

STATE OF NEW MEXICO
Hatch Valley Public Schools
Annual Financial Report
For the Year Ended June 30, 2019



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STATE OF NEW MEXICO
Hatch Valley Public Schools
Annual Financial Report
June 30, 2019

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INTRODUCTORY SECTION

**STATE OF NEW MEXICO
Hatch Valley Public Schools
June 30, 2019**

Official Roster

<u>Name</u>	<u>Board of Education</u>	<u>Title</u>
Greg Mitchell		President
Elva Garay		Vice President
Christopher Montez		Secretary
Lupe Castillo		Member
Merlinda Hinijos		Member
	<u>School Officials</u>	
Michael Chavez		Superintendent
Sheila Offutt		Operations Support Specialist
Shelly Ortega		Business Manager

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Mr. Brian Colón
New Mexico State Auditor and
The Board of Education
Office of Management and Budget
Hatch Valley Public Schools
Hatch, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparison for the General Fund of Hatch Valley Public Schools (the District), as of and for the year ended June 30, 2019, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditors' judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the District'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 District'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 financial statement presentation.

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 Hatch Valley Public Schools, as of June 30, 2019, and the respective changes in financial position thereof, 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

Management has omitted the *Management 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America requires that Schedule of Proportionate Share of Net Pension Liability, Schedule of Proportionate Share of Net OPEB Liability, Schedules of Contributions and the notes to the Required Supplementary Information on pages 47 through 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual fund financial statements, the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and schedules required by 2.2.2 NMAC are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, the Schedule of Expenditures of Federal Awards and Schedules required by 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements, the Schedule of Expenditures of Federal Awards and Schedules required by 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 2, 2020, on our consideration of the District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District’s internal control over financial reporting and compliance.



Albuquerque, New Mexico
June 2, 2020

BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
Hatch Valley Public Schools
Statement of Net Position
June 30, 2019

	Governmental Activities
Assets	
Current assets:	
Cash and cash equivalents	\$ 1,163,347
Property taxes receivable	294,533
Intergovernmental receivables	1,265,312
Other receivables	597
Inventory	4,078
Total current assets	<u>2,727,867</u>
Noncurrent assets:	
Restricted cash and cash equivalents	993,379
Restricted investments	1,487,084
Capital assets, net of accumulated depreciation	<u>27,258,834</u>
Total noncurrent assets	<u>29,739,297</u>
Total assets	<u>32,467,164</u>
Deferred outflows of resources	
Retiree Health Care - OPEB	145,142
Educational Retirement Board - pension	<u>7,208,127</u>
Total deferred outflows of resources	<u>7,353,269</u>
Total assets and deferred outflows of resources	<u>\$ 39,820,433</u>

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

STATE OF NEW MEXICO
Hatch Valley Public Schools
Statement of Net Position (continued)
June 30, 2019

	Governmental Activities
	<u> </u>
Liabilities	
Current liabilities:	
Accounts payable	\$ 268,927
Accrued payroll	1,127,398
Accrued compensated absences	37,566
Accrued interest	24,304
Current portion of bonds payable	<u>705,000</u>
Total current liabilities	<u>2,163,195</u>
Noncurrent liabilities:	
Accrued compensated absences	33,095
Bond premiums, net of accumulated amortization of \$20,209	10,882
Bonds payable	3,780,000
Net OPEB liability	7,050,857
Net pension liability	<u>29,500,014</u>
Total noncurrent liabilities	<u>40,374,848</u>
Total Liabilities	<u>42,538,043</u>
Deferred inflows of resources	
Retiree Health Care - OPEB	1,916,836
Educational Retirement Board - pension	<u>1,334,090</u>
Total deferred inflows of resources	<u>3,250,926</u>
Net position	
Net investment in capital assets	22,762,952
Restricted for:	
Educational purposes	297,294
Capital projects	1,196,577
Debt service	991,361
Unrestricted	<u>(31,216,720)</u>
Total net position (deficit)	<u>(5,968,536)</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 39,820,433</u>

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

STATE OF NEW MEXICO
Hatch Valley Public Schools
Statement of Activities
For the Year Ended June 30, 2019

Functions/Programs	Expenses	Charges for Service
Primary government		
Governmental activities:		
Instruction	\$ 10,532,195	27,083
Support services		
Students	1,872,415	38,187
Instruction	645,721	-
General administration	533,116	-
School administration	1,009,647	-
Central services	512,773	-
Operation and maintenance of plant	2,266,057	-
Student transportation	1,001,605	-
Food services operation	1,295,337	16,250
Interest on long-term debt	56,646	-
	\$ 19,725,512	81,520

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

Program Revenues		Net (Expenses) Revenue and Changes in Net Position
Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
1,754,799	-	(8,750,313)
1,218,456	-	(615,772)
-	-	(645,721)
17,309	-	(515,807)
177,558	-	(832,089)
-	-	(512,773)
-	268,963	(1,997,094)
708,033	-	(293,572)
865,489	-	(413,598)
-	-	(56,646)
<u>4,741,644</u>	<u>268,963</u>	<u>(14,633,385)</u>

General Revenues:

State Equalization Guarantee	9,791,304
Taxes:	
Property taxes, levied for operating programs	57,848
Property taxes, levied for debt services	913,914
Property taxes, levied for capital projects	175,518
Interest and investment earnings	25,813
Miscellaneous	5,853
Total General revenues	<u>10,970,250</u>
Change in net position	(3,663,135)
Net position - beginning	<u>(2,305,401)</u>
Net position - ending	<u>\$ (5,968,536)</u>

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

STATE OF NEW MEXICO
Hatch Valley Public Schools
Balance Sheet - Governmental Funds
June 30, 2019

	General Fund 11000, 12000, 13000, 14000	Bond Building Fund 31100	Debt Service Fund 41000	Other Governmental Funds	Total Governmental Funds
<i>Assets</i>					
Cash, cash equivalents, investments	\$ 1,331,415	1,217,205	951,815	143,375	3,643,810
Property taxes receivable	9,686	-	239,028	45,819	294,533
Intergovernmental receivables	-	-	-	1,265,312	1,265,312
Other receivables	597	-	-	-	597
Inventory	-	-	-	4,078	4,078
Due from other funds	1,113,360	-	-	-	1,113,360
<i>Total assets</i>	<u>\$ 2,455,058</u>	<u>1,217,205</u>	<u>1,190,843</u>	<u>1,458,584</u>	<u>6,321,690</u>
<i>Liabilities, Deferred Inflows of Resources, and Fund Balances</i>					
<i>Liabilities:</i>					
Accounts payable	\$ 65,815	170,440	-	32,672	268,927
Accrued payroll	909,007	-	-	218,391	1,127,398
Due to other funds	-	-	-	1,113,360	1,113,360
<i>Total liabilities</i>	<u>974,822</u>	<u>170,440</u>	<u>-</u>	<u>1,364,423</u>	<u>2,509,685</u>
<i>Deferred Inflows of resources</i>					
Unavailable revenue - property taxes	8,736	-	199,482	38,259	246,477
<i>Total Deferred Inflows of resources</i>	<u>8,736</u>	<u>-</u>	<u>199,482</u>	<u>38,259</u>	<u>246,477</u>
<i>Fund Balances</i>					
<i>Nonspendable</i>					
Inventory	-	-	-	4,078	4,078
<i>Spendable</i>					
<i>Restricted for:</i>					
Educational purposes	151,384	-	-	145,910	297,294
Capital acquisitions and improvements	-	1,046,765	-	149,812	1,196,577
Debt service	-	-	991,361	-	991,361
<i>Committed for:</i>					
Subsequent year expenditures	935,289	-	-	-	935,289
Unassigned	384,827	-	-	(243,898)	140,929
<i>Total fund balances</i>	<u>1,471,500</u>	<u>1,046,765</u>	<u>991,361</u>	<u>55,902</u>	<u>3,565,528</u>
<i>Total liabilities, deferred inflows of resources and fund balances</i>	<u>\$ 2,455,058</u>	<u>1,217,205</u>	<u>1,190,843</u>	<u>1,458,584</u>	<u>6,321,690</u>

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

STATE OF NEW MEXICO
Hatch Valley Public Schools
Reconciliation of the Balance Sheet Governmental Funds to the Statement of Net Position
For the Year Ended June 30, 2019

Amounts reported for governmental activities in the Statement of Net Position are different because:

