

**STATE OF NEW MEXICO
FLOYD MUNICIPAL SCHOOLS**

**Audited Financial Statements
and Other Financial Information**

June 30, 2019

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**FLOYD MUNICIPAL SCHOOLS
OFFICIAL ROSTER**

BOARD OF EDUCATION

Leon Nall	President
Jeff Essary	Vice President
Vicki Banister	Secretary
Clovis Gray	Member
Ryan Bollema	Member

SCHOOL OFFICIALS

Damon Terry	Superintendent
Margie Plummer	Business Manager

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FINANCIAL SECTION



Independent Auditors' Report

To Brian S. Colòn, Esq.
New Mexico State Auditor

Board of Education
Floyd Municipal Schools

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 Floyd Municipal Schools (District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston
NEW MEXICO | Albuquerque



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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Schedules of the District's Proportionate Share of the Net Pension Liability and Net OPEB Liability*, and *Schedules of District Contributions* on pages 56 - 59 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.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements, the combining and individual fund financial statements, and the budgetary comparisons that collectively comprise the District's basic financial statements. The other schedules required by 2.2.2 NMAC as noted in the table of

contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other schedules required by 2.2.2 NMAC as noted in the table of contents, 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 auditing standards generally accepted in the United States of America. In our opinion, the schedules required by 2.2.2 NMAC as noted in the table of contents, 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 September 23, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Pattillo, Brown & Hill, L.L.P.
Albuquerque, New Mexico
September 23, 2019

BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
 FLOYD MUNICIPAL SCHOOLS
 STATEMENT OF NET POSITION
 June 30, 2019

	GOVERNMENTAL ACTIVITIES
	<hr/>
ASSETS	
Current Assets	
Cash	\$ 484,790
Property taxes receivable	209
Due from other agencies	86,361
Inventory	715
<i>Total current assets</i>	<hr/> <hr/> 572,075
Noncurrent Assets	
Capital assets, non-depreciable	
Land	5,000
<i>Total capital assets, non-depreciable</i>	<hr/> <hr/> 5,000
Capital assets, net of accumulated depreciation	
Buildings and improvements	3,894,408
Equipment	212,127
Land improvements	494,803
Vehicles	542,673
Less: accumulated depreciation	(3,404,772)
<i>Total capital assets, net of accumulated depreciation</i>	<hr/> <hr/> 1,739,239
<i>Total noncurrent assets</i>	<hr/> <hr/> 1,744,239
<i>Total assets</i>	<hr/> <hr/> 2,316,314
DEFERRED OUTFLOWS	
Pension related	1,944,856
OPEB related	62,417
<i>Total deferred outflows</i>	<hr/> <hr/> 2,007,273

**STATE OF NEW MEXICO
 FLOYD MUNICIPAL SCHOOLS
 STATEMENT OF NET POSITION
 June 30, 2019**

	GOVERNMENTAL ACTIVITIES
LIABILITIES	
Current liabilities	
Accounts payable	11,186
Compensated leave	3,018
<i>Total current liabilities</i>	<u>14,204</u>
Noncurrent Liabilities	
Compensated leave	7,811
Net pension liability	7,301,277
Net OPEB liability	1,747,604
<i>Total noncurrent liabilities</i>	<u>9,056,692</u>
<i>Total liabilities</i>	<u>9,070,896</u>
DEFERRED INFLOWS	
Pension related	174,266
OPEB related	451,548
<i>Total deferred inflows</i>	<u>625,814</u>
NET POSITION	
Investment in capital assets	1,744,239
Restricted for:	
Instruction	27,919
Food service-operations	5,242
Capital projects	344,400
Unrestricted	<u>(7,494,923)</u>
<i>Total net position</i>	<u>\$ (5,373,123)</u>

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STATE OF NEW MEXICO
 FLOYD MUNICIPAL SCHOOLS
 STATEMENT OF ACTIVITIES
 For the Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Total Governmental Activities
Primary government					
Governmental activities					
Instruction	\$ 2,625,782	1,200	162,010	-	(2,462,572)
Support services					
Students	222,453	9,887	54,517	-	(158,049)
Instruction	191,947	-	-	-	(191,947)
General administration	246,978	-	-	-	(246,978)
School administration	76,661	-	-	-	(76,661)
Central services	73,503	-	-	-	(73,503)
Operation & maintenance of plant	395,632	-	-	-	(395,632)
Student transportation	148,897	-	121,841	-	(27,056)
Food services-operations	164,271	10,656	94,611	-	(59,004)
Capital outlay	6,059	-	-	129,530	123,471
Total governmental activities	\$ 4,152,183	21,743	432,979	129,530	(3,567,931)
General Revenues					
Property taxes					
Levied for general purpose					7,427
Levied for capital projects					29,913
Rent					18,233
State Equalization Guarantee Revenue					2,510,874
Miscellaneous					152,507
<i>Total general revenues</i>					<u>2,718,954</u>
Change in net position					(848,977)
Net position - beginning					<u>(4,524,146)</u>
Net position - ending					<u><u>\$ (5,373,123)</u></u>

STATE OF NEW MEXICO
 FLOYD MUNICIPAL SCHOOLS
 BALANCE SHEETS - GOVERNMENTAL FUNDS
 June 30, 2019

	GENERAL 11000-14000	TITLE I 24101	IDEA-B ENTITLEMENT 24106
ASSETS			
<i>Current assets</i>			
Cash	\$ 103,526	-	-
Accounts receivable			
Due from other governments	203	25,361	23,079
Interfund receivables	79,320	-	-
Inventory	-	-	-
<i>Total assets</i>	<u>\$ 183,049</u>	<u>25,361</u>	<u>23,079</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES			
<i>Current liabilities</i>			
Accounts payable	\$ 645	-	-
Interfund payables	-	25,361	23,079
<i>Total liabilities</i>	<u>645</u>	<u>25,361</u>	<u>23,079</u>
<i>Deferred Inflows</i>			
Unavailable revenue	-	-	-
<i>Total deferred inflows</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances (deficit)</i>			
Nonspendable	-	-	-
Restricted	-	-	-
Unassigned	182,404	-	-
<i>Total fund balance (deficit)</i>	<u>182,404</u>	<u>-</u>	<u>-</u>
<i>Total liabilities, deferred inflows, and fund balance (deficit)</i>	<u>\$ 183,049</u>	<u>25,361</u>	<u>23,079</u>

READS TO LEAD 27114	SENATE BILL 9 31700	SB-9 CAPITAL IMPROVEMENTS LOCAL 31701	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
-	273,959	79,386	27,919	484,790
16,869	1,596	-	19,253	86,361
-	-	-	-	79,320
-	-	-	715	715
<u>16,869</u>	<u>275,555</u>	<u>79,386</u>	<u>47,887</u>	<u>651,186</u>
-	10,541	-	-	11,186
<u>16,869</u>	<u>-</u>	<u>-</u>	<u>14,011</u>	<u>79,320</u>
<u>16,869</u>	<u>10,541</u>	<u>-</u>	<u>14,011</u>	<u>90,506</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	715	715
-	265,014	79,386	33,161	377,561
-	-	-	-	182,404
-	265,014	79,386	33,876	560,680
<u>16,869</u>	<u>275,555</u>	<u>79,386</u>	<u>47,887</u>	<u>651,186</u>

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**STATE OF NEW MEXICO
FLOYD MUNICIPAL SCHOOLS
GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
June 30, 2019**

	<u>GOVERNMENTAL FUNDS</u>
Amounts reported for governmental activities in the statement of net position are different because:	
Fund balances - total governmental funds	\$ 560,680
Receivables are not available to pay for current-period expenditures and, therefore, are not reported in the funds.	209
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	1,744,239
Defined benefit pension plan deferred outflows are not financial resources and, therefore, are not reported in the funds.	1,944,856
OPEB plan deferred outflows are not financial resources and, therefore, are not reported in the funds.	62,417
Long term liabilities are not due and payable in the current period and therefore are not reported in the funds	
Compensated absences	(10,829)
Net pension liability	(7,301,277)
Net OPEB liability	(1,747,604)
Defined benefit pension plan deferred inflows are not due and payable in the current period and, therefore, are not reported in the funds	(174,266)
OPEB plan deferred inflows are not due and payable in the current period and, therefore, are not reported in the funds	<u>(451,548)</u>
Net position of governmental activities	\$ <u><u>(5,373,123)</u></u>

STATE OF NEW MEXICO
 FLOYD MUNICIPAL SCHOOLS
 STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2019

	GENERAL 11000-14000	TITLE I 24101	IDEA-B ENTITLEMENT 24106
Revenues			
Residential/non-residential taxes	\$ 7,218	-	-
Rent and leases	18,233	-	-
Fees-activities	-	-	-
Fees-users	1,200	-	-
State grants	2,640,036	-	-
Federal grants	-	39,243	54,517
Interest income	66	-	-
Miscellaneous	98,939	-	-
<i>Total revenues</i>	<u>2,765,692</u>	<u>39,243</u>	<u>54,517</u>
Expenditures			
Current			
Instruction	1,669,228	39,243	14,755
Support services			
Students	111,354	-	39,762
Instruction	125,724	-	-
General administration	179,974	-	-
School administration	52,432	-	-
Central services	73,503	-	-
Operations & maintenance of plant	350,409	-	-
Student transportation	121,841	-	-
Food services-operations	79,105	-	-
Capital outlay	-	-	-
<i>Total expenditures</i>	<u>2,763,570</u>	<u>39,243</u>	<u>54,517</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,122</u>	<u>-</u>	<u>-</u>
Other financing sources (uses)			
Operating transfers	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	2,122	-	-
Fund balances, beginning of year	<u>180,282</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ 182,404</u>	<u>-</u>	<u>-</u>

