or on a timely basis. Finally, without the additional documentation between the School District and the business manager, it is difficult to determine the timeliness of the recording and posting of cash receipts.

Cause – The School District’s business office failed to implement the necessary policies and procedures to ensure all aspects of the New Mexico Administrative Code was being followed, in respect to cash receipts.

Recommendation – We recommend the School District’s business office review the necessary sections of the New Mexico Administrative Code, in respect to cash control standards. Further, we recommend that the School District’s business office modify and improve their policies and procedures concerning all money received and deposited, by documenting with a date stamp the date received, date deposited, and date remitted to the business manager for posting to the account records. Finally, we recommend the School District provide adequate training for all key employees once the appropriate changes to accounting procedures have been implemented. Periodic reviews should be performed of the cash receipt documentation to ensure that the procedures are operating effectively.

**STATE OF NEW MEXICO
 ESPAÑOLA PUBLIC SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2019**

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Finding 2016-002 – Other Non-Compliance – Cash Receipts and Deposits (continued)

View of Responsible Officials and Planned Corrective Actions – Now that the District has their Board of Finance restored as of July 23, 2019, we will be scheduling several training opportunities where this issue will be discussed. Given the numerous instances of violations, this issue will certainly be one of the main topics discussed.

District business staff has already begun the process of educating staff and requesting justification when an issue may be present or questionable. An example of this is when we received a deposit which included a check that was dated two months prior. We received confirmation that the check was deposited immediately and the holdup was on the payer’s side and not ours. We used this as a training opportunity to remind the staff member who accepted the check to notate somewhere in the back-up the actual date of receipt.

We will also be exploring other collection options including a credit card reader and on-line payment options. We believe these initiatives will reduce the amount of cash on hand, in some instances eliminate the need to send staff to the bank with a deposit and will reduce the opportunity and temptation for fraud. Responsible Parties: Executive Director of Business & Finance, Comptroller and Chief Procurement Officer. Completion Date: Initial steps implemented July 1, 2019. Training is continuous and on-going.

Finding 2016-003 – Material Non-Compliance – Legal Compliance with Budget

Statement of Condition – During our testing of the School District’s statutory budgetary requirements, we noted the following:

In the following funds, the School District had actual expenditures exceed budgetary authority at the function level:

Fund	Function	Budgetary Authority	Actual Expenditures	Budgetary Deficit
Operational	School administration	\$ 2,021,156	\$ 2,047,584	\$ (26,428)
	Food	62,444	64,455	(2,011)
Bond Building	General administration	-	53,928	(53,928)
	Operation of plant	-	44,580	(44,580)
Athletics	Instruction	90,000	96,810	(6,810)
Preschool IDEA-B	Students	-	216	(216)
Impact Aid Indian Education	Students	44,176	45,806	(1,630)
SB 9 Local	Capital outlay	-	17,011	(17,011)

In the following funds, the School District had budgeted expenditures in excess of budgeted revenue and beginning cash, thus budgeting a negative cash balance:

**STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Finding 2016-003 – Material Non-Compliance – Legal Compliance with Budget (continued)

Fund	Budget Level	Beginning Cash Balance	Budgeted Revenues	Budgeted Expenditures	Ending (Deficit) Cash Balance
Operational	Original	\$ 1,039,442	\$ 30,427,115	\$ 33,050,856	\$ (1,584,299)
	Final	1,039,442	31,551,861	34,175,602	(1,584,299)
Instructional Materials	Original	55,750	121,124	179,488	(2,614)
	Final	55,750	125,357	183,721	(2,614)
Debt Service	Original	3,285,789	2,842,774	6,837,075	(708,512)
	Final	3,285,789	2,842,774	6,837,075	(708,512)
Impact Aid Indian Education	Original	-	13,345	49,896	(36,551)
	Final	-	32,224	68,775	(36,551)
Title XIX Medicaid 3 to 21 Years	Original	1,028,711	696,000	1,891,502	(166,791)
	Final	1,028,711	696,000	1,891,502	(166,791)
Private Direct Grants	Original	47,949	-	51,807	(3,858)
	Final	47,949	-	51,807	(3,858)
SB 9 Local	Original	195,955	1,174,330	1,459,809	(89,524)
	Final	195,955	1,174,330	1,459,809	(89,524)

This is a repeated finding that has been modified. The School District failed to implement their prior year corrective action plan during the current fiscal year.

Criteria – Sections 6-3-1 through 6-3-25 NMSA 1978 prohibit school districts from making expenditures without budgetary authority. Additionally, the school districts are not allowed to budget a deficit cash balance, in the original or final budgets, within any fund. Anticipated ending cash cannot be less than zero.

Effect – Noncompliance with New Mexico State Statutes subjects officials and employees to penalties and fines required by state statutes. State Statutes also make public officials liable for expenditures beyond budgetary authority.

Cause – The School District’s upper management, including the business manager failed to ensure that all funds had sufficient cash to pay for all necessary expenditures. Further, they failed to monitor the budget during the fiscal year to ensure compliance with the School District’s authorized budget authority.

Recommendation – We recommend the School District personnel verify proper budget authority has been established prior to expending funds. Additionally, we recommend they ensure anticipated end of year cash balances, both on the original and final budgets, are equal to or greater than zero. Finally, we recommend that the School District update their accounting policies and procedures concerning budget oversight.

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Finding 2016-003 – Material Non-Compliance – Legal Compliance with Budget (continued)

Views of Responsible Officials and Planned Corrective Actions – Because a fiscal agent hired by PED was in place during these transgressions, we cannot comment directly on what breakdown occurred in their review, but we can comment on what the District will be doing, now that we have our Board of Finance back, to try to prevent these from happening. A monthly review of funds/functions is being performed to ensure that budget levels are sufficient to support the expenditures and that these expenditures do not exceed budget.

To avoid the second issue of expenditures exceeding resources (revenue plus cash), we will make sure that all budgets are adjusted in the event that actual beginning balances are lower than what was budgeted. A similar process will be used to determine if anticipated revenues are coming in as expected or if a shortage is imminent. Both will be corrected by a decrease BAR to make sure that the budget reflects actual (verifiable) numbers. Responsible Parties: Executive Director of Business & Finance, Comptroller and Chief Procurement Officer. Completion Date: June 30, 2020.

Finding 2016-004 – Other Non-Compliance – Late Submission of Audit Report

Statement of Condition –The audit report for the fiscal year ended June 30, 2019 was delivered to the New Mexico State Auditor's office on April 1, 2020, which failed to meet the required submission date. This repeated and modified finding reflects the current condition. The School District failed to meet their goal of presenting the auditor with financial statements, completed documentation and accounting records needed for the audit by mid-September.

Criteria – New Mexico State Statutes Section 12-6-12 requires the state auditor to promulgate reasonable regulations necessary to carry out the duties of the office. New Mexico Administrative Code Title 2, Chapter 2, Part 2, *Audits of Governmental Entities Requirements for Contracting and Conducting Audits of Agencies* (Audit Rule 2019), requires that the School District submit its audit report by November 15th following the end of each fiscal year (June 30th).

Effect – Delays in submission of the audit report affect the reporting of financial information to other state agencies and local governments.

Cause – The New Mexico Public Education Department (PED) operated as fiscal authority and suspended the School District authority for the financial activity since November 17, 2016. In order to maintain financial stability, PED contracted with vendors to serve as the business manager in order to maintain the accounting system and internal controls. The contracted vendor for the fiscal year ended June 30, 2019 failed to maintain accurate and current accounting records and documentation. In order to rectify the deficiencies, the District received authority from PED to engage another vendor to correct the accounting records for the fiscal year ended June 30, 2019. Those consultations worked on the accounting records from July 1, 2019 through September 30, 2019. On September 16, 2019, the School District employed an experienced individual to fill the role of business manager.

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Finding 2016-004 – Other Non-Compliance – Late Submission of Audit Report (continued)

Cause (continued) – From that time to the present and with the support of the contracted vendor, the business manager has expended a great deal of effort gathering the necessary documents to present to the auditors while keeping the next fiscal year’s records current. Because of the turmoil, the fiscal and compliance audit could not be completed and submitted to the State Auditor’s office by November 15, 2019.

