

STATE OF NEW MEXICO
ANNUAL FINANCIAL REPORT
JUNE 30, 2019



Academic and Athletic Excellence

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**FORT SUMNER MUNICIPAL SCHOOLS
OFFICIAL ROSTER**

BOARD OF EDUCATION

Scott Lewis	President
Kyle Sparks	Vice President
Sharrie West	Secretary
Molly Kenyon	Member
Tom Wilton	Member

SCHOOL OFFICIALS

Matt Moyer	Superintendent
Lisa Downey	Business Manager



Independent Auditors' Report

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

Board of Education
Fort Sumner 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 comparison for the General Fund and the major Special Revenue Fund of Fort Sumner 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

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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 comparison for the general fund 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 47-51 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 November 13, 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
November 13, 2019

BASIC FINANCIAL STATEMENTS

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

	GOVERNMENTAL ACTIVITIES
	<hr/>
ASSETS	
Current Assets	
Cash	\$ 2,261,899
Property taxes receivable	21,321
Due from other agencies	297,003
Inventory	2,457
<i>Total current assets</i>	<hr/> <u>2,582,680</u>
Noncurrent Assets	
Capital assets, non-depreciable	
Land	41,556
Construction in progress	608,869
<i>Total capital assets, non-depreciable</i>	<hr/> <u>650,425</u>
Capital assets, net of accumulated depreciation	
Buildings and improvements	22,399,682
Furniture and equipment	2,729,775
Less: accumulated depreciation	(10,276,125)
<i>Total capital assets, net of accumulated depreciation</i>	<hr/> <u>14,853,332</u>
<i>Total noncurrent assets</i>	<hr/> <u>15,503,757</u>
<i>Total assets</i>	<hr/> <u>18,086,437</u>
DEFERRED OUTFLOWS	
OPEB related	46,747
Pension related	2,445,776
<i>Total deferred outflows</i>	<hr/> <u>2,492,523</u>

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

	GOVERNMENTAL ACTIVITIES
LIABILITIES	
Current liabilities	
Accounts payable	39,377
Accrued Interest	18,239
Current portion of compensated absences	3,107
Debt due within one year	305,000
<i>Total current liabilities</i>	<u>365,723</u>
Noncurrent Liabilities	
Long term portion of compensated absences	2,302
Debt due in more than one year	1,980,000
Net OPEB liability	2,310,716
Net pension liability	9,654,572
<i>Total noncurrent liabilities</i>	<u>13,947,590</u>
<i>Total liabilities</i>	<u>14,313,313</u>
DEFERRED INFLOWS	
OPEB related	604,391
Pension related	183,742
<i>Total deferred inflows</i>	<u>788,133</u>
NET POSITION	
Investment in capital assets, net	13,218,757
Restricted for:	
General fund	11,859
Special revenues	609,953
Capital projects	914,515
Debt service	463,515
Unrestricted	(9,741,085)
<i>Total net position</i>	<u>\$ 5,477,514</u>

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Primary government					
Governmental activities					
Instruction	\$ 3,364,263	43,067	377,374	-	(2,943,822)
Support services					
Students	469,738	-	-	-	(469,738)
Instruction	158,415	-	-	-	(158,415)
General administration	210,627	-	-	-	(210,627)
School administration	304,232	-	-	-	(304,232)
Central services	110,623	-	-	-	(110,623)
Operation & maintenance of plant	641,088	-	-	-	(641,088)
Student transportation	621,526	-	-	-	(621,526)
Other	1,000	-	-	-	(1,000)
Food services-operations	263,630	25,931	135,816	-	(101,883)
Capital outlay	408,260	-	-	-	(408,260)
Interest on long term debt	40,875	-	-	-	(40,875)
<i>Total governmental activities</i>	<u>\$ 6,594,277</u>	<u>68,998</u>	<u>513,190</u>	<u>-</u>	<u>(6,012,089)</u>

General Revenues

Property taxes	
Levied for general purpose	35,553
Levied for capital projects	148,769
Levied for debt service	448,036
State Equalization Guarantee Revenue	3,688,811
Investment income	30,453
Miscellaneous	224,082
<i>Total general revenues</i>	<u>4,575,704</u>
Change in net position	<u>(1,436,385)</u>
Net position, beginning	<u>6,913,899</u>
Net position - ending	<u>\$ 5,477,514</u>

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

	<u>GENERAL FUND</u>	
	OPERATIONAL 11000-14000	WIND FARMS 29134
ASSETS		
<i>Current assets</i>		
Cash and cash equivalents	\$ 270,130	504,158
Accounts receivable		
Taxes	1,246	-
Due from other governments	-	-
Interfund receivable	302,933	-
Inventory	-	-
<i>Total assets</i>	<u>\$ 574,309</u>	<u>504,158</u>
LIABILITIES		
<i>Current liabilities</i>		
Accounts payable	\$ 37,333	-
Accrued salaries and benefits	-	-
Interfund payable	-	-
Unearned revenue	-	-
<i>Total liabilities</i>	<u>37,333</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue-property taxes	965	-
<i>Total deferred inflow of resources</i>	<u>965</u>	<u>-</u>
<i>Fund balances</i>		
Fund Balance		
Nonspendable	-	-
Restricted for:		
General Fund	11,859	-
Special Revenue Funds	-	504,158
Capital Projects Funds	-	-
Debt Service Funds	-	-
Unassigned	524,152	-
<i>Total fund balances</i>	<u>536,011</u>	<u>504,158</u>
<i>Total liabilities, deferred inflows of resources and fund balances</i>	<u>\$ 574,309</u>	<u>504,158</u>

BOND BUILDING 31100	CAPITAL IMPROVEMENTS SB-9 LOCAL 31701	DEBT SERVICE 41000	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
593,685	320,260	460,137	113,529	2,261,899
-	5,250	14,825	-	21,321
-	-	-	297,003	297,003
-	-	-	-	302,933
-	-	-	2,457	2,457
<u>593,685</u>	<u>325,510</u>	<u>474,962</u>	<u>412,989</u>	<u>2,885,613</u>
-	240	-	1,804	39,377
-	-	-	-	-
-	-	-	302,933	302,933
-	-	-	-	-
-	240	-	304,737	342,310
-	4,440	11,447	-	16,852
-	4,440	11,447	-	16,852
-	-	-	2,457	2,457
-	-	-	-	11,859
-	-	-	105,795	609,953
593,685	320,830	-	-	914,515
-	-	463,515	-	463,515
-	-	-	-	524,152
<u>593,685</u>	<u>320,830</u>	<u>463,515</u>	<u>108,252</u>	<u>2,526,451</u>
<u>593,685</u>	<u>325,510</u>	<u>474,962</u>	<u>412,989</u>	<u>2,885,613</u>

STATE OF NEW MEXICO
FORT SUMNER 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	\$ 2,526,451
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	15,503,757
Defined benefit pension plan and other post employment benefit deferred outflows are not financial resources and, therefore, are not reported in the funds.	2,492,523
Other liabilities are not due and payable in the current period and, therefore, are not reported in the funds	
Accrued interest payable	(18,239)
Delinquent ad valorem assessments receivable are not available to pay current year expenditures and, therefore, are reported as deferred inflows in the fund financial statements	16,852
Long term liabilities are not due and payable in the current period and therefore are not reported in the funds	
Compensated absences	(5,409)
Bonds/loans payable	(2,285,000)
Net OPEB liability	(2,310,716)
Net pension liability	(9,654,572)
Defined benefit pension plan and other post employment benefit deferred inflows are not due and payable in the current period and, therefore, are not reported in the funds	<u>(788,133)</u>
Net position of governmental activities	\$ <u><u>5,477,514</u></u>

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

	<u>GENERAL FUND</u>		
	OPERATIONAL	WIND	BOND
	11000-14000	FARMS	BUILDING
	11000-14000	29134	31100
Revenues			
Taxes	\$ 35,403	-	-
Rental Income	8,200	-	-
Fees - Activities	9,835	-	-
Fees - users	455	-	-
State Grants	3,688,811	-	-
Federal Grants	-	-	-
Miscellaneous	68,805	139,077	-
Interest Income	4,520	5,119	15,882
<i>Total revenues</i>	<u>3,816,029</u>	<u>144,196</u>	<u>15,882</u>
Expenditures			
Current			
Instruction	1,918,379	79,504	-
Support services			
Students	256,749	-	-
Instruction	27,807	-	-
General administration	161,425	-	-
School administration	206,014	-	-
Central services	81,111	-	-
Operations & maintenance of plant	444,114	25,147	-
Student transportation	558,677	-	-
Other support services	-	-	-
Operation of non-instructional services			
Food services operations	-	-	-
Capital outlay	-	-	815,585
Debt service			
Principal	-	-	-
Interest	-	-	-
<i>Total expenditures</i>	<u>3,654,276</u>	<u>104,651</u>	<u>815,585</u>
Excess (deficiency) of revenues over (under) expenditures	<u>161,753</u>	<u>39,545</u>	<u>(799,703)</u>
Other financing sources (uses)			
Transfers (in) out	-	-	-
Proceeds from the sale of assets	-	-	-
Bond proceeds	-	-	900,000
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>900,000</u>
Net changes in fund balances	161,753	39,545	100,297
Fund balances, beginning of year	<u>374,258</u>	<u>464,613</u>	<u>493,388</u>
Fund balances, end of year	<u>\$ 536,011</u>	<u>504,158</u>	<u>593,685</u>