Fund balances - total governmental funds	\$ 3,565,528
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	27,258,834
Delinquent property taxes not collected within sixty days after year end are not considered "available" revenues and are considered to be unavailable revenue in the fund financial statements, but are considered revenue in the Statement of Activities	246,477
Deferred outflows and inflows of resources related to pensions are applicable to future periods and therefore, are not reported in the funds:	
Deferred outflows of resources related to OPEB	145,142
Deferred outflows of resources related to pension	7,208,127
Deferred inflows of resources related to OPEB	(1,916,836)
Deferred inflows of resources related to pension	(1,334,090)
Certain liabilities, including bonds payable, net pension liability, and current and long-term portions of accrued compensated absences, are not due and payable in the current period, and therefore, are not reported in the funds:	
Bond premiums	(10,882)
Accrued interest	(24,304)
Accrued compensated absences	(70,661)
Bonds payable	(4,485,000)
Net OPEB liability	(7,050,857)
Net pension liability	<u>(29,500,014)</u>
<i>Total net position - governmental activities</i>	<u>\$ (5,968,536)</u>

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

STATE OF NEW MEXICO
Hatch Valley Public Schools
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2019

	General Fund 11000, 12000, 13000, 14000	Bond Building Fund 31100	Debt Service Fund 41000	Other Governmental Funds	Total Governmental Funds
<i>Revenues</i>					
Property taxes	\$ 38,613	-	913,914	175,518	1,128,045
Intergovernmental revenues:					
Federal flowthrough	17,309	-	-	2,834,469	2,851,778
State flowthrough	-	-	-	1,205,188	1,205,188
State direct	9,832,904	-	-	50,578	9,883,482
Local grants	177,558	-	-	-	177,558
Transportation distribution	708,033	-	-	-	708,033
Charges for services	27,083	-	-	54,437	81,520
Investment income	397	25,416	-	-	25,813
Miscellaneous	5,853	-	-	-	5,853
<i>Total revenues</i>	<u>10,807,750</u>	<u>25,416</u>	<u>913,914</u>	<u>4,320,190</u>	<u>16,067,270</u>
<i>Expenditures</i>					
Current:					
Instruction	5,405,117	-	-	2,400,524	7,805,641
Support Services:					
Students	967,910	-	-	320,697	1,288,607
Instruction	403,663	-	-	39,463	443,126
General Administration	292,369	-	8,892	69,732	370,993
School Administration	653,787	-	-	-	653,787
Central Services	295,540	-	-	62,774	358,314
Operation & Maintenance of Plant	1,697,172	-	-	-	1,697,172
Student Transportation	666,812	-	-	48,367	715,179
Food Services Operations	-	-	-	1,022,088	1,022,088
Capital outlay	-	429,975	-	452,736	882,711
Debt service:					
Principal	-	-	735,000	-	735,000
Interest	-	-	57,840	-	57,840
<i>Total expenditures</i>	<u>10,382,370</u>	<u>429,975</u>	<u>801,732</u>	<u>4,416,381</u>	<u>16,030,458</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>425,380</u>	<u>(404,559)</u>	<u>112,182</u>	<u>(96,191)</u>	<u>36,812</u>
<i>Other financing sources (uses)</i>					
Transfers in (out)	-	-	-	-	-
Proceeds from sale of assets	12,897	-	-	-	12,897
Bond proceeds	-	625,000	-	-	625,000
Reversion to other entities	(37,025)	-	-	-	(37,025)
<i>Total other financing sources (uses)</i>	<u>(24,128)</u>	<u>625,000</u>	<u>-</u>	<u>-</u>	<u>600,872</u>
<i>Net change in fund balances</i>	401,252	220,441	112,182	(96,191)	637,684
<i>Fund balances - beginning of year</i>	<u>1,070,248</u>	<u>826,324</u>	<u>879,179</u>	<u>152,093</u>	<u>2,927,844</u>
<i>Fund balances - end of year</i>	<u>\$ 1,471,500</u>	<u>1,046,765</u>	<u>991,361</u>	<u>55,902</u>	<u>3,565,528</u>

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

STATE OF NEW MEXICO
Hatch Valley Public 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

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

Net Change in fund balances - total governmental funds	\$ 637,684
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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:

Capital expenditures recorded in capital outlay	214,262
Depreciation expense	(1,439,255)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds:

Change in unavailable revenue related to property taxes receivable	19,235
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Governmental funds report district pension contributions as expenditures. However, in the Statement of Activities, the cost of pension and OPEB benefits earned net of contributions is reported as pension and OPEB expense:

District OPEB contribution	145,142
District pension contribution	1,009,052
OPEB expenses	29,505
Pension expense	(4,398,766)

The issuance of long-term debt (e.g. bonds, notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities:

Decrease in compensated absences	5,703
Decrease in accrued interest	1,194
Bond proceeds	(625,000)
Amortization of bond premiums	3,109
Principal payments on bonds	735,000

<i>Change in net position of governmental activities</i>	<u>\$ (3,663,135)</u>
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The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
Hatch Valley Public Schools
General Fund (11000, 12000, 13000, 14000)
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Property taxes	\$ 36,874	36,874	38,613	(1,739)
Intergovernmental revenue:				
federal flowthrough	25,000	25,000	17,309	7,691
State flowthrough	-	-	-	-
Local grants	9,760,306	9,837,961	9,832,904	5,057
State direct	85,000	85,000	177,558	(92,558)
Transportation distribution	708,033	708,033	708,033	-
Charges for services	15,000	15,000	16,583	(1,583)
Investment income	7,700	7,700	10,897	(3,197)
Miscellaneous	-	-	5,853	(5,853)
Total revenues	<u>10,637,913</u>	<u>10,715,568</u>	<u>10,807,750</u>	<u>(92,182)</u>
<i>Expenditures</i>				
Current				
Instruction	5,761,757	5,961,489	5,405,117	556,372
Support Services:				
Students	1,093,252	1,093,252	967,910	125,342
Instruction	417,668	417,668	403,663	14,005
General Administration	305,755	334,765	292,369	42,396
School Administration	624,597	661,501	653,787	7,714
Central Services	382,815	374,220	295,540	78,680
Operation and maintenance of plant	1,904,038	2,105,729	1,697,172	408,557
Student transportation	708,033	745,058	666,812	78,246
Other support services	4,166	4,166	-	4,166
Total expenditures	<u>11,202,081</u>	<u>11,697,848</u>	<u>10,382,370</u>	<u>1,315,478</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(564,168)</u>	<u>(982,280)</u>	<u>425,380</u>	<u>(1,407,660)</u>
Other financing sources (uses)				
Designated cash (budgeted increase in cash)	-	-	-	-
Reversion to other entities	-	-	24,128	-
Transfers in (out)	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>24,128</u>	<u>24,128</u>
<i>Net change in fund balances</i>	<u>(564,168)</u>	<u>(982,280)</u>	<u>401,252</u>	<u>(581,028)</u>
Fund balances - beginning of year	-	-	1,990,281	1,990,281
Fund balances - end of year	\$ <u>(564,168)</u>	<u>(982,280)</u>	<u>2,391,533</u>	<u>1,409,253</u>
<i>Net change in fund balances (non-GAAP budgetary basis)</i>			\$ 401,252	
Adjustments to revenue for property tax accruals and local grant accruals			-	
Adjustments to expenditures for salaries and instruction expenditures			-	
Net change in fund balances (GAAP)			\$ <u>401,252</u>	

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

STATE OF NEW MEXICO
Hatch Valley Public Schools
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2019

Assets

Cash and cash equivalents	\$ <u>183,654</u>
<i>Total assets</i>	\$ <u><u>183,654</u></u>

Liabilities

Accounts payable	\$ 364
Deposits held in trust for others	<u>183,290</u>
<i>Total liabilities</i>	\$ <u><u>183,654</u></u>

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

STATE OF NEW MEXICO
Hatch Valley Public Schools
Notes to the Financial Statements
June 30, 2019

NOTE 1. Summary of Significant Accounting Policies

Hatch Valley Public Schools (the District) is a special purpose government corporation governed by an elected five-member Board of Education. The Board of Education is the basic level of government, which has oversight responsibility and control over all activities related to the public school education of the District. The District is responsible for all activities related to public elementary and secondary school education within its jurisdiction. The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities.

The 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 Legislative Finance Committee. The School Board is comprised of five members who are elected for terms of four years. The District operates five schools within the District with a total enrollment of approximately 1,300 pupils. In conjunction with the regular educational programs, some of these schools offer special education. In addition, the School Board provides transportation and school food services for the students.

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 District's management that is responsible for the financial statements. 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.