Recommendation – We recommend the School District set a goal of having the records ready for audit by September 15th of each fiscal year. If that goal is accomplished, the auditors would have sufficient time to complete the audit by the state auditor required completion date of November 15th.

Views of Responsible Officials and Planned Corrective Actions – District is in agreement but expects to have this lifted as we will work closely with the auditors to ensure that the audit is filed on time for future audits. *Responsible Parties:* Executive Director of Business & Finance and Comptroller. *Completion Date:* June 30, 2020.

Finding 2016-005 – Significant Deficiency and Material Non-Compliance – Capital Assets

Statement of Condition – During our testing of the capital assets subsidiary records, including the observation of assets on hand, we discovered the following deviations:

- As part of our audit testing in determining the accuracy of the capital assets records, we selected twenty-five assets to observe, with a cost of \$661,331. Our selection contained two transportation buses with a cost of \$105,606 and other equipment with a cost of \$555,725. Five assets of the twenty-five selected assets, with a cost of \$67,465, could not be located.
- One of the five assets that could not be located was a John Deere tractor with a historical cost of \$8,819. The School District reported the tractor to be obsolete as of June 13, 2019; however, the tractor remained on the inventory subsidiary records as of June 30, 2019.
- During our capital asset observation of the twenty-five selected items, we attempted to locate two pieces of computer equipment and two printers with a historical cost of \$252,847. Within the specific location reflected on the subsidiary records, the computer equipment was present; however, the specific equipment we desired to observe could not be reconciled with the subsidiary records, as the District did not place identification numbers on the equipment.

The prior year’s finding is repeated and modified to reflect the current situation. The School District did not make improvements within their procedures to rectify the reported deficiencies in the previous fiscal year.

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Finding 2016-005 – Significant Deficiency and Material Non-Compliance – Capital Assets (cont.)

Criteria – The New Mexico State Administrative Code, Title 6, Chapter 20, Part 2, *Primary and Secondary Education Governing Budgeting and Accounting for New Mexico Public Schools and School Districts*, section 6.20.2.22C states, “Property control system: Assets of a long-term character which are intended to continue to be held or used, such as land (including acquisition and improvements to grounds) buildings (including initial, acquisition, improvements, remodeling, additions, and replacement), furniture, machinery and equipment shall be acquired and accounted for through the development and implementation of a complete property control system which shall be adopted by the local board and in accordance with GAAP (generally accepted accounting principles). General services department (GSD) rules, the state Procurement Code, and any other applicable state and federal requirements.

New Mexico State Statutes Section 12-6-10 directs the General Services Department to promulgate regulations to state agencies for the accounting and control of fixed assets owned by government agencies. The New Mexico State Administrative Code, Title 2, Chapter 20, Part 1, *Accounting and Control of Fixed Assets of State Government, Accounting for Acquisitions and Establishing Controls* issued by the General Services Department, requires that the School District implement a systematic and well documented system for accounting of capital assets. The information to be recorded and maintained must include, at a minimum, the following:

- 1) Agency name.
- 2) Capital asset number.
- 3) A description using words meaningful for identification.
- 4) Location.
- 5) Manufacturer’s name.
- 6) Model number or model name.
- 7) Serial number or vehicle identification number.
- 8) Estimated useful life.
- 9) Date acquired.
- 10) Cost.
- 11) Fund and organization that purchased the asset.

The accounting system must be capable of generating lists of capital assets in sequences useful for managing them. The system must track all transactions, including acquisitions, depreciation, improvements, and dispositions. The system must generate all necessary accounting entries to the School District’s general ledger.

Further, according to Administrative Code, Title 2, Public Finance, Chapter 20, *Accounting by Governmental Entities, Part 1, Accounting and Control of Fixed Assets of State Government, Accounting for Acquisitions and Establishing Controls*, 2.20-1.16, *Annual Inventory*, the School District shall conduct a physical inventory of its capital assets consisting of those costs of \$5,000 or more, under the control of the School District. The inventory should be accurate and complete.

Effect – Noncompliance with established policies and procedures by the District’s personnel affects the accuracy of capital assets subsidiary records, causing overstatement or understatement of assets owned by the District.

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
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FOR THE YEAR ENDED JUNE 30, 2019

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Finding 2016-005 – Significant Deficiency and Material Non-Compliance – Capital Assets (cont.)

Effect (continued) – Noncompliance could affect future funding for capital outlay. Noncompliance with required accounting requirements provides further justification for the New Mexico Public Education Department to maintain control of the financial activities of the School District.

Cause – Some of the personnel in the various locations did not properly identify obsolete equipment, which should be identified as such within the subsidiary records. Further, some employees did not take an adequate inventory of assets assigned to various locations. The School District has not undertaken the effort to dispose of equipment, as allowed by state statutes and the New Mexico Public Education Department regulations.

Recommendation – The School District has maintained capital assets subsidiary records that provide detailed historical information. The capital assets accountant within the central administrative offices has done an excellent job identifying new capital additions; however, the central office relies on the employees within the various schools and departments to accurately update the inventory sheets. We recommend upper management stress to principals, assistant principals, and department heads the importance of reporting accurate information. We also recommend the central office perform tests of the inventory sheets completed by the various locations, for the purpose of verifying accuracy of capital asset observations. If the School District removes unused or impaired assets from the capital asset subsidiary records, a listing of these assets must be maintained, until they have been sold or discarded. Finally, we recommend the School District dispose of any unused equipment in compliance with state statutes and New Mexico Public Education Department regulations.

Views of Responsible Officials and Planned Corrective Actions – The District has enlisted the help of each School's office manager to verify the items on record and to remove those that could not be located. Depending on the value and age of the item, it may involve local law enforcement to report any missing equipment. Once this list is compiled, a list of assets to be disposed will be presented to the Board for approval and then to the State Auditor's office for permission to proceed.

As part of this process, office managers will be asked to verify the item, notate any damage to tags of the equipment itself, whether an item needs to be re-tagged and whether the item is still in operation. Responsible Parties: Executive Director of Business & Finance, Comptroller and Business Services staff. Completion Date: June 30, 2020.

Finding 2016-007 – Other Non-Compliance – Late Payment of Payroll Taxes

Statement of Condition – The School District paid \$3,357.32 for failing to remit payroll taxes on a timely basis to the Internal Revenue Service for the quarter ended September 30, 2018 and \$3,243.35 for the quarter ended December 31, 2018. This finding has been repeated since 2016 and has been modified to reflect the current year deficiencies. The School District believes they have made significant progress toward preventing these types of penalties. We did not note any late payment penalties for the quarters ended March 31, 2019 or June 30, 2019.

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SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Finding 2016-007 – Other Non-Compliance – Late Payment of Payroll Taxes (continued)

Criteria – The IRS has issued Publication 15, titled *Circular E Employer’s Tax Guide* that provides detailed explanation regarding the submission of payroll taxes to the federal government. The publication explains the calculation of Social Security and Medicare taxes. The publication also details the determination of federal income taxes withheld from employee’s payroll checks, collection and subsequent transmittal of all the payroll related taxes to the IRS. The School District is expected to adopt administrative procedures to ensure compliance with federal and state payroll related taxes.

Effect – In many instances organizations, both commercial and governments, struggle to remit payroll taxes on a timely basis for various reasons. One such reason is the entity struggles financially. As a result, various organizations pay a heavy price for not complying. The School District has sufficient cash to remit payment on a timely basis. The remittance of \$6,600.67 for these type of penalties is a waste of public funds.

Cause –The School District failed to adequately monitor the remittance of payroll taxes and the business manager failed to verify compliance with IRS Publication 15.

Recommendation – We recommend proper internal control and administrative procedures be established to prevent this situation from occurring in the future. Personnel responsible for the remittance of payroll taxes should be properly trained and supervised. Procedures should be established requiring the submission of the taxes within a day or two of each payroll to ensure compliance with IRS Publication 15.

Views of Responsible Officials and Planned Corrective Actions – District has new staff in place that is very mindful of these deadlines, particularly with the issues we have had recently with filings and penalties with the IRS. Staff has calendar reminders, as does the supervisors, to ensure that future filings are on time and penalty free. Responsible Parties: Executive Director of Business & Finance, Comptroller and Business Services – Payroll Specialist. Completion Date: June 30, 2020.