CAPITAL IMPROVEMENTS SB-9 LOCAL 31701	DEBT SERVICE 41000	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
148,769	448,036	-	632,208
-	-	-	8,200
-	-	32,777	42,612
-	-	25,931	26,386
-	-	110,034	3,798,845
-	-	403,156	403,156
-	-	8,000	215,882
3,852	208	872	30,453
<u>152,621</u>	<u>448,244</u>	<u>580,770</u>	<u>5,157,742</u>
-	-	291,072	2,288,955
-	-	101,015	357,764
-	-	10,613	38,420
1,349	4,061	-	166,835
-	-	12,314	218,328
-	-	-	81,111
-	-	3,903	473,164
-	-	-	558,677
1,000	-	-	1,000
-	-	210,838	210,838
246,301	-	31,312	1,093,198
-	360,000	-	360,000
-	40,875	-	40,875
<u>248,650</u>	<u>404,936</u>	<u>661,067</u>	<u>5,889,165</u>
<u>(96,029)</u>	<u>43,308</u>	<u>(80,297)</u>	<u>(731,423)</u>
-	-	-	-
-	-	-	-
-	-	-	900,000
-	-	-	900,000
(96,029)	43,308	(80,297)	168,577
<u>416,859</u>	<u>420,207</u>	<u>188,549</u>	<u>2,357,874</u>
<u>320,830</u>	<u>463,515</u>	<u>108,252</u>	<u>2,526,451</u>

**STATE OF NEW MEXICO
 FORT SUMNER 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	\$ 168,577
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:	
Depreciation expense	(713,386)
Capital outlay	868,147
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds:	
Change in bonds/loans payable/compensated absences	(544,249)
Change in property taxes	150
Change in other post employment benefit liability and net pension liability	<u>(1,215,624)</u>
Change in net position	\$ <u><u>(1,436,385)</u></u>

**STATE OF NEW MEXICO
FORT SUMNER 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				
Taxes	\$ 32,733	32,733	34,820	2,087
Rental Income	-	3,980	8,200	4,220
Fees - Activities	-	-	9,835	9,835
Fees - users	-	-	455	455
State Grants	3,528,383	3,691,604	3,688,811	(2,793)
Federal Grants	-	-	-	-
Miscellaneous	95,612	95,612	69,502	(26,110)
Interest Income	2,500	2,500	4,520	2,020
<i>Total revenues</i>	<u>3,659,228</u>	<u>3,826,429</u>	<u>3,816,143</u>	<u>(10,286)</u>
Expenditures				
Current				
Instruction	2,081,354	2,060,166	1,905,995	154,171
Support services				
Students	305,353	342,845	256,749	86,096
Instruction	34,038	34,038	27,807	6,231
General administration	153,548	180,548	157,243	23,305
School administration	207,888	212,595	209,145	3,450
Central services	91,368	96,268	88,087	8,181
Operations & maintenance of plant	438,070	532,895	453,058	79,837
Student transportation	550,763	566,248	558,853	7,395
Other support services	6,271	6,271	-	6,271
Food service - operations	-	-	-	-
<i>Total expenditures</i>	<u>3,868,653</u>	<u>4,031,874</u>	<u>3,656,937</u>	<u>374,937</u>
Excess (deficiency) of revenues over (under) expenditures	(209,425)	(205,445)	159,206	364,651
Designated Cash	<u>655,568</u>	<u>655,568</u>	<u>-</u>	<u>(655,568)</u>
Net change in fund balances	<u>446,143</u>	<u>450,123</u>	<u>159,206</u>	<u>(290,917)</u>
Reconciliation to GAAP Basis:				
Adjustments to revenues			(114)	
Adjustments to expenditures			2,660	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>\$ 161,752</u>	

STATE OF NEW MEXICO
FORT SUMNER MUNICIPAL SCHOOLS
WIND FARMS - 29134
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	-	-	-	-
Rent and leases	-	-	-	-
Fees-activities	-	-	-	-
Fees-users	\$ -	-	-	-
State grants	-	-	-	-
Federal grants	-	-	-	-
Interest income	1,000	5,119	5,119	-
Miscellaneous	\$ 139,077	139,077	139,077	-
<i>Total revenues</i>	<u>140,077</u>	<u>144,196</u>	<u>144,196</u>	<u>-</u>
Expenditures				
Current				
Instruction	406,967	411,086	79,504	331,582
Support services				
Students	-	-	-	-
Instruction	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Central services	-	-	-	-
Operations & maintenance of plant	125,000	125,000	25,247	99,753
Student transportation	-	-	-	-
Other support services	-	-	-	-
Food service - operations	-	-	-	-
Capital outlay	-	-	-	-
<i>Total expenditures</i>	<u>531,967</u>	<u>536,086</u>	<u>104,751</u>	<u>431,335</u>
Excess (deficiency) of revenues over (under) expenditures	(391,890)	(391,890)	39,445	431,335
Designated Cash	<u>464,713</u>	<u>464,713</u>	<u>-</u>	<u>(464,713)</u>
Net change in fund balances	<u>72,823</u>	<u>72,823</u>	<u>39,445</u>	<u>(33,378)</u>
Reconciliation to GAAP Basis:				
Adjustments to revenues			-	
Adjustments to expenditures			100	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>\$ 39,545</u>	

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

	<u>AGENCY FUNDS</u>
ASSETS	
<i>Current assets</i>	
Cash and cash equivalents	\$ <u>134,795</u>
<i>Total assets</i>	\$ <u><u>134,795</u></u>
 LIABILITIES	
<i>Current liabilities</i>	
Deposits held in trust for others	\$ <u>134,795</u>
<i>Total liabilities</i>	\$ <u><u>134,795</u></u>

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fort Sumner Municipal Schools (the District) has been in existence since the early nineteen hundreds and is currently operating under the provisions of the public school district code, Chapter 22, Article 5, Paragraph 4, New Mexico Statutes 1978. The School Board is authorized to establish policies and regulations for its own government consistent with the laws of the State of New Mexico and the regulations of the State Board of Education and the Legislative Finance Committee. The School Board is comprised of five members who are elected for terms of four years. Fort Sumner Municipal Schools provides kindergarten, elementary, middle and secondary educational services to school age residents of the District.

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

A. Financial Reporting Entity

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-wide and fund financial statements

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

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

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

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

C. Measurement focus, basis of accounting, and financial statement presentation

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

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

The government reports the following major governmental funds:

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

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

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

The Wind Farm Projects Fund is used to account for a local grant funded by a wind farm in lieu of paying property taxes, to teach the students about future wind farm technology, a growing industry in the area. The fund was created by grant provisions.

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

The Capital Improvement (SB-9) Fund is used to account for the expenditures of property taxes levied and state matching monies restricted to maintenance and capital improvement projects as adopted by school board resolution. Authority for the creation of this fund is NMSA 22-25-1 to 25-25-10.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

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

Additionally, the government reports the following fund types:

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

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

D. Assets, Liabilities and Net Position or Equity

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

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

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

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

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Assets	Years
Land improvements	20-50
Building & building improvements	20-50
Furniture, fixtures and equipment	5-20
Vehicles	5-20

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

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

Compensated Absences: Twelve month employees will earn 10 days annual leave per contract year. The Superintendent will earn 15 days of annual leave per contract year. Twelve month employees may accumulate up to 20 days of annual leave. The Superintendent may accumulate up to 30 days of annual leave. Any leave beyond these limits must be used by June 30th of the current contract year or within 18 months after the granting of a special provision to extend the limits. Special provisions to extend the limits of annual leave by twelve month employees may be approved by the Superintendent. The Superintendent may extend the limits of accumulated annual leave by receiving the approval of the board of education. Upon cancellation of the employment contract, no payment shall be made for more than 20 days of unused annual leave for twelve month employee and 30 days of unused annual leave for the Superintendent.

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Restricted fund balance represents amounts that are constrained either by: 1) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; or 2) imposed by law through constitutional provisions or enabling legislation.

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

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

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

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

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

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 to NMRHCA. For this purpose, NMRHCA recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

E. 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 insure that the school district's operating revenue, including its local and federal revenues as defined (in Chapter 22, Section 825, NMSA 1978) is at least equal to the school district's program costs.

A school district's program costs are determined through the use of various formulas using 'program units' which take into consideration 1) early childhood education; 2) basic education; 3) special education; 4) bilingual-multicultural education; 5) size, etc. Payment is made from the public school fund under the authority of the Director of Public School Finance. The District received \$3,138,476 in state equalization guarantee distributions during the year ended June 30, 2019.

Tax Revenues: The District receives mill levy and ad-valorem tax revenues primarily for operational, debt service and capital outlay purposes. Property taxes are assessed on January 1st of each year and are payable in two equal installments, on November 10th of the year in which the tax bill is prepared and April 10th of the following year with the levies becoming delinquent 30 days (one month) thereafter. The District recognizes tax revenues in the period for which they are levied in the government-wide financial statements. The District records only the portion of the taxes considered 'measurable' and 'available' in the governmental fund financial statements. The District recognized \$615,355 in tax revenues in the governmental fund financial statements during the year ended June 30, 2019. Descriptions of the individual debt service and capital outlay funds contained in these financial statements include information regarding the authority for the collection and use of these taxes.

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 \$540,966 in transportation distributions during the year ended June 30, 2019.

Instructional Materials: The District had allocations allowed by the State for the current year of \$9,369. Of the allocation, the District used \$9,369 to purchase textbooks during the year. Allocations received and utilized are reflected in revenue and expenditures of the General Fund.

