

STATE OF NEW MEXICO
**ESTANCIA MUNICIPAL
SCHOOL DISTRICT NO. 7**

ANNUAL FINANCIAL REPORT
AND
SUPPLEMENTAL INFORMATION
YEAR ENDED JUNE 30, 2019
WITH
REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

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INTRODUCTORY SECTION
OF
ESTANCIA MUNICIPAL SCHOOL DISTRICT NO. 7

ANNUAL FINANCIAL REPORT
FISCAL YEAR 2019

JULY 1, 2018 THROUGH JUNE 30, 2019



Our Mission:

Estancia Municipal School District believes in educating all students to become productive and successful citizens. Instructional programs must challenge all students to reach their potential. All other programs offered are in support of this mission.

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OFFICIAL ROSTER

June 30, 2019

BOARD OF EDUCATION

Randol Riley	President
Elaine Darnell	Vice-President
Kendra Otis	Secretary
Lee Widner	Member
Kenneth Lujan	Member

ADMINISTRATION

Joel Shirley	Superintendent
Martha Ward	Secondary Operational Principal
Athena Trujillo	Secondary Instructional Principal
Melinda Lingnau	Elementary Operational Principal
Cynthia Golden-Arnold	Elementary Instructional Principal
Marla Lovato	Finance Director
Marla Lovato	Fed Programs
Brenda Blaisure	AP Specialist
Patty Gutierrez	Payroll

AUDIT COMMITTEE

Kendra Otis	Member
Elaine Darnell	Member
Marla E. Lovato	Member
Stella Chavez	Member
Sylvia Chavez	Member
Joel R. Shirley	Superintendent

FINANCE COMMITTEE

Kendra Otis	Member
Elaine Darnell	Member



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FINANCIAL SECTION
OF
ESTANCIA MUNICIPAL SCHOOL DISTRICT NO. 7

ANNUAL FINANCIAL REPORT
FISCAL YEAR 2019

JULY 1, 2018 THROUGH JUNE 30, 2019



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INDEPENDENT AUDITORS' REPORT

Brian S. Colón, Esq., State Auditor and
The Board of Education and Audit Committee of
Estancia Municipal School District No. 7

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of Estancia Municipal School District No. 7, as of and for the year ended June 30, 2019, and the related notes to the financial statements which collectively comprise Estancia Municipal School District No. 7 basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Estancia Municipal School District No. 7's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Estancia Municipal School District No. 7, as of June 30, 2019, and the respective changes in financial position thereof and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Brian S. Colón, Esq., State Auditor and
The Board of Education and Audit Committee of
Estancia Municipal School District No. 7

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. Accounting principles generally accepted in the United States of America also require that the Schedule of Proportionate Share of the Net Liability and Schedule of Contributions for pensions and OPEB on pages 54 and 55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Estancia Municipal School District No. 7's basic financial statements. The supplemental information such as the budgetary comparisons for the major capital project fund, the combining and individual nonmajor fund financial statements, the budgetary comparisons for non-major special revenue funds, capital projects funds, debt service funds, and the other information, such as the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the other schedules required by 2.2.2.NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards and other schedules required by 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. 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 and other schedules required by 2.2.2 NMAC 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 October 30, 2019 on our consideration of the Estancia Municipal School District No. 7'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 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 Estancia Municipal School District No. 7's internal control over financial reporting and compliance.

Accounting & Financial Solutions, LLC
Farmington, New Mexico
October 30, 2019

BASIC FINANCIAL STATEMENTS
OF
ESTANCIA MUNICIPAL SCHOOL DISTRICT NO. 7

AS OF AND FOR THE YEAR ENDED
JUNE 30, 2019

STATE OF NEW MEXICO
ESTANCIA MUNICIPAL SCHOOL DISTRICT NO. 7

STATEMENT OF NET POSITION
June 30, 2019

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 2,210,752
Investments	242,880
Receivables:	
Delinquent property taxes receivable	123,795
Grant	313,835
Due from other governments	20,650
Food inventory	7,858
Non-current:	
Non-depreciable assets	1,602,468
Depreciable capital assets, net	<u>10,627,141</u>
Total Assets	<u>15,149,379</u>
Deferred Outflows of Resources:	
Contributions to pension subsequent to the measurement date	593,309
Difference between expected and actual pension experience	12,843
Net difference between projected and actual investment earnings on pension plan investments	38,955
Net change in pension assumptions	42,415
Net change in proportionate share of pension liability	3,626,616
Contributions to OPEB subsequent to the measurement date	<u>85,494</u>
Total Deferred Outflows of Resources	<u>4,399,632</u>
Liabilities	
Accounts payable	218,924
Accrued interest	18,603
Compensated absences	108,495
Long-term liabilities other than pensions:	
Due within one year	475,000
Due in more than one year	3,263,048
Aggregate net pension liability	17,596,792
Aggregate OPEB liability	<u>4,234,863</u>
Total Liabilities	<u>25,915,725</u>
Deferred Inflows of Resources	
Difference between expected and actual pension experience	334,895
Net change in proportionate share of pension liability	164,218
Difference between expected and actual OPEB experience	250,731
Net difference between projected and actual investment earnings on OPEB plan investments	52,850
Net change in OPEB assumptions	790,630
Net change in proportionate share of OPEB liability	<u>24,329</u>
Total Deferred Inflows of Resources	<u>1,617,653</u>
Net Position	
Net investment in capital assets	8,491,561
Restricted for:	
Special revenue funds	780,571
Capital projects	224,809
Debt service	287,062
Unrestricted	<u>(17,768,370)</u>
Total Net Position	<u>\$ (7,984,367)</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
ESTANCIA MUNICIPAL SCHOOL DISTRICT NO. 7

STATEMENT OF ACTIVITIES
 Year Ended June 30, 2019

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government Governmental Activities</u>	
Primary government:						
Governmental activities:						
Instruction	\$ 6,407,506	\$ 15,582	\$ 609,694	\$ 3,288	\$ (5,778,942)	
Support Services - Students	1,130,956	64,315	107,614	-	(959,027)	
Support Services - Instruction	322,094	-	30,648	-	(291,446)	
Support Services - General Administration	523,500	-	49,813	158	(473,529)	
Support Services - School Administration	595,727	-	56,685	-	(539,042)	
Central Services	258,733	-	24,619	-	(234,114)	
Operations & Maintenance of Plant	1,380,013	-	131,312	15,397	(1,233,304)	
Student Transportation	379,791	-	317,252	-	(62,539)	
Food Services	345,529	9,288	-	-	(336,241)	
Bond interest paid	<u>103,289</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(103,289)</u>	
Total governmental activities	<u>\$ 11,447,138</u>	<u>\$ 89,185</u>	<u>\$ 1,327,637</u>	<u>\$ 18,843</u>	<u>(10,011,473)</u>	
General revenues:						
Taxes:						
Property Taxes:						
General purposes						375,571
Capital projects						219,060
Debt service						631,658
Grants and contributions not restricted						6,906,142
Miscellaneous income						<u>30,947</u>
Total general revenues						<u>8,163,378</u>
<i>Change in net position</i>						(1,848,095)
Net position - beginning						<u>(6,136,272)</u>
Net position - ending						<u>\$ (7,984,367)</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
ESTANCIA MUNICIPAL SCHOOL DISTRICT NO. 7

GOVERNMENTAL FUNDS

Balance Sheet
June 30, 2019

	General <u>Fund</u>	Title I <u>Fund #24101</u>	Entitlement IDEA-B <u>Fund #24106</u>	Wind Farm Projects <u>Fund #29134</u>
Assets				
Cash and cash equivalents	\$ 995,743	\$ -	\$ -	\$ 396,685
Investments	242,840	-	-	-
Receivables:				
Property taxes	6,745	-	-	-
Grant	-	67,815	157,352	-
Due from other governments	1,128	-	-	-
Due from other funds	296,056	-	-	-
Food inventory	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 1,542,512</u>	<u>\$ 67,815</u>	<u>\$ 157,352</u>	<u>\$ 396,685</u>
 Liabilities, deferred inflows, and fund balance				
Liabilities:				
Accounts payable	\$ 160,569	\$ -	\$ -	\$ 5,043
Due to other funds	<u>-</u>	<u>67,815</u>	<u>157,352</u>	<u>-</u>
Total liabilities	<u>160,569</u>	<u>67,815</u>	<u>157,352</u>	<u>5,043</u>
Deferred inflows of resources:				
Delinquent property taxes	<u>5,891</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance:				
Non-spendable:				
Inventories	-	-	-	-
Restricted for:				
Special revenue funds	-	-	-	391,642
Capital projects funds	-	-	-	-
Debt service	-	-	-	-
Unassigned	<u>1,376,052</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balance	<u>1,376,052</u>	<u>-</u>	<u>-</u>	<u>391,642</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 1,542,512</u>	<u>\$ 67,815</u>	<u>\$ 157,352</u>	<u>\$ 396,685</u>

(cont'd; 1 of 2)

STATE OF NEW MEXICO
ESTANCIA MUNICIPAL SCHOOL DISTRICT NO. 7

GOVERNMENTAL FUNDS

Balance Sheet
June 30, 2019

	Capital Improvements SB-9 <u>Fund #31701</u>	Debt Service <u>Fund #41000</u>	Other Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Assets				
Cash and cash equivalents	\$ 78,205	\$ 151,555	\$ 588,564	\$ 2,210,752
Investments	-	-	40	242,880
Receivables:				
Property taxes	30,744	86,091	215	123,795
Grant	-	-	88,668	313,835
Due from other governments	5,076	14,442	4	20,650
Due from other funds	-	-	-	296,056
Food inventory	<u>-</u>	<u>-</u>	<u>7,858</u>	<u>7,858</u>
Total assets	<u>\$ 114,025</u>	<u>\$ 252,088</u>	<u>\$ 685,349</u>	<u>\$ 3,215,826</u>
 Liabilities, deferred inflows, and fund balance				
Liabilities:				
Accounts payable	\$ 45,275	\$ -	\$ 8,037	\$ 218,924
Due to other funds	<u>-</u>	<u>-</u>	<u>70,889</u>	<u>296,056</u>
Total liabilities	<u>45,275</u>	<u>-</u>	<u>78,926</u>	<u>514,980</u>
Deferred inflows of resources:				
Delinquent property taxes	<u>26,834</u>	<u>75,370</u>	<u>-</u>	<u>108,095</u>
Fund balance:				
Non-spendable:				
Inventories	-	-	7,858	7,858
Restricted for:				
Special revenue funds	-	-	388,929	780,571
Capital projects funds	41,916	-	156,059	197,975
Debt service	-	176,718	53,577	230,295
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,376,052</u>
Total fund balance	<u>41,916</u>	<u>176,718</u>	<u>606,423</u>	<u>2,592,751</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 114,025</u>	<u>\$ 252,088</u>	<u>\$ 685,349</u>	<u>\$ 3,215,826</u>

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STATE OF NEW MEXICO
ESTANCIA MUNICIPAL SCHOOL DISTRICT NO. 7

RECONCILIATION OF THE BALANCE SHEET - ALL GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
June 30, 2019

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

Fund balances - total governmental funds	\$	2,592,751
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Capital assets		30,078,369
Accumulated depreciation		(17,848,760)
Other assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Property taxes receivable		108,095
Deferred outflow of resources are not financial resources, and therefore are not reported in the funds and include:		
Contributions to pension subsequent to the measurement date		593,309
Difference between expected and actual pension experience		12,843
Net difference between projected and actual investment earnings on pension plan investments		38,955
Net change in pension assumptions		42,415
Net change in proportionate share of pension liability		3,626,616
Contributions to OPEB subsequent to the measurement date		85,494
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds		
Bonds payable		(3,700,000)
Accrued interest payable		(18,603)
Accrued vacation payable		(108,495)
Bond premiums		(38,048)
Net pension liability		(17,596,792)
Net OPEB liability		(4,234,863)
Deferred inflow of resources are not financial resources, and therefore are not reported in the funds and include:		
Difference between expected and actual pension experience		(334,895)
Net change in proportionate share of pension liability		(164,218)
Difference between expected and actual OPEB experience		(250,731)
Net difference between projected and actual investment earnings on OPEB plan investments		(52,850)
Net change in OPEB assumptions		(790,630)
Net change in proportionate share of OPEB liability		(24,329)
		(24,329)
Net position of governmental activities	\$	(7,984,367)

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
ESTANCIA MUNICIPAL SCHOOL DISTRICT NO. 7

GOVERNMENTAL FUNDS

Statement of Revenues, Expenditures, and Changes in Fund Balance
Year Ended June 30, 2019

	General Fund	Title I Fund #24101	Entitlement IDEA-B Fund #24106	Wind Farm Projects Fund #29134
Revenues:				
Taxes:				
Property	\$ 52,736	\$ -	\$ -	\$ 328,300
Intergovernmental - federal grants	18,552	169,788	218,994	-
Intergovernmental - state grants	6,955,599	-	-	-
Contributions - private grants	-	-	-	282,227
Charges for services	15,582	-	-	-
Investment and interest income	7,382	-	-	-
Miscellaneous	<u>30,922</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>7,080,773</u>	<u>169,788</u>	<u>218,994</u>	<u>610,527</u>
Expenditures:				
Current:				
Instruction	3,549,637	130,760	123,532	24,737
Support services:				
Students	738,683	39,028	84,842	74,529
Instruction	283,639	-	-	25,315
General Administration	462,280	-	-	12,400
School Administration	540,454	-	10,527	-
Central Services	237,263	-	-	2,036
Operation & Maintenance of Plant	1,006,775	-	-	29,868
Student transportation	351,171	-	93	-
Food services operations	17,517	-	-	-
Capital outlay	1,445	-	-	50,000
Debt service:				
Principal retirement	-	-	-	-
Bond interest paid	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>7,188,864</u>	<u>169,788</u>	<u>218,994</u>	<u>218,885</u>
<i>Excess (deficiency) of revenues over expenditures</i>	(108,091)	-	-	391,642
Fund balance at beginning of the year	<u>1,484,143</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of the year	<u>\$ 1,376,052</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 391,642</u>

(cont'd; 1 of 2)

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
ESTANCIA MUNICIPAL SCHOOL DISTRICT NO. 7

GOVERNMENTAL FUNDS

Statement of Revenues, Expenditures, and Changes in Fund Balance
Year Ended June 30, 2019

	Capital Improvements SB-9 <u>Fund #31701</u>	Debt Service <u>Fund #41000</u>	Other Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues:				
Taxes:				
Property	\$ 247,669	\$ 707,481	\$ 833	\$ 1,337,019
Intergovernmental - federal grants	-	-	519,434	926,768
Intergovernmental - state grants	-	-	74,646	7,030,245
Contributions - private grants	-	-	6,000	288,227
Charges for services	-	-	73,603	89,185
Investment and interest income	-	-	-	7,382
Miscellaneous	-	-	25	30,947
Total revenues	<u>247,669</u>	<u>707,481</u>	<u>674,541</u>	<u>9,709,773</u>
Expenditures:				
Current:				
Instruction	-	-	171,606	4,000,272
Support services:				
Students	-	-	108,926	1,046,008
Instruction	-	-	1,383	310,337
General Administration	2,462	7,030	7	484,179
School Administration	-	-	-	550,981
Central Services	-	-	-	239,299
Operation & Maintenance of Plant	231,739	-	7,976	1,276,358
Student transportation	-	-	-	351,264
Food services operations	-	-	302,059	319,576
Capital outlay	-	-	78,037	129,482
Debt service:				
Principal retirement	-	475,000	-	475,000
Bond interest paid	-	110,663	-	110,663
Total expenditures	<u>234,201</u>	<u>592,693</u>	<u>669,994</u>	<u>9,293,419</u>
<i>Excess (deficiency) of revenues over expenditures</i>	13,468	114,788	4,547	416,354
Fund balance at beginning of the year	<u>28,448</u>	<u>61,930</u>	<u>601,876</u>	<u>2,176,397</u>
Fund balance at end of the year	<u>\$ 41,916</u>	<u>\$ 176,718</u>	<u>\$ 606,423</u>	<u>\$ 2,592,751</u>

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STATE OF NEW MEXICO
ESTANCIA MUNICIPAL SCHOOL DISTRICT NO. 7

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES ALL GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2019

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

Net change in fund balance - total governmental funds	\$	416,354
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year</p>		
Capital outlay		129,482
Depreciation		(852,051)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Deferred property taxes at:		
June 30, 2018		(218,825)
June 30, 2019		108,095
<p>The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. These differences in the treatment of long-term debt and related items consist of:</p>		
Current year principal payments		475,000
Bond premium amortization		6,087
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Compensated absences at:		
June 30, 2018		120,931
June 30, 2019		(108,495)
Accrued interest at:		
June 30, 2018		19,890
June 30, 2019		(18,603)
Deferred contributions to pension plan		593,309
Deferred contributions to OPEB plan		85,494
Pension expense		(2,615,547)
OPEB income		<u>10,784</u>
Change in net position of governmental activities	\$	<u>(1,848,095)</u>

STATE OF NEW MEXICO
ESTANCIA MUNICIPAL SCHOOL DISTRICT NO. 7

GENERAL FUND
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
				Positive (Negative)
Revenues:				
Taxes:				
Property	\$ 47,820	\$ 47,820	\$ 52,378	\$ 4,558
Intergovernmental - federal grants	-	-	18,552	18,552
Intergovernmental - state grants	6,927,728	6,978,609	6,955,599	(23,010)
Charges for services	-	-	15,582	15,582
Investment and interest income	-	-	7,382	7,382
Miscellaneous	<u>25,920</u>	<u>25,920</u>	<u>30,920</u>	<u>5,000</u>
Total revenues	<u>7,001,468</u>	<u>7,052,349</u>	<u>7,080,413</u>	<u>28,064</u>
Expenditures:				
Current:				
Instruction	4,350,237	4,379,095	3,547,679	831,416
Support services:				
Students	695,648	710,248	620,700	89,548
Instruction	297,268	351,468	283,095	68,373
General Administration	428,667	488,720	457,748	30,972
School Administration	689,969	644,569	540,376	104,193
Central Services	259,300	262,567	237,105	25,462
Operation & Maintenance of Plant	1,271,936	1,291,336	983,993	307,343
Student transportation	375,247	375,311	351,551	23,760
Other Support services	17,591	17,591	-	17,591
Food services operations	23,582	23,582	17,517	6,065
Capital outlay	<u>2,500</u>	<u>9,100</u>	<u>6,536</u>	<u>2,564</u>
Total expenditures	<u>8,411,945</u>	<u>8,553,587</u>	<u>7,046,300</u>	<u>1,507,287</u>
<i>Excess (deficiency) of revenues over expenditures</i>	(1,410,477)	(1,501,238)	34,113	1,535,351
<i>Beginning cash balance budgeted</i>	1,410,477	1,501,238	-	(1,501,238)
Fund balance at beginning of the year	<u>-</u>	<u>-</u>	<u>1,484,143</u>	<u>1,484,143</u>
Fund balance at end of the year	<u>\$ -</u>	<u>\$ -</u>	<u>1,518,256</u>	<u>\$ 1,518,256</u>
RECONCILIATION TO GAAP BASIS:				
Change in property tax receivable			(5,060)	
Change in due from other governments			(47)	
Change in payables			(142,562)	
Change in deferred property taxes			<u>5,465</u>	
Fund balance at end of the year (GAAP basis)			<u>\$ 1,376,052</u>	