Finding 2018-001 – Material Weakness – Accounting Activity and Accounting System

Statement of Condition – During the fiscal year, the following deficiencies regarding the School District’s accounting activity are as follows:

- At year-end, the School District issued a large payroll for salaries earned prior to end of the fiscal year. When the payroll was prepared, the School District software created checks for the outstanding payroll liabilities. The payment of the payroll liabilities to the vendors or governmental agencies are required to be electronic transfers and the checks created are not used.

With the exception of the federal payroll deposits, none of the electronic payments were initiated prior to yearend. The School District considered the obligations paid and reflected them as outstanding on the bank reconciliation rather than accrued payroll taxes.

**STATE OF NEW MEXICO
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 FOR THE YEAR ENDED JUNE 30, 2019**

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Finding 2018-001 – Material Weakness – Accounting Activity and Accounting System (continued)

Statement of Condition (continued) –

The improper accounting procedures resulted in the understatement of cash and accrued payroll liabilities within the balance sheets of various funds. The amounts and funds are as follows:

Fund Name	Amount
Operational Fund	\$ 1,367,338
Transportation Fund	46,448
Food Services Fund	52,415
Athletics Fund	565
Activity Transportation Fund	1,330
Title I IASA Fund	34,203
Entitlement IDEA-B Fund	33,416
Preschool IDEA-B Fund	742
Title II Fund	1,621
21st Century Fund	19,620
Teacher/Principal Training & Recruiting Fund	11,092
Impact Aid Indian Education Fund	1,432
Title XIX Medicaid 3 to 21 Years Fund	38,001
Child & Adult Food Program Fund	5,318
Truancy Initiative Fund	4,585
Pre-K Initiative Fund	22,560
Espanola Valley High School Fiduciary Fund	1,796
Clearing Accounts Fiduciary Fund	336
	<u>\$ 1,642,818</u>

- At June 30, 2019, the School District had twenty funds that had a positive cash balance, totaling \$260,587, with no revenues or expenditures during the fiscal year. The cash balance was a carryforward from the previous fiscal year or a restatement was made during the fiscal year. The School District failed to review their accounting records to determine if any of these funds, could permanently transfer the money to the Operational Fund, and close the fund with PED approval.
- At June 30, 2019, the School District had twelve funds that had a negative cash balance, totaling \$86,070, and no revenues or expenditures during the fiscal year. The negative cash balance was a carryforward from the previous fiscal year or a restatement was made during the fiscal year. The School District failed to review their accounting records to determine if any of these funds, could permanently transfer the money from the Operational Fund, and close the fund with PED approval.
- On September 26, 2014, the School District entered into a lease purchase arrangement with the New Mexico Finance Authority (NMFA) to purchase technology equipment. The agreement was entered into in accordance with the Education Technology Equipment Act defined by New Mexico State Statutes Sections 6-15A-1 through 6-15A-16.

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SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Finding 2018-001 – Material Weakness – Accounting Activity and Accounting System (continued)

Statement of Condition (continued) –

The lease purchase agreement allows the School District to expend up to \$1,600,000. The loan proceeds were to be used to upgrade various technology equipment throughout the School District. For vendors to be paid the School District completed and submitted payment request vouchers, including the vendor's invoice(s) and all supplement information to the NMFA to process and submit payment.

During the current fiscal year, the District restated its capital assets subsidiary records to reflect the capital expenditure from the loan proceeds. The School District never recorded those payments within their accounting records. For the fiscal year ended June 30, 2019, the School District requested, and received, \$360,249 for reimbursement of various expenses that were incurred in the current and prior fiscal years, within various School District funds. The School District failed to record the activity within their general ledger. The School District failed to review and determine if any of the amounts expended were for equipment that met the requirements to be classified as a capital asset and depreciated over its useful life.

- Several years ago, the School District entered into an arrangement to lease or own a portion high-speed internet tower in Albuquerque, New Mexico. The purpose of the project was to provide high-speed internet services for the District. When PED assumed financial authority, the project was terminated. Rather than seeking a refund for cash remitted, the School District agreed to apply those amounts for any future transactions with the vendor. The School District could not provide written documentation concerning the agreement, the original amount of the credits, what amount of credits have been exhausted, and the balance of the credits as of June 30, 2019. The School District failed to account for and properly record the credits, which may or may not be material to the financial statements.
- The School District failed to reconcile the audited cash balances for the fiscal year ended June 30, 2018 in comparison to the cash balances recorded in the PED cash report. Further, the cash balances in the PED cash report did not tie to the School District's accounting software. Some of these variances were due to "cash loans" received from Operational Fund over a period of several years. Further, other variances within funds were due to funds including accounts receivable and accounts payable amounts, from several years ago, recorded as cash balances.
- The School District failed to file the informational employee insurance coverage forms, Form 1095-B, with the Internal Revenue Service. The School District was assessed a penalty for 2016 and is awaiting determination of a potential penalty for 2017 and 2018.
- The School District's payroll department failed to reconcile numerous outstanding invoices from FY18 as noted in the FY18 audit report.
- The School District had numerous posting errors between funds as recorded in the accounting records.

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SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Finding 2018-001 – Material Weakness – Accounting Activity and Accounting System (continued)

Statement of Condition (continued) –

- For years, the School District comingled the bond activity in both the bank accounts (bond bank and operating) and accounting records. In reconciling this activity as of June 30, 2019, the School District's consultants, Cadre Consultants, determined the bond building fund overspent the bond proceeds by \$719,751 and had a negative cash balance (due to the Operational Fund) of \$719,751.
- In preparation for the audit, the consultants made numerous journal entries to correct various errors in the School District's general ledger for previous audited fiscal years. The journal entries affected FY17 and FY18.
- The School District failed to resolve any of the prior year audit findings.

Criteria – Auditing standards adopted in the United States of America in particular AU Section 325 Communicating Internal Control Related Matters Identified in an Audit, paragraph .03 states the following: *“Internal control is a process – effected by those charged with governance, management, and other personnel – designed to provide reasonable assurance about the achievement of the entity's objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with laws and regulations. Internal control over safeguarding of assets against unauthorized acquisition, use, or disposition may include control relating to financial reporting and operations objectives.”*

Appropriate internal controls over financial reporting include the ability to understand the key components financial statements in accordance with GAAP. Underlining this premise is the requirement that the School District will maintain the accounting records in such a manner as to allow the preparation of financial statements. For example, the reconciliation of the capital assets between the general ledger and subsidiary ledgers provides assurance of proper accountability and reduces that chance of a material misstatement. Finally, appropriate internal controls would include establishing a general ledger system that maintains financial date in such a matter that reliable financial reports can be generated.

The School District has the responsibility to ensure their financial statements are correct, accurate and contain no material misstatements.

Effect – Incomplete accounting records that contain numerous errors increase the risk that a material misstatement of the School District's financial statements that is more than inconsequential will occur and not be prevented or detected.

Cause – PED concern for the financial activities of the School District prompted them to assume financial authority of the business affairs of the School District; however, the method to resolve the deficiencies within the accounting system failed. PED established a model of contracting with qualified individuals, to assist school districts and charter schools within the State that lack proper personnel, to manage the financial affairs of troubled entities in which PED has assumed financial authority. While this model may work for smaller entities, it did not work effectively for Española Public School District.

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SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Finding 2018-001 – Material Weakness – Accounting Activity and Accounting System (continued)

Recommendation – In July 2019, the School District hired consultants to assist the School District adjust the prior years’ accounting records and prepare for the FY19 audit. The consultants recorded numerous entries correcting errors with the accounting records. In September 2019, the School District hired a Level 2 business manager to manage the financial affairs of the District. We recommend the School District resolve the audit findings as quickly as possible. The findings should be resolved prior to the end of the current fiscal year. We recommend that the School District’s business manager, with the assistance of the business office, begin preparing for the annual fiscal audit, prior to the end of the fiscal year.

The School District must be able to present financial statements that are ready for audit, with the necessary backup documentation for all key components, prior to the auditor’s arrival onsite to perform the necessary audit fieldwork.