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

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

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

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

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

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

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

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

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

Budgetary Information (continued)

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

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

NOTE 3. CASH AND TEMPORARY INVESTMENTS

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

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

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

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

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

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

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

NOTE 3. CASH AND TEMPORARY INVESTMENTS (CONTINUED)

Deposits

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

<u>Type</u>	<u>Citizens Bank of Clovis</u>
Total Deposits	\$ 2,507,182
Less: FDIC Coverage	<u>(250,000)</u>
Total uninsured public funds	2,257,182
Collateral requirement (50%)	1,128,591
Pledged Securities	<u>2,748,779</u>
(Over) Under collateralized	<u>\$ (1,620,188)</u>

Custodial credit risk is the risk that in the event of a bank failure, the governments' deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2019, \$0 of the District’s bank balance of \$2,507,182 was exposed to custodial credit risk as follows:

<u>Custodial Credit Risk Deposits</u>	
Account Balance	\$ <u>2,507,182</u>
FDIC Insurance	\$ 250,000
Collateral held by pledging bank’s trust department not in the District’s name	2,748,779
(Over) Under Collateralized	<u>(491,597)</u>
Total	<u>\$ 2,507,182</u>

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

NOTE 3. CASH AND TEMPORARY INVESTMENTS (CONTINUED)

Reconciliation to Statement of Net Position

Governmental Funds – Balance Sheet		
Cash and cash equivalents	\$	2,347,729
Cash held with fiscal agent		359,683
Statement of Fiduciary Assets and Liabilities		159,453
Total per bank		<u>2,866,865</u>
Add outstanding checks and other reconciling items		<u>(470,171)</u>
Total Governmental Funds Cash	\$	<u><u>2,396,694</u></u>
Total per financial statements		
Cash	\$	1,902,216
Cash held by NMFA		359,683
Agency fund cash		134,795
Total Governmental Funds Cash	\$	<u><u>2,396,694</u></u>

Custodial Credit Risk- Investments

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

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

NOTE 4. ACCOUNTS RECEIVABLE

Receivables are deemed to be 100% collectible as of June 30, 2019, as follows:

	<u>Property Taxes</u>	<u>Intergovernmental</u>	<u>Totals</u>
General Fund			
Operational - 11000	\$ 1,246	-	1,246
Senate Bill 9 – 31701	5,250	-	5,250
Debt Service - 41000	14,825	-	14,825
Other Governmental Funds	-	297,002	297,002
Totals	<u>\$ 21,321</u>	<u>297,002</u>	<u>318,323</u>

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

NOTE 5. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The District records temporary interfund receivables and payables to enable the funds to operate until grant monies are received. All interfund amounts are considered to be repaid in one year. The composition of interfund balances during the year ended June 30, 2019 is as follows:

Governmental Activities:	Interfund Receivables	Interfund Payables
Major Funds:		
General Fund		
Operational - 11000	\$ 302,933	-
Total Major Funds	<u>302,933</u>	<u>-</u>
Non-Major Special Revenue Funds:		
Title I – IASA – 24101	-	85,529
IDEA-B Entitlement – 24106	-	74,820
IDEA-B Competitive - 24108	-	7,353
Preschool IDEA-B – 24109	-	4,335
Teacher/Principal Training - 24154	-	10,782
Carl D Perkins Secondary - 24183	-	24,620
Title IV - 24189	-	10,000
Rural Education – 25233	-	7,010
2012 GO Bonds – 27107	-	2,701
Excellence in Teaching – 27125	-	5,000
Breakfast for Elementary Students – 27155	-	1,917
K-3 Plus – 27166	-	60,696
NM Grown FFV – 27183	-	170
K-3 Plus 4&5 Pilot – 27198	-	8,000
Total Non-Major Special Revenue Funds	<u>-</u>	<u>302,933</u>
Total All Funds	<u>\$ 302,933</u>	<u>302,933</u>

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

NOTE 6. CAPITAL ASSETS

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

Capital assets, net of accumulated depreciation, at June 30, 2019 appear in the Statement of Net Position as follows:

	Balance June 30, 2018	Additions	Balance June 30, 2019
Capital Assets used in			
Governmental Activities:			
Non-depreciable			
Construction in Progress	\$ 59,178	549,691	608,869
Land	-	41,556	41,556
Depreciable			
Buildings and Improvements	22,324,598	75,084	22,399,682
Furniture, Fixtures & Equipment	2,527,959	201,816	2,729,775
Total assets	<u>24,911,735</u>	<u>868,147</u>	<u>25,779,882</u>
Less Accumulated Depreciation:			
Buildings and Improvements	(8,128,880)	(594,646)	(8,723,526)
Furniture, Fixtures & Equipment	(1,433,859)	(118,740)	(1,552,599)
Total Accumulated Depreciation	<u>(9,562,739)</u>	<u>(713,386)</u>	<u>(10,276,125)</u>
Net Capital Assets	<u>\$ 15,348,996</u>	<u>154,761</u>	<u>15,503,757</u>

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

Instruction	\$ 418,872
Support Services – Students	17,086
Support Services – Instruction	106,649
Operation & maintenance of plant	112,499
Student transportation	13,040
Food services operations	1,219
Capital Outlay	44,021
Total	<u>\$ 713,386</u>

NOTE 7. LONG-TERM DEBT

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

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FORT SUMNER MUNICIPAL SCHOOLS
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NOTE 7. LONG-TERM DEBT (CONTINUED)

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

<u>Series</u>	<u>Date of Issue</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Balance</u>
Series 2010	05/21/2010	\$ 880,000	.479%-2.527%	\$ 150,000
Series 2014	06/27/2014	1,500,000	.376%-2.806%	1,235,000
Series 2018	07/30/2018	900,000	1.45%-2.94%	900,000
Total				\$ <u>2,285,000</u>

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

	<u>Balance June 30, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2019</u>	<u>Due Within One Year</u>
General Obligation Bonds	\$ 1,745,000	900,000	360,000	2,285,000	305,000
Compensated Absences	2,880	7,728	5,199	5,409	3,107
	\$ <u>1,747,880</u>	<u>907,728</u>	<u>365,199</u>	<u>2,290,409</u>	<u>308,107</u>

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

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2020	\$ 305,000	45,038	350,038
2021	345,000	38,768	383,768
2022	245,000	33,055	278,055
2023	245,000	27,624	272,624
2024	245,000	21,721	266,721
2025 and thereafter	900,000	53,821	953,821
Total	\$ <u>2,285,000</u>	<u>220,027</u>	<u>2,505,027</u>

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

NOTE 8. RISK MANAGEMENT

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

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NOTE 8. RISK MANAGEMENT (CONTINUED)

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

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

NOTE 9. 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.

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FORT SUMNER MUNICIPAL SCHOOLS
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NOTE 9. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)

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:

- 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.

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NOTE 9. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)

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

Benefit Options – The Plan has three benefit options available.

- **Option A – Straight Life Benefit** – The single life annuity option has no reductions to the monthly benefit, and there is no continuing benefit due to a beneficiary or estate, except the balance, if any, of member contributions plus interest less benefits paid prior to the member’s death.
- **Option B – Joint 100% Survivor Benefit** – The single life annuity monthly benefit is reduced to provide for a 100% survivor’s benefit. The reduced benefit is payable during the life of the member, with the provision that, upon death, the same benefit is paid to the beneficiary for his or her lifetime. If the beneficiary predeceases the member, the member’s monthly benefit is increased to the amount the member would have received under Option A Straight Life benefit. The member’s increased monthly benefit commences in the month following the beneficiary’s death.
- **Option C – Joint 50% Survivor Benefit** – The single life annuity monthly benefit is reduced to provide for a 50% survivor’s benefit. The reduced benefit is payable during the life of the member, with the provision that, upon death, the reduced 50% benefit is paid to the beneficiary for his or her lifetime. If the beneficiary predeceases the member, the member’s monthly benefit is increased to the amount the member would have received under Option A Straight Life benefit. The member’s increased monthly benefit commences in the month following the beneficiary’s death.

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

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NOTE 9. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)

greater than 90%, the COLA reductions will decrease. The retirees with benefits at or below the median and with 25 or more years of service credit will have a 5% COLA reduction; their average COLA will be 1.7%.

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

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

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

Fiscal Year	Date Range	Wage Category	Member Rate	Employer Rate	Combined Rate	Increase over Prior 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 \$570,698 and \$552,631, 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 \$9,654,572 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

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NOTE 9. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)

contributions of all participating educational institutions at June 30, 2018, actuarially determined. At June 30, 2018, the District’s proportion was 0.08119 %, which was an increase of 0.00123% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the District recognized pension expense of \$1,267,001. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 7,046	183,742
Changes in assumptions	1,989,762	-
Net difference between projected and actual earnings on pension plan investments	21,373	-
Changes in proportion and differences between contributions and proportionate share of contributions	101,682	-
Employer contributions subsequent to the measurement date	<u>325,913</u>	<u>-</u>
Total	\$ <u>2,445,776</u>	<u>183,742</u>

\$325,913 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	\$ 1,177,627
2020	755,987
2021	2,226
2022	281
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:

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NOTE 9. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)

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.										
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"> <tr> <td style="padding-right: 20px;">Fiscal year</td> <td style="text-align: center;"><u>2017</u></td> <td style="text-align: center;"><u>2016</u></td> <td style="text-align: center;"><u>2015</u></td> <td style="text-align: center;"><u>2014</u></td> </tr> <tr> <td>Service life in years</td> <td style="text-align: center;">3.35</td> <td style="text-align: center;">3.77</td> <td style="text-align: center;">3.92</td> <td style="text-align: center;">3.88</td> </tr> </table>	Fiscal year	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	Service life in years	3.35	3.77	3.92	3.88
Fiscal year	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>							
Service life in years	3.35	3.77	3.92	3.88							
Mortality	<p>Healthy males: Based on the RP-2000 Combined 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).										

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NOTE 9. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)

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.

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

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NOTE 9. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)

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

	1% Decrease (4.69%)	Current Discount Rate (5.69%)	1% Increase (6.69%)
District’s proportionate share of the net pension liability	\$ 12,547,245	9,654,572	7,294,330

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 10. 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

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NOTE 10. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN (CONTINUED)

insurance and prescription drug benefits consisting of a plan, or optional plans of benefits, that can be contributions to the Fund and by co-payments or out-of-pocket payments of eligible retirees.

Employees covered by benefit terms – At June 30, 2018, the Fund’s measurement date, the following employees were covered by the benefit 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 \$46,747 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 \$2,310,716 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 0.05314 percent.

For the year ended June 30, 2019, the District recognized OPEB expense of (\$4,627). 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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NOTE 10. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN (CONTINUED)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	136,809
Changes in assumptions	-	431,400
Changes in proportion	-	7,345
Net difference between projected and actual earnings on OPEB plan investments	-	28,837
Employer contributions subsequent to the measurement date	<u>46,747</u>	<u>-</u>
Total	\$ <u>46,747</u>	<u>604,391</u>

Deferred outflows of resources totaling \$46,747 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:		
2019	\$	(153,253)
2020		(153,253)
2021		(153,253)
2022		(118,704)
2023		<u>(25,928)</u>
Total	\$	<u>(604,391)</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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JUNE 30, 2019**

NOTE 10. 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
 FORT SUMNER MUNICIPAL SCHOOLS
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2019**

NOTE 10. 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>2,796,510</u>	<u>2,310,716</u>	<u>1,927,801</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>1,953,365</u>	<u>2,310,716</u>	<u>2,590,887</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.