GASB Statement No. 77 is intended to improve the usefulness of financial statements prepared by state and local governments – which are intended, among other things, to assist users of financial statements in assessing (1) whether a government's current-year revenues were sufficient to pay for current-year services (interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government's financial resources came from and how it uses them, and (4) a government's financial position and economic condition and how they have changed after time – by including information about certain limitations on a government's ability to raise resources. This includes limitations on revenue-raising capacity resulting from government programs that use tax abatements to induce behavior by individuals and entities that is beneficial to the government or its citizens – such as the encouragement of economic development. For financial reporting purposes, this Statement defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens.

These tax abatements may affect the financial position of the government and its results of operations, including its ability to raise resources in the future. Statement No. 77 requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments that reduce the reporting government's tax revenues.

This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients;
- The gross dollar amount of taxes abated during the period;
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

STATE OF NEW MEXICO
Hatch Valley Public Schools
Notes to the Financial Statements
June 30, 2019

NOTE 1. Summary of Significant Accounting Policies (Continued)

For tax abatement agreements entered into by other governments, the following should be disclosed:

- The names of the governments that entered into the agreements;
- The specific taxes being abated; and
- The gross dollar amount of taxes abated during the period.

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

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

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 Statements No. 14, as amended by GASB Statement No. 39 and GASB Statement No. 61 and GASB Statement No. 80. 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 the 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
Hatch Valley Public 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 (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 inter-fund 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 District does not have any business-type activities.

In the government-wide Statement of Net Position, the governmental activities column is presented on a consolidated basis by column, and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position are reported in three parts – Net investment in capital assets, restricted net position; and unrestricted net position.

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 like the sale of lunch tickets and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, state equalization, and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The District does not have any enterprise funds.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the fiduciary fund financial 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 levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

STATE OF NEW MEXICO
Hatch Valley Public Schools
Notes to the Financial Statements
June 30, 2019

NOTE 1. Summary of Significant Accounting Policies (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

Ad valorem taxes (property taxes), 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; net of estimated refunds and uncollectible amounts for government-wide statements. For fund financial statements these revenues are recognized as revenues when measurable and available. Derived tax revenues are recognized as revenue when the underlying exchange takes place and the revenues are measurable and available. Grants and similar items (which include state equalization and state revenue sharing) 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.

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

The government reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are provided by the District's school tax levy, state equalization and transportation funds, state instructional material allocations, and earnings from investments. Expenditures include all costs associated with the daily operations of the school except for those items included in other funds. The General Fund includes the *Transportation Fund*, which is used to account for the State Equalization received from the New Mexico Public Education Department which is used to pay for the costs associated with transporting school age children. It also includes the *Instructional Materials Fund*, which is used to account for the monies received from the New Mexico Public Education Department for the purposes of purchasing instructional materials (books, manuals, periodicals, etc.) used in the education of students.

The *Bond Building Fund* is to account for bond proceeds plus any income earned thereon. The proceeds are restricted for the purpose of making additions to and furnishing of school buildings, or purchasing or improving school grounds or any combination thereof, as approved by the voters of the District. Authority for the creation of this fund is the New Mexico Public Education Department.

The *Debt Service Fund* is used to accumulate resources for payment of principal and interest due on educational technology bonds. Financing is provided by a special tax levy approved by the voters of the county and assessed by the Dona Ana County Assessor and collected and remitted to the District by the Dona Ana County Treasurer.

Additionally, the District reports the following agency fund:

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.

STATE OF NEW MEXICO
Hatch Valley Public 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

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.

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.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund 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 Local Government Investment Pool.

Investments for the District are reported at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties. 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. As of June 30, 2019, the District does not have any investments.

Fair Value Measurements: The fair value framework uses a hierarchy that prioritizes the inputs to the valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). As of June 30, 2019, there are no items required to be valued using valuation techniques.

Restricted Assets: The Debt Service Fund is used to report resources set aside for the payment of long-term debt principal and interest.

Receivables and Payables: Interfund activity is reported as either 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 costs as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental 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 Dona Ana County. The funds are collected by the County Treasurer and are remitted to the District the following month. Under the modified accrual method of accounting, the amount remitted by the County Treasurer in July and August 2019 is considered measurable and available' and, accordingly, is recorded as revenue in the governmental fund statements during the year ended June 30, 2019. Period of availability is deemed to be sixty days subsequent to year end.

STATE OF NEW MEXICO
Hatch Valley Public Schools
Notes to the Financial Statements
June 30, 2019

NOTE 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund 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. As of June 30, 2019 the District does not have any prepaid items.

Inventory: Hatch Valley Public Schools values inventory at lower of cost or market value. The method that the District uses is the consumption approach. Under the consumption approach, governments report inventories they purchase as an asset and defer the recognition of the expenditures until the period in which the inventories actually are consumed. Inventory in the General Fund consists of expendable supplies held for consumption. Inventory in the Special Revenue Funds consists of USDA commodities and other purchased food and non-food supplies. Commodities consumed during the year are reported as revenues and expenditures; unused commodities are reported as inventories.

Capital Assets: Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 (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. Library books are not capitalized because the District does not believe they have a life of more than one year.

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.

Capital expenditures made on the school district’s building construction projects by the New Mexico Public School Facilities Authority are included in the District’s capital assets as appropriate.

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

Buildings and improvements	15-40 years
Equipment	5-7 years
Land improvements	10-40 years

STATE OF NEW MEXICO
Hatch Valley Public Schools
Notes to the Financial Statements
June 30, 2019

NOTE 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Equity (Continued)

Accrued Payroll: In the fund financial statements, governmental fund types recognize the accrual of unpaid wages and benefits that employees have earned at the close of each fiscal year. The amount recognized in the fund financial statements represents checks that were held at year end in relation to employee's summer payroll.

Deferred Outflows of Resources: In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a use of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until that time. The District has four types of items that qualify for reporting in this category. The items, are contributions subsequent to measurement date, the difference between expected and actual experience, changes in proportion and difference between employer contributions and proportional share of contributions, and change of assumptions, are reported in the Statement of Net Position. These amounts are deferred and recognized as outflows of resources in the appropriate future period.

Deferred Inflows of Resources: In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Revenue must be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period) to be recognized. If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding deferred inflows of resources. The District has three types of items that qualify for reporting in this category. The items, the net difference between expected and actual earnings on pension plan investments, the difference between expected and actual experience, and changes in proportion and difference between employer contributions and proportional share of contributions, are reported on the Statement of Net Position.

Compensated Absences: The District permits administrative employees to accumulate a maximum of 240 hours of earned but unused vacation, which will be paid at the employee's current hourly rate if not used, upon termination from the District. Accumulated sick leave benefits vest with each employee in accordance with District policy. All vacation pay and applicable accumulated sick leave is accrued when incurred in the government-wide financial statements. A liability amount is reported in the government funds only if they are due and payable. No liability is reported for unpaid accumulated sick leave, as no payment is required upon termination of service by the employees.

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. For bonds issued after the District implemented GASB 34 in the year ended June 30, 2003, bond premiums and discounts, are deferred and amortized over the life of the bonds using the effective interest method or the straight-line method if the amounts are inconsequential compared to the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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.

STATE OF NEW MEXICO
Hatch Valley Public Schools
Notes to the Financial Statements
June 30, 2019

NOTE 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Equity (Continued)

Fund Balance Classification Policies and Procedures: The District has implemented GASB statement No. 54 and has defined the various categories reported in fund balance.

For committed fund balance, the District's highest level of decision-making authority is the Board of Education. The formal action that is required to be taken to establish a fund balance commitment is the Board of Education.

For assigned fund balance, the Board of Education or an official or body to which the School Board of Education delegates the authority is authorized to assign amounts to a specific purpose. The authorization policy is in governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

For the classification of fund balances, the District considers restricted or unrestricted amounts to have been spent when an expenditure is incurred for the purposes for which both restricted and unrestricted fund balance is available. Also for the classification of fund balances, the District considers committed, assigned, or unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Nonspendable Fund Balance: At June 30, 2019, the nonspendable fund balance of the District is comprised of inventory in the food service fund in the amount of \$4,078 of which is considered not in spendable form.

Restricted and Committed Fund Balance: At June 30, 2019, the restricted fund balance on the governmental funds balance sheet is made up of \$297,294 for providing education to the students of the District, \$1,196,577 for the renovation and/or expansion of District facilities, and \$991,361 for the payment of principal and interest of the future debt service requirements. At June 30, 2019, committed fund balance on the governmental funds balance sheet is made up of \$935,289 for subsequent year expenditures.

Minimum Fund Balance Policy: The District does not have a policy for maintaining a minimum amount of fund balance for operations is to minimize any sudden and unplanned discontinuity to programs and operations and for unforeseen contingencies.