Views of Responsible Officials and Planned Corrective Actions – Response to each of the issues brought forth are as follows: 1) Related to the payroll liability section of this finding, the District has discussed with the auditors a better way of accounting for these payments that occur into the next fiscal year and have a better understanding of how to avoid the issues brought forth in this finding and do not anticipate a repeat finding in this area.

2 & 3) The District has identified many of the same issues with old grant balances and the need to get those cleared from our records. We have already submitted a cash transfer for the \$719K GO Bond deficit mentioned above. In addition, the District has reached out to several of the program managers at PED to ask for permission to perform cash transfers between similar funds (those with the same federal or state funding source/purpose) and for budget authority to send down any positive balances for other funds.

At this conclusion of this exercise, the District will be submitting a cash transfer to move funds to the grants who have negative balances (after the Accounts Receivables have been considered) from the Operational Fund. The funds related to old, expired grants who have positive balances (and who PED will not authorize additional spending authority) will be sent back to PED.

4) A meeting has been requested with the NMFA to discuss this arrangement and to determine if the District can re-assume control of these funds and its spending. If this is not possible, we will be requesting reports from them on a regular basis, at least on a quarterly basis, at which time the transactions can be recorded into the District’s general ledger.

5) The District has requested a meeting with the vendor in question to determine the remaining credits on this account and how it’s being applied to District invoices. If the credits are enough to carry forward into the next fiscal year, the District will post an entry to “Pre-Paid Expenses” to ensure these amounts are recorded in the District’s general ledger.

6) One of the goals of the District is to resolve all outstanding loans, with the exception of the temporary one to cover the funds on a reimbursement basis, before the end of the fiscal year.

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ESPAÑOLA PUBLIC SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Finding 2018-001 – Material Weakness – Accounting Activity and Accounting System (continued)

Views of Responsible Officials and Planned Corrective Actions (continued) –

6) Even the one necessary for the day-to-day operations will be minimized as much as possible by submitting RFRs on a more regular basis and to work closer with PED to avoid delays in payment and to resolve any questions or issues sooner to ensure these are processed timely, minimizing the amount needed to cover these until reimbursement.

7) All required IRS filing we completed by the deadline, resolving this issue.

8) The District has reconciled these accounts and believe that we have resolved this issue. We have implemented a new process for handling the slight differences between what is billed and what is owed and do not anticipate a repeat of this issues.

9) The District brought to the attention of the auditors many deposit issues from previous years that have created misstatements of cash balances in the RFR funds. We believe that restating these balances, along with the steps outlines in 2 & 3 above, will be these funds fully reconciled and give the District a better understanding of what grants are available and what amounts reside in each of these funds.

10) The cash transfer to cover the GO Bond deficit has been completed and resolved this issue.

11) The District is most appreciative of the work that Cadre Consultants has done in reconciling the accounts and ensuring a clean hand off of the finances to the new Executive Director of Business & Finance. The District continues to work with Cadre Consultants to ensure that many of the practices that have been put in place continue.

12) The District will work on resolving any prior year findings that our previous fiscal agents left unresolved. We believe these will be addressed, given the assistance and guidance we have been receiving from our auditors. They have been an invaluable resource to the District. We have been working through all the numerous issues we are facing, none of which are unobtainable or too daunting to be resolved with cooperation and effort. Responsible Parties: Executive Director of Business & Finance, Comptroller, and ALL Business Services staff. Completion Date: June 30, 2020.

Finding 2018-002 – Material Weakness – Suspension of Finance Authority

Statement of Condition – On November 17, 2016, the New Mexico Public Education Department (PED) took control of all funds under the control of the Espanola Public Schools’ Board of Education. In order to manage the daily business operations of the School District, PED selected various contractors to serve in the role of the business manager. The first vendor served as business manager from November 28, 2016 through June 30, 2018. This particular vendor was self-employed and did not work onsite on a full time basis to manage the business activity and supervise the School District’s business office staff. PED retained approval authority for expenditures of \$1,000 or greater and for making financial management decisions affecting the School District. This vendor was unable to assist the School District resolve many other their accounting issues.

STATE OF NEW MEXICO
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Finding 2018-002 – Material Weakness – Suspension of Finance Authority (continued)

Statement of Condition (continued) – After receiving input from the School District regarding the performance of the first vendor, PED selected a second vendor with a larger support staff to assume the role of business manager. This vendor began managing the business office on July 1, 2018 and remained in that position until June 30, 2019. This particular vendor failed to complete many of their contractual obligations.

With the departure of the two vendors, the School District received authority to hire a third vendor to assist the School District in resolving accounting issues and preparing for the audit of the fiscal year ended June 30, 2019. This vendor was successful in resolving many of the accounting issues. The vendor completed the bulk of their work by the end of September 2019.

On July 23, 2019, PED sent a letter to the School District, informing the School District that they have given their financial authority back with additional PED oversight requirements. The School District received financial authority without meeting all six original requirements from PED in order to regain financial authority. In particular, the letter stated that the School District received an unmodified opinion for the fiscal year ended June 30, 2017; however, PED failed to recognize the School District's fiscal year 2018 audit report, which received multiple opinions. Further, for the fiscal year ended June 30, 2018, the School District had twenty audit findings. Nine of the twenty audit findings were repeated from the fiscal year ended June 30, 2017 audit report.

Criteria – Section 6.20.2.11A of the New Mexico Administrative Code states, *“Every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safe-guarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management’s authorization and recorded proper to permit the preparation of general purpose financial statements in accordance with GAAP, and that state and federal programs are managed in compliance with applicable laws and regulations. The internal control structure shall include written administrative controls (rules, procedures and practices, and policies that affect the organization) and accounting control (activity cycles, financial statement captions, accounting applications including computer systems) that are accordance with GAAP.”*

Section 6.20.2.11B (1) of the New Mexico Administrative Code states, *“School district management must ensure that protection of the public trust is a major focus when granting the authorization to execute business of the school district.”*

Secretary Skandera established certain criteria she would consider when evaluating the return of financial authority to the School Board. Those items are:

- The financial audit is submitted with an unmodified opinion and all prior year findings have been resolved.
- The School District employs or contracts with a level two licensed business manager.
- The School District's general ledger is reconciled to the audited balances and the PED's reports.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Finding 2018-002 – Material Weakness – Suspension of Finance Authority (continued)

Criteria (continued) –

- All PED required monthly financial reports need to be submitted accurately and in a timely manner for a period of six months.
- Demonstrate that proper procurement policies are being adhered to for a period of six months.
- After identification of all potential financial mismanagement issues, provide PED with a list of corrective actions implemented since PED became the School District's board of finance.

Effect – PED concern for the financial activities of the School District prompted them to assume financial authority of the business affairs of the School District; however, the method to resolve the deficiencies noted by Secretary Skandera's letter dated November 17, 2016, failed to produce a satisfactory result. Despite PED engaging two different vendors for accounting and management services, the School District continued to struggle in resolving the deficiencies noted in recent audit reports.

Cause – PED established a model of contracting with qualified individuals to assist school districts and charter schools within the State that lack proper personnel to manage the financial affairs of troubled entities in which PED has assumed financial authority. While this model may work for smaller entities, it did not work effectively for Española Public School District. PED allowed the vendor to establish the terms of the contract and went as far as allowing the vendor to write the contract between the School District and the vendor. PED failed to require a qualified individual serve as business manager on site throughout the workweek. PED failed to establish proper monitoring of the vendor to ensure resolution of accounting issues hindering the operations of the School District.

Recommendation – In order to prevent another situation where PED assumes financial authority of the School District must properly manage their business office. We recommend the business manager receive the necessary training and assistance to execute the duties as required by State Statutes and PED requirements.

Views of Responsible Officials and Planned Corrective Actions – The District has complied, and will continue to comply, with all the conditions that are required as part of the agreement to return the financial authority back to the District. We will continue to work closely with PED to ensure compliance and will welcome any assistance or guidance they can provide to solidify this decision and ensure it continues. *Responsible Parties:* Superintendent, Executive Director of Business & Finance, and Comptroller. *Completion Date:* June 30, 2020.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

*Item 2018-003 – Significant Deficiency and Material
Non-Compliance – New Mexico Finance Authority Loan*

Statement of Condition – On September 26, 2014, the School District entered into a lease purchase arrangement with the New Mexico Finance Authority (NMFA) to purchase technology equipment. The agreement was entered into in accordance with the Education Technology Equipment Act defined by New Mexico State Statutes Sections 6-15A-1 through 6-15A-16. The lease purchase agreement allows the School District to expend up to \$1,600,000. Prior to the current fiscal year, the School District had expended \$1,239,751. During the current fiscal year, the School District expended \$360,249 of the lease purchase agreement proceeds.