NOTE 11. CONTINGENT LIABILITIES

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

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

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

NOTE 12. SURETY BOND

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

NOTE 13. NON-CASH FEDERAL ASSISTANCE

The District receives USDA Commodities for use in sponsoring the National School Lunch and Breakfast programs. The value of commodities received for the year ended June 30, 2019 was \$14,964.

NOTE 14. MEMORANDUM OF UNDERSTANDING/JOINT POWERS AGREEMENT

REC

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

Participants: Regional Education Cooperative (REC) and Fort Sumner Municipal Schools

Responsible Party for Operation and Audit: Regional Education Cooperative

Beginning and Ending Date of Agreement: July 1, 2018 – June 30, 2019

Total Estimated Amount of Project and Actual Amount Contributed: The District received services from the REC for services and costs totaling \$65,418.

NOTE 15. DEFICIENT FUND BALANCES

The following funds had a deficient fund balance at June 30, 2019:

Competitive IDEA-B	\$	(7,353)
Excellence in Teaching		(5,000)

The District is addressing the negative fund balances and is planning on taking the appropriate actions to eliminate the negative balances.

NOTE 16. SUBSEQUENT EVENTS

Events subsequent to June 30, 2019 have been evaluated by management through November 13, 2019, the date the financial statements were available for issuance. In the opinion of management, no events occurring after June 30, 2019 require adjustment or disclosure in the financial statement.

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

NOTE 17. 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 properly disclosed all debt in accordance with the new pronouncement.

NOTE 18. 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

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

NOTE 19. GASB 77 INTERGOVERNMENTAL DISCLOSURE

Agency number for Agency making the disclosure (Abating Agency)	5006
Abating Agency Name	De Baca County
Abating Agency Type	County
Tax Abatement Agreement Name	\$90,900,000 De Baca County, New Mexico Taxable Industrial Revenue Bonds (FPL Energy New Mexico Wind, LLC Project) Series 2002
Name of agency affected by abatement agreement (Affected Agency)	Fort Sumner Municipal Schools
Agency number of Affected Agency	7033
Agency type of Affected Agency	School District
Recipient(s) of tax abatement	FPL Energy New Mexico Wind, LLC
Tax abatement program (name and brief description)	Industrial Revenue Bond
Specific Tax(es) Being Abated	Ad Valorem Taxes
Authority under which abated tax would have been paid to Affected Agency	The County Industrial Revenue Bond Act, Ch. 4, Art. 59 NMSA 1978 ("the Act")
Gross dollar amount, on an accrual basis, by which the Affected Agency's tax revenues were reduced during the reporting period as a result of the tax abatement agreement	Amount unknown
For any Payments in Lieu of Taxes (PILOTs) or similar payments receivable by the Affected Agency in association with the foregone tax revenue, list the amount of payments received in the current fiscal year	\$90,165.00
If the Abating Agency is omitting any information required in this spreadsheet or by GASB 77, cite the legal basis for such omission	No
Is the abatement amount aggregated?	No
Threshold amount for aggregation	None

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

NOTE 19. GASB 77 INTERGOVERNMENTAL DISCLOSURE (CONTINUED)

Agency number for Agency making the disclosure (Abating Agency)	5006
Abating Agency Name	De Baca County
Abating Agency Type	County
Tax Abatement Agreement Name	\$62,900,000 De Baca County, New Mexico Taxable Industrial Revenue Bonds (New Mexico Wind Energy Center Repower Project) Series 2017
Name of agency affected by abatement agreement (Affected Agency)	Fort Sumner Municipal Schools
Agency number of Affected Agency	7033
Agency type of Affected Agency	School District
Recipient(s) of tax abatement	FPL Energy New Mexico Wind, LLC
Tax abatement program (name and brief description)	Industrial Revenue Bond
Specific Tax(es) Being Abated	Ad Valorem Taxes
Authority under which abated tax would have been paid to Affected Agency	The County Industrial Revenue Bond Act, Ch. 4, Art. 59 NMSA 1978 ("the Act")
Gross dollar amount, on an accrual basis, by which the Affected Agency's tax revenues were reduced during the reporting period as a result of the tax abatement agreement	Amount unknown
For any Payments in Lieu of Taxes (PILOTs) or similar payments receivable by the Affected Agency in association with the foregone tax revenue, list the amount of payments received in the current fiscal year	\$0
If the Abating Agency is omitting any information required in this spreadsheet or by GASB 77, cite the legal basis for such omission	No
Is the abatement amount aggregated?	No
Threshold amount for aggregation	None

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

NOTE 19. GASB 77 INTERGOVERNMENTAL DISCLOSURE (CONTINUED)

Agency number for Agency making the disclosure (Abating Agency)	5006
Abating Agency Name	De Baca County
Abating Agency Type	County
Tax Abatement Agreement Name	\$36,500,000 De Baca County, New Mexico Taxable Industrial Revenue Bonds (Casa Mesa Wind, LLC Project) Series 2018
Name of agency affected by abatement agreement (Affected Agency)	Fort Sumner Municipal Schools
Agency number of Affected Agency	7033
Agency type of Affected Agency	School District
Recipient(s) of tax abatement	Casa Mesa Wind, LLC
Tax abatement program (name and brief description)	Industrial Revenue Bond
Specific Tax(es) Being Abated	Ad Valorem Taxes
Authority under which abated tax would have been paid to Affected Agency	The County Industrial Revenue Bond Act, Ch. 4, Art. 59 NMSA 1978 ("the Act")
Gross dollar amount, on an accrual basis, by which the Affected Agency's tax revenues were reduced during the reporting period as a result of the tax abatement agreement	Amount unknown
For any Payments in Lieu of Taxes (PILOTs) or similar payments receivable by the Affected Agency in association with the foregone tax revenue, list the amount of payments received in the current fiscal year	\$0
If the Abating Agency is omitting any information required in this spreadsheet or by GASB 77, cite the legal basis for such omission	No
Is the abatement amount aggregated?	No
Threshold amount for aggregation	None

REQUIRED SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
FORT SUMNER MUNICIPAL SCHOOLS
SCHEDULE OF THE DISTRICT'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)**

	Fiscal Year Measurement Date	30-Jun				
		2019 2018	2018 2017	2017 2016	2016 2015	2015 2014
School's Proportion of the Net Pension Liability (Asset)		0.081190%	0.079960%	0.079390%	0.07834%	0.084120%
School's Proportionate Share of Net Pension Liability (Asset)		\$ 9,655	\$ 8,886	5,713	5,074	4,800
School's Covered-Employee Payroll		\$ 2,343	\$ 2,270	2,278	2,139	2,208
School's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll		411.98%	391.51%	250.81%	237.23%	217.33%
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 Fort Sumner Municipal Schools is not available prior to fiscal year 2015, the year the statement's requirements became effective.

**STATE OF NEW MEXICO
FORT SUMNER MUNICIPAL SCHOOLS
SCHEDULE OF DISTRICT CONTRIBUTIONS
June 30, 2019**

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 326	\$ 315	314	312	310
Contributions in Relation to the Contractually Required Contribution	<u>326</u>	<u>315</u>	<u>314</u>	<u>312</u>	<u>310</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

**STATE OF NEW MEXICO
 FORT SUMNER 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	30-Jun	30-Jun
	Measurement Date	2019	2018
		2018	2017
District's Proportion of the Net OPEB liability (Asset)		0.05314%	0.05330%
District's Proportionate Share of Net OBEB Liability (Asset)		\$ 2,310,716	\$ 2,415,382
District's Covered-Employee Payroll		\$ 2,280,034	\$ 2,220,290
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
 FORT SUMNER 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	\$ 83,040	\$ 169,253
Contributions in Relation to the	<u>82,026</u>	<u>84,946</u>
Contribution Deficiency (Excess)	<u>\$ 1,014</u>	<u>\$ 84,307</u>
Employer's covered-employee payroll	\$ 2,280,034	\$ 2,220,290
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
FORT SUMNER 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, 2019.

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 FY18 audit available at <http://saonm.org/> using the Audit Search function for agency 343.

Changes of assumptions. The Retiree Health Care Authority (RHCA) of New Mexico Biennial Actuarial Valuation as of June 30, 2018 report is available at <http://saonm.org/> using the Audit Search function for agency 343.