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

- Net investment in capital assets: Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted Net Position: Net position is reported as restricted when constraints are placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation. Descriptions for the related restrictions for net position restricted for "special revenue, debt service, and capital projects" are described on pages 52-56.
- Unrestricted Net Position: All other net positions that do not meet the definition of "restricted" or "Net Investment in Capital Assets."

STATE OF NEW MEXICO
Hatch Valley Public Schools
Notes to the Financial Statements
June 30, 2019

NOTE 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Equity (continued)

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates for the District are management's estimate of estimated useful lives for depreciable assets, net pension liability and related deferred inflows and outflows of resources, and the current portion of accrued compensated absences.

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.

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

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 District to ensure that the 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 District's program cost". A school district's program costs are determined through the use of various formulas using 'program units' which take into consideration 1) early childhood education; 2) basic education; 3) special education; 4) bilingual-multicultural education; 5) size, etc. Payment is made from the public school fund under the authority of the Director of Public School Finance. The District received \$9,791,304 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 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. Dona Ana County collects county, city and school taxes and distributes some to each fund once per month except in June when the taxes are distributed twice to close out the fiscal year. 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 \$1,128,045 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.

STATE OF NEW MEXICO
Hatch Valley Public Schools
Notes to the Financial Statements
June 30, 2019

NOTE 1. Summary of Significant Accounting Policies (Continued)

E. Revenues (Continued)

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 \$708,033 in transportation distributions during the year ended June 30, 2019.

Instructional Materials: The New Mexico Public Education Department (PED) receives federal mineral leasing funds from which it makes annual allocations to the various Districts for the purchase of educational materials. Of each allocation, seventy percent is restricted to the requisition of materials listed in the Public Education Department "State Adopted Instructional Material" list, while thirty percent of each allocation is available for purchases directly from vendors. Allocations received from the State for the year ended June 30, 2019 totaled \$41,600. Allocations received and utilized are reflected in revenues and expenditures of the General Fund.

SB-9 State Match: The Director shall distribute to any school district that has imposed a tax under the Public School Capital Improvements Act (22-25-1 to 22-25-10 NMSA 1978) an amount from the public school capital improvements fund that is equal to the amount by which the revenue estimated to be received from the imposed tax as specified in Subsection B of Section 22-25-3 NMSA 1978, assuming a one hundred percent collection rate, is less than an amount calculated by multiplying the product obtained by the rate imposed in the District under the Public School Capital Improvements Act. The distribution shall be made by December 1 of each year that the tax is imposed in accordance with Section 22-25-3 NMSA 1978. However, in the event that sufficient funds are not available in the public school capital improvement funds to make the state distribution provided for in this section, the dollar per program unit figure shall be reduced as necessary. The District received \$268,963 in state SB-9 matching during the year ended June 30, 2019.

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

NOTE 2. Stewardship, Compliance, and Accountability

Budgetary Information

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

These budgets are prepared on a Non-GAAP cash basis 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 restricted fund balance.

STATE OF NEW MEXICO
Hatch Valley Public Schools
Notes to the Financial Statements
June 30, 2019

NOTE 2. Stewardship, Compliance, and Accountability (Continued)

Budgetary Information (Continued)

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

The District's expenditures are budgeted on a cash basis, with the exception of those expenditures related to payroll. Payroll expenditures are budgeted on the accrual basis and the beginning fund balance and current year actual expenditures on the budgetary comparisons in those funds that have accrued payroll for held checks at year end have been adjusted to account for this requirement.

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

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

1. In April or May, the local school board submits to the District Budget Planning Unit (DBPU) of the New Mexico Public Education Department (PED) a proposed operating budget for the ensuing fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them. All budgets are submitted to the State of New Mexico Public Education Department.
2. In May or June of each year, the proposed "operating" budget will be reviewed and approved by the DBPU and certified and approved by the local school board at a public hearing of which notice has been published by the local school board which fixes the estimated budget for the school district for the ensuing fiscal year.
3. The school board meeting is open for the general public unless a closed meeting has been called.
4. The "operating" budget will be used by the District until they have been notified that the budget has been approved by the DBPU and the local school board. The budget shall be integrated formally into the accounting system. Encumbrances shall be used as an element of control and shall be integrated into the budget system.
5. The District shall make corrections, revisions and amendments to the estimated budgets fixed by the local school board to recognize actual cash balances and carryover funds, if any. These adjustments shall be reviewed and approved by the DBPU.
6. The superintendent is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the school board and the State of New Mexico Public Education Department.
7. Budget change requests are processed in accordance with Supplement 1 (Budget Preparation and Maintenance) of the Manual of Procedures Public School Accounting and Budgeting. Such changes are initiated by the school district and approved by the DBPU.
8. Legal budget control for expenditures is by function.
9. Appropriations lapse at fiscal year end. Funds unused during the fiscal year may be carried over into the next fiscal year by budgeting those in the subsequent fiscal year's budget. The budget schedules included in the accompanying financial statements reflect the original budget and the final budget.
10. 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.

STATE OF NEW MEXICO
Hatch Valley Public 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 appropriated budget for the year ended June 30, 2019, was properly amended by the Board of Education throughout the year.

The reconciliation between the Non-GAAP budgetary basis amounts and the financial statements on the GAAP basis for each nonmajor governmental fund are included in each individual budgetary comparison.

NOTE 3. Deposits and Investments

Section 22-8-40, NMSA 1978 authorizes the investment of District funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations.

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 collateralized by the financial institution as required by statute. The financial institution must provide pledged collateral for 50% of the deposit amount in excess of the deposit insurance.

The collateral pledged is listed on page 80 in 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.

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.

Beginning January 1, 2013, all of the District's accounts at an insured depository institution, including all noninterest-bearing transaction accounts, will be insured by the FDIC up to the standard maximum deposit insurance amount of \$250,000 for all deposit accounts out of state and up to \$250,000 for all time and saving accounts plus up to \$250,000 for all demand deposit accounts held at a single institution in state.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk, other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). At June 30, 2019, \$1,749,758 of the District's bank balance of \$2,249,758 was subject to custodial credit risk. \$1,315,885 as uninsured and collateralized by collateral held by the pledging bank's trust department, not in the District's name. \$636,698 of the District's deposits was uninsured and uncollateralized at June 30, 2019.

STATE OF NEW MEXICO
Hatch Valley Public Schools
Notes to the Financial Statements
June 30, 2019

NOTE 3. Deposits and Investments (Continued)

	<u>Bank of the West</u>	<u>Wells Fargo</u>	<u>Total</u>
Amount of deposits	\$ 408,013	1,841,745	2,249,758
FDIC Coverage	<u>(250,000)</u>	<u>(250,000)</u>	<u>(500,000)</u>
Total uninsured public funds	<u>158,013</u>	<u>1,591,745</u>	<u>1,749,758</u>
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the District's name	<u>360,838</u>	<u>955,047</u>	<u>1,315,885</u>
Uninsured and uncollateralized	<u>-</u>	<u>636,698</u>	<u>636,698</u>
Collateral requirement (50% of uninsured funds)	79,007	795,873	874,880
Pledged collateral	<u>360,838</u>	<u>955,047</u>	<u>1,315,885</u>
Over (Under) collateralized	\$ <u>281,832</u>	<u>159,174</u>	<u>441,005</u>

The collateral pledged is listed on page 80 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.

STATE OF NEW MEXICO
Hatch Valley Public Schools
Notes to the Financial Statements
June 30, 2019

NOTE 3. Deposits and Investments (Continued)

Repurchase Agreement

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 investment 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 securities underlying an overnight repurchase agreement, or a joint safekeeping receipt be issued to the District for at least one hundred two percent of the fair value of the securities underlying overnight repurchase accounts invested with the institution. At June 30, 2019, \$322,545 of the District’s investment balance was exposed to custodial credit risk because it was collateralized by collateral held by the counterparty, not in the District’s name.