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
ESTANCIA MUNICIPAL SCHOOL DISTRICT NO. 7

TITLE I FUND - NO. 24101
**Statement of Revenues, Expenditures, and
 Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2019**

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
				Positive (Negative)
Revenues:				
Intergovernmental - federal grants	\$ 221,410	\$ 221,410	\$ 166,719	\$ (54,691)
Expenditures:				
Current:				
Instruction	171,933	171,933	134,757	37,176
Support services:				
Students	45,677	45,677	39,028	6,649
General Administration	3,800	3,800	-	3,800
Total expenditures	221,410	221,410	173,785	47,625
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	(7,066)	(7,066)
Fund balance at beginning of the year	-	-	-	-
Fund balance at end of the year	\$ -	\$ -	(7,066)	\$ (7,066)
RECONCILIATION TO GAAP BASIS:				
Change in grant receivable			13,583	
Change in payables			3,997	
Change in transfers			(10,514)	
Fund balance at end of the year (GAAP basis)			\$ -	

STATE OF NEW MEXICO
ESTANCIA MUNICIPAL SCHOOL DISTRICT NO. 7

ENTITLEMENT IDEA-B FUND - NO. 24106
**Statement of Revenues, Expenditures, and
 Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2019**

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
				Positive (Negative)
Revenues:				
Intergovernmental - federal grants	\$ -	\$ 275,837	\$ 141,321	\$ (134,516)
Intergovernmental - state grants	-	<u>14,572</u>	-	<u>(14,572)</u>
Total revenues	<u>-</u>	<u>290,409</u>	<u>141,321</u>	<u>(149,088)</u>
Expenditures:				
Current:				
Instruction	-	140,126	125,902	14,224
Support services:				
Students	-	132,674	84,842	47,832
School Administration	-	15,609	10,527	5,082
Student transportation	-	<u>2,000</u>	<u>93</u>	<u>1,907</u>
Total expenditures	<u>-</u>	<u>290,409</u>	<u>221,364</u>	<u>69,045</u>
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	(80,043)	(80,043)
Fund balance at beginning of the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of the year	<u>\$ -</u>	<u>\$ -</u>	(80,043)	<u>\$ (80,043)</u>
RECONCILIATION TO GAAP BASIS:				
Change in grant receivable			67,160	
Change in payables			2,369	
Change in transfers			<u>10,514</u>	
Fund balance at end of the year (GAAP basis)			<u>\$ -</u>	

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
ESTANCIA MUNICIPAL SCHOOL DISTRICT NO. 7

WIND FARM PROJECTS FUND - NO. 29134
**Statement of Revenues, Expenditures, and
 Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2019**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Taxes:				
Property	\$ 328,300	\$ 328,300	\$ 328,300	\$ -
Expenditures:				
Current:				
Instruction	22,350	44,350	35,119	9,231
Support services:				
Students	130,129	102,129	69,485	32,644
Instruction	97,525	97,525	25,315	72,210
General Administration	-	26,000	12,400	13,600
Central Services	-	10,000	2,036	7,964
Operation & Maintenance of Plant	83,202	83,202	29,868	53,334
Capital outlay	279,233	249,233	50,000	199,233
Total expenditures	612,439	612,439	224,223	388,216
<i>Excess (deficiency) of revenues over expenditures</i>	(284,139)	(284,139)	104,077	388,216
<i>Beginning cash balance budgeted</i>	284,139	284,139	-	(284,139)
Fund balance at beginning of the year	-	-	-	-
Fund balance at end of the year	\$ -	\$ -	104,077	\$ 104,077
RECONCILIATION TO GAAP BASIS:				
Change in payables			5,338	
Change in deferred revenue			282,227	
Fund balance at end of the year (GAAP basis)			\$ 391,642	

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
ESTANCIA MUNICIPAL SCHOOL DISTRICT NO. 7

AGENCY FUNDS
Statement of Fiduciary Assets and Liabilities
June 30, 2019

ASSETS

Pooled cash and investments	\$ <u>150,230</u>
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LIABILITIES

Deposits held for others	\$ <u>150,230</u>
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The notes to the financial statements are an integral part of this statement.



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I. SUMMARY OF ALL SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Estancia Municipal School District No. 7 (District) is a special purpose government corporation governed by an elected five-member Board of Education. The Board of Education is the basic level of government, which has oversight responsibility and control over all activities related to the public school education in the Town of Estancia, New Mexico and the surrounding areas. The District is responsible for all activities related to public elementary and secondary school education within its jurisdiction. The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities.

The District's financial statements include all entities over which the Board of Education exercises oversight responsibility. Oversight responsibility includes such aspects as appointment of governing body members, designation of management, the ability to significantly influence operations, and accountability for fiscal matters. Based upon the application of these criteria, no component units or fiduciary units were included in the financial statements.

Generally Accepted Accounting Principles (GAAP) requires that financial statements present the District (primary government) and its component units. The District has no component units that are required to be presented in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units, an amendment of GASB Statement No. 14*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*.

1. Blended Component Units

The District does not have any component units reported as blended component units.

2. Discretely Presented Component Units

The District does not have any component units reported as discretely presented component units.

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 Estancia Municipal Schools' management who is responsible for their integrity and objectivity. The financial statements of the District conform to GAAP as applied to governmental units. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

B. Implementation of New Accounting Principles

During fiscal year 2019, the District adopted the following Governmental Accounting Standards Board (GASB) Statements:

➤ **GASB Statement No. 83, *Certain Asset Retirement Obligations***

This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

This Statement requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred. The best estimate should include probability weighting of all potential outcomes, when such information is available or can be obtained at reasonable cost. If probability weighting is not feasible at reasonable cost, the most likely amount should be used. This Statement requires that a deferred outflow of resources associated with an ARO be measured at the amount of the corresponding liability upon initial measurement.



I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

B. Implementation of New Accounting Principles (cont'd)

This Statement requires the current value of a government's AROs to be adjusted for the effects of general inflation or deflation at least annually. In addition, it requires a government to evaluate all relevant factors at least annually to determine whether the effects of one or more of the factors are expected to significantly change the estimated asset retirement outlays. A government should remeasure an ARO only when the result of the evaluation indicates there is a significant change in the estimated outlays. The deferred outflows of resources should be reduced and recognized as outflows of resources (for example, as an expense) in a systematic and rational manner over the estimated useful life of the tangible capital asset.

A government may have a minority share (less than 50 percent) of ownership interest in a jointly owned tangible capital asset in which a nongovernmental entity is the majority owner and reports its ARO in accordance with the guidance of another recognized accounting standards setter. Additionally, a government may have a minority share of ownership interest in a jointly owned tangible capital asset in which no joint owner has a majority ownership, and a nongovernmental joint owner that has operational responsibility for the jointly owned tangible capital asset reports the associated ARO in accordance with the guidance of another recognized accounting standards setter. In both situations, the government's minority share of an ARO should be reported using the measurement produced by the nongovernmental majority owner or the nongovernmental minority owner that has operational responsibility, without adjustment to conform to the liability measurement and recognition requirements of this Statement.

In some cases, governments are legally required to provide funding or other financial assurance for their performance of asset retirement activities. This Statement requires disclosure of how those funding and assurance requirements are being met by a government, as well as the amount of any assets restricted for payment of the government's AROs, if not separately displayed in the financial statements. This Statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. If an ARO (or portions thereof) has been incurred by a government but is not yet recognized because it is not reasonably estimable, the government is required to disclose that fact and the reasons therefor. This Statement requires similar disclosures for a government's minority shares of AROs.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018 (FYE June 30, 2019). Earlier application is encouraged.

➤ **GASB Statement No. 88**, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*

The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

Requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018 (FYE June 30, 2019). Earlier application is encouraged.



I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

B. Implementation of New Accounting Principles (cont'd)

Other accounting standards that the District is currently reviewing for applicability and potential impact on the financial statements include:

➤ **GASB Statement No. 84, *Fiduciary Activities***

This Statement supersedes NCGA Statement 1, Governmental Accounting and Financial Reporting Principles, footnote 24; Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans, paragraph 4; Statement No. 34, Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments, paragraphs 70–73, 110, and 111; Implementation Guide No. 2015-1, Questions 4.14.1, 4.14.2, 6.43.2, 7.7.2, and 7.52.4; and Implementation Guide No. 2016-1, Implementation Guidance Update—2016, Question 4.26. It also amends NCGA Statement 1, paragraphs 32, 139, 143, and 147; NCGA Statement 5, Accounting and Financial Reporting Principles for Lease Agreements of State and Local Governments, paragraphs 5 and 6; Statement No. 6, Accounting and Financial Reporting for Special Assessments, paragraph 19; Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, footnote 12; Statement No. 14, The Financial Reporting Entity, paragraphs 19 and 27; Statement No. 24, Accounting and Financial Reporting for Certain Grants and Other Financial Assistance, paragraph 5; Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, paragraphs 18 and 22; Statement 34, paragraphs 6, 12, 13, 63, 65, 67, 69, 106–109, 115, 123, 125, 135, 138, 141, and 147, and footnotes 48, 49, and 51; Statement No. 37, Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments: Omnibus, paragraph 3; Statement No. 38, Certain Financial Statement Note Disclosures, paragraphs 6, 14, and 15; Statement No. 40, Deposit and Investment Risk Disclosures, paragraph 5; Statement No. 44, Economic Condition Reporting: The Statistical Section, paragraph 10; Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, paragraphs 30, 33, and 35; Statement No. 61, The Financial Reporting Entity: Omnibus, paragraph 9; Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, paragraph 34; Statement No. 67, Financial Reporting for Pension Plans, paragraph 11; Statement No. 72, Fair Value Measurement and Application, paragraph 80; Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, paragraph 116; Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, paragraphs 18 and 59; NCGA Interpretation 6, Notes to the Financial Statements Disclosure, paragraph 5; Technical Bulletin No. 2006-1, Accounting and Financial Reporting by Employers and OPEB Plans for Payments from the Federal Government Pursuant to the Retiree Drug Subsidy Provisions of Medicare Part D, paragraph 8; Implementation Guide 2015-1, Questions 1.4.2, 1.4.8, 2.7.1, 2.7.2, 3.49.1, 3.55.2, 3.58.1, 4.6.2, 4.27.1, 4.28.1, 4.28.11, 4.30.3, 4.62.2, 5.64.3, 5.64.4, 5.113.1, 6.29.3, 6.34.3, 6.34.4, 6.43.5, 6.45.1, 6.45.3, 7.3.5, 7.4.1, 7.51.6, 7.52.2, 7.52.3, 7.52.5–7.52.8, 7.55.5, 7.72.10, 7.77.4, 7.81.1, 7.81.2, 7.84.1, 7.97.1, 7.97.2, 7.97.4, 8.1.2, 8.1.3, and 8.15.4; Implementation Guide 2016-1, Questions 4.2, 4.13, 4.27, 4.61–4.63, 5.7, 5.8, 5.16, and 5.24; and 2002 AICPA State and Local Government Auditing and Accounting Guide, paragraph 5.28.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. A fiduciary component unit, when reported in the fiduciary fund financial statements of a primary government, should combine its information with its component units that are fiduciary component units and aggregate that combined information with the primary government’s fiduciary funds. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets.



I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

B. Implementation of New Accounting Principles (cont'd)

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018 (FYE June 30, 2020). Earlier application is encouraged. Changes adopted to conform to the provisions of this Statement should be applied retroactively by restating financial statements, if practicable, for all prior periods presented. If restatement for prior periods is not practicable, the cumulative effect, if any, of applying this Statement should be reported as a restatement of beginning net position (or fund balance or fund net position, as applicable) for the earliest period restated. In the first period that this Statement is applied, the notes to the financial statements should disclose the nature of the restatement and its effect. Also, the reason for not restating prior periods presented should be disclosed.

➤ **GASB Statement No. 87, *Leases***

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

Definition of a Lease - A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Any contract that meets this definition should be accounted for under the leases guidance, unless specifically excluded in this Statement.

The provisions of this Statement are effective for reporting periods beginning after December 15, 2019 (FYE June 30, 2021).

➤ **GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period***

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. The requirements of this Statement apply to the financial statements of all state and local governments. In financial statements prepared using the economic resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expense in the period in which the cost is incurred. Such interest cost should not be capitalized as part of the historical cost of a capital asset. In financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019 (FYE June 30, 2021). Earlier application is encouraged.

➤ **GASB Statement No. 90, *Majority Equity Interests an amendment of GASB Statements No. 14 and No. 61***

The primary objectives of this Statement are to improve consistency in the measurement and comparability of the financial statement presentation of majority equity interests in legally separate organizations and to improve the relevance of financial statement information for certain component units.

This Statement modifies previous guidance for reporting a government's majority equity interest in a legally separate organization. This Statement also provides guidance for reporting a component unit if a government acquires a 100 percent equity interest in that component unit. The requirements of this Statement apply to the financial statements of all state and local governments.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018 (FYE June 30, 2020). Earlier application is encouraged.



I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

B. Implementation of New Accounting Principles (cont'd)

➤ GASB Statement No. 91, *Conduit Debt Obligations*

This Statement provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2020 (FYE June 30, 2022). Earlier application is encouraged.

C. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the school district. For the most part, the effect of inter-fund activity has been removed from these statements.

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 applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues received during the year but are applicable to subsequent years are reported as deferred inflows of resources. 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. Expenditures incurred during the year that are for the benefit of subsequent years are reported as deferred outflows of resources.

Interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.



I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (cont'd)

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.

General Fund – The general 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.

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

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

Debt Service Funds are used to account for the payment of principal and interest on long-term debt. Debt Service revenues are from taxes and other operating revenues, some of which are pledged specifically to repay certain outstanding bond issues.

GASB Statement No. 34, *Basic Financial Statements and Management’s Discussion and Analysis* requires the District to present certain governmental funds as major funds. In addition to the General Fund, the District reports the following major governmental funds:

➤ SPECIAL REVENUE FUNDS

Title I (Fund No. 24101) Minimum Balance: None
 To help local education agencies (LEAs) and schools improve the teaching and learning of children failing, or most at-risk of failing, to meet challenging State academic standards. Funding authorization: Elementary and Secondary Education Act of 1965, Title I, Part A, 20 U.S.C. 6301 et seq.

Entitlement IDEA-B (Fund No. 24106) Minimum Balance: None
 Program provides grants to states that flow-through to schools, to assist them in providing a free appropriate public education to all children with disabilities. The program is funded by the United States government, under the Individuals with Disabilities Education Act, Part B, Section 611-617, and part D, Section 674 as amended, 20 U.S.C. 1711-1417 and 1420.

Wind Farm Projects (Fund No. 29134) Minimum Balance: None
 To account for revenue collected from wind farms in the district in lieu of taxes.

➤ CAPITAL PROJECT FUNDS

Capital Improvements SB - 9 (Fund No. 31701) Minimum Balance: None
 This fund provides financing for the purchase of equipment and capital improvements to School District property. Funding is received from a 2 mill property tax levy and interest earned on investments, under New Mexico Senate Bill 9.

➤ DEBT SERVICE FUNDS

Debt Service Fund (Fund No. 41000) Minimum Balance: None
 The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Additionally, the government reports the following fund types:

Fiduciary Funds –agency funds used to account for financial resources used by the student activity groups for which the District has stewardship



E. Assets, Liabilities, and Net Position or Equity

1. Deposits and investments

The government'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 investment of the District's funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, and money market accounts. The District is also allowed to invest in United States Government obligations. All funds for the District must follow the above investment policies.

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

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

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

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due from/to other funds" (i.e., the current portion of inter-fund loans) or "advances to/from other funds" (i.e., the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as "due from/to other funds."

The District's property taxes are levied each year on the assessed valuation of property located in the District as of the preceding January 1st. Mill levy rates are set by the State of New Mexico each year for the General Fund, Capital Improvements SB – 9 Fund, and Debt Service Fund. Taxes are payable in two equal installments on November 10th and April 10th following the levy and become delinquent after 30 days.

Under GASB Statement 33, property taxes are impressed non-exchange revenue. Assets from impressed non-exchange transactions are reported when the District has an enforceable legal claim to the asset. The enforceable legal claim date for property taxes is the assessment date. Taxes are payable in two equal installments on November 10 and April 10th following the levy and become delinquent after 30 days. Therefore, the District has recorded a delinquent tax receivable and revenue for taxes received within the sixty days following year-end. A receivable and deferred revenue have been recorded for uncollected delinquent taxes. On the government-wide financial statements, the district has recorded delinquent property taxes receivable and revenue for taxes assessed as of year-end that have not been collected, as prescribed in GASB 34. An allowance for refunds and uncollectible amounts has not been recorded.

3. Inventories

The District's method of accounting for inventory is the consumption method. Under the consumption approach, governments report inventories they purchase as an asset and defer the recognition of the expenditures until the period in which the inventories are actually consumed. Inventory is valued at cost. Inventory in the Food Service Fund consists of U.S.D.A. commodities and other purchased food and non-food supplies. The cost of purchased inventory is recorded as an expenditure at the time individual inventory items are consumed. Commodities consumed during the year are reported as revenues and expenditures; unused commodities are reported as inventories.



I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

E. Assets, Liabilities, and Net Position or Equity (cont'd)

4. *Capital assets*

Capital assets, which include property, plant, and equipment (software), are reported in the applicable governmental-wide financial statements. Beginning July 1, 2005, the threshold for defining Capital assets by the government was raised from \$1,000 to assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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. Software costs have been included with the cost of computer equipment and are capitalized with that equipment. The District does not develop software for internal use or any other use.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest on construction projects has not been capitalized.