SUPPLEMENTARY INFORMATION

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

	OPERATIONAL 11000	TEACHERAGE 12000	TRANSPORTATION 13000	INSTRUCTIONAL MATERIALS 14000	TOTALS
ASSETS					
<i>Current assets</i>					
Cash and temporary investments	\$ 253,071	5,200	-	11,859	270,130
Accounts receivable					
Due from other governments	-	-	-	-	-
Property taxes	1,246	-	-	-	1,246
Interfund receivables	302,933	-	-	-	302,933
Inventory	-	-	-	-	-
<i>Total assets</i>	<u>\$ 557,250</u>	<u>5,200</u>	<u>-</u>	<u>11,859</u>	<u>574,309</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES					
<i>Current liabilities</i>					
Accounts payable	\$ 37,333	-	-	-	37,333
Accrued Liabilities	-	-	-	-	-
Interfund payables	-	-	-	-	-
<i>Total liabilities</i>	<u>37,333</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,333</u>
<i>Deferred Inflows</i>					
Unavailable revenue	965	-	-	-	965
<i>Total deferred inflows</i>	<u>965</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>965</u>
<i>Fund balances</i>					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	11,859	11,859
Unassigned	518,952	5,200	-	-	524,152
<i>Total fund balance</i>	<u>518,952</u>	<u>5,200</u>	<u>-</u>	<u>11,859</u>	<u>536,011</u>
<i>Total liabilities, deferred inflows, and fund balance</i>	<u>\$ 557,250</u>	<u>5,200</u>	<u>-</u>	<u>11,859</u>	<u>574,309</u>

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

	OPERATIONAL 11000	TEACHERAGE 12000	TRANSPORTATION 13000	INSTRUCTIONAL MATERIALS 14000	TOTALS
Revenues					
Taxes	\$ 35,403	-	-	-	35,403
Rental Income	3,000	5,200	-	-	8,200
Fees - Activities	9,835	-	-	-	9,835
Fees - users	455	-	-	-	455
State Grants	3,138,476	-	540,966	9,369	3,688,811
Federal Grants	-	-	-	-	-
Miscellaneous	68,805	-	-	-	68,805
Interest Income	4,520	-	-	-	4,520
<i>Total revenues</i>	<u>3,260,494</u>	<u>5,200</u>	<u>540,966</u>	<u>9,369</u>	<u>3,816,029</u>
Expenditures					
Current					
Instruction	1,917,109	-	-	1,270	1,918,379
Support services					
Students	256,749	-	-	-	256,749
Instruction	27,807	-	-	-	27,807
General administration	161,425	-	-	-	161,425
School administration	206,014	-	-	-	206,014
Central services	81,111	-	-	-	81,111
Operations & maintenance of plant	444,114	-	-	-	444,114
Student transportation	17,711	-	540,966	-	558,677
Other support services	-	-	-	-	-
Food services-operations	-	-	-	-	-
Capital outlay	-	-	-	-	-
<i>Total expenditures</i>	<u>3,112,040</u>	<u>-</u>	<u>540,966</u>	<u>1,270</u>	<u>3,654,276</u>
Excess (deficiency) of revenues over (under) expenditures	<u>148,454</u>	<u>5,200</u>	<u>-</u>	<u>8,099</u>	<u>161,753</u>
Net change in fund balances	148,454	5,200	-	8,099	161,753
Fund balances, beginning of year	<u>370,498</u>	<u>-</u>	<u>-</u>	<u>3,760</u>	<u>374,258</u>
Fund balances, end of year	<u>\$ 518,952</u>	<u>5,200</u>	<u>-</u>	<u>11,859</u>	<u>536,011</u>

**STATE OF NEW MEXICO
FORT SUMNER 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				
Taxes	\$ 32,733	32,733	34,820	2,087
Rental Income	-	-	3,000	3,000
Fees - Activities	-	-	9,835	9,835
Fees - users	-	-	455	455
State Grants	2,978,048	3,141,269	3,138,476	(2,793)
Federal Grants	-	-	-	-
Miscellaneous	95,612	95,612	69,502	(26,110)
Interest Income	2,500	2,500	4,520	2,020
<i>Total revenues</i>	<u>3,108,893</u>	<u>3,272,114</u>	<u>3,260,608</u>	<u>(11,506)</u>
Expenditures				
Current				
Instruction	2,071,985	2,050,797	1,904,725	146,072
Support services				
Students	305,353	342,845	256,749	86,096
Instruction	34,038	34,038	27,807	6,231
General administration	153,548	180,548	157,243	23,305
School administration	207,888	212,595	209,145	3,450
Central services	91,368	96,268	88,087	8,181
Operations & maintenance of plant	438,070	532,895	453,058	79,837
Student transportation	9,797	25,282	17,887	7,395
Other support services	6,271	6,271	-	6,271
Food service - operations	-	-	-	-
<i>Total expenditures</i>	<u>3,318,318</u>	<u>3,481,539</u>	<u>3,114,701</u>	<u>366,838</u>
Excess (deficiency) of revenues over (under) expenditures	(209,425)	(209,425)	145,907	355,332
Other financing sources				
Designated Cash	651,808	651,808	-	(651,808)
Net change in fund balances	<u>442,383</u>	<u>442,383</u>	145,907	<u>(296,476)</u>
Reconciliation to GAAP Basis:				
Adjustments to revenues			(114)	
Adjustments to expenditures			2,660	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>\$ 148,453</u>	

**STATE OF NEW MEXICO
FORT SUMNER 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				
Residential/non-residential taxes	-	-	-	-
Rent and leases	\$ -	3,980	5,200	1,220
Fees-activities	-	-	-	-
Fees-users	-	-	-	-
State grants	-	-	-	-
Federal grants	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>3,980</u>	<u>5,200</u>	<u>1,220</u>
Expenditures				
Current				
Instruction	-	-	-	-
Support services				
Students	-	-	-	-
Instruction	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Central services	-	-	-	-
Operations & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other support services	-	-	-	-
Food service - operations	-	-	-	-
Capital outlay	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	-	3,980	5,200	1,220
Other financing sources				
Designated Cash	-	-	-	-
Net change in fund balances	<u>-</u>	<u>3,980</u>	<u>5,200</u>	<u>1,220</u>
Reconciliation to GAAP Basis:				
Adjustments to revenues			-	
Adjustments to expenditures			-	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>5,200</u>	\$ <u>5,200</u>

**STATE OF NEW MEXICO
FORT SUMNER 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				
Residential/non-residential taxes	-	-	-	-
Rent and leases	-	-	-	-
Fees-activities	-	-	-	-
Fees-users	-	-	-	-
State grants	\$ 540,966	540,966	540,966	-
Federal grants	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>540,966</u>	<u>540,966</u>	<u>540,966</u>	<u>-</u>
Expenditures				
Current				
Instruction	-	-	-	-
Support services				
Students	-	-	-	-
Instruction	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Central services	-	-	-	-
Operations & maintenance of plant	-	-	-	-
Student transportation	540,966	540,966	540,966	-
Other support services	-	-	-	-
Food service - operations	-	-	-	-
Capital outlay	-	-	-	-
<i>Total expenditures</i>	<u>540,966</u>	<u>540,966</u>	<u>540,966</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
Other financing sources				
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			-	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>-</u>	\$ <u>-</u>

**STATE OF NEW MEXICO
FORT SUMNER 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				
Residential/non-residential taxes	-	-	-	-
Rent and leases	-	-	-	-
Fees-activities	-	-	-	-
Fees-users	-	-	-	-
State grants	\$ 9,369	9,369	9,369	-
Federal grants	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>9,369</u>	<u>9,369</u>	<u>9,369</u>	<u>-</u>
Expenditures				
Current				
Instruction	9,369	9,369	1,270	8,099
Total expenditures	<u>9,369</u>	<u>9,369</u>	<u>1,270</u>	<u>8,099</u>
Excess (deficiency) of revenues <i>over (under) expenditures</i>	-	-	8,099	8,099
Designated Cash	<u>3,760</u>	<u>3,760</u>	<u>-</u>	<u>(3,760)</u>
Net change in fund balances	<u><u>3,760</u></u>	<u><u>3,760</u></u>	<u><u>8,099</u></u>	<u><u>4,339</u></u>
Reconciliation to GAAP Basis:				
Adjustments to revenues			-	
Adjustments to expenditures			-	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>8,099</u>	\$ <u><u>8,099</u></u>

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

ATHLETICS (22000) – This fund is used to account for fees generated at athletic activities throughout the School District. The gate receipts are obtained from the general public and are expended in this fund. The authority for creation of this fund is 6.20.2 NMAC. No minimum balance required according to legislation.

TITLE I (24101) – This fund’s major objectives are to provide supplemental educational opportunities for academically disadvantaged children in the area where they reside. Campuses are identified for program participation by the percentage of students on free or reduced price lunches. Any school with a free and reduced price lunch percentage that is equal to or greater than the total district percentage becomes eligible for program participation. Any student whose test scores fall below District established criteria and who is attending a Title I campus is eligible to receive Title I services. Poverty is the criteria that identify a campus; education need determines the students to be served. Federal revenues accounted for in this fund are allocated to the District through the New Mexico Department of Education. Authority for the creation of this fund is Part A of Chapter I of Title I of Elementary and Secondary Education Act (ESEA) of 1965, as amended, Public Law 103-383. No minimum balance required according to legislation.

IDEA B ENTITLEMENT (24106) – The purpose of this program is to account for revenue used to help maximize the resources in meeting the objective of handicapped children. The federal revenues in this fund are received from and administered by the New Mexico Department of Education. Authority for the creation of this fund is Part B of the Handicapped Act, Public Law 105-17. No minimum balance required according to legislation.

COMPETITIVE IDEA-B (24108) – The purpose of this program is to support the District’s implementation of the NM Autism Project (NMAP) to improve the outcomes for students with Autism Spectrum Disorders (ASD). The federal revenues in this fund are received from and administered by the New Mexico Department of Education. Authority for the creation of this fund is Part B of the Handicapped Act, Public Law 105-17. No minimum balance required according to legislation.

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

SPECIAL REVENUE FUNDS (CONTINUED)

PRESCHOOL IDEA-B (24109) – The objective of the Assistance to States for the Education of Handicapped Children Program is to assist in providing free, appropriate public education to all handicapped children from ages three to five. Federal revenues accounted for in this fund are allocated to the District through the New Mexico Department of Children, Youth and Families. Authority for creation of this fund is Public Law 105-17. No minimum balance required according to legislation.

FRESH FRUITS & VEGETABLES (24118) – To assist States, through cash grants, in providing free fruits and vegetable to school children in designated participating schools beginning in school year 2004/2005. Authorized by National School Lunch Act, as amended, 42 U.S.C. 1769.

TEACHER/PRINCIPAL TRAINING (24154) – The purpose of this fund is to improve the skills of teachers and the quality of instruction in mathematics and science, and also to increase the accessibility of such instruction to all students. Authority for creation of this fund is Title II of the Elementary and Secondary Education Act (ESEA) of 1965 as amended, Public Law 103-382. No minimum balance required according to legislation.

CARL D PERKINS SECONDARY (24183) – The purpose of this fund is for the purchase of new kitchen equipment under the U.S. Department of Agriculture's (USDA) School Equipment Grant funded by the National School Lunch Program (NSLP). The New Mexico Public Education Department subawarded through priority to high-need schools where 50 percent or more of the enrolled students are eligible for free or reduced prices meals.