READS TO LEAD 27114	SENATE BILL 9 31700	SB-9 CAPITAL IMPROVEMENTS LOCAL 31701	OTHER GOVERNMENTAL FUNDS	TOTAL
-	-	29,913	-	37,131
-	-	-	-	18,233
-	-	-	9,887	9,887
-	-	-	10,656	11,856
67,489	79,530	-	80,041	2,867,096
-	-	-	112,527	206,287
-	-	-	-	66
-	53,502	-	-	152,441
<u>67,489</u>	<u>133,032</u>	<u>29,913</u>	<u>213,111</u>	<u>3,302,997</u>
67,489	-	-	42,062	1,832,777
-	-	-	-	151,116
-	-	-	6,820	132,544
-	-	299	-	180,273
-	-	-	-	52,432
-	-	-	-	73,503
-	-	-	-	350,409
-	-	-	-	121,841
-	-	-	58,147	137,252
-	139,018	-	50,000	189,018
<u>67,489</u>	<u>139,018</u>	<u>299</u>	<u>157,029</u>	<u>3,221,165</u>
-	(5,986)	29,614	56,082	81,832
-	-	-	-	-
-	-	-	-	-
-	(5,986)	29,614	56,082	81,832
-	271,000	49,772	(22,206)	478,848
-	265,014	79,386	33,876	560,680

**STATE OF NEW MEXICO
 FLOYD MUNICIPAL SCHOOLS
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 For the Year Ended June 30, 2019**

	<u>GOVERNMENTAL FUNDS</u>
Amounts reported for governmental activities in the statements of activities are different because:	
Net change in fund balances - total governmental funds	\$ 81,832
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.	28,013
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds:	
Change in property taxes receivable	209
Change in accrued compensated absences	10,769
Change in net pension liability	(1,002,275)
Change in OPEB liability	<u>32,475</u>
Change in net position	\$ <u><u>(848,977)</u></u>

STATE OF NEW MEXICO
FLOYD MUNICIPAL SCHOOLS
GENERAL FUND - 11000, 12000, 13000, 14000
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET (NON-GAAP BASIS) AND ACTUAL
For the Year Ended June 30, 2019

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
Revenues				
Residential/non-residential taxes	\$ 8,211	8,211	7,341	(870)
Rent and leases	26,238	26,238	18,233	(8,005)
Fees-users	1,200	1,200	1,200	-
State grants	2,574,633	2,639,814	2,639,833	19
Interest income	30	30	66	36
Miscellaneous	42,100	97,957	98,939	982
<i>Total revenues</i>	<u>2,652,412</u>	<u>2,773,450</u>	<u>2,765,612</u>	<u>(7,838)</u>
Expenditures				
Current				
Instruction	1,641,676	1,723,953	1,669,679	54,274
Support services				
Students	117,075	117,075	111,354	5,721
Instruction	128,092	128,092	125,724	2,368
General administration	183,442	183,442	180,374	3,068
School administration	54,080	54,080	52,432	1,648
Central services	75,233	102,714	73,503	29,211
Operations & maintenance of plant	373,177	394,909	350,030	44,879
Student transportation	121,841	121,841	121,841	-
Food service - operations	82,054	82,054	79,105	2,949
<i>Total expenditures</i>	<u>2,776,670</u>	<u>2,908,160</u>	<u>2,764,042</u>	<u>144,118</u>
Excess (deficiency) of revenues over (under) expenditures	(124,258)	(134,710)	1,570	136,280
Designated Cash	<u>170,824</u>	<u>170,824</u>	-	<u>(170,824)</u>
Net change in fund balances	<u>\$ 46,566</u>	<u>36,114</u>	1,570	<u>(34,544)</u>
Reconciliation to GAAP Basis:				
Adjustments to revenues			80	
Adjustments to expenditures			<u>472</u>	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>\$ 2,122</u>	

STATE OF NEW MEXICO
 FLOYD MUNICIPAL SCHOOLS
 TITLE I SPECIAL REVENUE FUND - 24101
 STATEMENT OF REVENUES AND EXPENDITURES -
 BUDGET (NON-GAAP BASIS) AND ACTUAL
 For the Year Ended June 30, 2019

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
Revenues				
Federal grants	\$ 40,681	39,460	27,985	(11,475)
<i>Total revenues</i>	<u>40,681</u>	<u>39,460</u>	<u>27,985</u>	<u>(11,475)</u>
Expenditures				
Current				
Instruction	40,681	39,460	39,243	217
<i>Total expenditures</i>	<u>40,681</u>	<u>39,460</u>	<u>39,243</u>	<u>217</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	(11,258)	(11,258)
Designated Cash	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	(11,258)	(11,258)
Reconciliation to GAAP Basis:				
Adjustments to revenues			11,258	
Adjustments to expenditures			<u>-</u>	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>\$ -</u>	

STATE OF NEW MEXICO
 FLOYD MUNICIPAL SCHOOLS
 IDEA-B ENTITLEMENT SPECIAL REVENUE FUND - 24106
 STATEMENT OF REVENUES AND EXPENDITURES -
 BUDGET (NON-GAAP BASIS) AND ACTUAL
 For the Year Ended June 30, 2019

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
Revenues				
Federal grants	\$ -	63,126	54,161	(8,965)
<i>Total revenues</i>	-	63,126	54,161	(8,965)
Expenditures				
Current				
Instruction	-	14,968	14,755	213
Support services				
Students	-	48,158	39,762	8,396
<i>Total expenditures</i>	-	63,126	54,517	8,609
Excess (deficiency) of revenues over (under) expenditures	-	-	(356)	(356)
Designated Cash	-	-	-	-
Net change in fund balances	\$ -	-	(356)	(356)
Reconciliation to GAAP Basis:				
Adjustments to revenues			356	
Adjustments to expenditures			-	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			\$ -	

STATE OF NEW MEXICO
 FLOYD MUNICIPAL SCHOOLS
 READS TO LEAD SPECIAL REVENUE FUND - 27114
 STATEMENT OF REVENUES AND EXPENDITURES -
 BUDGET (NON-GAAP BASIS) AND ACTUAL
 For the Year Ended June 30, 2019

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
Revenues				
State grants	\$ 68,039	68,039	71,521	3,482
<i>Total revenues</i>	<u>68,039</u>	<u>68,039</u>	<u>71,521</u>	<u>3,482</u>
Expenditures				
Current				
Instruction	68,039	68,039	67,489	550
<i>Total expenditures</i>	<u>68,039</u>	<u>68,039</u>	<u>67,489</u>	<u>550</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	4,032	4,032
Designated Cash	-	-	-	-
Net change in fund balances	\$ <u>-</u>	<u>-</u>	4,032	<u>4,032</u>
Reconciliation to GAAP Basis:				
Adjustments to revenues			(4,032)	
Adjustments to expenditures			-	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>-</u>	

STATE OF NEW MEXICO
FLOYD MUNICIPAL SCHOOLS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUNDS
June 30, 2019

	<u>AGENCY FUNDS</u>
ASSETS	
<i>Current assets</i>	
Cash	\$ <u>62,081</u>
<i>Total assets</i>	\$ <u><u>62,081</u></u>
 LIABILITIES	
<i>Current liabilities</i>	
Deposits held in trust for others	\$ <u>62,081</u>
<i>Total liabilities</i>	\$ <u><u>62,081</u></u>

**STATE OF NEW MEXICO
FLOYD MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Floyd Municipal School District (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 Village of Floyd and surrounding area. 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.

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statements No. 14, *The Financial Reporting Entity*, No. 39, *Determining Whether Certain Organizations Are Component Units*, and No. 80, *Blending Requirements for Certain Component Units*. Blended component units, although legally separate entities, are in substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government. The additional criteria of GASB Statement No. 80 also requires blending of a component unit incorporated as a not-for profit corporation in which the primary government is the sole corporate member.

The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity.

Based upon the application of these criteria, the District has no component units, and is not a component unit of another governmental agency.

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 Floyd Municipal School District's management who is responsible for their integrity and objectivity. The financial statements of the District conform to generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

**STATE OF NEW MEXICO
FLOYD MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the school district.

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

**STATE OF NEW MEXICO
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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Ad valorem taxes (property taxes), franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have incurred and all other grant requirements have been met and the susceptible to accrual criteria have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

The agency funds are custodial in nature (assets equal liabilities) and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that the District holds for others in an agency capacity.

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

The *General Fund* is the 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.

The *Special Revenue Funds* account for the proceeds of specific revenue sources that are legally restricted for special purposes.

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

Under the requirements of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, the District is required to present certain of its governmental funds as major funds based upon certain criteria. The major funds presented in the fund financial statements include the following (in addition to the General Fund):

TITLE I – To account for funding for remedial instruction in language arts for educationally deprived students in low- income areas. Funds are received from the Federal Government through the New Mexico State Department of Education under the Elementary and Secondary Education Act of 1965, Title I, Chapter I, part A, 20 U.S.C. 2701 et seq.

IDEA-B ENTITLEMENT – To account for a federal grant restricted for the operation and maintenance of meeting the special education needs of children with disabilities. Authority for the creation of this fund is the Individuals with Disabilities Act, Part B, Sec. 611, as amended; Public Laws 91-230, 93-380, 94-142, 98-199, 99-457, 100-630, and 101-476; 20 U.S.C. 1401-1419, Public Law 105-17.