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

ESTIMATED USEFUL LIVES	
ASSETS	YEARS
Buildings	40 - 50
Building improvements	20
Land Improvements	10 - 20
Vehides	7
Office equipment	5
Computer equipment	3 - 5

5. *Compensated absences*

It is the District's policy to permit employees to accumulate up to 90 days of earned but paid time off (PTO), which will be paid to employees upon retirement from the District's service. The minimum days to be eligible for payment is 45 days and maximum number of days that can be paid is 90 days. The Board of Education will set the daily pay amount annually at its July board meeting. That amount was \$50 per day as of June 30, 2016. The amount for liability has been reported in the government-wide financial statements.

Accumulated sick leave is not payable upon termination and is recorded as expenditures when it is paid.

6. *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 premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discounts.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of 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 capital projects expenditures.

7. *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 Education Retirement Board (ERB) and additions to/deductions from ERB's fiduciary net position have been determined on the same basis as they are reported by ERB. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.



I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

E. Assets, Liabilities, and Net Position or Equity (cont'd)

8. *Postemployment 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 Fund (RHCA) and additions to/deductions from RHCA's fiduciary net position have been determined on the same basis as they are reported by RHCA. For this purpose, RHCA recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

9. *Deferred Outflows/Inflows of Resources*

Both deferred inflows and outflows are reported in the Statement of Net Position but are not recognized in the financial statements as revenues, expenses, and reduction of liabilities or increase in assets until the period(s) to which they relate.

In addition to assets, the District reports a separate section for deferred outflows of resources. This separate financial statement element represents a use of net position/fund balance that applies to future periods and will not be recognized as an expenditure until that time.

The District also reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position/fund balance that applies to future periods and so will not be recognized as a revenue until that time. Revenue must be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period) to be recognized. If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding liability for deferred inflows of resources.

The District reports deferred outflows of resources for pension-related amounts for the District's share of the difference between projected and actual earnings, for the District's share of the difference between contributions to the individual plans and the proportionate share of the contributions, and for changes of assumptions or other inputs.

The District reports deferred inflows of resources for pension-related amounts in the government wide financial statements or the District's share of the difference between expected and actual experience and for the District's share of the difference between contributions to the individual plans and the proportionate share of the contributions.

Under the modified accrual basis of accounting, revenue and other fund financial resources are recognized in the period in which they become both measurable and available. Assets recorded in the fund financial statements for which the revenues are not available are reported as a deferred inflow of resources. Deferred inflows of resources are also comprised of property tax and long-term receivables that are unavailable in the fund statements.

10. *Fund balance*

a. Non-Spendable

The non-spendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts.

b. Restricted

Fund balance is reported as restricted when constraints placed on the use of resources are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)****E. Assets, Liabilities, and Net Position or Equity (cont'd)**

c. Committed

Amounts that can only be used for specific purposes pursuant to constraints imposed by the formal action of the District's Board of Education should be reported as committed fund balance. The committed amounts cannot be used for any other purpose unless the District's Board of Education removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. The District did not have committed fund balances for the year ended June 30, 2019.

d. Assigned

Assigned fund balance includes (a) all remaining amounts, except for negative balances, that are reported in governmental funds, other than the general fund, that are not classified as non-spendable and are neither restricted nor committed and amounts in the general fund that are constrained by the District's intent to be used for specific purposes but are neither restricted nor committed. Intent, and removal of, is expressed by the Board of Education or the Finance Committee. The District did not have assigned fund balances for the year ended June 30, 2019.

e. Unassigned

The remaining fund balance, after all other classifications, within the general fund is reported as unassigned fund balance. This classification 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. In governmental funds other than the general fund, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, a negative fund balance will be reported as unassigned fund balance.

When committed, assigned, and unassigned resources are available for use, it is the District's policy to use committed first followed by assigned and unassigned resources as they are needed.

11. *Net Position*

Net Position is presented on the Statement of Net Position and may be presented in any of three components.

a. Net investment in capital assets

This component of Net Position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. That portion of the debt is included in restricted for capital projects.

b. Restricted Net Position

Net Position is reported as being restricted when the restriction is either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by 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.

c. Unrestricted Net Position

Unrestricted Net Position consists of Net Position that does not meet the definition of "net investment in capital assets" or "restricted."

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

In the governmental environment, Net Position often is designated to indicate that management does not consider them to be available for general operations. In contrast to restricted Net Position, these types of constraints on resources are internal and management can remove or modify them. However, enabling legislation established by the reporting government should not be construed as an internal constraint.



I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

E. Assets, Liabilities, and Net Position or Equity (cont'd)

12. *Indirect Costs*

The District's General Fund receives indirect cost reimbursements from the various federal programs it administers. These reimbursements are for expenses incurred in performing administrative functions on behalf of the Special Revenue Funds. They are shown as expenditures in the Special Revenue Funds, and as other special federal revenue in the General Fund.

13. *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.

14. *Inter-fund Transactions*

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

15. *Revenues*

State Equalization Guarantee: School districts in the State of New Mexico receive a 'state equalization guarantee distribution' which is defined as "that amount of money distributed to each school district to ensure that the school district's operating revenue, including its local and federal revenues as defined (in Chapter 22, Section 825, NMSA 1978) is at least equal to the school district's "program 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 \$6,617,915 in state equalization guarantee distributions during the year ended June 30, 2019.

Transportation Distribution: School districts in the State of New Mexico received student transportation distributions. The transportation distribution is allocated to each school district in accordance with formulas developed by the State Transportation Director and the Director of Public School Finance. The funds shall be used only for the purpose of making payments to each school district for the to-and-from school transportation costs of students in grades K through twelve attending public school within the school district. The District received \$317,252 in transportation distributions during the year ended June 30, 2019.

Instructional Materials: The New Mexico Public Education Department (PED) receives federal mineral leasing funds from which it makes annual allocations to the various school districts for the purchase of educational materials. Of each allocation, fifty percent is restricted to the purchase of material listed on the PED 'Multiple List', while fifty percent of each allocation is available for purchases directly from vendors or transfer to the fifty percent account for purchase of material from the "Multiple List". Districts are allowed to carry forward unused textbook funds from year to year. The District received \$20,432 in instructional materials distributions during the year ended June 30, 2019.



I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

E. Assets, Liabilities, and Net Position or Equity (cont'd)

16. Tax Abatements

Governmental Accounting Standards Board Statement No. 77 requires the District to disclose information on certain tax abatement agreements effecting the District. A tax abatement is created when a government enters into an agreement with an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. Accordingly, there are four tax abatement agreements that effect the District for the year ended June 30, 2019 which are detailed in Note IV.E.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. 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 Public School Budget and Planning Unit of the Department of Education. Auxiliary student activity accounts are not budgeted.

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

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

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

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

1. In April or May, the superintendent submits to the Board of Education a proposed operating budget of the fiscal year commencing the following July. The operating budget includes proposed expenditures and the means of financing them, and has approval by the Department of Education.
2. In May or June, the budget is approved by the Board of Education.
3. The school board meeting, while not intended for the general public, is open for the general public unless a closed meeting has been called for.
4. The superintendent is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the school board and the State of New Mexico Department of Education.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Funds and Capital Projects Funds.



II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (cont'd)

A. Budgetary Information (cont'd)

6. 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. The appropriated budget for the year ended June 30, 2019 was properly amended by the Board through the year. New Mexico state law prohibits a Governmental Agency to exceed an individual line item. These amendments resulted in the following changes:

	ORIGINAL	FINAL
Major Funds:		
General Funds	\$ 8,411,945	\$ 8,553,587
Special Revenue Funds:		
Title I	221,410	221,410
Entitlement IDEA-B	-	290,409
Wind Farm Projects	612,439	612,439
Capital Projects Funds:		
Capital Improvements SB-9	240,175	240,175
Debt Service Funds:		
Debt Service	657,090	657,090
Nonmajor Funds:		
Special Revenue Funds	712,089	867,104
Capital Projects Funds	108,769	276,542
Debt Service Fund	52,301	52,301
Total Budget	\$ 11,016,218	\$ 11,771,057

B. Budgetary Violations

The District did not have any budgetary violations during the year ended June 30, 2019.

C. Deficit Fund Equity

The District did not have any deficit fund balances at of the year ended June 30, 2019.



III. DETAILED NOTES ON ALL FUNDS

A. Cash and Temporary Investments

Reconciliation of bank balances to the financial statements:

	BALANCE
Financial institution:	
Wells Fargo Bank	\$ 2,798,941
State agencies:	
New Mexico State Treasurer	242,880
Less:	
Agency cash	(150,230)
Investments	(242,880)
Net reconciling items	(437,959)
Total cash and equivalents	\$ 2,210,752

At June 30, 2019, the carrying amount of the District’s deposits was \$2,603,862 and the bank balance was \$3,041,821, with the difference consisting of outstanding checks.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. 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 District does not have a deposit policy for custodial credit risk, other than the following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). The statement listed below will meet the State of New Mexico Office of the State Auditor’s requirement in reporting the uninsured portion of the deposits. As of June 30, 2019, none of the District’s bank deposits was exposed to custodial risk as follows:

	INSURED	UNDER INSURED	TOTAL
Bank deposits:			
Uninsured and uncollateralized	\$ 690,115	\$ -	\$ 690,115
Uninsured and collateral held by pledging bank's trust dept not in the District's name	1,858,826	-	1,858,826
Total uninsured	2,548,941	-	2,548,941
Insured (FDIC)	250,000	-	250,000
Total deposits	<u>\$ 2,798,941</u>	<u>\$ -</u>	<u>\$ 2,798,941</u>
State of New Mexico collateral requirement:			
50% of uninsured public fund bank deposits	\$ 1,155,972	\$ -	\$ 1,155,972
Pledged security	1,858,826	-	1,858,826
Over collateralization	<u>\$ 702,854</u>	<u>\$ -</u>	<u>\$ 702,854</u>

The collateral pledged is listed on Schedule of Pledged Collateral in the Other Supplemental Information section of this report. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district, or political subdivision of the State of New Mexico. According to the Federal Deposit Insurance Authority, public unit deposits are funds owned by the District. 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.



III. DETAILED NOTES ON ALL FUNDS (cont'd)

A. Cash and Temporary Investments (cont'd)

Investments

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District does not have a written policy for limiting interest rate risk.

Credit Risk

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. U.S. obligations, investments explicitly guaranteed by the U.S. Government, and non-debt investments are excluded from this requirement. The District's investments in time deposits or investments guaranteed by the U.S government and therefore are excluded from this requirement. Public funds are not required to disclose custodial credit risk for external investment pools. Therefore, the LGIP is exempt from this requirement.

Concentration Credit Risk

For an investment, concentration credit risk is when any one issuer is 5% or more of the investment portfolio of the District. External investment pools, such as the LGIP (New Mexico State Treasurer), are excluded from the requirement of disclosing concentration of credit risk. Therefore, the LGIP is exempt from this disclosure.

Foreign Currency Risk

Foreign currency risk as the potential that changes in exchange rates may adversely affect the fair value of an investment or deposit. The District does not have any foreign currency risk as all investments are denominated in US dollars.

The District investments held at June 30, 2019 are as follows:

INVESTMENT TYPE	MATURITIES	FAIR VALUE	RATING (S&P)
State Investment Pool – 4101 LGIP Fund	112 Days (WAM-F)	<u>\$ 242,880</u>	AAAm

Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

Level 1 inputs are observable, quoted prices for identical assets or liabilities in active markets;

Level 2 inputs are quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets in markets that are not active; and inputs other than quoted prices e.g. interest rates and yield curves;

Level 3 inputs are unobservable inputs for the asset or liability. These should be based on the best information available. The District should utilize all reasonably available information, but need not incur excessive cost or effort to do so. However, it should not ignore information that can be obtained without undue cost and effort. As such, the District's own data should be adjusted if information is reasonably available without undue cost and effort.

The fair value inputs used to value the District's investments (other than certificates of deposits) at June 30, 2019 were as follows:

FAIR VALUE INPUTS				
Level 1	Level 2	Level 3	Total	
\$ 242,880	\$ -	\$ -	\$	242,880



III. DETAILED NOTES ON ALL FUNDS (cont'd)

B. Receivables

Receivables as of June 30, 2019 for the government's individual major funds and non-major funds in the aggregate, including the following:

	RECEIVABLES		DUE FROM OTHER	
	Property Taxes	Grants	Governments	Funds
Major Funds:				
General Funds	\$ 6,745	\$ -	\$ 1,128	\$ 296,056
Title I	-	67,815	-	-
Entitlement IDEA-B	-	157,352	-	-
Wind Farm Projects	-	-	-	-
Capital Improvements SB-9	30,744	-	5,076	-
Debt Service	86,091	-	14,442	-
Other Governmental Funds	<u>215</u>	<u>88,668</u>	<u>4</u>	<u>-</u>
Total	<u>\$ 123,795</u>	<u>\$ 313,835</u>	<u>\$ 20,650</u>	<u>\$ 296,056</u>

An allowance for doubtful accounts has not been established. All receivables are expected to be collectible.

C. Unavailable and Unearned

Governmental funds reported deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	UNAVAILABLE	UNEARNED
Grant drawdowns prior to meeting all eligibility requirements		
General Fund	\$ -	\$ -
Other Governmental Funds	-	-
Delinquent property taxes		
General Fund	5,891	-
Title I	-	-
Entitlement IDEA-B	-	-
Wind Farm Projects	-	-
Capital Improvements SB-9	26,834	-
Debt Service	75,370	-
Other Governmental Funds	<u>102,204</u>	<u>-</u>
Total deferred/unearned revenue for governmental funds	<u>\$ 108,095</u>	<u>\$ -</u>



III. DETAILED NOTES ON ALL FUNDS (cont'd)

D. Inter-Fund Receivables and Payables

The inter-fund receivables and payables at June 30, 2019 were:

	RECEIVABLES	PAYABLES
Major Funds:		
General Funds	\$ 296,056	\$ -
Title I	-	67,815
Entitlement IDEA-B	-	157,352
Wind Farm Projects	-	-
Capital Improvements SB-9	-	-
Debt Service	-	-
Other Governmental Funds	-	70,889
Total	\$ 296,056	\$ 296,056

The inter-fund loans were made for the purposes of cash shortfalls within the individual funds. The loans are expected to be repaid within the next fiscal year.

E. Capital Assets

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

	BEGINNING	INCREASES	DECREASES	ENDING
Governmental activities:				
<u>Capital assets not being depreciated:</u>				
Land	\$ 1,602,468	\$ -	\$ -	\$ 1,602,468
<u>Capital assets being depreciated:</u>				
Land improvements	2,335,140	-	-	2,335,140
Buildings and improvements	23,666,724	129,482	-	23,796,206
Furniture, fixtures, and equipment	2,374,514	-	(29,959)	2,344,555
<i>Total capital assets being depreciated</i>	<u>28,376,378</u>	<u>129,482</u>	<u>(29,959)</u>	<u>28,475,901</u>
Less accumulated depreciation for:				
Land improvements	(1,602,494)	(196,098)	-	(1,798,592)
Buildings and improvements	(13,573,432)	(548,995)	-	(14,122,427)
Furniture, fixtures, and equipment	(1,850,742)	(106,958)	29,959	(1,927,741)
<i>Total accumulated depreciation</i>	<u>(17,026,668)</u>	<u>(852,051)</u>	<u>29,959</u>	<u>(17,848,760)</u>
Total capital assets being depreciated, net	<u>11,349,710</u>	<u>(722,569)</u>	<u>-</u>	<u>10,627,141</u>
Total capital assets, net	\$ 12,952,178	\$ (722,569)	\$ -	\$ 12,229,609



III. DETAILED NOTES ON ALL FUNDS (cont'd)

E. Capital Assets (cont'd)

Depreciation has been allocated to the functions by the following amounts:

<u>DEPRECIATION ALLOCATION TO FUNCTIONS</u>	
Instruction	\$ 481,277
Support Services - Students	84,948
Support Services - Instruction	24,193
Support Services - General Administration	39,321
Support Services - School Administration	44,743
Central Services	19,434
Operations & Maintenance of Plant	103,655
Student Transportation	28,527
Food Services	25,953
Total Depreciation Expense	<u>\$ 852,051</u>

The Schedule of Capital Assets Used by Source, and the Schedule of Changes in Capital Assets by Function and Activity have not been prepared because the detailed information is unavailable.

Construction commitments

The District is not involved in any long-term construction projects as part of their master plan for upgrading.

F. Long-Term Debt

General Obligation Bonds

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. Bonds are direct obligations and pledge the full faith and credit of the District. The bonds will be paid from taxes levied against property owners living within the District's boundaries. The details of the bonds and notes as of June 30, 2019 are as follows:

<u>BOND ISSUES</u>		<u>ORIGINAL</u>	<u>INTEREST</u>	<u>BALANCE</u>	<u>CURRENT</u>
		<u>AMOUNT</u>	<u>RATES</u>		<u>PORTION</u>
Series	06/15/10	\$ 1,600,000	2.00% to 4.00%	\$ 635,000	\$ 155,000
Series	02/15/11	900,000	3.50% to 4.75%	500,000	50,000
Series	06/15/13	3,000,000	1.00% to 2.00%	1,500,000	250,000
Series	02/23/16	1,100,000	2.00% to 2.00%	1,065,000	20,000
Total		<u>\$ 6,600,000</u>		<u>\$ 3,700,000</u>	<u>\$ 475,000</u>



III. DETAILED NOTES ON ALL FUNDS (cont'd)

F. Long-Term Debt (cont'd)

Annual debt service requirements to maturity for general obligation bonds are as follows:

YEAR ENDING JUNE 30,	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS
2020	\$ 475,000	\$ 97,963	\$ 572,963
2021	520,000	85,088	605,088
2022	500,000	69,994	569,994
2023	495,000	54,813	549,813
2024	360,000	39,888	399,888
2025 - 2028	1,350,000	54,450	1,404,450
Total	\$ 3,700,000	\$ 402,194	\$ 4,102,194

Changes in long term debt – During the year ended June 30, 2019 the following changes occurred in liabilities reported in the general obligation bonds account group:

	BEGINNING BALANCE	ADDITIONS	RETIREMENTS	ENDING BALANCE	DUE WITHIN ONE YEAR
Compensated absences:					
Compensated vacation	\$ 120,931	\$ 51,273	\$ 63,709	\$ 108,495	\$ 108,495
Bonds payable					
<u>Original Amount</u> <u>Issue</u>					
\$ 1,600,000 06/15/10	790,000	-	155,000	635,000	155,000
900,000 02/15/11	550,000	-	50,000	500,000	50,000
3,000,000 06/15/13	1,750,000	-	250,000	1,500,000	250,000
1,100,000 02/23/16	1,085,000	-	20,000	1,065,000	20,000
Total Bonds payable	4,175,000		475,000	3,700,000	475,000
	\$ 4,295,931	\$ 51,273	\$ 538,709	\$ 3,808,495	\$ 583,495

The liability of compensated absences is liquidated with resources from the general fund and several special revenue funds. The liquidation of bonds payable is done with resources from the debt service fund.