TITLE IV (24189) – To account for monies received to support well-rounded educational opportunities, safe and healthy students and effective use of technology. The federal revenues in this fund are received from and administered by the New Mexico Department of Education. No minimum balance required according to legislation.

RURAL EDUCATION (25233) – To account for monies received to provide financial assistance to rural district to carry out activities to help improve the quality of teaching and learning. Authority for this program is contained in Title VI, Part B of the Elementary and Secondary Education Act of 1965. (ESEA), as amended by Public Law 107 – 110. No minimum balance required according to legislation.

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

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

SPECIAL REVENUE FUNDS (CONTINUED)

EXCELLENCE IN TEACHING (27125) – To account for state appropriated funding for the 2018 Excellence in Teaching Awards by the State of New Mexico. The funding under this award must be used solely for Excellence in Teaching salary supplements. The authority for the creation of this fund is the New Mexico Public Education Department.

TEACHER RECRUITMENT (27128) – To account for monies received for teacher recruitment efforts such as signing bonuses for new teachers, covering the costs of travel to a recruiting/hiring event, updates to the District website with regard to recruitment, or the cost of placing advertisements in a newspaper or external website. Funding authorized by the New Mexico Public Education Department, Special Appropriation Fund.

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 design. The authority for the creation of this fund is the New Mexico Public Education Department.

K-3 PLUS (27166) – To provide services for a summer program for Kindergarten – 3rd grade.

NEW MEXICO GROWN FFV (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. The authority for the creation of this fund is the New Mexico Public Education Department.

K3 PLUS 4&5 PILOT (27198) – To account for funding received for additional educational time for students in kindergarten through 3rd grade with at least 25 instructional days. Funding under this award must be used as specified by legislation.

SCHOOL BASED HEALTH CENTERS (29130) – To account for local grants awarded to provide additional funding for specific projects. Authority for the creation of this fund is the New Mexico Public Education Department.

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:

CAPITAL IMPROVEMENTS SB-9 (31700) – This fund is used to account for expenditures of property taxes levied and state matching funds restricted to maintenance and capital improvement projects as adopted by school board resolution. Authority for the creation of this fund is NMSA 22-25-1 to 22-25-10.

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

	FOOD SERVICE 21000	ATHLETICS 22000	TITLE I 24101	IDEA-B ENTITLEMENT 24106
ASSETS				
<i>Current assets</i>				
Cash and temporary investments	\$ 27,358	3,781	-	-
Accounts receivable				
Taxes	-	-	-	-
Due from other governments	6,232	-	85,529	74,820
Other accounts receivable	-	-	-	-
Interfund receivable	-	-	-	-
Inventory	2,457	-	-	-
<i>Total assets</i>	<u>\$ 36,047</u>	<u>3,781</u>	<u>85,529</u>	<u>74,820</u>
LIABILITIES				
<i>Current liabilities</i>				
Accounts payable	\$ 994	-	-	-
Accrued salaries and benefits	-	-	-	-
Unearned revenue	-	-	-	-
Interfund Payable	-	-	85,529	74,820
<i>Total liabilities</i>	<u>994</u>	<u>-</u>	<u>85,529</u>	<u>74,820</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-property taxes	-	-	-	-
<i>Total deferred inflow of resources</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances (deficit)</i>				
Fund Balance				
Non-spendable	2,457	-	-	-
Restricted for:				
General Fund	-	-	-	-
Special Revenue Funds	32,596	3,781	-	-
Capital Projects Funds	-	-	-	-
Debt Service Funds	-	-	-	-
<i>Total fund balances</i>	<u>35,053</u>	<u>3,781</u>	<u>-</u>	<u>-</u>
<i>Total liabilities, deferred inflows of resources and fund balances</i>	<u>\$ 36,047</u>	<u>3,781</u>	<u>85,529</u>	<u>74,820</u>

COMPETITIVE IDEA-B 24108	IDEA-B PRESCHOOL 24109	FRESH FRUITS & VEGETABLES 24118	TEACHER / PRINCIPAL TRAINING 24154	CARL D PERKINS SECONDARY 24183
-	-	3,580	-	-
-	4,335	-	10,973	24,620
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	4,335	3,580	10,973	24,620
-	-	-	-	-
-	-	-	-	-
7,353	4,335	-	10,782	24,620
7,353	4,335	-	10,782	24,620
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
(7,353)	-	3,580	191	-
-	-	-	-	-
-	-	-	-	-
(7,353)	-	3,580	191	-
-	4,335	3,580	10,973	24,620

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

	TITLE IV 24189	RURAL EDUCATION ACHIEVEMENT PROGRAM 25233	2012 GO BONDS STUDENT LIBRARY 27107	EXCELLANCE IN TEACHING 27125	BREAKFAST FOR ELEM. STUDENTS 27155	K 3 PLUS 27166
ASSETS						
<i>Current assets</i>						
Cash and temporary investments	\$ -	-	-	-	-	-
Accounts receivable						
Taxes	-	-	-	-	-	-
Due from other governments	10,000	7,010	2,701	-	1,917	60,696
Other accounts receivable	-	-	-	-	-	-
Interfund receivable	-	-	-	-	-	-
Inventory	-	-	-	-	-	-
<i>Total assets</i>	<u>\$ 10,000</u>	<u>7,010</u>	<u>2,701</u>	<u>-</u>	<u>1,917</u>	<u>60,696</u>
LIABILITIES						
<i>Current liabilities</i>						
Accounts payable	\$ -	-	-	-	-	-
Accrued salaries and benefits	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-
Interfund payable	10,000	7,010	2,701	5,000	1,917	60,696
<i>Total liabilities</i>	<u>10,000</u>	<u>7,010</u>	<u>2,701</u>	<u>5,000</u>	<u>1,917</u>	<u>60,696</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue-property taxes	-	-	-	-	-	-
<i>Total deferred inflow of resources</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances (deficit)</i>						
Fund Balance						
Non-spendable	-	-	-	-	-	-
Restricted for:						
General Fund	-	-	-	-	-	-
Special Revenue Funds	-	-	-	(5,000)	-	-
Capital Projects Funds	-	-	-	-	-	-
Debt Service Funds	-	-	-	-	-	-
<i>Total fund balances</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,000)</u>	<u>-</u>	<u>-</u>
<i>Total liabilities, deferred inflows of resources and fund balances</i>	<u>\$ 10,000</u>	<u>7,010</u>	<u>2,701</u>	<u>-</u>	<u>1,917</u>	<u>60,696</u>

NM Grown FFV 27183	K3 PLUS 4 AND 5 PILOT 27198	SCHOOL BASED HEALTH CENTERS 29130	TOTAL NONMAJOR SPECIAL REVENUE FUNDS	CAPITAL IMPROVEMENTS SB-9 31700	TOTAL NONMAJOR GOVERNMENTAL FUNDS
-	-	78,810	113,529	-	113,529
-	-	-	-	-	-
170	8,000	-	297,003	-	297,003
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	2,457	-	2,457
<u>170</u>	<u>8,000</u>	<u>78,810</u>	<u>412,989</u>	<u>-</u>	<u>412,989</u>
-	-	810	1,804	-	1,804
-	-	-	-	-	-
-	-	-	-	-	-
170	8,000	-	302,933	-	302,933
<u>170</u>	<u>8,000</u>	<u>810</u>	<u>304,737</u>	<u>-</u>	<u>304,737</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	2,457	-	2,457
-	-	-	-	-	-
-	-	78,000	105,795	-	105,795
-	-	-	-	-	-
-	-	-	-	-	-
-	-	78,000	108,252	-	108,252
<u>170</u>	<u>8,000</u>	<u>78,810</u>	<u>412,989</u>	<u>-</u>	<u>412,989</u>

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

	FOOD SERVICES 21000	ATHLETICS 22000	TITLE I 24101	IDEA-B ENTITLEMENT 24106
Revenues				
Fees - Activities	-	32,777	-	-
Fees - users	25,931	-	-	-
State Grants	-	-	-	-
Federal Grants	135,816	-	85,529	105,892
Miscellaneous	-	-	-	-
Interest Income	143	-	-	-
<i>Total revenues</i>	<u>161,890</u>	<u>32,777</u>	<u>85,529</u>	<u>105,892</u>
Expenditures				
Current				
Instruction	-	33,542	77,729	64,141
Support services				
Students	-	-	7,800	31,138
Instruction	-	-	-	10,613
School administration	-	-	-	-
Operations & maintenance of plant	-	-	-	-
Operation of non-instructional services				
Food services operations	208,751	-	-	-
Capital outlay	-	-	-	-
<i>Total expenditures</i>	<u>208,751</u>	<u>33,542</u>	<u>85,529</u>	<u>105,892</u>
Excess (deficiency) of revenues over expenditures	<u>(46,861)</u>	<u>(765)</u>	<u>-</u>	<u>-</u>
Other financing sources (uses)				
Transfers (in) out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(46,861)	(765)	-	-
Fund balances, beginning of year	<u>81,914</u>	<u>4,546</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ 35,053</u>	<u>3,781</u>	<u>-</u>	<u>-</u>

COMPETITIVE IDEA-B 24108	IDEA-B PRESCHOOL 24109	FRESH FRUITS & VEGETABLES 24118	TEACHER / PRINCIPAL TRAINING 24154	CARL D PERKINS SECONDARY 24183
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	6,504	3,580	29,298	24,620
-	-	-	-	-
-	-	-	-	-
-	6,504	3,580	29,298	24,620
-	4,975	-	26,508	-
7,353	1,529	-	2,599	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	24,620
7,353	6,504	-	29,107	24,620
(7,353)	-	3,580	191	-
-	-	-	-	-
-	-	-	-	-
(7,353)	-	3,580	191	-
-	-	-	-	-
(7,353)	-	3,580	191	-