When qualified purchases were identified by the School District, payment authorizations were sent to NMFA. Those payment requests were processed, and payment was either submitted directly to the vendors or reimbursed to the District for completed purchases. For the current year, there was one instance where the School District was reimbursed by NMFA for expenditures paid by the School District. The expenditure was not properly recorded within the general ledger. Since the activity was not recorded on the general ledger the School District failed to identify any capital transactions. Budgetary authority was not received for the activity.

Criteria – Section 6.20.2.8A of the New Mexico Administration Code states, “*All school districts shall account for financial transactions ...*” Section 6.20.2.9A states, “*Every school district shall follow budget requirements stated in Sections 22-8-5 through 22-8-12, NMSA 1978, and procedures of the department in preparing, submitting, maintaining and reporting budgetary information. Budget control shall be at a function level. Over-expenditure of a function shall not be allowed.*”

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

Section 6.20.2.13A states, “*General Ledger: All school districts shall establish and maintain a general ledger in accordance with GAAP. The general ledger will be comprised of individual funds and account groups using the department’s uniform chart of accounts and shall be reconciled every fiscal year with department records.*”

Section 6.20.2.22C states the following, “*Property control system: Assets of a long-term character which are intended to continue to be held or used, such as land (including acquisition and improvements to grounds), buildings (including initial, acquisition, improvements, remodeling, additions and replacement), furniture, machinery and equipment shall be acquired and accounted for through the development and implementation of a complete property control system which shall be adopted by the local board and in accordance with GAAP.*”

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

*Finding 2018-003 – Significant Deficiency and Material
Non-Compliance – New Mexico Finance Authority Loan (continued)*

Effect – The District failed to record the drawdown of \$360,249 related to the NMFA lease purchase agreement. As a result, the District failed to evaluate the capital and non-capital nature of the transaction. Failure to record capital transactions may have a material effect upon the capital asset subsidiary records. Failure to record capital outlay misstates expenditures on the income statement. Failure to capture capital assets within the capital asset subsidiary records could allow assets to be removed without proper authorization.

Cause – Since the inception of the agreement, payments for equipment purchases paid directly by NMFA bypassed the School District accounting system. The District failed to capture the noncash transactions within their general ledger.

Recommendation – We recommend the School District review the transaction of \$360,249 to determine the capital asset activity. All capital assets should be located and marked with identification numbers, as required by established procedures. The capital assets should be depreciated and adjustments made to the June 30, 2019 ending balances. In the future, the School District accounting personnel should analyze any loan agreements, and ensure compliance with such agreements, including recording financial activity that occurs beyond the checking accounts of the District.

Views of Responsible Officials and Planned Corrective Actions – A meeting has been requested with the NMFA to discuss this arrangement and to determine if the District can reassume control of these funds and its spending. If this is not possible, we will be requesting reports from them on a regular basis, at least on a quarterly basis, at which time the transactions can be recorded into the District's general ledger. Responsible Parties: Executive Director of Business & Finance and Comptroller. Completion Date: June 30, 2020.

Finding 2018-004 – Significant Deficiency and Material Non-Compliance - Bank Reconciliations

Statement of Condition – From July 2018 through March 2019, the School District failed to perform accurate bank reconciliations that reconciled cash balances reflected on the general ledger and on the bank statements. The School District failed reconcile the bank accounts for April, May and June 2019 on a timely basis. Completion of an accurate reconciliation for the month of June 2019 occurred during September 2019.

Criteria – Section 6.20.2.14K of the New Mexico Administrative Code states, “All bank accounts shall be reconciled on a monthly basis. Reconciled bank statements are to be reviewed by the business manager and/or assistant superintendent for business administration. The bank statement, deposit slips, and canceled checks shall be made available to the district's auditor during the annual audit.”

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ESPAÑOLA PUBLIC SCHOOL DISTRICT
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FOR THE YEAR ENDED JUNE 30, 2019

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

*Finding 2018-004 – Significant Deficiency and Material
Non-Compliance - Bank Reconciliations (continued)*

Criteria (continued) – Section 6.20.2.11 of the New Mexico Administrative Code states, “Every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safe-guarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management’s authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP, and that state and federal programs are managed in compliance with applicable laws and regulations.”

Effect – Not performing timely and accurate bank reconciliations that reconcile to the general ledger could allow errors to occur and remain undetected.

Cause – During the fiscal year, the New Mexico Public Education Department engaged a vendor to manage the business office affairs. The vendor failed to allocate sufficient personnel and time to reconcile the accounting cash transactions with the bank activity for fiscal year. Subsequent to June 30, 2019, the School District engaged a different vendor to complete the bank reconciliations for the fiscal year.

Recommendation – The cash balances reflected on the general ledger for all the funds of the School District as of June 30, 2019 reconcile with the bank reconciliation of all cash accounts held by the various banks. We recommend the Business Manager establish procedures to ensure the completion of accurate reconciliations on a timely basis.

Views of Responsible Officials and Planned Corrective Actions – The District is currently up-to-date on all reconciliations and will continue to perform these on a timely basis. Responsible Parties: Executive Director of Business & Finance, Comptroller and Business Services staff. Completion Date: Ongoing.

*Finding 2018-005 – Significant Deficiency and Material
Non-Compliance – Education Retirement Act Wages and Contributions*

Statement of Condition – The School District recorded total gross salaries and wages of \$22,389,195.33 in the general ledger for the year ended June 30, 2019. During the same time period, the District reported gross wages of \$21,416,254.90 to the New Mexico Education Retirement Board (ERB). The District was unable to reconcile the variance of \$972,940.43. The School District relies on their payroll program to prepare the monthly report submitted to the ERB. The School District does not reconcile the two amounts to ascertain the proper amounts are reported to ERB. This is a repeat finding. The School District business office did not address preparing monthly reconciliations as previously recommended.

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Finding 2018-005 – Significant Deficiency and Material

Non-Compliance – Education Retirement Act Wages and Contributions (continued)

Criteria – The New Mexico Education Retirement Act (ERA) was enacted in 1957. The Act created the Education Employees Retirement Plan (Plan) and, to administer it, the ERB. The plan is a cost-sharing, multiple-employer pension plan established to provide retirement and disability benefits for certified teachers and other employees of the state’s public schools, institutions of higher learning, and state agencies providing educational program. A public employer affiliated with ERA must deduct employee contributions each pay period from the employee’s wages. These contributions are paid into the ERA member contribution fund. The employer also must pay employer contributions into the ERA employer’s accumulation fund each pay period. The amount of employee contribution is a percentage of the employee’s base salary as determined by the coverage plan provided by the current employer.

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

Effect – Without a full monthly reconciliation of actual paid salaries and wages reported to ERB, there is no assurance that a complete and accurate report is transmitted to the ERB. Having full confidence in the accounting software does not eliminate errors that occur when human resources operate electronic data systems. Non-compliance with the regulations set forth by ERB could result in penalties imposed on the School District and responsible officials.

Cause – The business office of the School District places reliance on the payroll system to generate accurate reports, and did not believe further reconciliation was needed. The School District assumed no keying errors or misclassifications had been made during the setup and throughout the year.

Recommendation – We recommend the School District management establish procedures to ensure compliance with the ERA requirements. These procedures should include a monthly reconciliation of the School District’s salaries and wages to gross payroll, as reported to the ERB. Any differences should be documented within the supporting payroll files.

Views of Responsible Officials and Planned Corrective Actions – District was able to reconcile the difference, but the issue we found was some inconsistencies in what duties and employees were considered exempt and which were not. Much of our efforts on ensuring that the rules of what duties are reportable and which are not are being applied properly. *Responsible Parties:* Executive Director of Business & Finance, Comptroller and Business Services – Payroll Specialist. *Completion Date:* June 30, 2020.