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

READS TO LEAD – To account for funds received to 1) increase the quality of reading instruction; 2) provide a screening assessment for use in planning data-driven instruction; 3) provide quality professional development for administrators, reading coaches, and teachers; 4) ensure that districts/charter schools have a comprehensive plan for addressing literacy instruction; and 5) reach out to parents and families with free resources in English and Spanish to support children’s reading at home. Authority for the creation of this fund is New Mexico House Bill 2.

SENATE BILL-9 – To account for a 2.0 mill levy restricted by board resolution for erecting, remodeling, making additions to, providing equipment for, and furnishing school buildings, improving school grounds and maintenance of school buildings and grounds, exclusive of salary expense of employees. Authority for the creation of this fund is NMSA 22-25-1 to 22-25-10. Reported as a capital projects fund.

SENATE BILL 9 LOCAL – To account for erecting remodeling, making additions to, and furnishing of school buildings, or purchasing or improving school grounds or any combination thereof, as identified by the local school board. Financing is provided by a special tax levy as authorized by the Public School District Capital Improvements Act. Authority for the creation of this fund is Section 22-25-1 to 22-25-10 NMSA 1978.

The government also reports the following fund types:

Governmental funds:

Nonmajor Special Revenue Funds - The District accounts for resources restricted to, or designated for, a specific purpose by the District or a grantor in a special revenue fund.

Nonmajor Capital Projects Fund - The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund.

Fiduciary funds:

Agency Funds - The District accounts for resources held for others in a custodial capacity in agency funds. The District's Agency Fund is the Student Activity Fund.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. Also, in addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the District's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the District's general revenues. 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. General revenues include all taxes.

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

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.

Assets, Liabilities, and Net Position or Equity

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

State statutes authorize the 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 of 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 school 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 State Board of Finance shall set the rate of interest on non-demand interest-bearing accounts, 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 date 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.

**STATE OF NEW MEXICO
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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Receivables and Payables: Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from 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, and SB - 9. Taxes are payable in two equal installments on November 10th and April 10th following the levy and become delinquent after 30 days.

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

Inventories: The food inventories are valued at cost using the first-in/first-out (FIFO) method. USDA Commodities are recorded at estimated costs. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets: Capital assets, which include property, plant, and equipment, are reported in the applicable governmental-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$5,000 per Section 12-6-10 NMSA 1978, and an estimated useful life extending beyond a single reporting period. 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.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Construction expenditures paid by the New Mexico Public Facilities Authority are included in the District's disclosures and financial statements when appropriate.

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

Buildings & Improvements	25-75 years
Equipment & Vehicles	5-50 years

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unearned Revenue: The District recognizes grant revenue at the time the related expense is made if the expenditure of funds is the prime factor for determining eligibility for reimbursement; therefore, amounts received and not expended in the Special Revenue Funds are shown as unearned revenues.

Compensated Absences: The District has provided a compensated leave program to its twelve month employees. Upon severance, a qualifying employee may receive payment for unused leave up to the amount accrued in each of the two prior years.

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.

Salaries and Wages: The District pays all salaries and wages due to teachers on or before June 30th of each year.

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

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

Net Investment in capital assets: Consists of capital assets including restricted capital assets, net of accumulated depreciation 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.

Restricted Net Position: Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation. Descriptions for the related restrictions for net position are restricted for "debt service or capital projects".

Unrestricted Net Position: All other net position that does not meet the definition of "restricted" or "invested in capital assets, net of related debt."

The Government-wide Statement of Net Position reports \$377,561 of restricted net position of which \$377,561 is restricted by enabling legislation.

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

**STATE OF NEW MEXICO
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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance – the difference between assets and liabilities in the governmental fund financial statements. Fund balance is among the most widely and frequently used information in state and local government financial reports. GASB developed Statement No. 54 to address the diversity of practice and the resulting lack of consistency that had evolved in fund balance reporting. To reduce confusion, the new standards establish a hierarchy of fund balance classifications based primarily on the extent to which a government is bound to observe spending constraints imposed upon how resources reported in governmental funds may be used.

Statement No. 54 distinguishes fund balances based on the relative strength of the constraints that control the purposes for which specific amounts can be spent. Beginning with the most binding constraints, fund balance amounts are reported in the following classifications:

Nonspendable – portion of net resources that cannot be spent because of their form or because they must remain intact.

Restricted – amounts constrained by external parties, constitutional provision, or enabling legislation.

Committed – amounts constrained by a government using its highest level of decision-making authority. The Board of Education is the highest level of decision making authority.

Assigned – amounts a government intends to use for a particular purpose.

Unassigned – amounts that are not constrained at all will be reported in the general fund.

Statement No. 54 also clarifies the definitions of individual governmental fund types. It interprets certain terms within the definition of special revenue fund types, while further clarifying the debt service and capital projects fund type definitions. The final standard also specifies how economic stabilization or “rainy-day” amounts should be reported.

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

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

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.

**STATE OF NEW MEXICO
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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 8-25, 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 \$2,510,874 in state equalization guarantee distributions during the year ended June 30, 2019.

Tax Revenues: The District receives mill levy and ad-valorem tax revenues primarily for capital outlay purposes. Tax revenues are recognized when they are in the hands of the collecting agency.

The District records only the portion of the taxes considered to be 'measurable' and 'available'. The District recognized \$37,131 in tax revenues during the year ended June 30, 2019. Descriptions of the individual capital outlay funds contained in these financial statements include information regarding the authority for the collection and use of these taxes.

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

Transportation Distribution: School districts in the State of New Mexico receive student transportation distributions. The transportation distribution is allocated to each school district in accordance with formulas developed by the State Transportation Director and the Director of Public School Finance. The funds shall be used only for the purpose of making payments to each school district for the "to and from" school transportation costs of students in grades K through twelve attending public school within the school district. The District received \$121,841 in transportation distributions during the year ended June 30, 2019.

Instructional Materials: The New Mexico Public Education Department (PED) received federal material leasing funds from which it makes annual allocations to the various school districts for the purchase of educational materials. Of each allocation, fifty percent is restricted to the requisition of materials listed in the State Board of Education "State Adopted Instructional Material" list, while the other fifty percent of each allocation is available for purchases directly from vendors. Allocations received from the State for the year ended June 30, 2019 totaled \$7,321.

**STATE OF NEW MEXICO
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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Federal Grants: The District receives revenues from various Federal departments (both direct and indirect), which are legally restricted to expenditures for specific purposes. These programs are reported as Special Revenue Funds. Each program is operated under its own budget, which has been approved by the Federal Department or the flow-through agency (usually the New Mexico Public Education Department). The various budgets are approved by the Local School Board and the New Mexico Public Education Department.

The District also receives reimbursement under the National School Lunch Program for its food services operations.

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Educational Retirement Plan (ERP) and additions to/deductions from ERP's fiduciary net position have been determined on the same basis as they are reported by ERP. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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 Authority (NMRHCA) and additions to and deductions from NMRHCA's fiduciary net position have been determined on the same basis as they are reported by NMRHCA. For this purpose, NMRHCA recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains, "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." The detail of this \$28,013 difference is as follows:

Capital Outlay	\$ 182,959
Depreciation Expense	<u>(154,946)</u>
Net adjustments to increase net changes in fund balances – total government funds to arrive at changes in net position of governmental activities	<u>\$ 28,013</u>

**STATE OF NEW MEXICO
FLOYD MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Budgets for the General, Special Revenue, and Capital Projects 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 and the state directed activities fund 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 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 function basis, i.e., each budgeted expenditure function 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:

- 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.
- In May or June, the budget is approved by the Board of Education.
- The school board meeting, while not intended for the general public, is open for the general public unless a closed meeting has been called.
- The Superintendent is authorized to transfer budgeted amounts between departments within any fund; however, the local Board of Education and the State of New Mexico Department of Education must approve any revisions that alter the total expenditures of any fund.
- 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.

**STATE OF NEW MEXICO
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 JUNE 30, 2019**

NOTE 3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

- 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, 2017 was properly amended by the Board through the year. New Mexico state law prohibits a Governmental Agency to exceed an individual line item.

NOTE 4. CASH AND TEMPORARY INVESTMENTS

At June 30, 2019, the carrying amount of the District's deposits was \$546,871 and the bank balance was \$680,360. Of this balance \$250,000 was covered by federal depository insurance and \$430,360 was uninsured but covered by collateral held in joint safekeeping by a third party in the entity's name.

NM 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 collateral pledged is shown as listed in the table of contents of this report and as listed below. 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.

Type	James Polk Stone Community Bank
Total deposits	\$ 680,360
Less: FDIC coverage	(250,000)
Total uninsured public funds	<u>\$ 430,360</u>
Collateral requirement (50%)	\$ 215,180
Pledged securities	<u>350,013</u>
(Over) under collateralized	<u>\$ (134,833)</u>

According to the Federal Deposit Insurance Authority, public unit deposits are funds owned by the schools. 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.

Investments held by the New Mexico State Treasurer are valued at fair value based on quoted market prices as of the valuation date. The State Treasurer Local Government Investment Pool is not SEC registered. The State Treasurer is authorized to invest the short-term investment funds, with the advice and consent of the State Board of Finance, in accordance with Sections 6-10-10 I through 6-10-10 P and Sections 6-10-10.1 A and E, NMSA 1978. The pool does not have unit shares. Per Sections 6-10-10.1F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested. Participation in the local government investment pool is voluntary.

**STATE OF NEW MEXICO
 FLOYD MUNICIPAL SCHOOLS
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 JUNE 30, 2019**

NOTE 5. CUSTODIAL CREDIT RISK - DEPOSITS

The State Treasurer monitors pledged collateral related to most state agency bank accounts. Pledged collateral information specific to the District is not available because the bank commingles pledged collateral for all state funds it holds.

Custodial risk is the risk that in the event of bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2019, \$80,347 of the District's deposits totaling \$680,360 were exposed to custodial credit risk.