Balances shown for bonds and notes do not include unamortized premiums or deferred amounts on refinancing.

	BALANCE
Bonds payable	\$ 3,700,000
Less: current maturities	(475,000)
Unamortized:	
Bond premiums	38,048
Total non-current liabilities	\$ 3,263,048



IV. OTHER INFORMATION

A. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injury to employees; and natural disasters. The New Mexico Public Schools Insurance Authority (NMPSIA) was formed on April 5, 1985 under the New Mexico Public Schools Insurance Authority Act, Chapter 22, Section 2 of the New Mexico Statutes Annotated (NMSA 1978), as amended, as an insurance fund to provide health, disability and life insurance coverage (benefits coverage), and property, casualty and workers' compensation insurance coverage (risk coverage) to participating public schools, school board members, public school employees, and retirees within the State of New Mexico. The District is one of 91 members that participate in NMPSIA. Participation in NMPSIA is mandatory for all K-12 public schools except those with enrollment exceeding 60,000 students. Participation is voluntary for other public education institutions. The District pays an annual premium to the pool for its general insurance coverage. The agreement for formation of NMPSIA provides that the pool will be self-sustaining through member premiums. NMPSIA establishes self-insured retentions by line of coverage and procures insurance or reinsurance, where indicated, in excess of the self-insured retention on a per occurrence basis. NMPSIA will publish its own financial report for the year ended June 30, 2019.

B. Employee Retirement Plan

Plan Description - Substantially all of the District's full-time employees participate in a public employee retirement system authorized under the Educational Retirement Act (Chapter 22, Article 11, Sections 1 through 52, NMSA 1978). The Educational Retirement Board (ERB) is the administrator of the New Mexico Educational Employees' Retirement Plan (Plan), which is a cost-sharing multiple-employer defined benefit retirement plan. ERB issues a separate, publicly available financial report that includes the financial statements and required supplementary information for the plan. That report may be obtained www.nmerb.org, www.saonm.org, or by writing to:

ERB
P.O. Box 26129
Santa Fe, New Mexico 87502-6129
www.nmerb.org

Membership in the Plan is a condition of employment. Employees of public schools, universities, regional cooperatives, special schools and state agencies providing educational programs, who are employed at more than 25% of a full-time equivalency, are required to be members of the Plan. There were 156,789 active, retired, and inactive members in fiscal year 2018; there were 153,514 active, retired, and inactive members in fiscal year 2017.

Benefits Provided - The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members (certified teachers, and other employees of State public school districts, colleges and universities) and beneficiaries. Benefits are based on three components: Final Average Salary (FAS), years of both earned and allowed service credits, and a 2.35% factor. The gross annual benefit is determined by multiplying the three components together. FAS is the higher of annual earnings for the previous 20 calendar quarters prior to retirement or the highest average annual earnings for any 20 consecutive calendar quarters.

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

Chapter 288, Laws of 2009 changed the eligibility requirements for new members first employed on or after July 1, 2010. The eligibility for a member who either becomes a new member on or after July 1, 2010, or at any time prior to that date refunded all member contributions and then became, or becomes, reemployed after that date is as follows: the member's age and earned service credit add up to the sum of 80 or more; the member is at least sixty-seven years of age and has five or more years of earned service credit; or the member has service credit totaling 30 years or more.

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. There are three benefit options available: single life annuity; single life annuity monthly benefit reduced to provide for a 100% survivor's benefit; or single life annuity monthly benefit is reduced to provide for a 50% survivor's benefit.



IV. OTHER INFORMATION (cont'd)

B. Employee Retirement Plan (cont'd)

Retired members and surviving beneficiaries receiving benefits receive an automatic cost of living adjustment (COLA) to their benefit commencing on July 1 following the later of: (i) the year a member retires, or (ii) the year in which a member attains age 65 (Tier 1 and Tier 2) or age 67 (Tier 3).

If the plan's funded ratio for the next preceding fiscal year is 100%, or greater, Section 22-11-31(C)(1) of the New Mexico Statutes Annotated defines the adjustment factor as $\frac{1}{2}$ of the percentage increase of the consumer price index between the next preceding calendar year and the preceding calendar year. The adjustment factor cannot exceed four percent, nor be less than two percent. However, if the percentage increase of the consumer price index is less than two percent, the adjustment factor will be equal to the percentage increase of the consumer price index.

If the plan's funded ratio for the next preceding fiscal year is greater than 90%, but less than 100%, Section 22-11-31(C)(2) indicates that the adjustment factor for all non-disability retirements will be 95% of the adjustment factor defined in Section 22-11-31(C)(1) if the member had 25 or more years of service credit at retirement and whose annuity is less than or equal to the median adjusted annuity for the fiscal year next preceding the adjustment date. For all other retirees eligible for an adjustment, the adjustment factor will be 90% of the adjustment factor defined in Section 22-11-31(C)(1).

If the plan's funded ratio for the next preceding fiscal year is 90%, or less, Section 22-11-31(C)(3) indicates that the adjustment factor for all non-disability retirements will be 90% of the adjustment factor defined in Section 22-11-31(C)(1) if the member had 25 or more years of service credit at retirement and whose annuity is less than or equal to the median adjusted annuity for the fiscal year next preceding the adjustment date. For all other retirees eligible for an adjustment, the adjustment factor will be 80% of the adjustment factor defined in Section 22-11-31(C)(1).

Finally, annuities shall not be decreased in the event that there is a decrease in the consumer price index between the next preceding calendar year and the preceding calendar year.

As of July 1, 2013, for current and future retirees the COLA was immediately reduced until the plan is 100% funded. The COLA reduction was based on the median retirement benefit of all retirees excluding disability retirements. Retirees with benefits at or below the median and with 25 or more years of service credit will have a 10% COLA reduction; their average COLA will be 1.5%. All other retirees will have a 20% COLA reduction; their average COLA will be 1.6%. Once the funding is greater than 90%, the COLA reductions will decrease. The retirees with benefits at or below the median and with 25 or more years of service credit will have a 5% COLA reduction; their average COLA will be 1.7%. All other retirees will have a 10% COLA reduction; their average will be 1.8%. Members on disability retirement are entitled to a COLA commencing on July 1 of the third full year following disability retirement. A member on regular retirement who can prove retirement because of a disability may qualify for a COLA beginning July 1 in the third full year of retirement.

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

The member, upon retirement, has three options as to how to receive the benefit.

Option A – If the member elects the Option A, there is no reduction to the monthly benefit other than any “Rule of 75” deductions or any community property or child support reductions. There will be no continuing benefit to a beneficiary or estate upon the retiree's death, except the balance, if any, of member contributions. Those contributions are usually exhausted in the first three to four years of retirement.

Option B – If the member elects Option B, the monthly benefit is reduced to provide for a 100% survivor's benefit. The reduced benefit is payable during the life of the member and upon the retiree's death, the same benefit is paid to the beneficiary for his or her lifetime. The named beneficiary may not be changed after the effective date of retirement since the amount of the option is calculated by using both the age of the member and the beneficiary. If the beneficiary predeceases the member, the member's benefit will be adjusted by returning it to the Option A Benefit amount. The IRS prohibits selection of Option B for a non-spouse beneficiary more than ten years younger than the member.



IV. OTHER INFORMATION (cont'd)

B. Employee Retirement Plan (cont'd)

Option C – If the member elects Option C, the monthly benefit is reduced to provide for a 50% survivor’s benefit. The benefit is payable during the life of the member and upon the retiree’s death, one half of the member’s benefit is paid to the beneficiary for his or her lifetime. Here again, the named beneficiary may not be changed after the effective date of retirement. If the beneficiary predeceases the member, the member’s benefit is adjusted by returning it to the Option A Benefit amount.

Under the provisions of Options B and C coverage, the beneficiary must be a person, and only one beneficiary may be named. The term beneficiary means a person having an insurable interest in the life of the member.

Member Contributions – Plan members whose annual salary is \$20,000 or less are required by statute to contribute 7.9% of their gross salary. Plan members whose annual salary is over \$20,000 are required to make the following contributions to the Plan: 10.7% of their gross salary in fiscal year 2019. For the fiscal year June 30, 2020, the salary determination will be increased to \$24,000.

Employer Contributions – In fiscal year 2018, the District was required to contribute 13.9% of the gross covered salary for employees whose annual salary is \$20,000 or less, and 13.9% of the gross covered salary for employees whose annual salary is more than \$20,000. The contribution rate will increase to 14.15% for the year ended June 30, 2020. The contribution requirements of plan members and the District are established in State statute under Chapter 22, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The District’s contributions to ERB for the fiscal year ending June 30, 2018 was \$573,498, which equal the amount of the required contributions.

Employers

The Educational Retirement Act designates employers as Local Administrative Units, directly responsible for payment of compensation for the employment of members or participants of this Plan. There were 216 contributing employers in fiscal year 2018; there were 218 contributing employers in fiscal year 2017.

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

At June 30, 2019, the District reported a liability of \$17,596,792 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 that date. 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 school districts and regional education cooperatives, actuarially determined. At June 30, 2018, the District's proportion was 0.14798 percent, which was an increase of 0.000740 percent from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the District recognized pension expense of \$2,615,547.

PENSION EXPENSE CALCULATION	
Net pension liability - end of the year	\$ 17,596,792
Net pension liability - beginning of the year	(16,363,471)
Deferred outflows of resources during the year	1,085,364
Deferred inflows of resources during the year	(276,636)
Reductions to ending net pension liability due contributions paid	573,498
Total Pension Expense	<u>\$ 2,615,547</u>



IV. OTHER INFORMATION (cont'd)

B. Employee Retirement Plan (cont'd)

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OUTFLOWS	INFLOWS
Difference between expected and actual experience	\$ 12,843	\$ 334,895
Change of assumptions	42,415	-
Net difference between projected and actual earnings on pension plan investments	38,955	-
Changes in proportion and differences between District contributions and proportionate share of contributions	3,626,616	164,218
District contributions subsequent to the measurement date	593,309	-
Total	<u>\$ 4,314,138</u>	<u>\$ 499,113</u>

Deferred outflows of resources related to pensions in the amount of \$593,309 resulted 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, 2020 (pension measurement date June 30, 2019). Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

JUNE 30,	AMORTIZATION
2020	\$ (1,929,378)
2021	(1,306,721)
2022	14,896
2023	(513)
2024	-
Thereafter	-
Total	<u>\$ (3,221,716)</u>

Actuarial Assumptions

A single discount rate of 5.69% was used to measure the total pension liability as of June 30, 2018. This single discount rate was based on an expected rate of return on pension plan investments of 7.25 percent and a municipal bond rate of 3.62 percent. Based on the assumptions described below and the projection of cash flows, pension plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. The long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2018. The total pension liability was rolled forward from the valuation date to the Plan's year ended 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 or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2018. The liabilities reflect the impact of the new assumptions adopted by the Board of Trustees on April 21, 2017 as well as the change in the single discount rate between June 30, 2017 and June 30, 2018. Specifically, the liabilities measured as of June 30, 2018 incorporate the following assumptions:

- 1) All members with an annual salary of more than \$20,000 will contribute 10.7% during the fiscal year ending June 30, 2015 and thereafter.
- 2) Members hired after June 30, 2013 will have an actuarially reduced retirement benefit if they retire before age 55 and their Cost of Living Adjustment (COLA) will be deferred until age 67.
- 3) COLAs for most retirees are reduced until ERB attains a 100% funded status.
- 4) The new assumptions adopted by the Board on April 21, 2017 in conjunction with the change in the single discount rate, and
- 5) For purposes of projecting future benefits, it is assumed that the full COLA is paid in all future years.



IV. OTHER INFORMATION (cont'd)

B. Employee Retirement Plan (cont'd)

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

Actuarial Cost Method:	Entry age normal
Amortization Method:	Level Percentage of Payroll
Remaining Period:	Amortized - closed 30 years from June 30, 2012 to June 30, 2042
Asset Valuation Method:	5 year smoothed market for funding valuation (fair value for financial valuation)
Inflation:	3.00%
Salary Increases:	Composition: 2.50% inflation, plus 0.75% productivity increase rate, plus step rate promotional increases for members with less than 10 years of service
Investment Rate of Return:	7.25%
Single Discount Rate:	5.69%
Retirement Age:	Experience based table of age and service rates
Mortality:	Healthy Males – RP-2000 Combined Mortality Table with white collar adjustments, generational mortality improvements with scale BB.

Healthy Females – 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.

The long-term expected rate of return on pension plan investments is determined annually using a building-block approach that includes the following: 1) rate of return projections are the sum of current yield plus projected changes in price (valuation, defaults, etc.), 2) application of key economic projections (inflation, real growth, dividends, etc.), and 3) structural themes (supply and demand imbalances, capital flows, etc.). These items are developed for each major asset class. Best estimates of geometric real rates of return for each major asset class included in the Plan's target asset allocation for 2018 and 2017 for 30-year return assumptions are summarized in the following table:

<u>Asset Class</u>	2018 Long-Term Expected <u>Real Rate of Return</u>	2017 Long-Term Expected <u>Real Rate of Return</u>
Cash	-0.49%	-0.25%
U.S. Treasuries	-0.01%	0.25%
IG Corp Credit	1.44%	1.75%
Mortgage Backed Securities	-0.01%	0.25%
Core Bonds*	0.47%	0.75%
Treasury Inflation Protected Securities	0.48%	0.50%
High-Yield Bonds	2.13%	2.50%
Bank Loans	2.16%	2.75%
Global Bonds (Unhedged)	-0.75%	-0.50%
Global Bonds (Hedged)	-0.47%	-0.38%
Emerging Market Debt External	1.64%	2.50%
Emerging Market Debt Local Currency	3.10%	3.25%
Large Cap Equities	4.03%	4.25%
Small/ Mid Cap Equities	4.24%	4.50%
International Equities (Unhedged)	4.24%	4.50%
International Equities (Hedged)	4.65%	4.89%
Emerging International Equities	5.61%	6.25%
Private Equity	5.92%	6.25%
Private Debt	4.07%	4.75%
Private Real Assets	4.24%	5.90%
Real Estate	3.10%	3.25%
Commodities	2.08%	2.25%
Hedge Funds	2.97%	3.22%



IV. OTHER INFORMATION (cont'd)

B. Employee Retirement Plan (cont'd)

Rate of Return

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

- 1) Rate of return projections are the sum of current yield plus projected changes in price (valuation, defaults, etc.),
- 2) Application of key economic projections (inflation, real growth, dividends, etc.), and
- 3) Structural themes (supply and demand imbalances, capital flows, etc.).

These items are developed for each major asset class.

The following table shows the sensitivity of the net pension liability to changes in the discount rate as of fiscal year end 2018, 2017, and 2016. In particular, the table presents the Plan's net pension liability under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower or one percentage point higher than the single discount rate.

PENSION CURRENT SINGLE RATE					
		Discount Rate		Single Rate Assumption	
			1% Decrease		1% Increase
ERB (All Employers)					
2018	5.69%	\$	15,454,175,919	\$	11,891,330,976
2017	5.90%		14,466,972,041		11,113,468,217
2016	7.75%		9,531,509,131		7,196,433,561
Estancia Municipal Schools					
2018	5.69%	\$	22,869,090	\$	17,596,792
2017	5.90%		21,301,169		16,363,471
2016	7.75%		14,235,309		10,747,874

C. Post-Retirement Health Care Benefits

Plan Description - The District, as an employer, contributes to the New Mexico Retiree Health Care Fund (RHCA), a cost-sharing multiple-employer defined benefit postemployment healthcare plan. The plan provides healthcare insurance and prescription drug benefits to retired employees of participating employers, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies. RHCA issues a separate, publicly available financial report that includes the financial statements and required supplementary information for the plan. That report may be obtained www.nmrhca.org, www.saonm.org, or by writing to:

Retiree Health Care Authority
 4308 Carlisle NE, Suite 104
 Albuquerque, NM 87107

The plan is used to provide postemployment benefits other than pensions (OPEB) for retirees who were an employee of participating employer in either the New Mexico Public Employees Retirement Association (PERA) or Educational Retirement Board (ERB), eligible to receive a pension. For employers who “buy-in” to the plan, retirees are eligible for benefits six months after the effective date of employer participation. Retirees not in a PERA enhanced (Fire, Police, Corrections) pension plan who commence benefits on or after January 1, 2020 will not receive any subsidy from RHCA before age 55.



IV. OTHER INFORMATION (cont'd)

C. Post-Retirement Health Care Benefits (cont'd)

Eligible retirees are:

- 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which the event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement;
- 2) retirees defined by the Act who retired prior to July 1, 1990;
- 3) former legislators who served at least two years; and
- 4) former governing authority members who served at least four years.

There were 156,025 active, retired, surviving spouses, and inactive members in fiscal year 2018; there were 160,035 active, retired, surviving spouses, and inactive members in fiscal year 2017.

Funding Policy

The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service-based subsidy rate schedule for the medical, plus basic life plan, plus an additional participation fee of five dollars (\$5) if the eligible participant retired prior to the employer's effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from RHCA or viewed on their website at www.nmrhca.org.

The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the fund in the amount determined to be appropriate by the Board.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2014, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

Benefits Provided - Retirees and spouses are eligible for medical and prescription drug benefits. Dental and vision benefits are also available but were not included in any valuation since they are 100% retiree-paid. A description of these benefits may be found in Enrolled Participants at www.nmrhca.org.

Member Contributions – Employees that were not members of an enhanced plan, the statute required each participating employee was required to contribute 1% of their gross salary in fiscal year 2019.

Employer Contributions – In fiscal year 2018, the District was required to contribute 2% of the gross covered salary for employees who are entitled to RHCA benefits. The District's contributions to RHCA for the fiscal year ending June 30, 2018 was \$83,171, which equal the amount of the required contributions for each fiscal year.

Employers - The Educational Retirement Act designates employers as Local Administrative Units, directly responsible for payment of compensation for the employment of members or participants of this Plan. There were 302 contributing employers in fiscal year 2018.



IV. OTHER INFORMATION (cont'd)

C. Post-Retirement Health Care Benefits (cont'd)

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

At June 30, 2019, the District reported a liability of \$4,234,863 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2018, the District's proportion was 0.097390 percent, which was a decrease of 0.000530 percent from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the District recognized OPEB income of \$10,784.