Repurchase Agreement:

	Bank of the West
Repurchase agreements	\$ 322,545
Total uninsured public funds	322,545
Securities underlying an overnight repurchase agreement	322,545
Total investments subject to custodial credit risk	\$ 322,545
Collateral requirement for repurchase agreements (102% of value of underlying securities)	\$ 328,996
Pledged collateral	328,996
Over (Under) collateralized	\$ -

STATE OF NEW MEXICO
Hatch Valley Public Schools
Notes to the Financial Statements
June 30, 2019

NOTE 3. Deposits and Investments (Continued)

Reconciliation of Cash and Cash Equivalents

Cash and cash equivalents per statement of net position	\$ 1,163,347
Restricted cash and cash equivalents per statement of net position	993,379
Restricted investments per statement of net position	1,487,084
Agency funds cash per statement of fiduciary assets and liabilities	<u>183,654</u>
Total cash and cash equivalents	<u>3,827,464</u>
Add: outstanding checks and other reconciling items	232,173
Less: petty cash	(250)
Less: restricted investments with NMFA	<u>(1,487,084)</u>
Bank balance of deposits and repurchase agreements	<u>\$ 2,572,303</u>

NOTE 4. Receivables

Accounts receivable for governmental activities as of June 30, 2019 are as follows:

	<u>General Fund</u>	<u>Bond Building Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Property taxes receivable	\$ 9,686	-	239,028	45,819	294,533
Intergovernmental receivables	-	-	-	1,265,312	1,265,312
Other receivables	<u>597</u>	-	-	-	597
Totals	<u>\$ 10,283</u>	<u>-</u>	<u>239,028</u>	<u>1,311,131</u>	<u>1,560,442</u>

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

	<u>Unavailable</u>
Delinquent property taxes	
General Fund	\$ 8,736
Capital Improvements SB-9	38,259
Debt Service Fund	<u>199,482</u>
Total deferred / unearned revenue for governmental funds	\$ <u><u>246,477</u></u>

STATE OF NEW MEXICO
Hatch Valley Public Schools
Notes to the Financial Statements
June 30, 2019

NOTE 5. Interfund Receivables and Payables, and Transfers

The District's fund financial statements include inter-fund receivables and payables to enable the funds to operate until grant monies are received. The composition of inter-fund balances as of June 30, 2019 is as follows:

	<u>Due From</u> <u>Other Funds</u>	<u>Due To</u> <u>Other Funds</u>
Major Funds:		
11000 General Fund	\$ 1,113,360	-
Non-major Funds:		
21000 Food Services	-	115,265
24101 Title I - IASA	-	211,584
24106 Entitlement IDEA-B	-	47,529
24108 New Mexico Autism Project	-	6,171
24109 Preschool IDEA-B	-	3,227
24118 Fruit and Vegetables	-	14,949
24119 21st Century CLC	-	132,671
24124 School Improvements	-	123,261
24153 English Language Acquisition	-	72,051
24154 Title IIA Teacher/Principal Training & Recruiting	-	46,905
24160 Rural & Low Income Schools	-	42,041
24183 USDA School	-	6,090
24189 Student Support & Academic Achievement	-	5,356
27103 Dual Credit Instructional	-	2,235
27107 GO Bond Student Library	-	9,212
27149 Pre-K Initiative	-	43,582
27166 Kindergarten Three Plus	-	12,712
27183 NM Grown	-	9,751
27194 Social Workers for Middle Schools	-	5,973
28190 GRADS Instruction	-	30,997
29102 Sloan-Prince Grant	-	183
31700 SB-9 Capital Improvements	-	171,615
	<u>\$ 1,113,360</u>	<u>1,113,360</u>

All interfund balances are to be repaid within one year.

STATE OF NEW MEXICO
Hatch Valley Public 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 follows. Land and construction in progress are not subject to depreciation.

	<u>Balance</u> <u>June 30, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2019</u>
Governmental Activities:				
Capital assets not being				
Depreciated:				
Land	\$ 817,369	-	-	817,369
Construction in progress	413,230	170,441	(413,230)	170,441
Total capital assets not being	<u>1,230,599</u>	<u>170,441</u>	<u>(413,230)</u>	<u>987,810</u>
Capital assets being				
Depreciated:				
Buildings and improvements	40,425,231	413,230	-	40,838,461
Equipment	3,187,580	43,821	-	3,231,401
Land improvements	4,007,801	-	-	4,007,801
Total capital assets being	<u>47,620,612</u>	<u>457,051</u>	<u>-</u>	<u>48,077,663</u>
Total capital assets	<u>48,851,211</u>	<u>627,492</u>	<u>(413,230)</u>	<u>49,065,473</u>
Less accumulated depreciation				
Buildings and improvements	(15,020,112)	(1,126,624)	-	(16,146,736)
Equipment	(3,513,531)	(145,596)	-	(3,659,127)
Land improvements	(1,833,741)	(167,035)	-	(2,000,776)
Total accumulated	<u>(20,367,384)</u>	<u>(1,439,255)</u>	<u>-</u>	<u>(21,806,639)</u>
Total capital assets, net of	<u>\$ 28,483,827</u>	<u>(811,763)</u>	<u>(413,230)</u>	<u>27,258,834</u>

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

Direct instruction	\$ 662,057
Support services students	28,785
Operation and maintenance of plant	734,020
Student transportation	<u>14,393</u>
Total	<u>\$ 1,439,255</u>

STATE OF NEW MEXICO
Hatch Valley Public Schools
Notes to the Financial Statements
June 30, 2019

NOTE 7. Long-term Debt

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. The original amount of general obligation bonds issued in prior years was \$7,500,000.

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.

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

	<u>Series 2009</u>	<u>Series 2011</u>	<u>Series 2012</u>
Original issue:	\$ 950,000	\$ 750,000	\$ 550,000
Principal:	August 1	August 1	August 1
Interest:	August 1	August 1	August 1
	February 1	February 1	February 1
Interest Rates:	3.5%	.64%-2.69%	.70%-2.03
Maturity Date:	August 2018	August 2020	August 2021

	<u>Series 2012B</u>	<u>Series 2013</u>	<u>Series 2014</u>
Original issue:	\$ 1,000,000	\$ 650,000	\$ 725,000
Principal:	August 1	August 1	August 1
Interest:	August 1	August 1	August 1
	February 1	February 1	February 1
Interest Rates:	2%	.2%-2.8%	.2%-2.8%
Maturity Date:	August 2022	August 2023	August 2024

	<u>Series 2015</u>	<u>Series 2016</u>	<u>Series 2017</u>
Original issue:	\$ 800,000	\$ 825,000	\$ 625,000
Principal:	August 1	August 1	August 1
Interest:	August 1	August 1	August 1
	February 1	February 1	February 1
Interest Rates:	.214%-2.464%	.236%-1%	.207%-1.326%
Maturity Date:	August 2025	August 2026	August 2027

	<u>Series 2018</u>
Original issue:	\$ 625,000
Principal:	August 1
Interest:	August 1
	February 1
Interest Rates:	1.520%-2.464%
Maturity Date:	August 2028

STATE OF NEW MEXICO
Hatch Valley Public Schools
Notes to the Financial Statements
June 30, 2019

NOTE 7. Long-term Debt (Continued)

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

	<u>Balance</u> <u>June 30, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2019</u>	<u>Due Within</u> <u>One Year</u>
General obligation bonds					
Series 8/1/2009	\$ 260,000	-	(260,000)	-	-
General obligation bonds					
Series 8/1/2011	355,000	-	(100,000)	255,000	125,000
General obligation bonds					
Series 8/1/2012	340,000	-	(50,000)	290,000	90,000
General obligation bonds					
Series 8/1/2012B	500,000	-	(100,000)	400,000	100,000
General obligation bonds					
Series 8/1/2013	465,000	-	(50,000)	415,000	65,000
General obligation bonds					
Series 8/1/2014	585,000	-	(50,000)	535,000	80,000
General obligation bonds					
Series 8/1/2015	670,000	-	(40,000)	630,000	40,000
General obligation bonds					
Series 8/1/2016	795,000	-	(85,000)	710,000	85,000
General obligation bonds					
Series 8/1/2017	625,000	-	-	625,000	80,000
General obligation bonds					
Series 8/1/2018	-	625,000	-	625,000	40,000
Total Long-Term Debt	<u>\$ 4,595,000</u>	<u>625,000</u>	<u>(735,000)</u>	<u>4,485,000</u>	<u>705,000</u>

	<u>Balance</u> <u>June 30, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2019</u>	<u>Due Within</u> <u>One Year</u>
Compensated Absences	\$ 76,364	52,189	(57,892)	70,661	37,566

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

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Debt Service</u>
2020	\$ 705,000	52,854	757,854
2021	660,000	41,050	701,050
2022	580,000	31,508	611,508
2023	600,000	23,474	623,474
2024	530,000	17,213	547,213
2025-2029	1,410,000	31,867	1,441,867
	<u>\$ 4,485,000</u>	<u>197,966</u>	<u>4,682,966</u>

STATE OF NEW MEXICO
Hatch Valley Public Schools
Notes to the Financial Statements
June 30, 2019

NOTE 7. Long-term Debt (Continued)

Compensated Absences – Administrative employees of the District are able to accrue a limited amount of vacation and other compensatory time during the year. During fiscal year June 30, 2019, the long-term portion of compensated absences decreased \$2,327 over the prior year accrual. Compensated absences are usually paid from the general fund. See Note 1 for more details.