Custodial Credit Risk Deposits	
Account balance	\$ <u>680,360</u>
FDIC insurance	\$ 250,000
Collateral held by pledging bank's trust department not in the District's name	350,013
(Over) under collateralized	<u>80,347</u>
Total	\$ <u><u>680,360</u></u>

NOTE 6. DUE TO AND FROM OTHER FUNDS

Interfund loans as of year-end for the government's individual major funds and non-major funds in the aggregate, include the following:

Due to Operational Fund	
Food Services	\$ 3,368
Title I	25,361
IDEA-B Entitlement	23,079
Reads to Lead	16,869
Preschool IDEA-B	3,823
2012 GO Bonds Library	<u>6,820</u>
Total due to Operational Fund	\$ <u><u>79,320</u></u>

The balance of \$79,320 resulted from loans made to establish working capital for the individual funds. All loans are considered to be repaid within one year.

There were no net operating transfers made to close out funds, to supplement other funding sources, or to repay previous transfers.

**STATE OF NEW MEXICO
FLOYD MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 7. DUE TO AND FROM OTHER FUNDS (CONTINUED)

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 there was no deferred revenue.

NOTE 8. RECEIVABLES

Due from other governments:	
General	\$ 203
Title I	25,361
IDEA-B Entitlement	23,079
Reads to Lead	16,869
Senate Bill 9	1,596
Preschool IDEA-B	3,823
Food Services	8,610
2012 GO Bonds Library	<u>6,820</u>
Total due from other governments	<u>\$ 86,361</u>

NOTE 9. CAPITAL ASSETS

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

	Balance 6/30/2018	Increases	Decreases	Balance 6/30/2019
Capital assets, not depreciated				
Land	\$ 5,000	-	-	5,000
Total not depreciated	<u>5,000</u>	-	-	<u>5,000</u>
Capital assets, depreciated				
Buildings & Improvements	3,791,205	103,203	-	3,894,408
Equipment	191,121	21,006	-	212,127
Land Improvements	494,803	-	-	494,803
Vehicles	483,923	58,750	-	542,673
Total depreciated	<u>4,961,052</u>	<u>182,959</u>	<u>-</u>	<u>5,144,011</u>
Accumulated depreciation for				
Buildings & Improvements	2,516,472	97,045	-	2,613,517
Equipment	91,718	14,366	-	106,084
Land Improvements	360,852	13,826	-	374,678
Vehicles	280,784	29,709	-	310,493
Total accumulated depreciation	<u>3,249,826</u>	<u>154,946</u>	<u>-</u>	<u>3,404,772</u>
Total capital assets, depreciated net	<u>\$ 1,716,226</u>	<u>28,013</u>	<u>-</u>	<u>1,744,239</u>

**STATE OF NEW MEXICO
FLOYD MUNICIPAL SCHOOLS
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NOTE 9. CAPITAL ASSETS (CONTINUED)

Depreciation expense for the year ended June 30, 2019 was charged to governmental activities as follows:

Instruction	\$ 121,828
Support Services – Students	9,692
Support Services – Instruction	8,501
Support Services – General Administration	11,562
Support Services – School Administration	<u>3,363</u>
Total depreciation expense	\$ <u>154,946</u>

NOTE 10. COMPENSATED ABSENCES

During the year ended June 30, 2018, the following changes occurred in accrued compensated absences:

Balance June 30, 2018	Leave Used	Leave Accrued	Balance June 30, 2019	Amount Due in One Year
\$ <u>21,598</u>	<u>14,735</u>	<u>3,966</u>	<u>10,829</u>	<u>3,018</u>

NOTE 11. 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 978), 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. Annual financial reports can be obtained from NMPSIA or viewed on their website at <https://nmpsia.com/information.html>.

NOTE 12. 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 District expects such amounts, if any, to be immaterial.

**STATE OF NEW MEXICO
FLOYD MUNICIPAL SCHOOLS
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NOTE 13. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD

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

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

The Plan is a pension trust fund of the State of New Mexico. The ERA assigns the authority to establish and amend benefit provisions to a seven-member Board of Trustees (Board); the state legislature has the authority to set or amend contribution rates and other terms of the Plan. NMERB is self-funded through investment income and educational employer contributions. The Plan does not receive General Fund Appropriations from the State of New Mexico.

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

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

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

- The member’s age and earned service credit add up to the sum of 75 or more,
- The member is at least sixty-five years of age and has five or more years of earned service credit, or
- The member has service credit totaling 25 years or more.

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

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FLOYD MUNICIPAL SCHOOLS
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JUNE 30, 2019**

NOTE 13. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)

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

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

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

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

Benefit Options – The Plan has three benefit options available.

- **Option A – Straight Life Benefit** – The single life annuity option has no reductions to the monthly benefit, and there is no continuing benefit due to a beneficiary or estate, except the balance, if any, of member contributions plus interest less benefits paid prior to the member’s death.
- **Option B – Joint 100% Survivor Benefit** – The single life annuity monthly benefit is reduced to provide for a 100% survivor’s benefit. The reduced benefit is payable during the life of the member, with the provision that, upon death, the same benefit is paid to the beneficiary for his or her lifetime. If the beneficiary predeceases the member, the member’s monthly benefit is increased to the amount the member would have received under Option A Straight Life benefit. The member’s increased monthly benefit commences in the month following the beneficiary’s death.

**STATE OF NEW MEXICO
FLOYD MUNICIPAL SCHOOLS
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NOTE 13. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)

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

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

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

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

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

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

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

**STATE OF NEW MEXICO
FLOYD MUNICIPAL SCHOOLS
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NOTE 13. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)

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

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

The contribution requirements are established in statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the New Mexico Legislature. For the fiscal years ended June 30, 2019 and 2018, the District paid employee and employer contributions of \$441,193 and \$418,755, which equal the amount of the required contributions for each fiscal year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2019, the District reported a liability of \$7,301,277 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2018 using generally accepted actuarial principles. The roll-forward incorporates the impact of the new assumptions adopted by the Board on April 21, 2017. There were no other significant events of changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2018. Therefore, the employer’s portion was established as of the measurement date of June 30, 2018. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating educational institutions at June 30, 2018, actuarially determined. At June 30, 2018, the District’s proportion was 0.06140 %, which was an increase of 0.00187% from its proportion measured as of June 30, 2017.

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 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2019**

NOTE 13. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)

For the year ended June 30, 2019, the District recognized pension expense of \$1,002,275. At June 30, 2019, District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 5,329	138,955
Changes in assumptions	1,504,759	-
Net difference between projected and actual earnings on pension plan investments	16,163	-
Changes in proportion and differences between contributions and proportionate share of contributions	170,055	35,311
Employer contributions subsequent to the measurement date	248,550	-
Total	\$ 1,944,856	174,266

\$248,550 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2019	\$ 895,958
2020	612,326
2021	13,543
2022	213
2023	-
Thereafter	-

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

Inflation	2.50%
Salary increases	3.25% composed of 2.50% inflation, plus a 0.75% productivity increase rate, plus a step-rate promotional increase for members with less than 10 years of service.

**STATE OF NEW MEXICO
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NOTE 13. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)

Investment rate of return	7.25% compounded annually, net of expenses. This is made up of a 2.50% inflation rate and a 4.75 real rate of return.										
Average of Expected Remaining Service Lives	<table border="0" style="margin-left: 40px;"> <tr> <td style="padding-right: 20px;">Fiscal year</td> <td style="padding-right: 10px;"><u>2017</u></td> <td style="padding-right: 10px;"><u>2016</u></td> <td style="padding-right: 10px;"><u>2015</u></td> <td><u>2014</u></td> </tr> <tr> <td>Service life in years</td> <td>3.35</td> <td>3.77</td> <td>3.92</td> <td>3.88</td> </tr> </table>	Fiscal year	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	Service life in years	3.35	3.77	3.92	3.88
Fiscal year	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>							
Service life in years	3.35	3.77	3.92	3.88							
Mortality	<p>Healthy males: Based on the RP-2000 Combined Healthy Mortality Table with White Collar adjustments, no set back. Generational mortality improvements with Scale BB from the table’s base year of 2000.</p> <p>Healthy females: Based on GRS Southwest Region Teacher Mortality Table, set back one year. Generational mortality improvements in accordance with Scale BB from the table’s base year of 2012.</p> <p>Disabled males: RP-2000 Disabled Mortality Table for males, set back three years, projected to 2016 with Scale BB.</p> <p>Disabled females: RP-2000 Disabled Mortality Table for females, no set back, projected to 2016 with Scale BB.</p> <p>Active members: RP-2000 Employee Mortality Tables, with males set back two years and scaled at 80%, and females set back five years and scaled at 70%. Static mortality improvement from the table’s base year of 2000 to the year 2016 in accordance with Scale BB. No future improvement was assumed for preretirement mortality.</p>										
Retirement Age	Experience-based table rates based on age and service, adopted by the NMERB Board on April 21, 2017 in conjunction with the six-year experience study for the period ending June 30, 2016.										
Cost-of-living increases	1.90% per year, compounded annually; increases deferred until July 1 following the year a member retires, or the year in which a member attains the age of 65 (67 for Tier 3), whichever is later or, for disabled retirees, until July 1 of the third year following retirement.										
Payroll growth	3.00% per year (with no allowance for membership growth).										
Contribution accumulation	The accumulated member account balance with interest is estimated at the valuation date by assuming that member contributions increased 5.50% per year for all years prior to the valuation date. Contributions are credited with 4.00% interest, compounded annually, applicable to the account balances in the past as well as the future.										
Disability incidence	Approved rates are applied to eligible members with at least 10 years of service.										