OPEB INCOME CALCULATION	
Net OPEB liability - end of the year	\$ 4,234,863
Net OPEB liability - beginning of the year	(4,437,414)
Deferred outflows of resources during the year	-
Deferred inflows of resources during the year	108,596
Reductions to ending net OPEB liability due contributions paid	<u>83,171</u>
Total OPEB Income	<u>\$ (10,784)</u>

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OUTFLOWS	INFLOWS
Difference between expected and actual experience	\$ -	\$ 250,731
Change of assumptions	-	790,630
Net difference between projected and actual earnings on OPEB plan investments	-	52,850
Changes in proportion and differences between District contributions and proportionate share of contributions	-	24,329
District contributions subsequent to the measurement date	<u>85,494</u>	-
Total	<u>\$ 85,494</u>	<u>\$ 1,118,540</u>

Deferred outflows of resources related to OPEB in the amount of \$85,494 resulted from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020 (OPEB measurement date June 30, 2019). Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	JUNE 30, AMORTIZATION
2020	\$ 283,169
2021	283,169
2022	283,169
2023	219,852
2024	49,181
Thereafter	-
Total	<u>\$ 1,118,540</u>



IV. OTHER INFORMATION (cont'd)

C. Post-Retirement Health Care Benefits (cont'd)

Actuarial Assumptions

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 OPEB plan'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, 2028.

A blended rate of the assumed investment return on Plan assets (e.g. 7.25% for the June 30, 2019 valuation) and the rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (e.g. 3.58% as of June 30, 2017). The 7.25% discount rate was used to calculate the net OPEB liability through June 30, 2029. Benefit payments after June 30, 2029 are then discounted by the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher, currently 4.08%. The blended discount rate of 4.08% was used to measure the total OPEB liability as of June 30, 2018.

The total OPEB liability was determined by an actuarial valuation as of June 30, 2018 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
Amortization Method:	30-year open-ended amortization, level percent of payroll
Remaining Period:	30 years as of June 30, 2016
Asset Valuation Method:	Market value of assets

Actuarial assumptions

Inflation:	2.50% for ERB; 2.25% for PERA
Projected Salary Increases:	3.5% to 12.50% based on years of service, including inflation
Investment Rate of Return:	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation
Health Care Cost Trend Rate:	8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 for Medicare medical plan costs

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

<u>Asset Class</u>	2018	2017
	<u>Long-Term Expected Real Rate of Return %</u>	<u>Long-Term Expected Real Rate of Return %</u>
U.S. core fixed income	2.1	9.1
U.S. equity - large cap	7.1	9.1
Non U.S. - emerging markets	10.2	12.2
Non U.S. - developed equities	7.8	9.8
Private equity	11.8	13.8
Credit and structured finance	5.3	7.3
Real estate	4.9	6.9
Absolute return	4.1	6.1
U.S. equity - small/mid cap	7.1	9.1



IV. OTHER INFORMATION (cont'd)

C. Post-Retirement Health Care Benefits (cont'd)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate Assumption

The following table shows the sensitivity of the net OPEB liability to changes in the discount rate as of June 30, 2018. In particular, the table presents the Plan's net OPEB liability under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (1% decrease) or one percentage point higher (1% increase) than the single discount rate.

		OPEB CURRENT SINGLE RATE			
		Discount Rate	1% Decrease	Single Rate Assumption	1% Increase
RHCA (All Employers)					
2018	4.08%	\$ 5,262,533,266	\$ 4,348,354,815	\$ 3,627,778,443	
2017	3.81%	5,496,848,763	4,531,673,018	3,774,405,896	
Estancia Municipal Schools					
2018	4.08%	\$ 5,125,181	\$ 4,234,863	\$ 3,533,093	
2017	3.81%	5,382,514	4,437,414	3,695,898	

The following presents the Net OPEB Liability of RHCA as of June 30, 2018, as well as what the Fund's Net OPEB Liability would be if it were calculated using a health cost trend rate that is one percentage point lower (1% decrease) or one percentage point higher (1% increase) than the health cost trend rates used:

		HEALTH COST TREND RATE		
		1% Decrease	Current Trend Rates	1% Increase
RHCA (All Employers)				
2018	\$ 3,675,884,346	\$ 4,348,354,815	\$ 4,875,586,778	
Estancia Municipal Schools				
2018	\$ 3,579,944	\$ 4,234,863	\$ 4,748,334	

D. Contingent Liabilities

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

The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the government's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the government.

E. Cash Flows

The District's federal and state grants operate on a reimbursement basis. The District must support the expenditures of these grants with monies from the unrestricted operating monies. Operating on a reimbursement basis for these grants in its self does not adversely affect the District's ability to operate effectively. However, the time it takes to receive reimbursement, if extensive, does significantly affect the District's cash flows and the ability to deliver educational services to the community in an effective manner. This could affect the District's financial operations in subsequent years.



IV. OTHER INFORMATION (cont'd)

F. Tax Abatements

Agency number for Agency making the disclosure (Abating Agency)	5030
Abating Agency Name	Torrance County
Abating Agency Type	County
Tax Abatement Agreement Name	El Cabo Wind, LLC
Name of agency affected by abatement agreement (Affected Agency)	Estancia Municipal Schools
Agency number of Affected Agency	7029
Agency type of Affected Agency	School District
Recipient(s) of tax abatement	El Cabo Wind, LLC (or its successor)
Tax abatement program (name and brief description)	Industrial Revenue Bond - Renewable Energy (Wind Farm)
Specific Tax(es) Being Abated	Property Taxes
Authority under which abated tax would have been paid to Affected Agency	N.M.S.A. 1978, §4-59-1 et seq. and N.M.S.A. 1978 7-36-3
Criteria that make a recipient eligible to receive a tax abatement	The project is related to the generation, transportation and delivery of electricity that constitutes an industrial development project as defined in the County Industrial Revenue Bond Act NMSA 1978 §§4-59-1 through 4-59
How are the tax abatement recipient's taxes reduced? (For example: through a reduction of assessed value)	Through statutory abatement pursuant to the County Industrial Revenue Bond Act.
How is the amount of the tax abatement determined? For example, this could be a specific dollar amount, a percentage of the tax liability, etc.	Through statutory abatement pursuant to the County Industrial Revenue Bond Act.
Are there provisions for recapturing abated taxes? (Yes or No)	Yes
If there are provisions for recapturing abated taxes, describe them, including the conditions under which abated taxes become eligible for recapture.	Payment in Lieu of Taxes - Annual Payments to the School District
Gross dollar amount, on an accrual basis, by which the Affected Agency's tax revenues were reduced during the reporting period as a result of the tax abatement agreement	This was set up in 2008 through an IRB and Assessor's office has no record of any values used to determine any reductions
For any Payments in Lieu of Taxes (PILOTs) or similar payments receivable by the Affected Agency in association with the foregone tax revenue, list the amount of payments received in the current fiscal year	\$447,250
If the Abating Agency is omitting any information required in this spreadsheet or by GASB 77, cite the legal basis for such omission	N/A



IV. OTHER INFORMATION (cont'd)

F. Tax Abatements (cont'd)

Agency number for Agency making the disclosure (Abating Agency)	5030
Abating Agency Name	Torrance County
Abating Agency Type	County
Tax Abatement Agreement Name	High Lonesome Mesa, LLC
Name of agency affected by abatement agreement (Affected Agency)	Estancia Municipal Schools
Agency number of Affected Agency	7029
Agency type of Affected Agency	School District
Recipient(s) of tax abatement	High Lonesome Mesa, LLC (or its successor)
Tax abatement program (name and brief description)	Industrial Revenue Bond - Renewable Energy (Wind Farm)
Specific Tax(es) Being Abated	Property Taxes
Authority under which abated tax would have been paid to Affected Agency	N.M.S.A. 1978, §4-59-1 et seq. and N.M.S.A. 1978 7-36-3
Criteria that make a recipient eligible to receive a tax abatement	The project is related to the generation, transportation and delivery of electricity that constitutes an industrial development project as defined in the County Industrial Revenue Bond Act NMSA 1978 §§4-59-1 through 4-59
How are the tax abatement recipient's taxes reduced? (For example: through a reduction of assessed value)	Through statutory abatement pursuant to the County Industrial Revenue Bond Act.
How is the amount of the tax abatement determined? For example, this could be a specific dollar amount, a percentage of the tax liability, etc.	Through statutory abatement pursuant to the County Industrial Revenue Bond Act.
Are there provisions for recapturing abated taxes? (Yes or No)	Yes
If there are provisions for recapturing abated taxes, describe them, including the conditions under which abated taxes become eligible for recapture.	Payment in Lieu of Taxes - Annual Payments to the School District
Gross dollar amount, on an accrual basis, by which the Affected Agency's tax revenues were reduced during the reporting period as a result of the tax abatement agreement	This was set up in 2008 through an IRB and Assessor's office has no record of any values used to determine any reductions
For any Payments in Lieu of Taxes (PILOTs) or similar payments receivable by the Affected Agency in association with the foregone tax revenue, list the amount of payments received in the current fiscal year	\$149,500
If the Abating Agency is omitting any information required in this spreadsheet or by GASB 77, cite the legal basis for such omission	N/A



IV. OTHER INFORMATION (cont'd)

G. Subsequent Events

Subsequent events were evaluated through October 30, 2019 which is the date the financial statements were available to be issued.



SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
Educational Retirement Board (ERB) Pension Plan
Last 10 Fiscal Years*

	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.147980%	0.147240%	0.149350%	0.157050%	0.169740%
District's proportionate share of the net pension liability	\$ 17,596,792	\$ 16,363,471	\$ 10,747,874	\$ 10,172,547	\$ 9,684,898
District's covered-employee payroll	\$ 4,679,543	\$ 4,202,117	\$ 4,265,400	\$ 4,472,959	\$ 4,678,766
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	376.04%	389.41%	251.98%	227.42%	207.00%
Plan fiduciary net position as a percentage of the total pension liability	52.17%	52.95%	61.58%	63.97%	66.54%

* These schedules are intended to present 10 years of trending history. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS
Educational Retirement Board (ERB) Pension Plan
Last 10 Fiscal Years*

	2019	2018	2017	2016	2015
Contractually required contribution	\$ 593,309	\$ 650,457	\$ 584,094	\$ 592,890	\$ 621,741
Contributions in relation to the contractually required	<u>(593,309)</u>	<u>(650,457)</u>	<u>(584,131)</u>	<u>(592,892)</u>	<u>(620,553)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (37)</u>	<u>\$ (2)</u>	<u>\$ 1,188</u>
District's Covered-employee Payroll	\$ 4,267,592	\$ 4,679,543	\$ 4,202,117	\$ 4,265,400	\$ 4,472,959
Contribution as a percentage of covered-employee payroll	13.90%	13.90%	13.90%	13.90%	13.87%

* These schedules are intended to present 10 years of trending history. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2019

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

Changes of assumptions: ERB conducts an actuarial experience study for the Plan on a biennial basis. Based on the six-year actuarial experience study presented to the Board of Trustees on June 30, 2016. There were no modifications to the benefit provisions that were reflected in the actuarial valuation as of June 30, 2018.

Assumptions that were not changed:

- a. Wage inflation 3.25%
- b. Payroll growth 3.00%
- c. COLA assumption 1.90% per year
- d. Salary increases at 2.50% inflation, plus 0.75% productivity increase rate, plus step-rate promotional increases for less than ten years of service
- e. Inflation rate 2.50%
- f. Investment return 7.25%

See also the Note VI (B) *Actuarial Assumptions* of the financial statement note disclosure on the Pension Plan



SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
 NET OPEB LIABILITY
 Retiree Health Care Authority (RHCA) OPEB Plan
 Last 10 Fiscal Years*

	2019	2018
District's proportion of the net OPEB liability	0.097390%	0.097920%
District's proportionate share of the net OPEB liability	\$ 4,234,863	\$ 4,437,414
District's covered-employee payroll	\$ 4,158,584	\$ 4,203,491
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	101.83%	105.56%
Plan fiduciary net position as a percentage of the total OPEB liability	13.14%	11.34%

* These schedules are intended to present 10 years of trending history. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
 Retiree Health Care Authority (RHCA) OPEB Plan
 Last 10 Fiscal Years*

	2019	2018
Contractually required contribution	\$ 85,494	\$ 83,171
Contributions in relation to the contractually required	<u>(85,494)</u>	<u>(83,171)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's Covered-employee Payroll	\$ 4,274,703	\$ 4,158,584
Contribution as a percentage of covered-employee payroll	2.00%	2.00%

* These schedules are intended to present 10 years of trending history. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 For the Year Ended June 30, 2019

Changes of assumptions: RHCA conducts an actuarial experience study for the Plan on a biennial basis. Based on the six-year actuarial experience study presented to the Board of Trustees on June 30, 2017, RHCA implemented the following changes in assumptions for fiscal years 2018 and 2017.

The total OPEB liability as of June 30, 2018 was determined by an actuarial valuation as of June 30, 2018. The mortality, retirement, disability, turnover and salary increase assumptions are based on the PERA annual valuation as of June 30, 2017 and the ERB actuarial experience study as of June 30, 2017.

- 1) Fiscal year 2018 valuation assumptions that changed based on this study:
 - a. Minor changes to demographic assumptions
- 2) Assumptions that were not changed:
 - a. Investment return 7.25%
 - b. Inflation rate 2.50% for ERB and 2.25 for PERA
 - c. Population growth per year at 0.00%
 - d. Health care cost trend rate 8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5%

See also the Note IV (C) *Actuarial Assumptions* of the financial statement note disclosure on the OPEB Plan.

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OTHER SUPPLEMENTAL INFORMATION
OF
ESTANCIA MUNICIPAL SCHOOL DISTRICT NO. 7
AS OF AND FOR THE YEAR ENDED
JUNE 30, 2019

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OTHER SUPPLEMENTAL INFORMATION

(*GENERAL FUNDS*)

OPERATING FUND (Fund No. 11000)

The government's primary fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

TRANSPORTATION FUND (Fund No. 13000)

Accounts for all the Transportation funds received through the state that are used in the maintaining and operating vehicles used to transport students.

INSTRUCTIONAL MATERIALS FUND (Fund No. 14000)

Accounts for all the Instructional Materials funds received through the state for the purpose of acquiring study materials for the students.

STATE OF NEW MEXICO
ESTANCIA MUNICIPAL SCHOOL DISTRICT NO. 7

GENERAL FUNDS
Combining Balance Sheet
June 30, 2019

	Operational Fund #11000	Transportation Fund #13000	Instructional Materials Fund #14000	Total General Funds
Assets				
Cash and cash equivalents	\$ 975,470	\$ 95	\$ 20,178	\$ 995,743
Investments	242,840	-	-	242,840
Receivables:				
Property taxes	6,745	-	-	6,745
Due from other governments	1,128	-	-	1,128
Due from other funds	<u>296,056</u>	<u>-</u>	<u>-</u>	<u>296,056</u>
Total assets	<u>\$ 1,522,239</u>	<u>\$ 95</u>	<u>\$ 20,178</u>	<u>\$ 1,542,512</u>
 Liabilities, deferred inflows and fund balance				
Liabilities:				
Accounts payable	\$ 160,569	\$ -	\$ -	\$ 160,569
Deferred inflows of resources:				
Delinquent property taxes	5,891	-	-	5,891
Fund balance:				
Unassigned	<u>1,355,779</u>	<u>95</u>	<u>20,178</u>	<u>1,376,052</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 1,522,239</u>	<u>\$ 95</u>	<u>\$ 20,178</u>	<u>\$ 1,542,512</u>

STATE OF NEW MEXICO
ESTANCIA MUNICIPAL SCHOOL DISTRICT NO. 7

GENERAL FUNDS
**Combining Statement of Revenues, Expenditures, and
 Changes in Fund Balance
 Year Ended June 30, 2019**

	General Funds			Total General Fund
	Operational Fund #11000	Transportation Fund #13000	Instructional Materials Fund #14000	
Revenues:				
Taxes:				
Property	\$ 52,736	\$ -	\$ -	\$ 52,736
Intergovernmental - federal grants	18,552	-	-	18,552
Intergovernmental - state grants	6,617,915	317,252	20,432	6,955,599
Charges for services	15,582	-	-	15,582
Investment and interest income	7,382	-	-	7,382
Miscellaneous	<u>30,922</u>	<u>-</u>	<u>-</u>	<u>30,922</u>
Total revenue	<u>6,743,089</u>	<u>317,252</u>	<u>20,432</u>	<u>7,080,773</u>
Expenditures:				
Current:				
Instruction	3,539,350	-	10,287	3,549,637
Support services:				
Students	738,683	-	-	738,683
Instruction	283,639	-	-	283,639
General Administration	462,280	-	-	462,280
School Administration	540,454	-	-	540,454
Central Services	237,263	-	-	237,263
Operation & Maintenance of Plant	1,006,775	-	-	1,006,775
Student transportation	33,886	317,285	-	351,171
Food services operations	17,517	-	-	17,517
Capital outlay	<u>1,445</u>	<u>-</u>	<u>-</u>	<u>1,445</u>
Total expenditures	<u>6,861,292</u>	<u>317,285</u>	<u>10,287</u>	<u>7,188,864</u>
<i>Excess (deficiency) of revenues over expenditures</i>	(118,203)	(33)	10,145	(108,091)
Fund balance at beginning of the year	<u>1,473,982</u>	<u>128</u>	<u>10,033</u>	<u>1,484,143</u>
Fund balance at end of the year	<u>\$ 1,355,779</u>	<u>\$ 95</u>	<u>\$ 20,178</u>	<u>\$ 1,376,052</u>