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.

The NMPSIA provides coverage for up to a maximum of \$500,000,000 for each property damage claim with a \$750 deductible for contents and \$10,000 deductible for 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 \$500,000 per occurrence for Faithful Performance. A limit of \$500,000 applies to Depositor’s Forgery, Credit Card Forgery and Money Orders. A limit of \$100,000 applies to Money and Security, which includes a \$750 deductible.

In case 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. Other Required Individual Fund Disclosures

Generally accepted accounting principles require disclosures of certain information concerning individual funds including:

A. Deficit Fund Balances: The following funds maintained a deficit fund balance at June 30, 2019:

Nonmajor Funds

Food Services Special Revenue Fund - 21000	\$ 166,124
21 st Century CLC – 24119	202
Title 1 1003g Grant – 24124	1,959
English Language Acquisition - 24153	16,995
2012 GO Bond Student Library - 27107	7,636
NM Grown FW	9,751
Social Workers for Middle Schools - 27194	5,973
GRADS Instruction - 28190	30,997
Sloan-Prince Grant - 29102	183

The District incurred more expenditures than revenues received in these funds in the current year. The District anticipates these fund balances will not be in a deficit state in subsequent years from transfers from other funds.

STATE OF NEW MEXICO
Hatch Valley Public Schools
Notes to the Financial Statements
June 30, 2019

NOTE 10. Pension Plan – Educational Retirement Board

General Information about the Pension Plan

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

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

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

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

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

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

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

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

- 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,
- The member has service credit totaling 30 years or more.

STATE OF NEW MEXICO
Hatch Valley Public Schools
Notes to the Financial Statements
June 30, 2019

NOTE 10. Pension Plan – Educational Retirement Board (Continued)

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

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

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

Benefit Options. The Plan has three benefit options available.

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

STATE OF NEW MEXICO
Hatch Valley Public Schools
Notes to the Financial Statements
June 30, 2019

NOTE 10. Pension Plan – Educational Retirement Board (Continued)

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

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

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

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

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

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

<u>Fiscal Year</u>	<u>Date Range</u>	<u>Wage Category</u>	<u>Member Rate</u>	<u>Employer Rate</u>	<u>Combined Rate</u>	<u>Increase Over Prior Year</u>
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 \$1,009,052 and \$962,393, which equal the amount of the required contributions for each fiscal year.

STATE OF NEW MEXICO
Hatch Valley Public Schools
Notes to the Financial Statements
June 30, 2019

NOTE 10. Pension Plan – Educational Retirement Board (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2019, the District’s reported a liability of \$29,500,014 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2018 using generally accepted actuarial principles. The roll-forward incorporates the impact of the new assumptions adopted by the Board on April 21, 2017. There were no other significant events of changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2018. Therefore, the employer’s portion was established as of the measurement date of June 30, 2018. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating educational institutions, actuarially determined. At June 30, 2018, the District’s proportion was 0.24808%, which was a increase of 0.00057% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the District recognized pension expense of \$4,398,766. At the June 30, 2019, the District reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$ 21,530	561,433
Changes of assumptions	6,079,813	-
Net difference between projected and actual earnings on pension plan investments	65,305	-
Changes in proportion and differences between Contributions and proportionate share of contributions	32,427	772,657
District's contributions subsequent to the measurement date	<u>1,009,052</u>	<u>-</u>
Total	\$ <u>7,208,127</u>	<u>1,334,090</u>

\$1,009,052 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, 2019.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2020	\$ 2,948,860
2021	1,948,698
2022	(33,432)
2023	859
2024	-
Thereafter	-

STATE OF NEW MEXICO
Hatch Valley Public Schools
Notes to the Financial Statements
June 30, 2019

NOTE 10. Pension Plan – Educational Retirement Board (Continued)

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

Inflation	2.50%
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	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

Healthy males: Based on the RP-2000 Combined Healthy Mortality Table with White Collar adjustments, not set back. Generational mortality improvements with Scale BB from the table’s base year of 2000.

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.

Disabled males: RP-2000 Disabled Mortality Table for males, set back three years, projected to 2016 with Scale BB.

Disabled females: RP-2000 Disabled Mortality Table for females, no set back, projected to 2016 with Scale BB.

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.

Retirement Age

Experience-based table rates based on age and service, adopted by the NMERB on April 21, 2017 in conjunction with the six-year experience study for the period ending June 30, 2016.

Cost-of-living increases

1.90% per year, compounded annually; increases deferred until July 1 following the year a member retires, or the year in which a member attains the age of 65 (67 for Tier 3), whichever is later or, for disabled retirees, until July 1 of the third year following retirement.

Payroll growth

3.00% per year (with no allowance for membership growth).

Contribution accumulation

The accumulated member account balance with interest is estimated at the valuation date by assuming that member contributions increased 5.50% per year for all years prior to the valuation date. Contributions are credited with 4.00% interest, compounded annually, applicable to the account balances in the past as well as the future.

Disability incidence

Approved rates are applied to eligible members with at least 10 years of service.

STATE OF NEW MEXICO
Hatch Valley Public Schools
Notes to the Financial Statements
June 30, 2019

NOTE 10. Pension Plan – Educational Retirement Board (Continued)

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

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

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

Comparative Schedule of Target Investment Allocation

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

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

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

STATE OF NEW MEXICO
Hatch Valley Public Schools
Notes to the Financial Statements
June 30, 2019

NOTE 10. Pension Plan – Educational Retirement Board (Continued)

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

	<u>1% Decrease</u> <u>(4.69%)</u>	<u>Current</u> <u>Discount Rate</u> <u>(5.69%)</u>	<u>1% Increase</u> <u>(6.69%)</u>
District’s proportionate share of the net pension liability	\$ 38,338,720	29,500,014	22,288,182

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 https://www.nmerb.org/Annual_reports.html.

Payables to the pension plan. The District remits the legally required employer and employee contributions on a monthly basis to NMERB. The NMERB requires that the contributions be remitted by the 15th day of the month following the month for which contributions are withheld. At June 30, 2019, the District owed the NMERB \$2,208 for the contributions withheld in the month of June 2019.

NOTE 11. Post-Employment Benefits – State Retiree Health Care Plan

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

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

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

STATE OF NEW MEXICO
Hatch Valley Public Schools
Notes to the Financial Statements
June 30, 2019

NOTE 11. Post-Employment Benefits – State Retiree Health Care Plan (Continued)

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

Plan Membership

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

Active Membership

State general	\$ 19,593
State police and corrections	1,886
Municipal general	17,004
Municipal police	3,820
Municipal FTRE	2,290
Educational Retirement Board	48,756
	<u>\$ 93,349</u>

Contributions. Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee’s salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer’s participation in the Fund. Contributions to the Fund from the District were \$145,142 for the year ended June 30, 2019.

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

At June 30, 2019, the District reported a liability of \$7,050,857 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 0.16215 percent. For the year ended June 30, 2019, the District recognized OPEB income of \$29,505. At June 30, 2019 the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$ -	417,456
Net difference between projected and actual earnings on OPEB plan investments	-	87,992
Changes of assumptions		1,316,364
Changes in proportion		95,024
Contributions made after the measurement date	<u>145,142</u>	<u>-</u>
Total	<u>\$ 145,142</u>	<u>1,916,836</u>

**STATE OF NEW MEXICO
Hatch Valley Public Schools
Notes to the Financial Statements
June 30, 2019**

NOTE 11. Post-Employment Benefits – State Retiree Health Care Plan (Continued)

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

Deferred outflows of resources totaling \$145,142 represent District’s contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ended June 30:	
2020	\$ (483,015)
2021	(483,015)
2022	(483,015)
2023	(377,595)
2024	(90,196)
Total	\$ <u>(1,916,836)</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
Actuarial assumptions:	
Inflation	2.50% for ERB members; 2.25% for PERA members
Projected payroll increases	3.25% to 12.50% based on years of service, including inflation
Investment rate of return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation including inflation
Health care cost trend rate	8% graded down to 4.5% over 14 years for Non- Medicare medical plan costs and 7.5% graded down to 4.5% over 12 for Medicare medical plan costs
Mortality	ERB members: RP-2000 Combines Healthy Mortality Table with White Collar Adjustment (males) and GRS Southwest Region Teacher Mortality Table (females) PERA members; RP2000 Combined Healthy Mortality

STATE OF NEW MEXICO
Hatch Valley Public Schools
Notes to the Financial Statements
June 30, 2019

NOTE 11. Post-Employment Benefits – State Retiree Health Care Plan (Continued)

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

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

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

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

Discount Rate. The discount rate used to measure the Fund’s total OPEB liability is 4.08% as of June 30, 2018. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2029. 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</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	<u>(3.08%)</u>	<u>(4.08%)</u>	<u>(5.08%)</u>
District’s proportionate share of the OPEB liability	\$ 8,533,198	7,050,857	5,882,443

**STATE OF NEW MEXICO
Hatch Valley Public Schools
Notes to the Financial Statements
June 30, 2019**

NOTE 11. Post-Employment Benefits – State Retiree Health Care Plan (Continued)

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

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 Rate</u>	<u>1% Increase</u>
\$	5,960,446	7,050,857	7,905,764

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

Payable Changes in the Net OPEB Liability. At June 30, 2019, the District reported no payable for outstanding contributions due to NMRHCA for the year ended June 30, 2019.