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NOTE 13. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)

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

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

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

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

Discount rate. A single discount rate of 5.69% was used to measure the total pension liability as of June 30, 2018. This rate is .21% less than the 5.90% discount rate used for June 30, 2017.

The June 30, 2018 single discount rate was based on a long-term expected rate of return on pension plan investments of 7.25%, and a municipal bond rate of 3.62%. Based on the stated assumptions and the projection of cash flows, the pension plan’s fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2050. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the 2050 fiscal year, and the municipal bond rate was applied to all benefit payments after that date.

The projections of cash flows used to determine the June 30, 2018 single discount rate assumed that plan member and employer contributions will be made at the current statutory levels.

Sensitivity of the Floyd Municipal Schools’ proportionate share of the net pension liability to changes in the discount rate. The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 5.69 percent, as well as what the District’s proportionate share of

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 JUNE 30, 2019**

NOTE 13. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)

the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.69 percent) or 1-percentage-point higher (6.69 percent) than the current rate:

	1% Decrease (4.69%)	Current Discount Rate (5.69%)	1% Increase (6.69%)
Floyd Municipal Schools’ proportionate share of the net pension liability	\$ 9,488,864	7,301,277	5,516,343

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued NMERB’s financial reports. The reports can be found on NMERB’s web site at www.nmerb.org/Annual_reports.html.

Payables to the pension plan. The District did not accrue any payables for the pension plan at June 30, 2019. All 10-month teacher contracts for the school year are paid by fiscal year end.

NOTE 14. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN

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

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

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

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 FLOYD MUNICIPAL SCHOOLS
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 JUNE 30, 2019**

**NOTE 14. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN
 (CONTINUED)**

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

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

Contributions – Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee’s salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer’s participation in the Fund. Contributions to the Fund from the District were \$54,327 for the year ended June 30, 2019.

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - At June 30, 2019, the District reported a liability of \$1,747,604 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. The District’s proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2018. At June 30, 2018, the District’s proportion was 0.04019 percent.

For the year ended June 30, 2019, the District recognized OPEB expense of \$32,474. At June 30, 2019 the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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FLOYD MUNICIPAL SCHOOLS
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**NOTE 14. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN
(CONTINUED)**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	103,469
Changes in assumptions	-	326,270
Changes in proportion	26,625	-
Net difference between projected and actual earnings on OPEB plan investments	-	21,809
Employer contributions subsequent to the measurement date	<u>35,792</u>	<u>-</u>
Total	\$ <u>62,417</u>	<u>451,548</u>

Deferred outflows of resources totaling \$35,792 represent District contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ended June 30:		
2020	\$	(109,088)
2021		(109,088)
2022		(109,088)
2023		(82,959)
2024		<u>(14,700)</u>
Total	\$	<u>(424,923)</u>

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

Valuation Date	June 30, 2017
Actuarial cost method	Entry age normal, level percent of pay, calculated on individual employee basis
Asset valuation method	Market value of assets
Inflation	2.50% for ERB members; 2.25% for PERA members

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FLOYD MUNICIPAL SCHOOLS
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JUNE 30, 2019**

**NOTE 14. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN
(CONTINUED)**

Projected payroll increases	3.25% to 12.50%, based on years of service, including inflation
Investment rate of return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation
Health care cost trend rate	8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 years for Medicare medical plan costs
Mortality	ERB member: RP-2000 Combined Healthy Mortality Table with White Collar Adjustment (males) and GRS Southwest Region Teacher Mortality Table (females). PERA members: RP-2000 Combined Healthy Mortality.

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

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

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

Discount Rate – The discount rate used to measure the Fund’s total OPEB liability is 4.08% as of June 30, 2018. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the

**STATE OF NEW MEXICO
 FLOYD MUNICIPAL SCHOOLS
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2019**

**NOTE 14. POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN
 (CONTINUED)**

Fund's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2029. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2029. Beyond 2029, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Thus, 4.08% is the blended discount rate.

Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates.

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.08 percent) or 1-percentage-point higher (5.08 percent) than the current discount rate:

	<u>1% Decrease (3.08%)</u>	<u>Current Discount Rate (4.08%)</u>	<u>1% Increase (5.08%)</u>
\$	<u>2,115,012</u>	<u>1,747,604</u>	<u>1,458,004</u>

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

	<u>1% Decrease</u>	<u>Current Trend Rates</u>	<u>1% Increase</u>
\$	<u>1,477,338</u>	<u>1,747,604</u>	<u>1,959,498</u>

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is available in NMRHCA's audited financial statements for the year ended June 30, 2018.

Payables changes in the net OPEB liability. At June 30, 2019, the District did not accrue any payables for OPEB. All 10-month teacher contracts for the school year are paid by fiscal year end.

**STATE OF NEW MEXICO
FLOYD MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 15. FUND BALANCES, GOVERNMENTAL FUNDS

On the Balance Sheets – Governmental Funds, the fund balances are reported in the aggregate using the classifications defined by GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Fund balances by classification for the year ended June 30, 2018 were as follows:

Fund Balance	General Fund	Senate Bill 9	Senate Bill 9 Local	Other Governmental Funds
Non-spendable				
Inventory	\$ -	-	-	715
Restricted				
Instructional Materials	-	-	-	3,986
Food Services	-	-	-	5,242
Athletics	-	-	-	23,933
State Directed Activities	-	-	-	-
Senate Bill 9	-	265,014	-	-
Senate Bill 9 – Local	-	-	79,386	-
Unassigned	<u>182,404</u>	<u>-</u>	<u>-</u>	<u>-</u>
	\$ 182,404	265,014	79,386	33,876

NOTE 16. RECENT ACCOUNTING PRONOUNCEMENTS

In November 2016, the GASB issued 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 tangible capital assets. 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. Note disclosure about AROs are also addressed. GASB Statement No. 83 was effective for periods beginning after June 15, 2018. The District has adopted this statement for the year ending June 30, 2019; however, there were no AROs and the implementation of this statement had no effect on the District’s financial statements.

In March 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This statement’s primary objective is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowing and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement 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. GASB Statement No. 88 was effective for periods beginning after June 15, 2018. The District adopted this statement; however, the District has no debt and the implementation of this statement had no effect on the District’s financial statements.

**STATE OF NEW MEXICO
FLOYD MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 17. NEW ACCOUNTING PRONOUNCEMENTS

The following GASB pronouncements have been issued, but are not yet effective at June 30, 2019.

GASB Statement No. 84, *Fiduciary Assets*

GASB Statement No. 87, *Leases*

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

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

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

The District will implement the new GASB pronouncements in the fiscal year no later than the required effective date. The District believes that the above listed new GASB pronouncements will not have a significant financial impact to the District or in issuing its financial statements.

NOTE 18. TAX ABATEMENTS

Governmental Accounting Standards Board Statement No. 77 requires the District to disclose information on certain tax abatement agreements affecting the District. Accordingly, the District did not have any tax abatements affecting the District during the year ended June 30, 2019.

NOTE 19. SUBSEQUENT EVENTS

The date to which events occurring after June 30, 2019, the date of the most recent statement of net position, has been evaluated for possible adjustment to the financial statements or disclosures is September 23, 2019 which is the date on which the financial statements were issued.

REQUIRED SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT
FLOYD MUNICIPAL SCHOOLS
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
June 30, 2019**

**New Mexico Educational Retirement Board Pension Plan
For Last 10 Fiscal Years*
(Dollars in Thousands)**

	30-Jun										
	Fiscal Year	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Measurement Date	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
School's Proportion of the Net Pension Liability (Asset)	0.06%	0.06%	0.06%	0.06%	0.06%	0.06%	0.06%	0.06%	0.06%	0.06%	0.06%
School's Proportionate Share of Net Pension Liability (Asset)	\$ 7,301	6,616	4,378	3,897	3,470						
School's Covered-Employee Payroll	\$ 1,809	1,716	1,695	1,643	1,676						
School's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll	403.59%	385.55%	258.29%	237.19%	207.04%						
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	52.17%	52.95%	61.58%	63.97%	66.54%						

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

**STATE OF NEW MEXICO
 FLOYD MUNICIPAL SCHOOLS
 SCHEDULE OF SCHOOL CONTRIBUTIONS
 June 30, 2019**

**New Mexico Educational Retirement Board Pension Plan
 Last Ten Fiscal Years*
 (Dollars in Thousands)**

	2019	2018	2017	2016	2015
Contractually Required Contribution	\$ 254	236	236	271	220
Contributions in Relation to the Contractually Required Contribution	251	239	228	238	220
Contribution Deficiency (Excess)	\$ 3	(3)	8	33	-

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

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT
FLOYD MUNICIPAL SCHOOLS
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
June 30, 2019

New Mexico Retiree Health Care Authority
For Last 10 Fiscal Years*

	Fiscal Year Measurement Date	30-Jun	
		2019 2018	2018 2017
District's Proportion of the Net OPEB liability (Asset)		0.04%	0.04%
District's Proportionate Share of Net OPEB Liability (Asset)	\$	1,747,604	1,794,996
District's Covered-Employee Payroll	\$	1,724,399	1,650,013
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll		101.35%	108.79%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability		13.14%	11.34%

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

STATE OF NEW MEXICO
 FLOYD MUNICIPAL SCHOOLS
 SCHEDULE OF DISTRICT CONTRIBUTIONS
 June 30, 2019

New Mexico Retiree Health Care Authority
 Last Ten Fiscal Years*

	<u>2019</u>	<u>2018</u>
Contractually Required Contribution	\$ 62,804	125,780
Contributions in Relation to the Contractually Required Contribution	<u>62,037</u>	<u>63,128</u>
Contribution Deficiency (Excess)	<u>767</u>	<u>62,652</u>
Employer's covered-employee payroll	\$ 1,724,399	1,650,013
Contributions as a percentage of covered- employee payroll	3.60%	3.83%

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

**STATE OF NEW MEXICO
FLOYD MUNICIPAL SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2019**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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

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

Changes of benefit terms. The Retiree Health Care Authority (RHCA) COLA and age eligibility benefits changes in recent years are described in the Notes to the RHCA FY19 audit available at <http://saonm.org/> using the Audit Search function for agency 11118.