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

*Finding 2018-006 – Significant Deficiency and Material
Non-Compliance – Retiree Health Care Act Wages and Contributions*

Statement of Condition – The School District recorded total salaries and wages of \$22,389,198.33 in the general ledger for the year ended June 30, 2019. During the same time period, the School District reported gross payroll of \$21,339,924.99 to the New Mexico Retiree Health Care Authority (Authority). The District was unable to reconcile the variance of \$1,049,273.34. The School District relies on their payroll program to prepare the monthly report submitted to the Authority. The School District does not have a process in which the system generated reports are reconciled to the payroll journals to ensure 100% accurate reporting prior to final submittal.

While the School District provided a listing of employees who are exempt along with their respective wages, they did not provide detail as to why their duties were exempt. Further, the School District recorded the employer contribution match as an expense in the general ledger as \$300,041.65, while the amount reported and paid to the Authority as the employer match was \$426,798.49. The School District did not provide an explanation for the difference of \$126,756.84.

This is a repeat finding. The School District business office did not address preparing monthly reconciliations as previously recommended.

Criteria – The New Mexico Retiree Health Care Authority was formed February 13, 1990, under the New Mexico Retiree Health Care Act of New Mexico Statutes annotated, as amended (NMSA 1978), to administer the Retiree Health Care Fund (10-7C-1-19 NMSA 1978) which was created to provide comprehensive group health care coverage for individuals (and their spouses, dependents and surviving spouses) who have retired or will retire from public service in New Mexico.

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 purchased by funds flowing into the Retiree Health Care Fund, and by co-payments or out-of-pocket payments of eligible retirees.

Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% for 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 the actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer's participation in the Fund.

Effect – Without a full reconciliation of actual paid salaries and wages to the actual gross wages, as reported to the Authority, there is no assurance that a complete and accurate report is submitted to the Authority. Non-compliance with the regulations set forth by Authority could result in penalties imposed on the School District and responsible officials. Further, without the full reconciliation, the School District does not have any assurance that the employer contribution expense is accurately recorded in the accounting records.

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Finding 2018-006 – Significant Deficiency and Material

Non-Compliance – Retiree Health Care Act Wages and Contributions (continued)

Cause –The School District places full reliance on the payroll system to generate accurate reports and did not believe further reconciliation was needed. Having full confidence in the accounting software does not eliminate errors that occur when human resources operate the electronic data systems. The School District is assuming no keying errors have been made during the setup and throughout the year.

Recommendation – We recommend the School District management establish procedures to ensure compliance with the Authority requirements. These procedures should include monthly reconciliation of the School District’s salaries and wages to gross payroll as reported to the Authority. Any differences should be documented in the supporting payroll files.

Views of Responsible Officials and Planned Corrective Actions – District agrees with the finding and is confident that the finding will be lifted, given the changes that have been implemented since the beginning of the current fiscal year. The District did find the source of the \$126K difference but cannot explain the rationale that lead to their creation as the main one is for voided checks, in which case the Refund of PY Expenses revenue code would have been more appropriate. Moving forward, the District will be careful in which accounts they abate as many are for a specific purpose and these types of entries can interfere with a clean reconciliation of these amounts. Responsible Parties: Executive Director of Business & Finance, Comptroller and Business Services – Payroll Specialist. Completion Date: June 30, 2020.

Finding 2018-007 – Other Non-Compliance – Miscalculation of Social

Security and Medicare Wages and Taxes and Overall Payroll Reconciliation

Statement of Condition - During our test work of payroll transactions, we noted the following deviations:

- The School District is including the employee portion of New Mexico Retiree Health Care (NMRHCA) contribution, which is withheld from the employees’ net pay, as a Section 125 qualified benefit. This action affects the employees’ taxable Social Security and Medicare wages, and the amount of Social Security and Medicare taxes paid by the employee and matched by the employer. Our sample size was forty individual employees of which we found twenty-eight of said discrepancies. The discrepancies noted occurred throughout the fiscal year. It was also noted that the School District was not consistent in coding the NMRHCA employee deduction as a Section 125 plan.
- The School District recorded gross wages of \$22,389,198.33 in the general ledger for the year ended June 30, 2019. In the reporting of wages on the form 941 to the IRS, the School District reported wages of \$18,440,377.67. The difference of \$3,948,820.66 was not reconciled by the School District.

This is a repeat finding that has been modified and of which the School District failed to address in FY19.

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Finding 2018-007 – Other Non-Compliance – Miscalculation of Social Security and Medicare Wages and Taxes and Overall Payroll Reconciliation (continued)

Criteria - NMSA 1978 Section 6-5-2, Internal Controls, states, “*that proper internal controls should be designed and employed to prevent accounting errors and violations of state and federal law and rules related to financial matters, including payroll.*” The U.S. Congress created Internal Revenue Service (IRS) Code Section 125 in an effort to make benefit programs more affordable for employees. Section 125 is part of the IRS Code that allows employees to convert a taxable cash benefit (salary) into non-taxable benefits. Under a Section 125 program an employee may choose to pay for qualified benefit premiums before any taxes are deducted from the employee paychecks.

More specifically, a Cafeteria Plan is a reimbursement plan governed by IRS Section 125 that allows employees to contribute a certain amount of their gross income to a designated account or accounts before taxes are calculated. These accounts can be for insurance premiums, medical expenses, and dependent daycare expenses, from which employees can be reimbursed throughout the plan year or claim period, as they incur the expenses. A Cafeteria Plan allows the employer to reduce employees’ gross income, thereby reducing the amount the company pays in Federal Insurance Contributions Act (FICA or Social Security), and Federal Unemployment Tax Act (FUTA). The employee’s contribution to the New Mexico Retiree Health Care program does not qualify as a Section 125 benefit.

Cause – The School District misunderstood what is classified as a Section 125 qualified benefit.

Effect – Without periodic review of payroll calculations to ensure each element is calculated correctly, the School District is at risk of making inaccurate payroll disbursements. The effect of the discrepancies, as described above, is the employees’ taxable social security and Medicare wages were underreported and the related Social Security and Medicare taxes, both the employee and employer contribution, were underreported. Underreporting of wages and or taxes would result in penalties and interest.

Recommendation – We recommend the School District review the coding associated with the New Mexico Retiree Health Care employee deduction within its payroll program. Adjustments should be made to ensure compliance with federal regulations. We also recommend that periodic reviews are conducted to ensure that employee deductions are coded correctly.

Views of Responsible Officials and Planned Corrective Actions – We will ensure that these deductions are categorized appropriately moving forward and will work with our reporting agencies to ensure that any past discrepancies are corrected and proper amounts are reported. Responsible Parties: Executive Director of Business & Finance, Comptroller and Business Services – Payroll Specialist. Completion Date: June 30, 2020.

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Finding 2018-008 – Other Non-Compliance – Stale Checks

Statement of Condition – At June 30, 2018, the District reflected stale checks totaling \$146,424.55 as outstanding within the main operating account of the District. During the current fiscal year, the District voided the checks, maintained custody of the cash and failed to record a liability within the financial statements. Those stale checks are unclaimed property belonging to others. The District should have remitted the unclaimed property to the State of New Mexico. This repeated modified audit finding is included as a current finding as the District failed to resolve the discrepancy reported in the previous year.

Criteria – Section 7-8A of the New Mexico State Statutes, the *Uniform Unclaimed Property Act (Act)* 1995, sets forth the processes and requirements of a holder of property (School District) to report to the administrator annually by November 1st for the prior period ending July 1st of that year. It also specifies the notification requirements to the property owner.

The School District's cash policy states all checks outstanding for greater than one year, from the date of issuance, shall be null and void. This information is also stated on each check issued by the School District.

Effect – The School District failed to comply with New Mexico State Statutes and their policy and procedures. The financial statements for the current year fails to reflect the unclaimed property liability. Failure to report, pay or deliver property are subject to interest charges and a civil penalty of \$100 per day with a maximum of five thousand dollars. Willful failure to report, pay or deliver property is subject to interest and a civil penalty of \$250 per day with a maximum of seven thousand five hundred dollars.