NOTE 12. 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 District expects such amount, if any, to be immaterial. The District is involved in various claims and lawsuits arising in the normal course of business. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the District’s legal counsel that resolution of these matters will not have a material adverse effect on the financial condition of the District.

NOTE 13. Concentrations

The District depends on financial resources flowing from, or associated with, both the Federal Government and the State of New Mexico. Because of this dependency, the District is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State Appropriations.

NOTE 14. Subsequent Events

The date to which events occurring after June 30, 2019, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statement or disclosures is June 2, 2020 which is the date on which the financial statements were issued.

NOTE 15. Restricted Net Position

The government-wide statement of net position reports \$2,485,232 of restricted net position, all of which is restricted by enabling legislation. For descriptions of the related restrictions for net position restricted for special revenue and capital projects, see pages 52-56.

STATE OF NEW MEXICO
Hatch Valley Public Schools
Notes to the Financial Statements
June 30, 2019

NOTE 16. Joint Powers Agreements and MOU's

Ben Archer Health Center:

Participants	Ben Archer Health Center Hatch Valley Public Schools
Responsible party	Ben Archer Health Center and Hatch Valley Public Schools
Description	To establish behavioral health services at Hatch Valley Public Schools
Beginning date	June 18, 2013
Ending date	Until withdrawn Estimated amount of project – none
Amount contributed	No charges exchanged
Audit responsibility	Hatch Valley Public Schools
Fiscal agent	No charges exchanged

School Resource Officer:

Participants	Village of Hatch Hatch Valley Public Schools
Responsible party	Village of Hatch
Description	To provide and manage a School Resource Officer Program in the District
Beginning date	August 11, 2014
Ending date	Until withdrawn
Amount contributed	\$45,000
Audit responsibility	Hatch Valley Public Schools
Fiscal agent	Village of Hatch and Hatch Valley Public Schools

NOTE 17. Tax Abatements

While the District does not negotiate property tax abatements, Dona Ana County does on an individual basis. There is one tax abatement agreement that affects the District as of June 30, 2019. The agreement is with SunEdison for the construction and operation of an approximately 12 megawatt (MW) photovoltaic generating station within the County. The agreement began in 2012 and has a life of 10 years. The amount of property taxes abated during 2019 was \$34,496.

This agreement was negotiated under the New Mexico's Community Development Incentive Act. Statute 3-64-1 through 3-64-5 NMSA 1978 to promote trade, industry, and other forms of economic development. Each abatement is a local agreement between a taxpayer and a taxing unit that exempts all or part of the increase in the value of the real property and/or tangible personal property from taxation for a period not to exceed 10 years. There is a provision, that in the event that the Project permanently ceases operation prior to the date that is twenty-five (25) years after the commencement of commercial operations of the Project, commercial personal property taxes that were previously abated...shall become due and payable on a proportionate basis

The District has not made any commitments as part of the agreements other than those made by the County. The District is subject to those tax abatements agreement entered into by Dona Ana County.

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
Hatch Valley Public Schools
Schedule of Proportionate Share of the Net Pension Liability
Educational Retirement Board (ERB) Pension Plan
Last Ten Fiscal Years*

	Fiscal Year: Measurement Date:	2019 2018	2018 2017	2017 2016	2016 2015	2015 2014
Hatch Valley Public Schools proportion of the net pension liability (asset)		0.2481%	0.2475%	0.2702%	0.2771%	0.2771%
Hatch Valley Public Schools proportionate share of the net pension liability (asset)	\$	29,500,014	27,506,945	19,443,324	17,947,843	17,947,843
Hatch Valley Public Schools covered-employee payroll		7,256,052	6,923,723	7,702,999	7,876,832	7,295,766
Hatch Valley Public Schools proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll		407%	397%	252%	228%	219%
Plan fiduciary net position as a percentage of the total pension liability		52.17%	52.95%	61.58%	63.97%	66.34%

* 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 Hatch Valley Public Schools is not available prior to fiscal year 2015, the year the statement's requirements became effective.

See independent auditors' report.
See notes to required supplementary information.

**STATE OF NEW MEXICO
Hatch Valley Public Schools
Schedule of Contributions
Educational Retirement Board (ERB) Pension Plan
Last Ten Fiscal Years***

	Fiscal Year:	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutory required contributions	\$	1,009,052	962,393	979,600	1,070,717	1,094,880
Contributions in relation to the statutorily required contributions		<u>1,009,052</u>	<u>962,393</u>	<u>979,600</u>	<u>1,070,717</u>	<u>1,094,880</u>
Contribution deficiency (excess)	\$	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</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 Hatch Valley Public Schools is not available prior to fiscal year 2015, the year the statement's requirements became effective.

See independent auditors' report.
See notes to required supplementary information.

STATE OF NEW MEXICO
Hatch Valley Public Schools
Schedule of Proportionate Share of the Net OPEB Liability
New Mexico Retiree Health Care Plan

	Fiscal Year:	2019*	2018
	Measurement Date:	2018	2017
		<u> </u>	<u> </u>
Hatch Valley Public Schools proportion of the net OPEB liability (asset)		0.1622%	0.1642%
Hatch Valley Public Schools proportionate share of the net OPEB liability (asset)	\$	7,050,857	7,441,913
Hatch Valley Public Schools covered-employee payroll		6,957,235	6,840,826
Hatch Valley Public Schools proportionate share of the net OPEB 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 Hatch Valley Public School will present information for available years.

See independent auditors' report.
See notes to required supplementary information.

STATE OF NEW MEXICO
Hatch Valley Public Schools
Schedule of Contributions
New Mexico Retiree Health Care Plan

	Fiscal Year:	<u>2019</u>	<u>2018</u>
Contractually required contributions	\$	253,387	521,476
Contributions in relation to the statutorily required contributions		<u>250,293</u>	<u>261,723</u>
Contribution deficiency (excess)	\$	<u>3,094</u>	<u>259,753</u>
Hatch Valley Public School's covered-employee payroll	\$	6,957,235	6,840,826
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 Hatch Valley Public School will present information for available years.

See independent auditors' report.
 See notes to required supplementary information.

**STATE OF NEW MEXICO
Hatch Valley Public Schools
Notes to Required Supplementary Information
For the Year Ended June 30, 2019**

Educational Retirement Board (ERB) Pension Plan

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

Changes of 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%.

See also the Actuarial Assumptions subsection of the financial statements note disclosure Pension Plan – Educational Retirement (ERB). Refer to the RHCA Report for the OPEB related notes.

New Mexico Retiree Health Care Authority (NMRHCA) Plan

Changes of benefit terms. The NMRHCA eligibility benefits changes in recent years are described in Note 1 of the NMRHCA FY18 audit available at <http://www.nmrhca.org/financial-documents.aspx>

Changes of assumptions. The New Mexico Retiree Health Care Authority (NMRHCA) Acturial Valuation as of June 31, 2018 report is available at <http://www.nmrhca.org/financial-documents.aspx>

SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

STATE OF NEW MEXICO
Hatch Valley Public Schools
Nonmajor Governmental Fund Descriptions
June 30, 2019

SPECIAL REVENUE FUNDS

Food Services (21000) – This fund is utilized to account for Federal and Local sources of income relating to the food service programs. The Food Service Fund is segregated into two categories, one being the Federal funds and the other being Non-Federal funds. Federal funds consist of 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. Authority for the creation of this fund is NMSA 22-13-13.

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.