Changes of assumptions. The Retiree Health Care Authority (RHCA) of New Mexico Biennial Actuarial Valuation as of June 30, 2017 report is available at <http://saonm.org/> using the Audit Search function for agency 11118.

SUPPLEMENTARY INFORMATION

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COMBINING GENERAL FUND

**STATE OF NEW MEXICO
 FLOYD MUNICIPAL SCHOOLS
 COMBINING BALANCE SHEET-GENERAL FUND
 June 30, 2019**

	OPERATIONAL 11000	TEACHERAGE 12000
	<u> </u>	<u> </u>
ASSETS		
<i>Current assets</i>		
Cash	\$ 92,082	11,444
Accounts receivable		
Due from other governments	-	-
Interfund receivables	<u>79,320</u>	<u>-</u>
<i>Total assets</i>	<u>\$ 171,402</u>	<u>11,444</u>
 LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES		
<i>Current liabilities</i>		
Accounts payable	<u>\$ 442</u>	<u>-</u>
<i>Total liabilities</i>	<u>442</u>	<u>-</u>
<i>Deferred Inflows</i>		
Unavailable revenue	<u>-</u>	<u>-</u>
<i>Total deferred inflows</i>	<u>-</u>	<u>-</u>
<i>Fund balances (deficit)</i>		
Restricted	-	-
Unassigned	<u>170,960</u>	<u>11,444</u>
<i>Total fund balance (deficit)</i>	<u>170,960</u>	<u>11,444</u>
<i>Total liabilities, deferred inflows, and fund balance (deficit)</i>	<u>\$ 171,402</u>	<u>11,444</u>

TRANSPORTATION 13000	INSTRUCTIONAL MATERIALS 14000	TOTALS
-	-	103,526
-	203	203
-	-	79,320
-	203	183,049
-	203	645
-	203	645
-	-	-
-	-	-
-	-	-
-	-	182,404
-	-	182,404
-	203	183,049

**STATE OF NEW MEXICO
FLOYD MUNICIPAL SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GENERAL FUND
For the Year Ended June 30, 2019**

	OPERATIONAL 11000	TEACHERAGE 12000
Revenues		
Residential/non-residential taxes	\$ 7,218	-
Rent and leases	5,254	12,979
Fees-users	1,200	-
State grants	2,510,874	-
Interest income	66	-
Miscellaneous	98,939	-
<i>Total revenues</i>	<u>2,623,551</u>	<u>12,979</u>
Expenditures		
Current		
Instruction	1,651,455	-
Support services		
Students	111,354	-
Instruction	125,724	-
General administration	179,974	-
School administration	52,432	-
Central services	73,503	-
Operations & maintenance of plant	338,650	11,759
Student transportation	-	-
Food services-operations	79,105	-
<i>Total expenditures</i>	<u>2,612,197</u>	<u>11,759</u>
Excess (deficiency) of revenues over (under) expenditures	<u>11,354</u>	<u>1,220</u>
Other financing sources (uses)		
Operating transfers	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>
Net change in fund balances	11,354	1,220
Fund balances, beginning of year	<u>159,606</u>	<u>10,224</u>
Fund balances, end of year	<u>\$ 170,960</u>	<u>11,444</u>

TRANSPORTATION 13000	INSTRUCTIONAL MATERIALS 14000	TOTALS
-	-	7,218
-	-	18,233
-	-	1,200
121,841	7,321	2,640,036
-	-	66
-	-	98,939
<u>121,841</u>	<u>7,321</u>	<u>2,765,692</u>
-	17,773	1,669,228
-	-	111,354
-	-	125,724
-	-	179,974
-	-	52,432
-	-	73,503
-	-	350,409
121,841	-	121,841
-	-	79,105
<u>121,841</u>	<u>17,773</u>	<u>2,763,570</u>
-	(10,452)	2,122
-	-	-
-	-	-
-	(10,452)	2,122
-	10,452	180,282
<u>-</u>	<u>-</u>	<u>182,404</u>

STATE OF NEW MEXICO
FLOYD MUNICIPAL SCHOOLS
OPERATIONAL FUND - 11000
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET (NON-GAAP BASIS) AND ACTUAL
For the Year Ended June 30, 2019

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
Revenues				
Residential/non-residential taxes	\$ 8,211	8,211	7,341	(870)
Rent and leases	10,038	10,038	5,254	(4,784)
Fees-users	1,200	1,200	1,200	-
State grants	2,445,675	2,510,070	2,510,874	804
Interest income	30	30	66	36
Miscellaneous	42,100	97,957	98,939	982
<i>Total revenues</i>	<u>2,507,254</u>	<u>2,627,506</u>	<u>2,623,674</u>	<u>(3,832)</u>
Expenditures				
Current				
Instruction	1,634,559	1,705,598	1,652,109	53,489
Support services				
Students	117,075	117,075	111,354	5,721
Instruction	128,092	128,092	125,724	2,368
General administration	183,442	183,442	180,374	3,068
School administration	54,080	54,080	52,432	1,648
Central services	75,233	102,714	73,503	29,211
Operations & maintenance of plant	356,666	378,398	338,271	40,127
Food service - operations	82,054	82,054	79,105	2,949
<i>Total expenditures</i>	<u>2,631,201</u>	<u>2,751,453</u>	<u>2,612,872</u>	<u>138,581</u>
Excess (deficiency) of revenues over (under) expenditures	(123,947)	(123,947)	10,802	134,749
Designated Cash	<u>160,600</u>	<u>160,600</u>	-	<u>(160,600)</u>
Net change in fund balances	<u>\$ 36,653</u>	<u>36,653</u>	10,802	<u>(25,851)</u>
Reconciliation to GAAP Basis:				
Adjustments to revenues			(123)	
Adjustments to expenditures			675	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>\$ 11,354</u>	

STATE OF NEW MEXICO
FLOYD MUNICIPAL SCHOOLS
TEACHERAGE FUND - 12000
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET (NON-GAAP BASIS) AND ACTUAL
For the Year Ended June 30, 2019

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
Revenues				
Rent and leases	\$ 16,200	16,200	12,979	(3,221)
<i>Total revenues</i>	<u>16,200</u>	<u>16,200</u>	<u>12,979</u>	<u>(3,221)</u>
Expenditures				
Current				
Support services				
Operations & maintenance of plant	16,511	16,511	11,759	4,752
<i>Total expenditures</i>	<u>16,511</u>	<u>16,511</u>	<u>11,759</u>	<u>4,752</u>
Excess (deficiency) of revenues over (under) expenditures	(311)	(311)	1,220	1,531
Designated Cash	10,224	10,224	-	(10,224)
Net change in fund balances	\$ <u>9,913</u>	<u>9,913</u>	1,220	<u>(8,693)</u>
Reconciliation to GAAP Basis:				
Adjustments to revenues			-	
Adjustments to expenditures			-	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			\$ <u>1,220</u>	

STATE OF NEW MEXICO
 FLOYD MUNICIPAL SCHOOLS
 TRANSPORTATION FUND - 13000
 STATEMENT OF REVENUES AND EXPENDITURES -
 BUDGET (NON-GAAP BASIS) AND ACTUAL
 For the Year Ended June 30, 2019

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
Revenues				
State grants	\$ 121,841	121,841	121,841	-
<i>Total revenues</i>	<u>121,841</u>	<u>121,841</u>	<u>121,841</u>	<u>-</u>
Expenditures				
Current				
Support services				
Student transportation	121,841	121,841	121,841	-
<i>Total expenditures</i>	<u>121,841</u>	<u>121,841</u>	<u>121,841</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
Designated Cash	-	-	-	-
Net change in fund balances	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
Reconciliation to GAAP Basis:				
Adjustments to revenues			-	
Adjustments to expenditures			<u>-</u>	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>\$ -</u>	

STATE OF NEW MEXICO
 FLOYD MUNICIPAL SCHOOLS
 INSTRUCTIONAL MATERIALS FUND - 14000
 STATEMENT OF REVENUES AND EXPENDITURES -
 BUDGET (NON-GAAP BASIS) AND ACTUAL
 For the Year Ended June 30, 2019

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
Revenues				
State grants	\$ 7,117	7,903	7,118	(785)
<i>Total revenues</i>	<u>7,117</u>	<u>7,903</u>	<u>7,118</u>	<u>(785)</u>
Expenditures				
Current				
Instruction	7,117	18,355	17,570	785
<i>Total expenditures</i>	<u>7,117</u>	<u>18,355</u>	<u>17,570</u>	<u>785</u>
Excess (deficiency) of revenues over (under) expenditures	-	(10,452)	(10,452)	-
Designated Cash	-	-	-	-
Net change in fund balances	\$ <u>-</u>	<u>(10,452)</u>	(10,452)	<u>-</u>
Reconciliation to GAAP Basis:				
Adjustments to revenues			203	
Adjustments to expenditures			(203)	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			\$ <u>(10,452)</u>	

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NONMAJOR GOVERNMENTAL FUNDS

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SPECIAL REVENUE FUNDS

**STATE OF NEW MEXICO
FLOYD MUNICIPAL SCHOOLS
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019**

SPECIAL REVENUE FUNDS

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

FOOD SERVICES (21000) – To account for funding for the school hot lunch program. Funding is provided by fees from patrons and USDA food reimbursements, under the National School Lunch Act of 1946, as amended, New Mexico Statutes Annotated, State Law 22-13-13.