Fraudulent reporting is subject to interest and a civil penalty of \$500 per day up to a maximum of twelve thousand five hundred plus 25 percent of the value of any property that should have been reported, but was not.

Cause – The District's business office failed to manage the stale checks as required by State Statutes.

Recommendation – We recommend the School District comply with State Statues. The result will be to remit the cash either to either the owners of the cash or the State of New Mexico.

Views of Responsible Officials and Planned Corrective Actions – The District will review all outstanding items in early May to determine which are beyond the allowable period and will start to contact these individuals for reissuance. We will first attempt through District email and, after the initial round of notifications, will be followed by a letter to the last known address.

Those payees, whether District employees or vendors, who we were unable to contact or do not respond will have their payments redirected to the Taxation & Revenue's Unclaimed Property Division and will be manually cleared (not voided) from our ledger. Anyone who responds after the transfer will be directed to the Unclaimed Property website to submit a claim. Responsible Parties: Executive Director of Business & Finance, Comptroller and Business Services – Payroll Specialist. Completion Date: June 30, 2020.

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Finding 2018-009 – Other Non-Compliance – Per Diem and Mileage Act

Statement of Condition – During the course of the audit, we performed tests of travel and per diem expenditures for the purpose of determining compliance with New Mexico state statutes and administrative rules along with the School District’s established administrative procedures. Our sample size was twenty-five transactions, which were selected throughout the fiscal year, and contained the following discrepancies:

- There was one instance where the purchase order for mileage reimbursements was dated December 3, 2018, whereas the travel actually occurred during the months of August through November. In management’s attempt to document the error, with an unauthorized purchase form developed by the District, they failed to complete the process by not obtaining approval signatures. The total reimbursement was \$255.45 for 594 miles at \$0.43/mile. The same employee received a travel reimbursement for 120 miles in December 2018 of \$51.26. The rate used was .427 cents/mile. The 2018 statutory rate was \$0.428/mile.
- There were six employees who individually traveled to Albuquerque to attend a one-night stay High School Redesign Network Convening 2 conference. The employees were each given a mileage reimbursement of \$72.93, which is 177.70 miles at \$0.41/mile. The statutory rate was \$0.428/mile. The employees were underpaid \$3.13 each. There was no explanation as to why the employees drove separately or did not use a District vehicle. There was also no explanation on the travel request form as to why the employees did not receive meal reimbursements and or return day partial per diem.
- There was an instance where an employee was paid \$14.92 for actual meals on the return day of travel and \$12.00 for partial day per diem. There was a similar instance in which the employee was paid \$18.00 for actual meals on the return day of travel; the per diem amount was only \$12.00. The employees were overpaid \$20.92 in total.
- There were four instances where the employee was paid for actual meals on the return day or not paid a partial day per diem. The total paid to the four employees was \$18.47; the partial day per diem would have been \$72.00. The employees were underpaid by \$53.53.
- There was an instance where the departure and return times were listed on the travel request form as TBA and another instance where the departure and return times and dates of travel were omitted on the travel request form.
- There were five employees who travel to a conference in Ruidoso, New Mexico. Four of the employees received a mileage reimbursement of \$186.93 at the rate of \$0.428/mile. The fifth employee was reimbursed at \$0.43/mile or \$187.48. Further, on the original travel request form, the departure time was listed as 2:00pm with a return time of 9:00pm on all with the exception of one, which did not list a departure time. Sometime before or at reimbursement, the departure time was changed to 3:30pm for two employees and 4:00pm for another.

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Finding 2018-009 – Other Non-Compliance – Per Diem and Mileage Act (continued)

Statement of Condition (continued) –

There was no explanation as to who made the change. Four employees received the same return day per diem of \$12.00, which may or may not have been correct. One employee did not receive a partial day per diem amount.

- There were two employees who traveled to Albuquerque for a conference which required a one-night stay. One employee received a mileage reimbursement of \$73.32 and the other \$73.66 for the same miles traveled. For the return day per diem, one employee did not receive the \$20 due for the eleven hours of partial day, and the other employee received a reimbursement of \$13.75 for actual meals on the return day in lieu of the \$20.00 per diem.
- One instance in which the employee was not paid for return day per diem, the amount of which was not determined.

Overall, the District was not applying the statutory mileage rate on a consistence basis. This a repeat finding of which the District has not made significant progress in executing their prior year corrective action plan.

Criteria – The New Mexico Department of Finance and Administration (DFA) has issued regulations in the form of Title 2, Chapter 42, Part 2, *Travel and Per Diem Regulations Governing the Per Diem and Mileage Act* of the New Mexico Administrative Code (NMAC). The rule was issued in accordance with Section 10-8-1 to 10-8-8 NMSA 1978.

Section 2.42.2.9B(1) of the Travel and Per Diem regulations states, “*Agencies, public officers or employees who incur lodging expenses in excess of \$215.00 per night must obtain the signature of the agency head or chairperson of the governing board on the travel voucher prior to requesting the reimbursement and on the encumbering document at the time of encumbering the expenditure.*”

Section 2.42.2.9C(5) of the Travel and Per Diem regulations states, “*On the last day of travel when overnight lodging is no longer required, partial day reimbursement shall be made. To calculate the number of hours in the partial day, begin with the time the traveler initially departed. Divide the number of hours traveled by 24. The hours remaining constitute the partial day which shall be reimbursed as follows:*

- 1 *For less than 2 hours, none;*
- 2 *For 2 hours, but less than 6 hours, \$12.00;*
- 3 *For 6 hours or more, but less than 12 hours, \$20.00;*
- 4 *For 12 hours or more, \$30.00.*
- 5 *No reimbursement for actual expenses will be granted in lieu of partial day per diem rates.”*

Section 2.42.2.12A(4) of the Travel and Per Diem regulations states, “*If more than \$6.00 per day or \$30.00 per trip is claimed, the entire amount of the reimbursement claim must be accompanied by receipts.*”

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Finding 2018-009 – Other Non-Compliance – Per Diem and Mileage Act (continued)

Effect – Non-compliance with the state of New Mexico Travel and Per Diem Act subjects officials and employees to penalties as required by state statutes.

Cause – The School District failed to apply the various aspects of the Per Diem and Mileage Act on a consistent basis.

Recommendation – We recommend the School District provide additional training to individuals calculating and approving travel reimbursements. Further, we recommend the School District establish proper procedures to ensure all travel reimbursement forms are completed correctly. The travel reimbursement forms completed during the fiscal year ended June 30, 2020 should be reviewed to ensure compliance with the Per Diem & Mileage Act.

Views of Responsible Officials and Planned Corrective Actions – The District agrees that further training is needed. In fact, the District discussed the need to revamp its entire Travel & Per Diem policy to conform to the Desktop Manual that we will be putting into place. In addition, we decided that a new form would be necessary and will put together a committee to develop a new form. Part of the issue that led to the finding is that we had several different forms in use at one time. For example, the District uses its form to estimate the cost of the travel. At the same time, the contractor used a form they developed to track the same trip. The use of multiple forms for the same trip leads to inconsistencies and missing signatures.

Furthermore, there was also a confusion as to how the form should have been routed. Because it has a final signature line, it appears that the form was meant to be completed at the time the traveler returns, but in practice the form was only used in setting up the Purchase Order and merely provided the amounts to be encumbered; not to reconcile with the final payment.

In addition to a new form, we will also emphasize these changes in trainings with the Office Managers and will keep them informed of any changes as they occur (i.e. new mileage rates, change in IRS or DFA rules, etc.). Responsible Parties: Executive Director of Business & Finance, Comptroller and Business Services – Accounts Payable Specialist. Completion Date: June 30, 2020.

Finding 2019-001 – Material Non-Compliance – Pledged Collateral

Statement of Condition – A majority of the securities pledged by Century Bank at year-end did not meet the criteria established by New Mexico state statutes. The bank pledged securities with a value of \$7,611,870.30 to secure the School District cash deposits. Of that amount, \$5,485,842.85, or 72.07%, is with non-federal securities originating outside the state of New Mexico.