STATE OF NEW MEXICO
ESTANCIA MUNICIPAL SCHOOL DISTRICT NO. 7

OPERATIONAL FUND - NO. 11000
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
				Positive (Negative)
Revenues:				
Taxes:				
Property	\$ 47,820	\$ 47,820	\$ 52,378	\$ 4,558
Intergovernmental - federal grants	-	-	18,552	18,552
Intergovernmental - state grants	6,589,980	6,640,352	6,617,915	(22,437)
Charges for services	-	-	15,582	15,582
Investment and interest income	-	-	7,382	7,382
Miscellaneous	<u>25,920</u>	<u>25,920</u>	<u>30,920</u>	<u>5,000</u>
Total revenues	<u>6,663,720</u>	<u>6,714,092</u>	<u>6,742,729</u>	<u>28,637</u>
Expenditures:				
Current:				
Instruction	4,319,772	4,348,121	3,537,392	810,729
Support services:				
Students	695,648	710,248	620,700	89,548
Instruction	297,268	351,468	283,095	68,373
General Administration	428,667	488,720	457,748	30,972
School Administration	689,969	644,569	540,376	104,193
Central Services	259,300	262,567	237,105	25,462
Operation & Maintenance of Plant	1,271,936	1,291,336	983,993	307,343
Student transportation	57,931	57,931	34,171	23,760
Other Support services	17,591	17,591	-	17,591
Food services operations	23,582	23,582	17,517	6,065
Capital outlay	<u>2,500</u>	<u>9,100</u>	<u>6,536</u>	<u>2,564</u>
Total expenditures	<u>8,064,164</u>	<u>8,205,233</u>	<u>6,718,633</u>	<u>1,486,600</u>
<i>Excess (deficiency) of revenues over expenditures</i>	(1,400,444)	(1,491,141)	24,096	1,515,237
<i>Beginning cash balance budgeted</i>	1,400,444	1,491,141	-	(1,491,141)
Fund balance at beginning of the year	<u>-</u>	<u>-</u>	<u>1,473,982</u>	<u>1,473,982</u>
Fund balance at end of the year	<u>\$ -</u>	<u>\$ -</u>	<u>1,498,078</u>	<u>\$ 1,498,078</u>
RECONCILIATION TO GAAP BASIS:				
Change in property tax receivable			(5,060)	
Change in due from other governments			(47)	
Change in payables			(142,657)	
Change in deferred property taxes			<u>5,465</u>	
Fund balance at end of the year (GAAP basis)			<u>\$ 1,355,779</u>	

STATE OF NEW MEXICO
ESTANCIA MUNICIPAL SCHOOL DISTRICT NO. 7

TRANSPORTATION FUND - NO. 13000
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Intergovernmental - state grants	\$ 317,316	\$ 317,316	\$ 317,252	\$ (64)
Expenditures:				
Current:				
Support services:				
Student transportation	317,316	317,380	317,380	-
<i>Excess (deficiency) of revenues over expenditures</i>	-	(64)	(128)	(64)
<i>Beginning cash balance budgeted</i>	-	64	-	(64)
Fund balance at beginning of the year	-	-	128	128
Fund balance at end of the year	\$ -	\$ -	-	\$ -
RECONCILIATION TO GAAP BASIS:				
Change in payables			95	
Fund balance at end of the year (GAAP basis)			\$ 95	

STATE OF NEW MEXICO
ESTANCIA MUNICIPAL SCHOOL DISTRICT NO. 7

INSTRUCTIONAL MATERIALS FUND - NO. 14000
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		(Negative)
Revenues:				
Intergovernmental - state grants	\$ 20,432	\$ 20,941	\$ 20,432	\$ (509)
Expenditures:				
Current:				
Instruction	30,465	30,974	10,287	20,687
<i>Excess (deficiency) of revenues over expenditures</i>	(10,033)	(10,033)	10,145	20,178
<i>Beginning cash balance budgeted</i>	10,033	10,033	-	(10,033)
Fund balance at beginning of the year	-	-	10,033	10,033
Fund balance at end of the year	\$ -	\$ -	20,178	\$ 20,178
 RECONCILIATION TO GAAP BASIS:				
Change in payables			-	
Fund balance at end of the year (GAAP basis)			\$ 20,178	

OTHER SUPPLEMENTAL INFORMATION
(NONMAJOR GOVERNMENTAL FUNDS)

Funds that did not meet the requirements of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis* to be considered Major Funds and have not been identified as Major Funds by management.

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Nonmajor Special Revenue Funds

Special revenue funds are operating funds used to account for the proceeds of specific revenue sources that are intended for specific purposes other than special assessments or major capital projects.

Food Service (Fund No. 21000) Minimum Balance: None
 This program provides financing for the school breakfast and lunch program. Funding is provided from fees from patrons and USDA food reimbursements, under the National School Lunch Act of 1946, as amended, Public Law 79-396, Sections 2-4, 60 Stat. 230, 42 U.S.C. 1751 et seq.; 80 stat. 889, as amended; 84 stat. 270; and the Child Nutrition Act of 1966, as amended, Sections 4 and 10. Public Law 89-642, 80 sat. 886, 889, 42 U.S.C. 1773, 1779; Public Law 99-591, 100 stat. 3341; Public Law 100-71, 101 stat. 430.

Athletics (Fund No. 22000) Minimum Balance: None
 This fund provides financing for school athletic activities. Funding is provided by fees from patrons.

Preschool IDEA-B (Fund No. 24109) Minimum Balance: None
 The Preschool program is for the purpose of enhancing Special Education for handicapped children from ages 3 to 5. The program is funded by the United States government, under the Individuals With Disabilities Act, Part B, Section 619, as amended, Public Laws 94-142, 99-457, 100-630, 101-497, and 101-476.

Fresh Fruits and Vegetables (Fund No. 24118) Minimum Balance: None
 To assist States, through cash grants, in providing free fresh fruits and vegetables to school children in designated participating schools beginning in school year 2004/2006. Authorization granted under National School Lunch Act, as amended, 42 U.S.C. 1769.

IDEA-B “Risk Pool” (Fund No. 24120) Minimum Balance: None
 The IDEA-B “Risk Pool” program is to provide grants to states, the flow-through to schools, to assist them in providing a free appropriate public education to all children with disabilities. The program is funded by the United States government, under the Individuals with Disabilities Education Act, Part B, Section 611-617, and part D, Section 674 as amended, 20 U.S.C. 1711-1417 and 1420.

Title II Teacher Quality (Fund No. 24154) Minimum Balance: None
 To provide grants to State Education Agencies (SEAs) on a formula basis to increase student academic achievement through strategies such as improving teacher and principal quality and increasing the number of highly qualified teachers in the classroom and highly qualified principals and assistant principals in schools and hold local educational agencies and schools accountable for improvements in the academic achievement. Authorization is granted through the Elementary and Secondary Education Act of 1965, as amended, Title II, Part A, Public Law 107-110.

Title I School Improvement (Fund No. 24162) Minimum Balance: None
 To develop parental involvement in the school curriculum. The program is funded by the United States government under P.L. 100-297.

Title XIX Medicaid (Fund No. 25153) Minimum Balance: None
 To provide financial assistance from the Federal government which flows-through the State of New Mexico to school districts, for payments of medical assistance on behalf of cash assistance recipients, children, pregnant women and the aged who meet income and resource requirements, and other categorically-eligible groups. The program is funded by the U.S. government under the Social Security Act, Title XIX, as amended; Public Laws 92-223, 92-602, 93-66, 93-233, 96-499, 97-35, 97-2248, 98-369, 99-272, 99-509, 100-93, 100-202, 100-203, 100-360, 100-436, 100-485, 100-647, 101-166, 101-234, 101-239, 101-508, 101-517, 102-234, 102-170, 102-394, 103-66, 103-14, 103-333, 104-91, 104-191, 104-193, 104-208, and 104-134; Balanced Budget Act of 1997, Public Law 105-33.

Dual Credit Instructional Materials (Fund No. 27103) Minimum Balance: None
 To provide instructional materials to be used for a dual credit course approved by Higher Education Department (HED) and through a college/university for which the district has an approved agreement.

Library GO Bonds 2012 (Fund No. 27107) Minimum Balance: None
 Funds to be used for library books and library resources for public school libraries statewide. Library resources include computers, software, projectors, televisions, other related hardware and software, shelving, desks, chairs, and book trucks/carts. Senate Bill 66, Laws of 2012, 2nd Session, Chapter 54, Section 10.B.(3).



Nonmajor Special Revenue Funds (cont'd)

- PARCC Readiness** (Fund No. 27108) Minimum Balance: None
For reimbursement from the Public Education Department for infrastructure upgrades related to P ARCC Readiness. The funding for this award was appropriated through the State of New Mexico legislature, laws of 2014, HB55, Chapter 66, Section 47, Item no. 3 as a capital project.
- Reads to Lead** (Fund No. 27114) Minimum Balance: None
Provides an aligned approach for districts and schools to ensure that children can read by the end of third grade—giving them essential skills for future career and college success. It also provides regional and district reading coaches, supports for intervention, and professional development for parents, teachers, reading coaches, and administrators.
- Excellence in Teaching** (Fund No. 27125) Minimum Balance: None
To provide an aligned approach for districts and schools to ensure that children can read by the end of the third grade – giving them essential skills for future career and college success. It also provides regional and district reading coaches, supports for intervention and professional development for parents, teachers, reading coaches, and administrators.
- Recruitment Support** (Fund No. 27128) Minimum Balance: None
To provide support to implement a recruitment, training, and support program to ensure effective, culturally competent, and qualified teachers are placed in New Mexico public schools that have high American Indian student enrollment.
- Beginning Teacher Mentoring** (Fund No. 27154) Minimum Balance: None
Funds to assist school districts in the design, implementation, and evaluation of beginning teacher mentoring programs. Funding is provided through the 2000 legislative session, with appropriated funds from the General Appropriations Act.
- New Mexico Grown** (Fund No. 27183) Minimum Balance: None
Funds under this award are to be used to purchase locally grown New Mexico fresh fruits and vegetables, to be made available at no charge to students. Funds have been received as appropriation through the General Appropriation Act to distribute to school districts and charter schools.
- NM Highways (Roads)** (Fund No. 28120) Minimum Balance: None
To provide Local Government Road Funds to the Public Entity for the plan design, construction management, construction, reconstruction, pavement rehab, drainage improvements and miscellaneous construction to various parking lots and entity streets. The project is a joint and coordinated effort for which the Department and the Public Entity each have authority or jurisdiction. Pursuant to NMSA 1978, Section 67-3-28 and 67-3-28.2 and the State Transportation Commission Policy No. 44-12.
- Private Direct Grants** (Fund No. 29102) Minimum Balance: None
To provide support for education programs within the school and to provide educational materials.



Nonmajor Capital Projects Funds

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

Bond Building (Fund No. 31100) Minimum Balance: None
 This fund provides financing for the construction of buildings, the purchase of equipment, and the acquisition and improvement of land. Funding is provided by the sale of general obligation bonds, which have been approved by the voters of the district.

Special Capital Outlay – State (Fund No. 31400) Minimum Balance: None
 This fund provides financing for special appropriation monies received from the State of New Mexico under Chapter 367, Laws of 1993.

State SB-9 Match (Fund No. 31700) Minimum Balance: None
 To account for funds distributed under the Public School Capital Outlay Improvements Act (22-25-1 to 22-25-10 NMSA 1978) to any school district that has imposed a tax for capital outlays and maintenance. 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.

Ed Technology Equipment Act (Fund No. 31900) Minimum Balance: None
 This fund is used to account for the revenues and expenditures associated with Education Technology Bonds in the purchasing of equipment used in the educational process.

Nonmajor Debt Service Funds

Debt service funds are used to account for the payment of principal and interest on long-term debt. Debt Service revenues are from taxes and other operating revenues, some of which are pledged specifically to repay certain outstanding bond issues.

Education Technology Debt Service (Fund No. 43000) Minimum Balance: None
 Used to account for the accumulation of resources for and the payment of, general long-term debt principal, interest, and related costs associated with the Education Technology bond issues.

STATE OF NEW MEXICO
ESTANCIA MUNICIPAL SCHOOL DISTRICT NO. 7

NON-MAJOR GOVERNMENTAL FUNDS
Combining Balance Sheet
June 30, 2019

Special Revenue Funds

	<u>Food Service Fund #21000</u>	<u>Athletics Fund #22000</u>	<u>Preschool IDEA-B Fund #24109</u>	<u>Fresh Fruits and Vegetables Fund #24118</u>	<u>IDEA-B "Risk Pool" Fund #24120</u>
Assets					
Cash and cash equivalents	\$ -	\$ 15,466	\$ -	\$ -	\$ -
Investments	-	-	-	-	-
Receivables:					
Property taxes	-	-	-	-	-
Grant	22,187	-	5,886	-	-
Due from other governments	-	-	-	-	-
Food inventory	<u>7,858</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 30,045</u>	<u>\$ 15,466</u>	<u>\$ 5,886</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities, deferred inflows and fund balance					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	<u>4,408</u>	<u>-</u>	<u>5,886</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>4,408</u>	<u>-</u>	<u>5,886</u>	<u>-</u>	<u>-</u>
Fund balance:					
Non-spendable:					
Inventories	7,858	-	-	-	-
Restricted for:					
Special revenue funds	17,779	15,466	-	-	-
Capital projects funds	-	-	-	-	-
Debt service	-	-	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balance	<u>25,637</u>	<u>15,466</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 30,045</u>	<u>\$ 15,466</u>	<u>\$ 5,886</u>	<u>\$ -</u>	<u>\$ -</u>

(cont'd; 1 of 6)

STATE OF NEW MEXICO
ESTANCIA MUNICIPAL SCHOOL DISTRICT NO. 7

NON-MAJOR GOVERNMENTAL FUNDS
Combining Balance Sheet
June 30, 2019

	Special Revenue Funds			
	Title II Teacher Quality Fund #24154	Title I School Improvement Fund #24162	Title XIX Medicaid Fund #25153	Dual Credit Instructional Materials Fund #27103
Assets				
Cash and cash equivalents	\$ -	\$ -	\$ 259,957	\$ -
Investments	-	-	-	-
Receivables:				
Property taxes	-	-	-	-
Grant	22,130	24,740	-	-
Due from other governments	-	-	-	-
Food inventory	-	-	-	-
Total assets	\$ 22,130	\$ 24,740	\$ 259,957	\$ -
Liabilities, deferred inflows and fund balance				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	22,130	24,740	-	-
Total liabilities	22,130	24,740	-	-
Fund balance:				
Non-spendable:				
Inventories	-	-	-	-
Restricted for:				
Special revenue funds	-	-	259,957	-
Capital projects funds	-	-	-	-
Debt service	-	-	-	-
Unassigned	-	-	-	-
Total fund balance	-	-	259,957	-
Total liabilities and fund balance	\$ 22,130	\$ 24,740	\$ 259,957	\$ -

(cont'd; 2 of 6)

STATE OF NEW MEXICO
ESTANCIA MUNICIPAL SCHOOL DISTRICT NO. 7

NON-MAJOR GOVERNMENTAL FUNDS
Combining Balance Sheet
June 30, 2019

	Special Revenue Funds				
	Libraries GO Bond 2012 <u>Fund #27107</u>	PARCC Readiness <u>Fund #27108</u>	Reads to Lead <u>Fund #27114</u>	Excellence in Teaching <u>Fund #27125</u>	Recruitment Support <u>Fund #27128</u>
Assets					
Cash and cash equivalents	\$ -	\$ 89,774	\$ -	\$ -	\$ -
Investments	-	-	-	-	-
Receivables:					
Property taxes	-	-	-	-	-
Grant	1,383	-	5,313	-	-
Due from other governments	-	-	-	-	-
Food inventory	-	-	-	-	-
Total assets	<u>\$ 1,383</u>	<u>\$ 89,774</u>	<u>\$ 5,313</u>	<u>\$ -</u>	<u>\$ -</u>
 Liabilities, deferred inflows and fund balance					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	<u>1,383</u>	<u>-</u>	<u>5,313</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>1,383</u>	<u>-</u>	<u>5,313</u>	<u>-</u>	<u>-</u>
Fund balance:					
Non-spendable:					
Inventories	-	-	-	-	-
Restricted for:					
Special revenue funds	-	89,774	-	-	-
Capital projects funds	-	-	-	-	-
Debt service	-	-	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balance	<u>-</u>	<u>89,774</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 1,383</u>	<u>\$ 89,774</u>	<u>\$ 5,313</u>	<u>\$ -</u>	<u>\$ -</u>

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STATE OF NEW MEXICO
ESTANCIA MUNICIPAL SCHOOL DISTRICT NO. 7

NON-MAJOR GOVERNMENTAL FUNDS
Combining Balance Sheet
June 30, 2019

	Special Revenue Funds				
	Beginning Teacher Mentoring <u>Fund #27154</u>	New Mexico Grown <u>Fund #27183</u>	NM Highways (Roads) <u>Fund #28120</u>	Private Direct Grants <u>Fund #29102</u>	Total Non-Major Special Revenue <u>Funds</u>
Assets					
Cash and cash equivalents	\$ 1,065	\$ -	\$ -	\$ 4,888	\$ 371,150
Investments	-	-	-	-	-
Receivables:					
Property taxes	-	-	-	-	-
Grant	-	161	-	-	81,800
Due from other governments	-	-	-	-	-
Food inventory	-	-	-	-	7,858
Total assets	<u>\$ 1,065</u>	<u>\$ 161</u>	<u>\$ -</u>	<u>\$ 4,888</u>	<u>\$ 460,808</u>
Liabilities, deferred inflows and fund balance					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	161	-	-	64,021
Total liabilities	<u>-</u>	<u>161</u>	<u>-</u>	<u>-</u>	<u>64,021</u>
Fund balance:					
Non-spendable:					
Inventories	-	-	-	-	7,858
Restricted for:					
Special revenue funds	1,065	-	-	4,888	388,929
Capital projects funds	-	-	-	-	-
Debt service	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balance	<u>1,065</u>	<u>-</u>	<u>-</u>	<u>4,888</u>	<u>396,787</u>
Total liabilities and fund balance	<u>\$ 1,065</u>	<u>\$ 161</u>	<u>\$ -</u>	<u>\$ 4,888</u>	<u>\$ 460,808</u>

(cont'd; 4 of 6)

STATE OF NEW MEXICO
ESTANCIA MUNICIPAL SCHOOL DISTRICT NO. 7

NON-MAJOR GOVERNMENTAL FUNDS
Combining Balance Sheet
June 30, 2019

	Capital Projects Funds				Total Non-Major Capital Projects Funds
	Bond Building Fund #31100	Special Capital Outlay - State Fund #31400	State SB-9 Match Fund #31700	Ed Technology Equipment Act Fund #31900	
Assets					
Cash and cash equivalents	\$ 164,005	\$ -	\$ -	\$ 51	\$ 164,056
Investments	-	-	-	40	40
Receivables:					
Property taxes	-	-	-	-	-
Grant	-	-	6,868	-	6,868
Due from other governments	-	-	-	-	-
Food inventory	-	-	-	-	-
Total assets	\$ 164,005	\$ -	\$ 6,868	\$ 91	\$ 170,964
Liabilities, deferred inflows and fund balance					
Liabilities:					
Accounts payable	\$ 8,037	\$ -	\$ -	\$ -	\$ 8,037
Due to other funds	-	-	6,868	-	6,868
Total liabilities	8,037	-	6,868	-	14,905
Fund balance:					
Non-spendable:					
Inventories	-	-	-	-	-
Restricted for:					
Special revenue funds	-	-	-	-	-
Capital projects funds	155,968	-	-	91	156,059
Debt service	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balance	155,968	-	-	91	156,059
Total liabilities and fund balance	\$ 164,005	\$ -	\$ 6,868	\$ 91	\$ 170,964