ATHLETICS (22000) – To account for revenues received from non-instructional activities for use in the District's athletic and other non-instructional programs. Required by the New Mexico State Department of Education Manual of Procedures for New Mexico School Districts to be accounted for as a separate fund. Authority for this fund is the New Mexico Administrative Code 6.20.2.

PRESCHOOL IDEA-B (24109) – To account for a federal grant restricted for the operation and maintenance of meeting the special education needs of children with disabilities. Authority for the creation of this fund is the Individuals with Disabilities Education Act, Part B, Sec. 611, as amended; Public Law 105-17.

RURAL EDUCATION (25233) – To provide financial assistance to rural districts to carry out activities to help improve the quality of teaching and learning in rural schools. The authority for the creation of this fund is the Elementary and Secondary Education Act of 1965 (ESEA), Title VI, Part B, as amended.

2012 GO BONDS LIBRARY (27107) – To account for funds provided for the purpose of acquiring library books, equipment, and library resources for public school and state-supported school libraries statewide. Authority for the creation of this fund is the New Mexico Public Education Department.

BREAKFAST FOR ELEMENTARY STUDENTS (27155) – To account for a Legislative Appropriation to implement Breakfast in the Classroom for elementary students in need of improvement based on AYP designation. Authority for the creation of this fund is the New Mexico Public Education Department.

NM GROWN FRUITS AND VEGETABLES (27183) – To account for appropriations received from the New Mexico Public Education Department for the purchase of New Mexico grown fresh fruits and vegetables for school meal programs. Authority for the creation of this fund is the New Mexico Public Education Department.

**STATE OF NEW MEXICO
FLOYD MUNICIPAL SCHOOLS
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019**

CAPITAL PROJECTS FUNDS

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

SPECIAL CAPITAL OUTLAY STATE (31400) – To account for special appropriation monies received from the State of New Mexico under Chapter 4, Laws of 1966 for the purpose of specific capital outlay projects. Funding authority is the New Mexico Public Education Department.

STATE OF NEW MEXICO
 FLOYD MUNICIPAL SCHOOLS
 COMBINING BALANCE SHEET-NONMAJOR GOVERNMENTAL FUNDS
 SPECIAL REVENUE FUNDS
 June 30, 2019

(Page 1 of 3)

	FOOD SERVICES 21000	ATHLETICS 22000	PRESCHOOL IDEA-B 24109
ASSETS			
<i>Current assets</i>			
Cash	\$ -	23,933	-
Accounts receivable			
Due from other governments	8,610	-	3,823
Inventory	715	-	-
<i>Total assets</i>	<u>\$ 9,325</u>	<u>23,933</u>	<u>3,823</u>
LIABILITIES AND FUND BALANCES			
<i>Current liabilities</i>			
Accounts payable	\$ -	-	-
Interfund payables	3,368	-	3,823
<i>Total liabilities</i>	<u>3,368</u>	<u>-</u>	<u>3,823</u>
<i>Fund balances (deficit)</i>			
Nonspendable	715	-	-
Restricted	5,242	23,933	-
Unassigned	-	-	-
<i>Total fund balance (deficit)</i>	<u>5,957</u>	<u>23,933</u>	<u>-</u>
<i>Total liabilities and fund balance (deficit)</i>	<u>\$ 9,325</u>	<u>23,933</u>	<u>3,823</u>

<u>RURAL EDUCATION 25233</u>	<u>2012 GO BONDS LIBRARY 27107</u>	<u>BREAKFAST FOR ELEM STUDENTS 27155</u>	<u>NM GROWN FRUIT AND VEGETABLE 27183</u>	<u>TOTAL NONMAJOR SPECIAL REVENUE FUNDS</u>
3,986	-	-	-	27,919
-	6,820	-	-	19,253
-	-	-	-	715
<u>3,986</u>	<u>6,820</u>	<u>-</u>	<u>-</u>	<u>47,887</u>
-	-	-	-	-
-	6,820	-	-	14,011
-	6,820	-	-	14,011
-	-	-	-	715
3,986	-	-	-	33,161
-	-	-	-	-
<u>3,986</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,876</u>
<u>3,986</u>	<u>6,820</u>	<u>-</u>	<u>-</u>	<u>47,887</u>

STATE OF NEW MEXICO
 FLOYD MUNICIPAL SCHOOLS
 COMBINING BALANCE SHEET-NONMAJOR GOVERNMENTAL FUNDS
 SPECIAL REVENUE FUNDS
 June 30, 2019

(Page 3 of 3)

	CAPITAL OUTLAY STATE 31400	TOTAL NONMAJOR CAPITAL PROJECTS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS			
<i>Current assets</i>			
Cash	\$ -	-	27,919
Accounts receivable			
Due from other governments	-	-	19,253
Inventory	-	-	715
<i>Total assets</i>	<u>\$ -</u>	<u>-</u>	<u>47,887</u>
LIABILITIES AND FUND BALANCES			
<i>Current liabilities</i>			
Accounts payable	\$ -	-	-
Interfund payables	-	-	14,011
<i>Total liabilities</i>	<u>-</u>	<u>-</u>	<u>14,011</u>
<i>Fund balances (deficit)</i>			
Nonspendable	-	-	715
Restricted	-	-	33,161
Unassigned	-	-	-
<i>Total fund balance (deficit)</i>	<u>-</u>	<u>-</u>	<u>33,876</u>
<i>Total liabilities and fund balance (deficit)</i>	<u>\$ -</u>	<u>-</u>	<u>47,887</u>

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STATE OF NEW MEXICO
 FLOYD MUNICIPAL SCHOOLS
 COMBINING STATEMENT OF REVENUE, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2019

	FOOD SERVICES 21000	ATHLETICS 22000	PRESCHOOL IDEA-B 24109
Revenues			
Fees-activities	\$ -	9,887	-
Fees-users	10,656	-	-
State grants	-	-	-
Federal grants	94,611	-	11,469
<i>Total revenues</i>	<u>105,267</u>	<u>9,887</u>	<u>11,469</u>
Expenditures			
Current			
Instruction	-	9,536	11,469
Support services			
Instruction	-	-	-
Food services-operations	53,522	-	-
Capital outlay	-	-	-
<i>Total expenditures</i>	<u>53,522</u>	<u>9,536</u>	<u>11,469</u>
Excess (deficiency) of revenues over (under) expenditures	<u>51,745</u>	<u>351</u>	<u>-</u>
Other financing sources (uses)			
Operating transfers	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	51,745	351	-
Fund balances, beginning of year	<u>(45,788)</u>	<u>23,582</u>	<u>-</u>
Fund balances, end of year	<u>\$ 5,957</u>	<u>23,933</u>	<u>-</u>

RURAL EDUCATION 25233	2012 GO BONDS LIBRARY 27107	BREAKFAST FOR ELEM STUDENTS 27155	NM GROWN FRUIT AND VEGETABLE 27183	TOTAL NONMAJOR SPECIAL REVENUE FUNDS
-	-	-	-	9,887
-	-	-	-	10,656
18,596	6,820	3,879	746	30,041
6,447	-	-	-	112,527
25,043	6,820	3,879	746	163,111
21,057	-	-	-	42,062
-	6,820	-	-	6,820
-	-	3,879	746	58,147
-	-	-	-	-
21,057	6,820	3,879	746	107,029
3,986	-	-	-	56,082
-	-	-	-	-
-	-	-	-	-
3,986	-	-	-	56,082
-	-	-	-	(22,206)
3,986	-	-	-	33,876

STATE OF NEW MEXICO
 FLOYD MUNICIPAL SCHOOLS
 COMBINING STATEMENT OF REVENUE, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2019

(Page 3 of 3)

	CAPITAL OUTLAY STATE 31400	TOTAL NONMAJOR CAPITAL PROJECTS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
Revenues			
Fees-activities	\$ -	-	9,887
Fees-users	-	-	10,656
State grants	50,000	50,000	80,041
Federal grants	-	-	112,527
<i>Total revenues</i>	<u>50,000</u>	<u>50,000</u>	<u>213,111</u>
Expenditures			
Current			
Instruction	-	-	42,062
Support services			
Instruction	-	-	6,820
Food services-operations	-	-	58,147
Capital outlay	50,000	50,000	50,000
<i>Total expenditures</i>	<u>50,000</u>	<u>50,000</u>	<u>157,029</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>56,082</u>
Other financing sources (uses)			
Operating transfers	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	56,082
Fund balances, beginning of year	-	-	(22,206)
Fund balances, end of year	<u>\$ -</u>	<u>-</u>	<u>33,876</u>

**STATE OF NEW MEXICO
FLOYD MUNICIPAL SCHOOLS
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES-- AGENCY FUNDS
For the Year Ended June 30, 2019**