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

	TITLE IV 24189	RURAL EDUCATION ACHIEVEMENT PROGRAM 25233	2012 GO BONDS STUDENT LIBRARY 27107	EXCELLANCE IN TEACHING 27125	BREAKFAST FOR ELEM. STUDENTS 27155	K 3 PLUS 27166
Revenues						
Fees - Activities	\$ -	-	-	-	-	-
Fees - users	-	-	-	-	-	-
State Grants	-	31,776	2,700	-	-	60,696
Federal Grants	10,000	-	-	-	1,917	-
Miscellaneous	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-
<i>Total revenues</i>	<u>10,000</u>	<u>31,776</u>	<u>2,700</u>	<u>-</u>	<u>1,917</u>	<u>60,696</u>
Expenditures						
Current						
Instruction	-	20,709	2,700	5,000	-	47,768
Support services						
Students	10,000	11,067	-	-	-	-
Instruction	-	-	-	-	-	-
School administration	-	-	-	-	-	12,314
Operations & maintenance of plant	-	-	-	-	-	614
Operation of non-instructional services						
Food services operations	-	-	-	-	1,917	-
Capital outlay	-	-	-	-	-	-
<i>Total expenditures</i>	<u>10,000</u>	<u>31,776</u>	<u>2,700</u>	<u>5,000</u>	<u>1,917</u>	<u>60,696</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,000)</u>	<u>-</u>	<u>-</u>
Other financing sources (uses)						
Transfers (in) out	-	-	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,000)</u>	<u>-</u>	<u>-</u>
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>(5,000)</u>	<u>-</u>	<u>-</u>

NM Grown FFV 27183	K3 PLUS 4 AND 5 PILOT 27198	SCHOOL BASED HEALTH CENTERS 29130	TOTAL NONMAJOR SPECIAL REVENUE FUNDS	CAPITAL IMPROVEMENTS SB-9 31700	TOTAL NONMAJOR GOVERNMENTAL FUNDS
-	-	-	32,777	-	32,777
-	-	-	25,931	-	25,931
170	8,000	-	103,342	6,692	110,034
-	-	-	403,156	-	403,156
-	-	8,000	8,000	-	8,000
-	-	729	872	-	872
170	8,000	8,729	574,078	6,692	580,770
-	8,000	-	291,072	-	291,072
-	-	29,529	101,015	-	101,015
-	-	-	10,613	-	10,613
-	-	-	12,314	-	12,314
-	-	3,289	3,903	-	3,903
170	-	-	210,838	-	210,838
-	-	-	24,620	6,692	31,312
170	8,000	32,818	654,375	6,692	661,067
-	-	(24,089)	(80,297)	-	(80,297)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	(24,089)	(80,297)	-	(80,297)
-	-	102,089	188,549	-	188,549
-	-	78,000	108,252	-	108,252

SUPPORTING SCHEDULES

**STATE OF NEW MEXICO
FORT SUMNER 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
NON-INSTRUCTIONAL SUPPORT	\$ 50	-	-	50
ALL SCHOOL	26,828	2,233	1,899	27,162
EPAC	1,289	482	418	1,353
LIBRARY	1,180	3,539	1,789	2,930
STUDENT COUNCIL	593	765	520	838
CORKERS	547	-	-	547
5TH GRADE FIELD TRIP	110	-	-	110
NATIONAL HONOR SOCIETY	489	690	-	1,179
EPAC PROGRAMS	37	470	507	-
ART	503	100	280	323
VB DIG PINK	-	898	-	898
ATHLETIC BOOSTER	9,205	34,717	39,930	3,992
VIXEN VOLLEYBALL	9,661	7,811	8,536	8,936
FOX BASKETBALL	3,921	2,771	6,183	509
VIXEN BASKETBALL	3,025	3,148	5,646	527
FOX FOOTBALL	9	1,704	819	894
HARLEY RAFFLE	4,722	2,445	-	7,167
BPA	5,971	19,156	19,182	5,945
GREENHOUSE	37,531	235	403	37,363
GATE	633	-	-	633
FFA	3,363	14,528	10,025	7,866
SCIENCE CLUB	5,066	-	-	5,066
VO-AG LUMBER	271	-	271	-
CHEERLEADERS	3,329	11,281	10,244	4,366
PROJECT GRADUATION	436	-	-	436
CLASS OF 2019	1,685	1,169	2,535	319
CLASS OF 2020	5,017	1,800	6,278	539
CLASS OF 2021	703	1,753	463	1,993
CLASS OF 2022	82	1,510	447	1,145
CLASS OF 2023	208	-	-	208
ELEMENTARY	2,833	97	1,428	1,502
CLASS OF 2018	553	-	158	395
ANNUAL	3,481	7,430	5,663	5,248
A/R	5,164	-	1,298	3,866
ROBIN SIMMONS ART SCHOLARSHIP	1,051	-	561	490
<i>Total</i>	<u>\$ 139,546</u>	<u>120,732</u>	<u>125,483</u>	<u>134,795</u>

STATE OF NEW MEXICO
 FORT SUMNER MUNICIPAL SCHOOLS
 SCHEDULE OF PLEDGED COLLATERAL
 Year Ended June 30, 2019

	Citizens Bank of Clovis
FUNDS ON DEPOSIT	
Operational Checking	\$ 877,729
Activity Checking	114,453
Certificates of Deposits	<u>1,515,000</u>
<i>Total on deposit</i>	2,507,182
Less: FDIC insurance	<u>(250,000)</u>
<i>Total uninsured public funds</i>	<u>\$ 2,257,182</u>
PLEDGED COLLATERAL REQUIRED	
50% on deposits	\$ <u>1,128,591</u>
<i>Pledged collateral required</i>	1,128,591
Pledged collateral at June 30, 2018	<u>2,748,779</u>
<i>Total over (under) collateralized:</i>	<u>\$ 1,620,188</u>
SECURITY TYPE, MATURITY DATE, IDENTIFIER	
GNMA II POOL #MA0844	
CUSIP# 36179M5D8, 3/20/2043	\$ 922,107
GNR 2013-47 EC	
CUSIP# 38378JZD7, 12/20/2040	451,602
SBIC 2015-10A 1	
CUSIP# 831641FC4, 3/10/2025	<u>1,375,070</u>
	<u>\$ 2,748,779</u>

Securities Held by the Independent Banker's Bank

STATE OF NEW MEXICO
 FORT SUMNER MUNICIPAL SCHOOLS
 SCHEDULE OF CASH AND TEMPORARY INVESTMENT ACCOUNTS
 Year Ended June 30, 2019

Bank	ACCT TYPE	FUND	BANK BALANCE	OUTSTANDING CHECKS	OUTSTANDING DEPOSITS	NET CASH BALANCE
Citizens Bank of Clovis	Checking	Operational*	\$ 877,729	445,513	-	432,216
	Checking	Activity*	114,453	24,658	-	89,795
	Certificate of Deposit	Operational*	450,000	-	-	450,000
	Certificate of Deposit	Food Services*	25,000	-	-	25,000
	Certificate of Deposit	Activity*	45,000	-	-	45,000
	Certificate of Deposit	School Based Health Center*	75,000	-	-	75,000
	Certificate of Deposit	Wind Farms*	300,000	-	-	300,000
	Certificate of Deposit	Capital Improvements SB-9 Local*	300,000	-	-	300,000
	Certificate of Deposit	Debt Service	320,000	-	-	320,000
Total Citizens Bank of Clovis			\$ 2,507,182	470,171	-	2,037,011
					NMFA Restricted:	
					Less Agency Funds:	134,795
					Total Cash	1,902,216

*Interest Bearing

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

	<u>OPERATIONAL 11000</u>	<u>TEACHERAGE 12000</u>	<u>TRANSPORTATION 13000</u>
Cash, June 30, 2018	\$ 255,247	-	-
Add:			
2018-19 revenues	3,260,608	5,200	540,966
Less:			
Prior Year Warrants Voided	-	-	-
Total cash available	<u>3,515,855</u>	<u>5,200</u>	<u>540,966</u>
Less:			
2018-19 expenditures	(3,114,983)	-	(540,966)
Other Reconciling Items	3,703	-	-
Outstanding Loans	-	-	-
Cash, June 30, 2019	<u>\$ 404,575</u>	<u>5,200</u>	<u>-</u>
Fund Balance Reconciliations to GAAP Basis:			
Audit reclassifications to cash	\$ (151,504)	-	-
Cash per Books	<u>253,071</u>	<u>5,200</u>	<u>-</u>
Fund Balance Reconciliation to GAAP Basis:			
Modified Accrual Adjustments	265,881	-	-
Fund Balance , Modified Accrual Basis	<u>\$ 518,952</u>	<u>5,200</u>	<u>-</u>

INSTRUCTIONAL MATERIALS 14000	FOOD SERVICES 21000	ATHLETICS 22000	IMPACT AID FEDERAL FLOW-THROUGH 24000
3,760	63,738	5,246	-
9,369	167,355	32,767	170,181
-	-	-	-
13,129	231,093	38,013	170,181
(1,270)	(205,415)	(34,242)	(269,005)
-	-	-	-
-	-	-	98,824
<u>11,859</u>	<u>25,678</u>	<u>3,771</u>	<u>-</u>
-	1,680	10	3,580
<u>11,859</u>	<u>27,358</u>	<u>3,781</u>	<u>3,580</u>
-	7,695	-	(7,162)
<u>11,859</u>	<u>35,053</u>	<u>3,781</u>	<u>(3,582)</u>

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

	IMPACT AID FEDERAL DIRECT 25000	TITLE XIX STATE FLOW-THROUGH 27000	LOCAL OR STATE FUND 29000
Cash, June 30, 2018	\$ -	-	566,802
Add:			-
2018-19 revenues	25,441	35,559	152,925
Less:			
Prior Year Warrants Voided	-	-	-
Total cash available	25,441	35,559	719,727
Less:			
2018-19 expenditures	(31,775)	(78,483)	(136,759)
Other Reconciling Items	-	-	-
Outstanding Loans	6,334	42,924	(148,082)
Cash, June 30, 2019	\$ -	-	434,886
Fund Balance Reconciliations to GAAP Basis:			
Audit reclassifications to cash	\$ -	-	148,082
Cash per Books	-	-	582,968
Fund Balance Reconciliation to GAAP Basis:			
Modified Accrual Adjustments	-	(5,000)	(810)
Fund Balance , Modified Accrual Basis	\$ -	(5,000)	582,158

BOND BUILDING FUND 31100	CAPITAL IMPROVEMENT SB9 31700	CAPITAL IMPROV. SB-9 - LOCAL 31701	DEBT SERVICE FUND 41000	TOTAL
509,588	-	425,393	423,786	2,253,560
6,508	6,692	150,547	441,287	5,005,405
-	-	-	-	-
516,096	6,692	575,940	865,073	7,258,965
(282,093)	(6,692)	(255,680)	(404,936)	(5,362,299)
-	-	-	-	3,703
-	-	-	-	-
<u>234,003</u>	<u>-</u>	<u>320,260</u>	<u>460,137</u>	<u>1,900,369</u>
359,682	-	-	-	361,530
<u>593,685</u>	<u>-</u>	<u>320,260</u>	<u>460,137</u>	<u>2,261,899</u>
-	-	570	3,378	264,552
<u>593,685</u>	<u>-</u>	<u>320,830</u>	<u>463,515</u>	<u>2,526,451</u>

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. Colón, Esq.
New Mexico State Auditor

Board of Education
Fort Sumner 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 comparison of the General Fund and major Special Revenue Fund of Fort Sumner 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 November 13, 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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency as item 2019-001 and 2019-003.