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Finding 2019-001 – Other Non-Compliance – Pledged Collateral (continued)

Criteria – Section 6-10-A of the New Mexico State Statutes states, “Deposits of public money shall be secured by: 1) securities of the United States, its agencies or instrumentalities, 2) securities of the state of New Mexico, its agencies, instrumentalities, counties, municipalities or other subdivision, 3) securities, including student loans, that are guaranteed by the United States or the state of New Mexico, 4) revenue bonds that are underwritten by a member of the national association of securities dealers, known as N.A.S.D., and are rated Baa or above, by a nationally recognized bond rating service; or 5) letters of credit issued by a federal home loan bank.”

Effect – Non-compliance with New Mexico State Statutes and the Administrative Code subjects the board of education and management to penalties and punishment defined by state statutes. Further, should Century Bank fail, out of state securities may be more difficult to negotiate and collect potentially placing the School District at greater risk for loss.

Cause – The School District business manager failed to review and monitor the monthly collateral statements provided by Century Bank to ensure compliance.

Recommendation – We recommend the School District review the New Mexico State Statutes requirements concerning pledged collateral and communicate with the bank informing them to pledge authorized securities.

Views of Responsible Officials and Planned Corrective Actions – District is uncertain what review, if any, occurred by PED’s fiscal agents during the audit period, we will ensure that these pledged collateral instruments meet the criteria set forth in Section 6-10-A. In addition, we will set up a meeting with our bank representative to ensure that they are aware of these requirements and ask for their assistance in keeping us in compliance. Responsible Parties: Executive Director of Business & Finance and Comptroller. Completion Date: June 30, 2020.

Finding 2019-002 – Material Non-Compliance – Information Return Penalties

Statement of Condition – In October 2019, the School District received a notice from the Internal Revenue Service (IRS) assessing penalties as required by the Internal Revenue Code Section 6721. The assessed penalties stem from failure to file correct information returns. The IRS also assessed penalties for failure to furnish correct payee statements as required by Section 6722. The total penalty is \$430,300 and covers the calendar year of 2016. The School District anticipates similar penalties will be assessed for 2017 and 2018.

Criteria – The IRS requires form 1095-B be used to report certain information to the IRS and to taxpayers about individuals who are covered by minimum essential health insurance coverage. Eligibility for certain types of minimum essential coverage can affect a taxpayer’s eligibility for the premium tax credit. Employers (including government employers) subject to the employer shared responsibility provisions sponsoring self-insured group health plans will report information about the coverage in Part III of Form 1095-C instead of on Form 1095-B. In general, employers with 50 or more full-time employees (including full-time equivalent employees) during the prior calendar year are subject to the employer shared responsibility provisions.

**STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Finding 2019-002 – Material Non-Compliance – Information Return Penalties (continued)

Effect – Employers or other coverage providers that do not comply with due dates to file correct information returns may be subject to penalties under section 6722 and 6721 for failure to timely furnish and file. The penalties are calculated on a per return basis depending on when the returns were ultimately filed. Unnecessary penalties are a poor use of limited financial resources.

Cause – The New Mexico Public Education Department (PED) assumed the School District's Board of Finance Authority on November 17, 2016. In order to manage the financial affairs of the District, PED contracted with vendors to supervise the financial operations of the District. The contracted vendors failed to meet the reporting requirements of the IRS.

Recommendation – We first recommend that all delinquent filings be submitted to the IRS as soon as possible. The current year (2019) returns must be filed timely in order to demonstrate to the IRS, a good faith effort to comply with the law. Further, procedures must be established to ensure that in the future, the School District files all required information returns on a timely basis. The School District is encouraged to continue its efforts to request removal or reduction of the penalties for reasonable cause.

Views of Responsible Officials and Planned Corrective Actions – District has new staff in place that is very mindful of these deadlines, particularly with the issues we have had recently with filings and penalties with the IRS. Staff has calendar reminders, as does the supervisors, to ensure that future filings are on time and penalty free. *Responsible Parties:* Executive Director of Business & Finance, Comptroller and Business Services – Payroll Specialist. *Completion Date:* June 30, 2020.

**SECTION III – FEDERAL AWARDS AND QUESTIONED COSTS -
NATIONAL SCHOOL LUNCH PROGRAM – CFDA NO. 10.555 AND TWENTY-
FIRST CENTURY COMMUNITY LEARNING CENTERS – CFDA NO. 84.287**

None.

SECTION IV – PRIOR YEARS' AUDIT FINDINGS

Financial Statement Findings

Item 2014-002 – Other Non-Compliance – Procurement Violations – Resolved.

Item 2015-001 – Other Non-Compliance – Cash Disbursements – Repeated/Modified.

Item 2016-002 – Other Non-Compliance – Cash Receipts and Deposits – Repeated/Modified.

Item 2016-003 – Material Non-Compliance – Legal Compliance with Budget – Repeated/Modified.

Item 2016-004 – Other Non-Compliance – Late Submission of Audit Report – Repeated/Modified.

STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

SECTION IV – PRIOR YEARS’ AUDIT FINDINGS (continued)

Financial Statement Findings (continued)

Item 2016-005 – Significant Deficiency and Material Non-Compliance – Repeated/Modified.

Item 2016-007 – Significant Deficiency and Other Non-Compliance – Late Payment of Payroll Taxes – Repeated/Modified.

Item 2017-001 – Other Non-Compliance – Form 941 Employer’s Quarterly Federal Tax Return – Resolved.

Item 2018-001 – Material Weakness – Accounting Activity and Accounting System – Repeated/Modified.

Item 2018-002 – Material Weakness – Suspension of Finance Authority – Repeated/Modified.

Item 2018-003 – Significant Deficiency and Material Non-Compliance – New Mexico Finance Authority Loan – Repeated/Modified.

Item 2018-004 – Significant Deficiency and Material Non-Compliance – Bank Reconciliations – Repeated/Modified.

Item 2018-005 – Significant Deficiency and Material Non-Compliance – Education Retirement Act Wages and Contributions – Repeated/Modified.

Item 2018-006 – Significant Deficiency and Material Non-Compliance – Retiree Health Care Act Wages and Contributions – Repeated/Modified.

Item 2018-007 – Other Non-Compliance – Miscalculation of Social Security and Medicare Wages and Taxes – Repeated/Modified.

Item 2018-008 – Other Non-Compliance – Stale Checks – Repeated/Modified.

Item 2018-009 – Other Non-Compliance – Per Diem and Mileage Act – Repeated/Modified.

Federal Award Findings

Item FA 2016-001 – Significant Deficiency – Costs Allowable/Unallowable – Resolved.

Item FA 2018-001 – Material Weakness – Submission of the Reporting Package to the Federal Government – Resolved.

Item FA 2018-002 – Significant Deficiency – Costs Allowable/Unallowable – Resolved.

**STATE OF NEW MEXICO
ESPAÑOLA PUBLIC SCHOOL DISTRICT
EXIT CONFERENCE AND
PREPARATION OF FINANCIAL STATEMENTS
JUNE 30, 2019**

EXIT CONFERENCE

The audit report for the fiscal year ended June 30, 2019, was discussed during the exit conference held in Executive Session according to the Open Meetings Act on March 17, 2020. Present for the District were Yolanda Martinez-Salazar, board president; Ruben Archuleta, board vice president; Gilbert A. Serrano, board secretary; Brandon Bustos, board member; Jeremy Maestas, board member; Bobbie J. Gutierrez, superintendent; Fred Trujillo, superintendent-elect; Richard Halford, Jr., executive director for business and finance; and Geno Zamora, ESP board counsel. Present for the auditing firm was Ed Fierro, CPA.

The following individuals participated in the exit conference on a video conference call. Representing the New Mexico State Auditor's office: Natalie Cordova, deputy state auditor; Shawn P. Beck, director; Alanna Goodman, audit supervisor, and Guadalupe Jaramillo, audit senior. Representing the audit firm via video conferencing was Dominic Fierro, audit manager.

FINANCIAL STATEMENT PREPARATION

The auditing firm prepared the financial statements of the Española Public School District for the fiscal year ended June 30, 2019. The District's executive director for business and finance, who is a certified level 2 New Mexico Public Education Department business manager, approved all proposed journal entries posted by the auditing firm and the financial statements presented within this audit report. The District's executive director for business and finance, also approved all financial disclosures and supplemental financial information.