	BALANCE 6/30/2018	ADDITIONS	DEDUCTIONS	BALANCE 6/30/2019
EPAC	\$ 150	1,085	625	610
Curtain Fund	-	2,229	-	2,229
Student Council	1,212	1,272	681	1,803
Yearbook	6,480	6,189	4,163	8,506
FFA	1,200	15,411	15,088	1,523
FCA	2,885	912	1,042	2,755
Cheerleaders	1,321	1,020	865	1,476
Book Fair	3,335	1,432	4,745	22
Poster	404	173	339	238
National Honor Society	1,227	698	926	999
Elementary Cheerleaders	337	510	348	499
HS Basketball-Girls	2,147	1,145	1,350	1,942
Football	869	-	-	869
Activity Account Super	12,951	5,892	4,922	13,921
Volleyball	3,387	2,768	4,300	1,855
HS Basketball-Boys	828	216	-	1,044
Elementary Basketball	11	-	-	11
Track	350	-	-	350
Junior High Basketball	421	-	-	421
Baseball	390	-	-	390
Booster Club	6,316	4,269	6,975	3,610
Elementary Fund	(54)	1,682	1,049	579
Relay for Life	47	-	47	-
Class of 2019	3,233	3,214	6,425	22
Class of 2020	3,639	8,545	7,570	4,614
Class of 2021	3,442	2,325	1,041	4,726
Class of 2022	1,392	294	61	1,625
Class of 2023	501	313	102	712
Class of 2024	531	1,014	709	836
Class of 2025	653	628	675	606
Class of 2026	911	755	851	815
Class of 2027	444	778	542	680
Class of 2028	330	834	208	956
Class of 2029	108	459	492	75
Class of 2030	329	351	492	188
Class of 2031	243	483	193	533
	-	331	290	41
Total	\$ 61,970	67,227	67,116	62,081

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SUPPORTING SCHEDULES

**STATE OF NEW MEXICO
FLOYD MUNICIPAL SCHOOLS
SCHEDULE OF PLEDGED COLLATERAL
Year Ended June 30, 2019**

	James Polk Stone Community Bank
FUNDS ON DEPOSIT	
Interest bearing savings	\$ 502,817
Non-interest bearing deposits	177,543
<i>Total on deposit</i>	680,360
Less: FDIC insurance	(250,000)
<i>Total uninsured public funds</i>	\$ 430,360
PLEDGED COLLATERAL REQUIRED	
50% on deposits	\$ 215,180
<i>Pledged collateral required</i>	215,180
Pledged collateral at June 30, 2019	350,013
<i>Total over (under) collateralized:</i>	\$ 134,833
SECURITY TYPE, MATURITY DATE, IDENTIFIER	
FNMA QTRLY CALL STEP	
CUSIP# 3136G3FN0, 3/28/2031	\$ 250,012
FHLB QTRLY CALL STEP	
CUSIP# 3130AADF2, 12/30/2026	100,001
	\$ 350,013

Securities Held by the Independent Banker's Bank

STATE OF NEW MEXICO
 FLOYD MUNICIPAL SCHOOLS
 SCHEDULE OF DEPOSITS
 Year Ended June 30, 2019

Bank	ACCT TYPE	FUND	BANK BALANCE	OUTSTANDING CHECKS	OUTSTANDING DEPOSITS	NET CASH BALANCE
PORTALES NATIONAL BANK	Checking	Operational*	\$ 502,817	20,912	-	481,905
	Checking	Activity	69,574	7,493	-	62,081
	Checking	Payroll Clearing	107,969	105,084	-	2,885
Total JAMES POLK STONE COMMUNITY BANK			\$ <u>680,360</u>	<u>133,489</u>	<u>-</u>	<u>546,871</u>
					Less Agency Funds:	<u>62,081</u>
					Total Cash	<u><u>484,790</u></u>

*Interest Bearing

**STATE OF NEW MEXICO
FLOYD MUNICIPAL SCHOOLS
CASH RECONCILIATION
JUNE 30, 2019**

	<u>OPERATIONAL 11000</u>	<u>TEACHERAGE 12000</u>	<u>TRANSPORTATION 13000</u>
Cash, June 30, 2018	\$ 160,600	10,224	-
Add:			
2018-19 revenues	2,623,679	12,979	121,841
Less:			
Prior Year Warrants Voided	9	-	-
Total cash available	2,784,288	23,203	121,841
Less:			
2018-19 expenditures	(2,612,887)	(11,759)	(121,841)
Transfers to/from other funds	-	-	-
Outstanding Loans	(79,319)	-	-
Cash, June 30, 2019	<u>\$ 92,082</u>	<u>11,444</u>	<u>-</u>
Fund Balance Reconciliations to GAAP Basis:			
Audit reclassifications to cash	\$ -	-	-
Cash per Books	<u>92,082</u>	<u>11,444</u>	<u>-</u>
Fund Balance Reconciliation to GAAP Basis:			
Modified Accrual Adjustments	<u>78,878</u>	-	-
Fund Balance , Modified Accrual Basis	<u>\$ 170,960</u>	<u>11,444</u>	<u>-</u>

INSTRUCTIONAL MATERIALS 14000	FOOD SERVICES 21000	ATHLETICS 22000	FEDERAL FLOW-THROUGH 24000
10,452	(46,501)	23,582	(44,397)
7,117	96,657	9,888	97,362
-	-	-	-
17,569	50,156	33,470	52,965
(17,569)	(53,524)	(9,537)	(105,227)
-	-	-	-
-	3,368	-	52,262
-	-	23,933	-
-	-	-	-
-	-	23,933	-
-	5,957	-	-
-	5,957	23,933	-

**STATE OF NEW MEXICO
FLOYD MUNICIPAL SCHOOLS
CASH RECONCILIATION
JUNE 30, 2019**

	IMPACT AID FEDERAL DIRECT 25000	TITLE XIX STATE FLOW-THROUGH 27000	SPECIAL CAPITAL OUTLAY STATE 31400
Cash, June 30, 2018	\$ -	(31,490)	-
Add:			
2018-19 revenues	25,043	108,264	50,000
Less:			
Prior Year Warrants Voided	-	-	-
Total cash available	25,043	76,774	50,000
Less:			
2018-19 expenditures	(21,057)	(100,463)	(50,000)
Transfers to/from other funds	-	-	-
Outstanding Loans	-	23,689	-
Cash, June 30, 2019	<u>\$ 3,986</u>	<u>-</u>	<u>-</u>
Fund Balance Reconciliations to GAAP Basis:			
Audit reclassifications to cash	\$ -	-	-
Cash per Books	<u>3,986</u>	<u>-</u>	<u>-</u>
Fund Balance Reconciliation to GAAP Basis:			
Modified Accrual Adjustments	-	-	-
Fund Balance , Modified Accrual Basis	<u>\$ 3,986</u>	<u>-</u>	<u>-</u>

CAPITAL IMPROVEMENT SB9 31700	CAPITAL IMPROVEMENT SB9 31701	TOTAL
196,513	49,772	328,755
157,488	29,913	3,340,231
-	-	9
354,001	79,685	3,668,995
(80,042)	(299)	(3,184,205)
-	-	-
-	-	-
<u>273,959</u>	<u>79,386</u>	<u>484,790</u>
-	-	-
<u>273,959</u>	<u>79,386</u>	<u>484,790</u>
(8,945)	-	75,890
<u>265,014</u>	<u>79,386</u>	<u>560,680</u>

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COMPLIANCE SECTION

INDEPENDENT AUDITORS' 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*

To Brian S. Colòn, Esq.
New Mexico State Auditor

Board of Education
Floyd Municipal Schools

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons of the general fund and major special revenue funds of Floyd Municipal Schools (District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 23, 2019.

Internal Control over Financial Reporting

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

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

Our consideration of internal control over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material

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weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and responses as item 2019-001.

Purpose of this Report

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



Pattillo, Brown & Hill, LLP
Albuquerque, New Mexico
September 23, 2019

**STATE OF NEW MEXICO
FLOYD MUNICIPAL SCHOOLS
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2019**

A. SUMMARY OF AUDIT RESULTS

Type of auditors report issued: **Unmodified**

Internal control over financial reporting:

Material weaknesses identified? **No**

Significant deficiencies identified? **No**

Noncompliance material to financial statements noted? **No**

B. FINANCIAL STATEMENT FINDINGS

2019-001 Controls over Employee Contracts: (Other Noncompliance)

Condition/Context: During our review of employee contracts, we noted one employment contract listed an approved stipend for \$1,200. However, the employee was incorrectly only paid \$1,000 related to the stipend.

Criteria: NMAC 6.20.2.12 requires every school to 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. The School is also required to maintain an internal control structure to demonstrate the ability to record, process, summarize and report financial data. In addition, the internal control structure shall demonstrate that the school identifies applicable law and regulations, and that procedures are designed to provide reasonable assurance that the school complies with those laws and regulations.

Per NMAC 6.20.2.11 (A) 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, 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. 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."

Cause: Internal controls are not in place to ensure payments that are being made in accordance with contract provisions and the employees' time sheet.

Effect: Underpayment of employee contract.

Auditor's Recommendation: We recommend that management establish a process to ensure all contracts are reviewed and reconciled to the payroll register, including employment addendums and stipends.

Management's Response: Effective immediately all personnel contracts will be written by the superintendent and reviewed for accuracy by the Business Manager when entered into payroll.

**STATE OF NEW MEXICO
FLOYD MUNICIPAL SCHOOLS
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2019**

STATUS OF PRIOR YEAR FINDINGS

2018-001 – Unapproved Purchase Order - Resolved

2018-002 – Personnel Files – Resolved

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**STATE OF NEW MEXICO
FLOYD MUNICIPAL SCHOOLS,
EXIT CONFERENCE
JUNE 30, 2019**

An exit conference was conducted on October 23, 2019 with the following individuals:

Floyd Municipal Schools:

Damon Terry, Superintendent
Margie Plummer, Business Manager
Leon Nall, Board of Education President

Pattillo, Brown & Hill, LLP:

Chris Garner, CPA

Pattillo, Brown & Hill, LLP prepared the GAAP-basis financial statements and footnotes of Floyd Municipal Schools from the original books and records provided to them by the management of the District. The responsibility for the financial statements remains with the District.