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 items 2019-002 and 2019-004.

District's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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
November 13, 2019

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

SUMMARY OF AUDIT RESULTS

Type of auditor’s report issued	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

A. FINANCIAL STATEMENT FINDINGS

2019-001 [Previously reported as finding 2017-002] Inadequate Supporting Documentation for Journal Entries (Significant Deficiency) Repeated and Revised

CONDITION: During our review of journal entries made throughout the year under audit, we noted 3 out of 5 journal entries selected had no evidence of review of approval.

The District has made progress on this finding. All journal entries contained adequate supporting documentation and the District has implemented a review and approval process.

CRITERIA: PSAB18 Student Activities and NMAC 6.20.2.11 Section B part C states: “An internal control structure is required to demonstrate the school district’s ability to record, process, summarize and report financial data consistent with the following financial statement assertions: (1) rights and ownership; (2) existence and occurrence; (3) valuation and allocations; (4) completeness; and, (5) presentation and disclosure.”

EFFECT: The District appears to be non-compliant with state statutes and inadequate internal controls could result in misstated financial information and/or misappropriation of assets.

CAUSE: The District is in the process of implementing new policies and procedures surrounding their journal entry process.

RECOMMENDATION: We recommend the District implement written accounting policies and procedures including requirements for journal entries. We recommend all finance staff be trained on the new policies and procedures.

MANAGEMENT’S RESPONSE: The district has implemented new procedures surrounding the journal entry process and included these procedures in the new Business Office Policy that was approved at the July 15, 2019 board meeting after being tabled at the June 10, 2019 meeting.

RESPONSIBLE PARTY/TIMELINE TO CORRECT: This situation has been corrected and was fully implemented by July 1, 2019

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

2019-002 [Previously reported as finding 2017-005] Controls of Cash Disbursements (Other Matters) Repeated and Revised

CONDITION: During our testing of cash disbursements we noted the following:

- 1 out of 25 transactions tested, totaling \$315, did not contain an approval signature on the purchase requisition.
- 2 out of 10 travel purchases tested, totaling \$111.88, did not contain the required signatures on the purchase card documentation form.

The District has made progress on this finding from the prior year. The District is currently working on new policies and procedures to further address this finding.

CRITERIA: Section NMAC 6.20.2.17 (A), requires that each school district shall establish and implement written policies and procedures for purchasing which shall be in compliance with the Procurement Code, Section 13-1-21 et seq., NMSA 1978. An internal control structure over purchasing shall be established and maintained to assure compliance with school policy, and state and federal regulations. Also, the New Mexico Manual of Procedures for Public School Accounting and Budgeting, Supplement 13 – Purchasing, states that “the preparation and execution of a duly authorized purchase order must precede the placement of any order for goods, services or construction.”

EFFECT: Not being in compliance with state purchasing requirements places the District at risk for fraud or misuse of public funds.

CAUSE: District personnel did not follow established procurement procedures for the District.

RECOMMENDATION: We recommend District personnel be reminded of the purchase policies and procedures. In addition, we recommend the District implement a review process to verify all purchases contain evidence of approval.

MANAGEMENT’S RESPONSE: In addition, adding purchasing guidelines to the new Business Office Policy. Each employee attended a Professional Development session which outlined the rules and expectations with regards to purchasing. After this PD session, each employee was required to meet one on one with the Business Manager and Assistant Business manager to review and sign an Acknowledgement of Policies and Procedures form.

RESPONSIBLE PARTY/TIMELINE TO CORRECT: This situation has been corrected and was fully implemented by September 1, 2019

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

**2019-003 [Previously reported as finding 2018-002] Written Policies and Procedures
(Significant Deficiency) Repeated and Revised**

CONDITION: During our testwork over internal controls, purchasing, cash, payroll, journal entries and travel we noted the district does not have written accounting policies and procedures.

The District has made significant progress on this finding.

CRITERIA: *NMAC 6.20.2.11(A)* states “Every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safe-guarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management’s authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP, and that state and federal programs are managed in compliance with applicable laws and regulations. The internal control structure shall include written administrative controls (rules, procedures and practices, and policies that affect the organization) and accounting controls that are in accordance with GAAP.” *NMAC 6.20.2.11(B)* states “Each school district shall develop, establish and maintain a structure of internal accounting controls and written procedures to provide for segregation of duties, a system of authorization and recording procedures, and sound accounting practices in performance of duties and functions. The duties to be segregated are the authorization to execute a transaction, recording the transaction, and custody of assets involved in the transaction.” *NMAC 6.20.2.17(A)* states “Each school district shall establish and implement written policies and procedures for purchasing which shall be in compliance with the Procurement Code, Section 13-1-21 et seq., NMSA 1978. An internal control structure over purchasing shall be established and maintained to assure compliance with school district policy, and state and federal regulations.” *NMAC 6.20.2.18* states “The local board shall establish written payroll policies and procedures which comply with state and federal regulations on payroll as well as maintaining strict internal controls, close supervision and financial accounting in accordance with GAAP.”

EFFECT: The District appears to be non-compliant with state statutes and lack of written policies and procedures could result in misstated financial information and/or misappropriation of assets.

CAUSE: The District had a change in business managers and has not yet implemented policies and procedures.

RECOMMENDATION: We recommend the District implement written accounting policies and procedures that have been reviewed and approved by the School Board. We also recommend the District train all personnel on the new policies and procedures.

MANAGEMENT’S RESPONSE: The Fort Sumner Board of Education approved the Business Office Policy document at the July 15, 2019 Public meeting after having tabled for further review and inquiry at the June 10, 2019 meeting.

RESPONSIBLE PARTY/TIMELINE TO CORRECT: Although the Document was not approved by the board of education until the July 15, 2019 meeting. The business office staff put each procedure into practice as the document was being drafted throughout the 2019 school year. This situation has been corrected and was fully implemented by July 1, 2019 within the office and by July 15, 2019 per approval from the board.

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

B. SECTION 12-6-5 NMSA 1978 FINDINGS

2019-004 Fuel Cards (Other-Noncompliance)

CONDITION: During our testing of fuel cards we noted the following:

- The District does not have a formal fuel card policy.
- 3 out of 3 fuel card transactions tested, totaling \$214.79, did not contain receipts or lost receipt affidavits supporting the transactions.

CRITERIA: Section NMAC 6.20.2.17 (A), requires that each school district shall establish and implement written policies and procedures for purchasing which shall be in compliance with the Procurement Code, Section 13-1-21 et seq., NMSA 1978. In addition, the District requires a receipt be submitted when the fuel card is returned after use.

EFFECT: Not being in compliance with state purchasing requirements and District policies places the District at risk for possible abuse or misappropriation of assets.

CAUSE: District personnel did not follow established fuel card procedures for the District.

RECOMMENDATION: We recommend District personnel be reminded of the fuel card policies and procedures. In addition, we recommend the District implement a review process to verify all fuel card purchases are supported by a receipt or an affidavit for lost receipts.

MANAGEMENT'S RESPONSE: 1.) Staff will attend a reminder session regarding the fuel card policies and procedures. 2.) Additionally, the district will implement a review process to verify all fuel card purchases are supported by a receipt or an affidavit for lost receipts. A section will be added to the Business Office Policies and Acknowledgement of Policies and Procedures (where applicable).

RESPONSIBLE PARTY/TIMELINE TO CORRECT: *1.) The Superintendent will hold a reminder session regarding fuel card policies and procedures during the In-Service on January 6, 2019. *2.) Business office will have new procedures implemented and included the appropriate policy District wide by June 30, 2020

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

C. STATUS OF PRIOR YEAR FINDINGS

2017-002	Inadequate Supporting Documentation for Journal Entries	Repeated and Revised
2017-004	Controls over Cash Receipts	Resolved
2017-005	Controls of Cash Disbursements	Repeated and Revised
2018-001	Personnel Files	Resolved
2018-002	Written Policies and Procedures	Repeated and Revised
2018-003	Bank Reconciliations	Resolved
2018-004	Controls over Inventory	Resolved

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

An exit conference was conducted on November 12, 2019 with the following individuals:

FORT SUMNER Municipal Schools:

Matt Moyer, Superintendent
Lisa Downey, Business Manager
Quannah Saiz, Audit Committee Member – Financial Supervisor
Lance Robbins, Audit Committee Member – Parent, community member
Lecil Richards, Audit Committee Member – Board Member
Molly Kenyon, Audit Committee Member – Board Member

Pattillo, Brown & Hill, LLP:

Chris Garner, Partner, CPA

Pattillo, Brown & Hill, LLP prepared the GAAP-basis financial statements and footnotes of Fort Sumner 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.