(cont'd; 5 of 6)

STATE OF NEW MEXICO
ESTANCIA MUNICIPAL SCHOOL DISTRICT NO. 7

NON-MAJOR GOVERNMENTAL FUNDS
Combining Balance Sheet
June 30, 2019

	Ed Tech Debt Service <u>Fund #43000</u>	Total Nonmajor Governmental <u>Funds</u>
Assets		
Cash and cash equivalents	\$ 53,358	\$ 588,564
Investments	-	40
Receivables:		
Property taxes	215	215
Grant	-	88,668
Due from other governments	4	4
Food inventory	<u>-</u>	<u>7,858</u>
Total assets	<u>\$ 53,577</u>	<u>\$ 685,349</u>
 Liabilities, deferred inflows and fund balance		
Liabilities:		
Accounts payable	\$ -	\$ 8,037
Due to other funds	<u>-</u>	<u>70,889</u>
Total liabilities	<u>-</u>	<u>78,926</u>
Fund balance:		
Non-spendable:		
Inventories	-	7,858
Restricted for:		
Special revenue funds	-	388,929
Capital projects funds	-	156,059
Debt service	53,577	53,577
Unassigned	<u>-</u>	<u>-</u>
Total fund balance	<u>53,577</u>	<u>606,423</u>
Total liabilities and fund balance	<u>\$ 53,577</u>	<u>\$ 685,349</u>

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STATE OF NEW MEXICO
ESTANCIA MUNICIPAL SCHOOL DISTRICT NO. 7

NON-MAJOR GOVERNMENTAL FUNDS
**Combining Statement of Revenues, Expenditures, and
 Changes in Fund Balance
 Year Ended June 30, 2019**

	Special Revenue Funds			
	<u>Food Service Fund #21000</u>	<u>Athletics Fund #22000</u>	<u>Preschool IDEA-B Fund #24109</u>	<u>Fresh Fruits and Vegetables Fund #24118</u>
Revenues:				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Intergovernmental - federal grants	280,735	-	12,539	14,240
Intergovernmental - state grants	-	-	-	-
Contributions - private grants	-	-	-	-
Charges for services	9,288	64,315	-	-
Miscellaneous	<u>-</u>	<u>25</u>	<u>-</u>	<u>-</u>
Total revenues	<u>290,023</u>	<u>64,340</u>	<u>12,539</u>	<u>14,240</u>
Expenditures:				
Current:				
Instruction	-	78,460	12,539	-
Support services:				
Students	-	-	-	-
Instruction	-	-	-	-
General Administration	-	-	-	-
Operation & Maintenance of Plant	-	-	-	-
Food services operations	285,847	-	-	14,240
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>285,847</u>	<u>78,460</u>	<u>12,539</u>	<u>14,240</u>
<i>Excess (deficiency) of revenues over expenditures</i>	4,176	(14,120)	-	-
Fund balance (deficit) at beginning of the year	<u>21,461</u>	<u>29,586</u>	<u>-</u>	<u>-</u>
Fund balance at end of the year	<u>\$ 25,637</u>	<u>\$ 15,466</u>	<u>\$ -</u>	<u>\$ -</u>

(cont'd; 1 of 7)

STATE OF NEW MEXICO
ESTANCIA MUNICIPAL SCHOOL DISTRICT NO. 7

NON-MAJOR GOVERNMENTAL FUNDS
**Combining Statement of Revenues, Expenditures, and
 Changes in Fund Balance
 Year Ended June 30, 2019**

	Special Revenue Funds			
	IDEA-B "Risk Pool" <u>Fund #24120</u>	Title II Teacher Quality <u>Fund #24154</u>	Title I School Improvement <u>Fund #24162</u>	Title XIX Medicaid <u>Fund #25153</u>
Revenues:				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Intergovernmental - federal grants	-	47,618	-	164,302
Intergovernmental - state grants	-	-	-	-
Contributions - private grants	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	-	47,618	-	164,302
Expenditures:				
Current:				
Instruction	-	47,618	-	-
Support services:				
Students	-	-	-	107,814
Instruction	-	-	-	-
General Administration	-	-	-	-
Operation & Maintenance of Plant	-	-	-	-
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	-	47,618	-	107,814
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	-	56,488
Fund balance (deficit) at beginning of the year	-	-	-	203,469
Fund balance (deficit) at end of the year	\$ -	\$ -	\$ -	\$ 259,957

(cont'd; 2 of 7)

STATE OF NEW MEXICO
ESTANCIA MUNICIPAL SCHOOL DISTRICT NO. 7

NON-MAJOR GOVERNMENTAL FUNDS
**Combining Statement of Revenues, Expenditures, and
 Changes in Fund Balance
 Year Ended June 30, 2019**

	Special Revenue Funds			
	Dual Credit Instructional Materials <u>Fund #27103</u>	Libraries GO Bond 2012 <u>Fund #27107</u>	PARCC Readiness <u>Fund #27108</u>	Reads to Lead <u>Fund #27114</u>
Revenues:				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Intergovernmental - federal grants	-	-	-	-
Intergovernmental - state grants	1,607	1,383	-	25,999
Contributions - private grants	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>1,607</u>	<u>1,383</u>	<u>-</u>	<u>25,999</u>
Expenditures:				
Current:				
Instruction	1,607	-	-	25,999
Support services:				
Students	-	-	-	-
Instruction	-	1,383	-	-
General Administration	-	-	-	-
Operation & Maintenance of Plant	-	-	-	-
Food services operations	-	-	-	-
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>1,607</u>	<u>1,383</u>	<u>-</u>	<u>25,999</u>
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	-	-
Fund balance (deficit) at beginning of the year	<u>-</u>	<u>-</u>	<u>89,774</u>	<u>-</u>
Fund balance (deficit) at end of the year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 89,774</u>	<u>\$ -</u>

(cont'd; 3 of 7)

STATE OF NEW MEXICO
ESTANCIA MUNICIPAL SCHOOL DISTRICT NO. 7

NON-MAJOR GOVERNMENTAL FUNDS
**Combining Statement of Revenues, Expenditures, and
 Changes in Fund Balance
 Year Ended June 30, 2019**

	Special Revenue Funds			
	Excellence in Teaching Fund #27125	Recruitment Support Fund #27128	Beginning Teacher Mentoring Fund #27154	New Mexico Grown Fund #27183
Revenues:				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Intergovernmental - federal grants	-	-	-	-
Intergovernmental - state grants	5,383	-	-	1,972
Contributions - private grants	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	5,383	-	-	1,972
Expenditures:				
Current:				
Instruction	5,383	-	-	-
Support services:				
Students	-	-	-	-
Instruction	-	-	-	-
General Administration	-	-	-	-
Operation & Maintenance of Plant	-	-	-	-
Food services operations	-	-	-	1,972
Capital outlay	-	-	-	-
Total expenditures	5,383	-	-	1,972
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	-	-
Fund balance (deficit) at beginning of the year	-	-	1,065	-
Fund balance (deficit) at end of the year	\$ -	\$ -	\$ 1,065	\$ -

(cont'd; 4 of 7)

STATE OF NEW MEXICO
ESTANCIA MUNICIPAL SCHOOL DISTRICT NO. 7

NON-MAJOR GOVERNMENTAL FUNDS
**Combining Statement of Revenues, Expenditures, and
 Changes in Fund Balance
 Year Ended June 30, 2019**

	Special Revenue Funds		Total
	NM	Private Direct	Nonmajor
	Highways	Grants	Special
	(Roads)	Fund #29102	Revenue
	<u>Fund #28120</u>	<u>Fund #29102</u>	<u>Funds</u>
Revenues:			
Taxes:			
Property	\$ -	\$ -	\$ -
Intergovernmental - federal grants	-	-	519,434
Intergovernmental - state grants	26,841	-	63,185
Contributions - private grants	-	6,000	6,000
Charges for services	-	-	73,603
Miscellaneous	<u>-</u>	<u>-</u>	<u>25</u>
Total revenues	<u>26,841</u>	<u>6,000</u>	<u>662,247</u>
Expenditures:			
Current:			
Instruction	-	-	171,606
Support services:			
Students	-	1,112	108,926
Instruction	-	-	1,383
General Administration	-	-	-
Operation & Maintenance of Plant	-	-	-
Food services operations	-	-	302,059
Capital outlay	<u>26,841</u>	<u>-</u>	<u>26,841</u>
Total expenditures	<u>26,841</u>	<u>1,112</u>	<u>610,815</u>
<i>Excess (deficiency) of revenues</i>			
<i> over expenditures</i>	-	4,888	51,432
Fund balance (deficit) at beginning of the year	<u>-</u>	<u>-</u>	<u>345,355</u>
Fund balance (deficit) at end of the year	<u>\$ -</u>	<u>\$ 4,888</u>	<u>\$ 396,787</u>

(cont'd; 5 of 7)

STATE OF NEW MEXICO
ESTANCIA MUNICIPAL SCHOOL DISTRICT NO. 7

NON-MAJOR GOVERNMENTAL FUNDS
**Combining Statement of Revenues, Expenditures, and
 Changes in Fund Balance
 Year Ended June 30, 2019**

	Capital Projects Funds			
	Bond Building Fund #31100	Special Capital Outlay - State Fund #31400	State SB-9 Match Fund #31700	Ed Technology Equipment Act Fund #31900
Revenues:				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Intergovernmental - federal grants	-	-	-	-
Intergovernmental - state grants	-	4,593	6,868	-
Contributions - private grants	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	-	4,593	6,868	-
Expenditures:				
Current:				
Instruction	-	-	-	-
Support services:				
Students	-	-	-	-
Instruction	-	-	-	-
General Administration	-	-	-	-
Operation & Maintenance of Plant	1,108	-	6,868	-
Food services operations	-	-	-	-
Capital outlay	51,196	-	-	-
Total expenditures	52,304	-	6,868	-
<i>Excess (deficiency) of revenues over expenditures</i>	(52,304)	4,593	-	-
Fund balance (deficit) at beginning of the year	208,272	(4,593)	-	91
Fund balance (deficit) at end of the year	\$ 155,968	\$ -	\$ -	\$ 91

(cont'd; 6 of 7)

STATE OF NEW MEXICO
ESTANCIA MUNICIPAL SCHOOL DISTRICT NO. 7

NON-MAJOR GOVERNMENTAL FUNDS
**Combining Statement of Revenues, Expenditures, and
 Changes in Fund Balance
 Year Ended June 30, 2019**

	Total Nonmajor Capital Projects Funds	Ed Tech Debt Service Fund #43000	Total Nonmajor Governmental Funds
Revenues:			
Taxes:			
Property	\$ -	\$ 833	\$ 833
Intergovernmental - federal grants	-	-	519,434
Intergovernmental - state grants	11,461	-	74,646
Contributions - private grants	-	-	6,000
Charges for services	-	-	73,603
Miscellaneous	-	-	<u>25</u>
Total revenues	<u>11,461</u>	<u>833</u>	<u>674,541</u>
Expenditures:			
Current:			
Instruction	-	-	171,606
Support services:			
Students	-	-	108,926
Instruction	-	-	1,383
General Administration	-	7	7
Operation & Maintenance of Plant	7,976	-	7,976
Food services operations	-	-	302,059
Capital outlay	<u>51,196</u>	<u>-</u>	<u>78,037</u>
Total expenditures	<u>59,172</u>	<u>7</u>	<u>669,994</u>
<i>Excess (deficiency) of revenues over expenditures</i>	(47,711)	826	4,547
Fund balance (deficit) at beginning of the year	<u>203,770</u>	<u>52,751</u>	<u>601,876</u>
Fund balance (deficit) at end of the year	<u>\$ 156,059</u>	<u>\$ 53,577</u>	<u>\$ 606,423</u>

(7 of 7)

OTHER SUPPLEMENTAL INFORMATION

(STATE REQUIRED DISCLOSURES)

Supplemental schedules required by the State of
New Mexico to provide additional analysis.

STATE OF NEW MEXICO
ESTANCIA MUNICIPAL SCHOOL DISTRICT NO. 7

FIDUCIARY FUNDS
Schedule of Changes in Assets and Liabilities - All Agency Funds
Year Ended June 30, 2019

<u>ASSETS</u>	Balance <u>June 30, 2018</u>	<u>Receipts</u>	<u>Disbursements</u>	Transfers <u>In / (Out)</u>	Balance <u>June 30, 2019</u>
Cash and cash equivalents:					
Central Office	\$ 18,197	\$ 60,769	\$ 50,388	\$ 6,694	\$ 35,272
Estancia High School	43,390	162,010	146,389	841	59,852
Estancia High School - Non-Student	6,845	4,012	2,773	-	8,084
Estancia Middle School	13,860	9,404	8,728	-	14,536
Estancia Middle School - Non-Student	5,134	86	763	-	4,457
Estancia Elementary School	15,464	26,137	18,737	-	22,864
Estancia Elementary School - Non-Student	<u>5,924</u>	<u>1,983</u>	<u>2,742</u>	<u>-</u>	<u>5,165</u>
Pooled cash and investments	108,814	264,401	230,520	7,535	150,230
Due from District funds	<u>160</u>	<u>-</u>	<u>-</u>	<u>(160)</u>	<u>-</u>
	<u>\$ 108,974</u>	<u>\$ 264,401</u>	<u>\$ 230,520</u>	<u>\$ 7,375</u>	<u>\$ 150,230</u>
 <u>LIABILITIES</u>					
Deposits held for others	<u>\$ 108,974</u>	<u>\$ 264,401</u>	<u>\$ 230,520</u>	<u>\$ 7,375</u>	<u>\$ 150,230</u>

STATE OF NEW MEXICO
ESTANCIA MUNICIPAL SCHOOL DISTRICT NO. 7

SCHEDULE OF PLEDGED COLLATERAL
June 30, 2019

	Wells Fargo <u>Bank</u>	State Investment <u>Pool</u>	<u>Total</u>
Cash on deposit at June 30, 2019:			
Checking and savings	\$ 2,798,941	\$ 242,880	\$ 3,041,821
Less: FDIC coverage	<u>(250,000)</u>	<u>-</u>	<u>(250,000)</u>
Uninsured funds	<u>\$ 2,548,941</u>	<u>\$ 242,880</u>	<u>\$ 2,791,821</u>
 Amount requiring pledged collateral:			
50% collateral requirement	\$ 1,274,471	\$ 121,440	\$ 1,395,911
 Pledged collateral	<u>1,615,946</u>	<u>242,880</u>	<u>1,858,826</u>
 Excess (deficiency) of pledged collateral	<u>\$ 341,475</u>	<u>\$ 121,440</u>	<u>\$ 462,915</u>

Pledged collateral of financial institutions consists of the following at June 30, 2019

<u>Wells Fargo Bank:</u>	<u>Maturity</u>	<u>CUSIP #</u>	<u>Market Value</u>
FNMA	3/1/2042	3138E2UX1	\$ 723,810
FNMA	12/1/2042	3138NYKZ7	<u>892,136</u>
			<u>\$ 1,615,946</u>

The above securities are held at Bank of New York Mellon, New York, NY.

State of New Mexico:

Detail of the pledged collateral to the District is unavailable because the bank commingles pledged collateral for all state funds it holds. However, the State Treasurer's Office Collateral Bureau monitors the pledged collateral for all state funds.

STATE OF NEW MEXICO
ESTANCIA MUNICIPAL SCHOOL DISTRICT NO. 7

CASH RECONCILIATION
Year Ended June 30, 2019

	Beginning Cash	Receipts	Distributions	Other	Net Cash End of Period	Adjustments to the report	Total Cash on Report
Operations	\$ 1,242,654	\$ 6,742,521	\$ 6,718,595	\$ (48,270)	\$ 1,218,310	\$ -	\$ 1,218,310
Transportation	223	317,252	317,380	-	95	-	95
Instructional Materials	10,033	20,433	10,288	-	20,178	-	20,178
Food Services	13,363	244,498	262,270	4,409	-	-	-
Athletics	30,201	64,339	79,074	-	15,466	-	15,466
Federal Flowthrough Funds	-	389,947	469,545	79,598	-	-	-
Federal Direct Funds	203,469	164,302	107,814	-	259,957	-	259,957
State Flowthrough Funds	90,839	51,574	36,344	(15,230)	90,839	-	90,839
State Direct Funds	-	26,841	26,841	-	-	-	-
Local/State	292,607	334,300	225,334	-	401,573	-	401,573
Bond Building	208,272	-	44,267	-	164,005	-	164,005
Capital Improvements SB-9	20,915	246,216	188,926	-	78,205	-	78,205
Ed Technology Equipment Act	150	-	-	(59)	91	-	91
Debt Service	41,244	703,003	592,692	-	151,555	-	151,555
Ed Tech Debt Service	52,679	686	7	-	53,358	-	53,358
Agency Funds	-	-	-	-	-	150,230	150,230
Total	\$ 2,206,649	\$ 9,305,912	\$ 9,079,377	\$ 20,448	\$ 2,453,632	\$ 150,230	\$ 2,603,862

Account Name	Account Type	Bank Name	Bank Amount	Adjustments to report:	
Operational	Checking - Interest	Wells Fargo	\$ 2,590,917	Agency funds	\$ 150,230
Athletics	Checking - Interest	Wells Fargo	19,238	Interfund loans - pooled cash ⁽¹⁾	-
Activities	Checking - Interest	Wells Fargo	188,786	Interfund loans - pooled cash ⁽¹⁾	-
State Pool	Investment Pool	State Treasurer	242,880	Investment	-
			\$ 3,041,821	Total adjustment to the report	\$ 150,230

	Adjustments to cash:	
	Bank Balance	\$ 3,041,821
	Investments	-
	Outstanding checks	(437,751)
	Error	(208)
	Total adjusted cash	\$ 2,603,862

COMPLIANCE SECTION

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

§

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

§

Schedule of Findings and Questioned Costs:
Summary of Auditor's Results
Financial Statement Findings
Federal Award Findings

§

Summary Schedule of Prior Year Audit Findings

§

Schedule of Expenditures of Federal Awards
Notes to the Schedule of Expenditures of Federal Awards

§

Required Disclosure

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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'S REPORT

Brian S. Colón, Esq., State Auditor and
The Board of Education and Audit Committee of
Estancia Municipal School District No. 7

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 funds, of the Estancia Municipal School District No. 7 as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Estancia Municipal School District No. 7's basic financial statements, and the combining and individual funds and related budgetary comparisons of Estancia Municipal School District No. 7, presented as supplemental information, and have issued our report thereon dated October 30, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit, of the financial statements, we considered Estancia Municipal School District No. 7'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 Estancia Municipal School District No. 7's internal control. Accordingly, we do not express an opinion on the effectiveness of Estancia Municipal School District No. 7's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Estancia Municipal School District No. 7's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a *material weakness*, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies. Finding 2019-001, 2019-002, and 2019-003. However, material weaknesses may exist that have not been identified.

Compliance and other matters

As part of obtaining reasonable assurance about whether Estancia Municipal School District No. 7'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. We also noted certain other matter that is required to be reported pursuant to *Government Auditing Standards* and pursuant to Section 12-6-5a, NMSA 1978, which are described in the accompanying schedule of findings and questioned costs as finding 2019-004.

Brian S. Colón, Esq., State Auditor and
The Board of Education and Audit Committee of
Estancia Municipal School District No. 7

Estancia Municipal School District No. 7's Response to Findings

Estancia Municipal School District No. 7's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Estancia Municipal School District No. 7's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Estancia Municipal School District No. 7'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 Estancia Municipal School District No. 7's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Accounting & Financial Solutions, LLC
Farmington, New Mexico
October 30, 2019



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

INDEPENDENT AUDITOR'S REPORT

Brian S. Colón, Esq., State Auditor and
The Board of Education and Audit Committee of
Estancia Municipal School District No. 7

Report on Compliance for Each Major Federal Program

We have audited Estancia Municipal School District No. 7's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Estancia Municipal School District No. 7's major federal programs for the year ended June 30, 2019. Estancia Municipal School District No. 7'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 laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Estancia Municipal School District No. 7'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 Estancia Municipal School District No. 7'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 Estancia Municipal School District No. 7's compliance.

Opinion on Each Major Federal Program

In our opinion, Estancia Municipal School District No. 7 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.

Brian S. Colón, Esq., State Auditor and
The Board of Education and Audit Committee of
Estancia Municipal School District No. 7

Report on Internal Control Over Compliance

Management of Estancia Municipal School District No. 7 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 Estancia Municipal School District No. 7'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 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 Estancia Municipal School District No. 7'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 a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Accounting & Financial Solutions, LLC
Farmington, New Mexico
October 30, 2019

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
OF
ESTANCIA MUNICIPAL SCHOOL DISTRICT NO. 7

AS OF AND FOR THE YEAR ENDED
JUNE 30, 2019

STATE OF NEW MEXICO
ESTANCIA MUNICIPAL SCHOOL DISTRICT NO. 7

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2019

<u>Federal Grantor/Pass - Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	Pass-Through Entity Identifying Number	<u>Passed To Subrecipients</u>	<u>Cluster Programs</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture:					
Direct Program:					
Forest Reserve	10.665	11000	\$ -		<u>\$ 18,552</u>
Pass-Through Program From:					
New Mexico Department of Education:					
<u>Child Nutrition Cluster:</u>					
USDA National School Lunch Program	10.555	21000	-	\$ 194,400	
USDA School Breakfast Program	10.553	21000	-	<u>68,109</u>	
Total Child Nutrition Cluster					262,509
Fresh Fruits and Vegetables	10.582	24118	-		14,240
Pass-Through Program From:					
New Mexico Human Service Department:					
USDA Commodities Program	10.565	21000	-		<u>23,338</u>
<i>Subtotal Pass-Through Programs</i>					<u>300,087</u>
<i>Total U.S. Department of Agriculture</i>					<u>318,639</u>
 U.S. Department of Education:					
Pass-Through Programs From:					
New Mexico Department of Education:					
<u>Special Education (IDEA) Cluster:</u>					
Entitlement IDEA-B	84.027	24106	-	\$ 218,994	
Preschool IDEA-B	84.173A	24109	-	<u>12,539</u>	
Total Special Education (IDEA) Cluster					231,533
Title I	84.010	24101	-		169,788
Title II Teacher Quality	84.367	24154	<u>-</u>		<u>47,618</u>
<i>Total U.S. Department of Education</i>					<u>448,939</u>
Total Expenditures of Federal Awards			<u>\$ -</u>		<u>\$ 767,578</u>

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



1. SCOPE OF AUDIT PURSUANT TO OMB UNIFORM GRANT GUIDANCE

All federal grant operations of Estancia Municipal School District No. 7 (the “District”) are included in the scope of the Office of Management and Budget (“OMB”) Uniform Grant Guidance audit (the “Single Audit”). The Single Audit was performed in accordance with the provisions of the OMB Circular Compliance Supplement (Revised July 2019 the “Compliance Supplement”). Compliance testing of all requirements are described in the Compliance Supplement, was performed for the grants programs noted below. These programs represent all federal award programs and other grants with fiscal year 2019 cash and non-cash expenditures to ensure coverage of at least 20% (LOW risk auditee) of federally granted funds. Actual coverage is approximately 30% of total cash and non-cash federal award program expenditures. Total cash expenditures were in the amount of \$744,240 and all non-cash expenditures amounted to \$23,338.

MAJOR FEDERAL PROGRAM	CFDA	FUND	EXPENDITURE
Cash Assistance:			
IDEA B Special Education	84.027 & 84.173A	24106	<u>\$ 231,533</u>

The District did not have any federal programs considered Type A programs for the year ended June 30, 2019.

The U.S. Department of Education is the District’s oversight agency for single audit.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal grant activity of the 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 of the Office of Management and Budget (OMB) Uniform Grant Guidance. Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position and changes in net position of the District. All federal programs considered active during the year ended June 30, 2019, are reflected on the Schedule. An active federal program is defined as a federal program for which there were receipts or disbursements of funds or accrued (deferred) grant revenue adjustments during the fiscal year or a federal program considered as not completed or closed out at the beginning of the fiscal year. The Schedule is prepared using the accrual basis of accounting. Grant revenues are recorded for financial reporting purposes when the District has met the qualifications for the respective grant. Grant revenues for the Food Donation Program are based upon commodities received, at amounts per standard price listing, published quarterly by the United States Department of Agriculture (the “USDA”). In addition, there is no federal insurance in effect during the year and loan or loan guarantee outstanding at year end.

Accrued and deferred reimbursements

Various reimbursement procedures are used for Federal awards received by the District. Consequently, timing differences between expenditures and program reimbursements can exist at the beginning and end of the year. Accrued balances at year end represent an excess of reimbursable expenditures over receipts to date. Deferred balance at year-end represent an excess of cash receipts over reimbursable expenditure to date. Generally, accrued or deferred balances covered by differences in the timing of cash receipts and expenditures will be reversed in the remaining grant period.

3. RECONCILIATION OF FEDERAL AWARDS TO EXPENDITURE OF FEDERAL AWARDS

The differences between the federal awards received (Intergovernmental sources – federal) during the year ended June 30, 2019 and the federal awards expended during the year are as follows:

	BALANCE
Federal Sources	\$ 926,768
Unexpended federal sources from current year	(7,377)
Prior year federal sources expended	12,489
Revenues received as vendor	<u>(164,302)</u>
Total Expenditures of Federal Awards	<u>\$ 767,578</u>



4. UNEXPENDED FEDERAL AWARDS

There were federal awards received during the year ended June 30, 2019 that were not expended during the year. These awards will be reported in subsequent years when they have been expended. Those amounts are as follows:

	CFDA #	FUND #	UNEXPENDED AWARDS			TOTAL UNEXPENDED
			CARRYOVER FROM PY	2019 AWARDS	EXPENDED	
Child Nutrition (USDA) Cluster	10.553 & 10.555	21000	<u>\$ 12,489</u>	<u>\$ 280,735</u>	<u>\$ (285,847)</u>	<u>\$ 7,377</u>

5. INDIRECT COSTS

The District has not elected the 10% de minimis indirect cost during the year ended June 30, 2019.



I. SUMMARY OF AUDIT RESULTS

	<u>Yes</u>	<u>No</u>	<u>Occurrences</u>
FINANCIAL STATEMENTS:			
Type of auditor’s report issued: <u>Unmodified</u>			
Internal control over financial reporting:			
Material weakness(es) identified?	—	✓	—
Significant deficiency(ies) identified?	✓	—	3
Noncompliance material to financial statements noted?	—	✓	—
FEDERAL AWARDS:			
Internal control over major programs:			
Material weakness(es) identified?	—	✓	—
Significant deficiency(ies) identified?	—	✓	—
Type of auditor’s report issued on compliance with major programs: <u>Unmodified</u>			
Any audit findings disclosed that are required to be reported in accordance with Section 200.516 of the Uniform Guidance?	—	✓	—
The programs treated as major programs include:			
<u>Name of Federal Program or Cluster</u>			
Special Education (IDEA) Cluster			
<u>CFDA Number</u>			
84.027 & 84.173A			
The threshold for distinguishing types A and B programs: <u>\$750,000</u>			
Auditee qualified as low-risk auditee?	✓	—	
NEW MEXICO STATE REQUIREMENTS:			
Internal control over state requirements:			
Other noncompliance?	✓	—	1
Finding that does not rise to the level of significant deficiency?	—	✓	—



II. AUDIT FINDINGS - FINANCIAL STATEMENTS

2019 – 001 INTERNAL CONTROL STRUCTURE (Original finding 2017-002)
(Repeat of prior year finding; Updated and revised)
Significant Deficiency

Condition: During our testing the following deficiencies were found:

The bank accounts were not reconciled to the general ledger by \$208. The bank reconciliation indicated a higher cash balance than the general ledger.

Status from prior year: The prior year bank accounts were not reconciled to the general ledger by \$370.

We noted 10 checks that were written over a year or more prior to June 30, 2019 for a total of \$1,647 and were listed as outstanding checks on the June 30, 2019 bank reconciliation.

Status from prior year: There were 13 checks that were written over a year or more prior to June 30, 2018 for a total of \$2,187 and were listed as outstanding checks on the June 30, 2018 bank reconciliation.

Criteria: Per NMAC 6.20.2.11 Internal Control Structure Standards, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safe-guarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP. Per Section 6-10-57, NMSA 1978 whenever any warrant issued by the state, county, municipality, school district or special district is unpaid for one year after it becomes payable, the fiscal officer shall cancel it.

Cause: Lack of effective internal controls surrounding the financial reporting process.

Effect of condition: Misstatements of financial statements and/or possible misappropriation of assets.

Recommendation: We recommend that management ensure that adequate internal controls are established surrounding the financial reporting process. Bank reconciliations should be reviewed and approved by a person separate from the reconciliation and recording functions.

Management's response: Finance Director rolled over all accounts, not excluding accounts that state "Do Not Use" ensuring that all balances were posted on the JE for beginning balances. Started reviewing daily deposits having the proper account coding and posted to the correct account on the general ledger. Monthly the bank reconciliations will be balanced to cash on the GL. Stale dated checks being reviewed monthly and taken off the books according to their date..

Responsible party(ies) for corrective action(s): Finance Director, Superintendent

Corrective action(s) timeline: Bank Reconciliation to cash balances started October 29, 2019. Stale dated checks will be off the books by November 10th, 2019. Posted to the GL and cleared off the bank reconciliation.



II. AUDIT FINDINGS - FINANCIAL STATEMENTS (cont'd)

2019 – 002 INCORRECT RETIREMENT DEDUCTIONS (Original finding 2018-003)

(Repeat of prior year finding; Updated and revised)

Significant Deficiency

Condition: In the current year there was one employee who was set up as an employee in April and no deduction was taken for ERB or RHCA. The error was recognized in August, and as of current the reports for the correction have not been submitted to correct the reporting error.

Status from prior year: Three of 30 employee files selected for testing had the employee contributions deducted at the 7.9% when the gross salaries were greater than \$20,000 and should have been deducted at 10.7%.

Criteria: NMAC 2.82.3.8 states “except as otherwise set forth herein and subject to the limitations set forth in Section 22-11-21.2 NMSA 1978, a member’s annual salary for the purpose of contributions to the fund and computation of the member’s benefit shall consist of total compensation or wages paid to the member for services rendered during each of the four calendar quarters of a fiscal year, beginning July 1 and ending June 30, excluding any salary earned while employed under the return to work program of the Educational Retirement Act. For purposes of determining contribution rates, a member’s expected annual salary at the beginning of the fiscal year shall be considered. When relevant, a member’s annual salary shall take into consideration the FTE of the position and the aggregation of salaries if the member will have multiple positions with the same or other local administrative units during the fiscal year. If a member’s total annual salary is more than \$20,000, the member shall be subject to the contribution rate set forth in Subsection A of Section 22-11-21 NMSA 1978. If a member’s total annual salary is \$20,000 or less the member shall be subject to the lower contribution rate set forth in Subsection B of Section 22-11-21 NMSA 1978. When a member whose salary is \$20,000 or less earns in excess of the \$20,000 limit during the fiscal year, the member shall be subject to the higher contribution rate in Subsection A of Section 22-11-21 NMSA 1978 effective the first day of the month in which the member earns in excess of the \$20,000 limit. However, if a member whose salary is \$20,000 or less changes positions with a local administrative unit during the fiscal year or engages in additional employment with the same or other local administrative unit during the fiscal year, and that change in employment creates the expectation that the member’s total annual salary shall be more than \$20,000, then the member’s contribution rate shall be adjusted in accordance with the change in employment beginning the first day of the month of the change in employment.”

Cause: The District is not monitoring payroll to ensure that employees that with contracts that are less than \$20,000 have not exceeded \$20,000 and then switching them to the higher level of withholding.

Effect of condition: Contributions to the Education Retirement Board pension plan are less than the required amounts for the given salaries.

Recommendation: A system of monitoring should be implemented so that employees pays are reviewed at the half year and third quarter to identify those employees at risk of exceeding the \$20,000 annual salary.

Management’s response: Monthly ERB and RHCA reports will be double reviewed by the 10th of every month due prior to these reports are mailed or sent to their proper beneficiary.

Responsible party(ies) for corrective action(s): Finance Director, Superintendent

Corrective action(s) timeline: Implementing on November 10, 2019



II. AUDIT FINDINGS - FINANCIAL STATEMENTS (cont'd)

2019 – 003 FAILURE TO FOLLOW PROPER INTERNAL CONTROLS RELATED TO PAYROLL

Significant Deficiency

Condition: One of the thirty employee files tested showed that the employee was not paid according to the time card. Also one of the employees out of the thirty employee files selected showed that the employee was underpaid (\$14,847) in accordance with the contract (\$16,069).

Criteria: In accordance with 6.20.2.11 NMAC 1978: Internal Control Structure Standards: A. 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. The internal control structure shall include written administrative controls (rules, procedures and practices, and policies that affect the organization) and accounting controls (activity cycles, financial statement captions, accounting applications including computer systems) that are in accordance with GAAP. B. Each school district shall develop, establish and maintain a structure of internal accounting controls and written procedures to provide for segregation of duties, a system of authorization and recording procedures, and sound accounting practices in performance of duties and functions. The duties to be segregated are the authorization to execute a transaction, recording the transaction, and custody of assets involved in the transaction. (6) School districts shall conduct independent checks on performance and proper valuation of recorded amounts, such as clerical checks, reconciliations, comparison of assets with recorded accountability, computer-programmed controls, management review of reports that summarize the detail of account balances, and user review of computer generated reports.

Cause: The District does not have proper segregation of duties or another control procedure to allow the payroll to be reviewed and reconciled to ensure that employees are paid in accordance with the contracts, and policies and procedures.

Effect of condition: The payroll department has the ability to input employee pay information and create payroll checks and contracts without oversight or involvement of other individuals. This could lead to an incidence of error or fraud as there is no internal control to prevent the creation of a non-existent employee or the modification of payroll for an individual

Recommendation: A system should be put in place to allow another employee to review and sign off on adjustments to payroll and verify the payroll for accuracy.

Management's response: BI-WEEKLY The payroll journal report will be reconciled with all posted timesheets and leave forms. Making sure that all employees are paid correctly.

Responsible party(ies) for corrective action(s): HR/Payroll Coordinator, Finance Director

Corrective action(s) timeline: This will be implemented on November 8th, 2019 and be completed by November 30th, 2019.



III. AUDIT FINDINGS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

There were no findings required to be reported relating to federal awards.

IV. AUDIT FINDINGS – SECTION 12-6-5 NMSA 1978

2019 – 004 BACKGROUND CHECKS (Original No. 2018-002)
(Repeat of prior year finding; Updated and revised)
Other Noncompliance

Condition: One of 30 employee files selected for testing did not have background checks available for review. Although the employee had been with the district since before the requirement of a background check. The employee had taken a leave of absence and returned which would require a background check

Status from prior year: Four of 30 employee files selected for testing did not have background checks available for review.

Criteria: In accordance 1978 NMSA 22-10A-5, all employees who have access to children are required to have a background check completed and approved.

Cause: The District is not maintaining adequate controls over employee hiring.

Effect of condition: The District is out of compliance with requirements for 1978 NMSA 22-10A-5.

Recommendation: The District should not employ any individual without prior receipt of the cleared background check.

Management's response: All personnel files will be reviewed for backgrounds. If employees are found not to have a current background check or has had a break in service. The district will be requesting the employee obtain a background check immediately.

Responsible party(ies) for corrective action(s): HR/Payroll Coordinator, Finance Director

Corrective action(s) timeline: This will be implemented on November 8th, 2019 and be completed by November 30th, 2019.



I. PRIOR YEAR FINDINGS - NOT RESOLVED

2018 – 001 INTERNAL CONTROL STRUCTURE

Significant Deficiency

Current Status: Not resolved. Repeated in the current year as finding 2019-001.

2018 – 002 BACKGROUND CHECKS

Other Matter

Current Status: Not resolved. Repeated in the current year as finding 2019-004.

2018 – 003 INCORRECT RETIREMENT DEDUCTIONS

Other Matter

Current Status: Not resolved. Repeated in the current year as finding 2019-002.

II. PRIOR YEAR FINDINGS - RESOLVED

There were no findings to be reported from the prior year.



The independent public accountants assisted in the preparation of the financial statements. The accompanying financial statements are the responsibility of the District and are based on information from the District's financial records.

An exit conference was held October 30, 2019 and was attended by the following individuals:

ESTANCIA MUNICIPAL SCHOOL DISTRICT NO. 7

Randal D Riley	Board President, Board of Education
Cindy Sims, PHD	Superintendent; Member, Audit Committee
Marla E. Lovato	Business Manager; Member, Audit Committee

ACCOUNTING & FINANCIAL SOLUTIONS, LLC

Terry Ogle, CPA	Partner
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