Title I – IASA Special Revenue Fund (24101) is used to provide supplemental educational opportunity for academically disadvantaged children residing in the area. 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 identifies a campus; educational need determines the students to be served. Federal revenues accounted for in this fund are allocated to the District through the New Mexico Public Education Department. Authority for creation of this fund is Part A of Chapter I of Title I of Elementary and Secondary Education Act (ESEA) of 1965, as amended, Public Law 103-383.

Migrant Children Education (24103) – To account for federal sources administered by the State Public Education Department to provide for special education needs of children of migratory agricultural workers. Authority for the creation of this fund is (P.L. 100-297).

Entitlement IDEA-B (24106) – The IDEA-B Entitlement/Competitive program is to provide grants to states that flow-through to schools, to assist them in providing a free appropriate public education to all children with disabilities. The program is funded by the United States government, under the Individuals with Disabilities Education Act, Part B, Sections 611-617, and part D, Section 674 as amended, 20 U.S.C. 1711-1417 and 1420.

Discretionary IDEA-B (24107) – The purpose of this program is to provide administrators and program directors with information and strategies that will support licensed and waived teachers in the areas of special education with day-to-day functions of the classroom. Authority for creation of this fund is Individuals with Disabilities Education Act (IDEA), Part B, Sections 611-617, and Part D, Section 674 as amended, 20 U.S.C. 1411-1417 and 1420, Public Law 105-17.

New Mexico Autism Project (24108) – The purpose of this fund is to support the District's implementation of the New Mexico Autism Project (NMAP) to improve the outcomes for students with Autism Spectrum Disorders. The intention of this funding may include, but is not limited to NMAP professional development, NMAP curriculum materials, travel expenses related to NMAP trainings, and supplies related to NMAP. Authority for creation of this fund is Part-B Individuals with Disabilities Education Act Special Education Grants to States.

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.

STATE OF NEW MEXICO
Hatch Valley Public Schools
Nonmajor Governmental Fund Descriptions
June 30, 2019

SPECIAL REVENUE FUNDS (Continued)

IDEA-B Early Intervention (24112) – To account for a sub-award from IDEA-B Basic grant (24106) to develop and implement coordinated early intervening educational services. The services are designed to directly benefit nondisabled children who need additional academic and behavioral support to succeed in the general education environment.

Fresh Fruit and Vegetables (24118) - To assist States, through cash grants, in providing free fresh fruits and vegetables to school children in designated participating schools beginning in school year 2004/2005. Authorized by National School Lunch Act, as amended, 42 U.S.C. 1769.

21st Century Community Learning Centers (24119) – To account for federal funds utilized to expand an after school, weekend and summer program. The program is designed to integrate the visual and performing arts with literacy, life skills and physical activity for kindergarten to 12th grade focusing on the neighborhood and community as a classroom. Authorized by the Elementary and Secondary Education Act, as amended by the No Child Left Behind Act of 2001, Title IV, Part B Public Law 107-110.

Title I 1003g Grant (24124) – To account for funds administered through the State Public Education Department to assist schools identified for improvement, corrective actions, and restructuring.

English Language Acquisition (24153) – To provide funds to improve the educational performance of limited English proficient students by assisting the children to learn English and meet State academic content standards. Authority for creation of this fund is the Elementary and Secondary Education Act (ESEA), as amended, Title III, Part A, and Sections 3101, 3129.

Teacher IIA Teacher/Principal Training & Recruiting (24154) – 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 the creation of this fund is the Rehabilitation Act of 1973, as amended, Title III, Section 303(b)-(d). 20 U.S.C. 777a and 797a.

Rural & Low Income Schools (24160) – To account for funds used to provide financial assistance to rural districts to carry out activities to help improve the quality of teaching and learning in their schools. Authorized by Elementary and Secondary Education Act of 1965 (ESEA), Title VI, Part B, as amended.

Title I School Improvement (24162) – To account for funds used specifically to improve student achievement in Title I schools with a status of priority or focus. Authorized by Elementary and Secondary Education Act of 1965 (ESEA), as amended, Title I, Part A, 20 U.S.C 6301 et seq.

Immigrant Title III (24163) – Implement district wide bilingual education programs or special alternative instruction programs to improve, reform, and upgrade relevant programs and operations, within an entire local educational agency, that serve a significant number of children and youth limited English proficiency in local educational agencies with significant concentrations of such children and youth. The program is authorized by Title III, P.I. 107-116.

Student Support and Academic Achievement (24189) - To improve student's academic achievement by increasing the capacity of States, local educational agencies, schools and local communities to: (1) provide all students with access to a well-rounded education; (2) improve school conditions for student learning; and (3) improve the use of technology in order to improve the academic achievement and digital literacy for all students.

STATE OF NEW MEXICO
Hatch Valley Public Schools
Nonmajor Governmental Fund Descriptions
June 30, 2019

SPECIAL REVENUE FUNDS (Continued)

IDEA-B Federal Stimulus (24201) – Fund used to account for federal resources administered by the New Mexico State Department of Education to provide for the special education needs of handicapped children three to five years old. Required by the New Mexico Department of Education Manual of Procedures for New Mexico School Districts to be accounted for as a separate fund within the Special Revenue Funds (P.L. 94-142 and P.L. 99-457).

Headstart (25127) – To account for federal resources administered by the U.S. Department of Health and Human Services to provide comprehensive early childhood development for disadvantaged preschool children and their families. (Community Opportunities, Accountability and Training Act of 1998) Hatch Valley Public Schools' Headstart funding flows through Las Cruces Public School District.

Title XIX - Medicaid 3/21 Years (25153) – To account for a program providing school-based screening, diagnostic services and other related health services and administrative activities in conformance with the approved Medicaid State Plan in order to improve health and developmental outcomes for children. Authority for the creation of this fund is the Social Security Act, Title XIX, as amended; Public Laws 89-97, 90-248, and 91-56; 42 U.S.C. 1396 et seq., as amended; Public Law 92-223; Public Law 92-603; Public Law 93-66; Public Law 93-233; Public Law 96-499; Public Law 97-35; Public Law 97-248; Public Law 98-369; Public Law 99-272; Public Law 99-509; Public Law 100-93; Public Law 100-202; Public Law 100-203; Public Law 100-360; Public Law 100-436; Public Law 100-485; Public Law 100-647; Public Law 101-166; Public Law 101-234; Public Law 101-239; Public Law 101-508; Public Law 101-517; Public Law 102-234; Public Law 102-170; Public Law 102-394; Public Law 103-66; Public Law 103-112; Public Law 103-333; Public Law 104-91; Public Law 104-191; Public Law 104-193; Public Law 104-208, 104-134; Balanced Budget Act of 1997, Public Law 105-33; Public Law 106-113; Public Law 106-554; Public Law 108-27; Public Law 108-173; Public Law 109-91; Public Law 109-171; Public Law 109-432; Public Law 110-28.

Dual Credit Instructional Materials/ HB2 (27103) – To account for House Bill 2, 2009 which makes an appropriation for Dual Credit Instructional materials. The dual credit instructional materials must be for a course approved by Higher Education Department and through a college/university for which the District has an approved agreement.

2012 GO Bond Student Library (27107) – This award allows schools to acquire library books, equipment and library resources for public school library resources for public school libraries statewide. The funding was made available through Senate Bill 66, Laws of 2012, 2nd Session, 2012 Senate and House Bill.

New Mexico Reads to Lead K-3 Reading Initiative (27114) – The purpose of this grant is to provide funding for reading initiative activities for grades K-3. Funds accounted for in this fund are received from the State of New Mexico. Authority for the creation of this fund is the New Mexico Public Education Department.

Teacher Recruitment (27128) – The fund is to be used for teacher recruitment effort such as signing bonuses for new teachers, covering the costs of travel to a recruiting/hiring event, updates to your district website with regard to recruitment, or the cost of placing advertisements in a newspaper or external website.

Truancy Initiative PED (27141) – To hire Truancy and Dropout Prevention Coaches with appropriate state licensure. The coaches will monitor and report on the performance of each school assigned a coach. The reporting will include information about truancy and dropout statistics, as well as documentation about various events and programming provided by the school as related to truancy and dropout prevention.

STATE OF NEW MEXICO
Hatch Valley Public Schools
Nonmajor Governmental Fund Descriptions
June 30, 2019

SPECIAL REVENUE FUNDS (Continued)

Pre-K Initiative (27149) – To account for funds received to prepare children for success in school, begin to close the achievement gap between students, and help meet the vision of a seamless education system — Pre-Kindergarten through higher education. Authority for the creation of this fund is the New Mexico Public Education Department.

Kindergarten Three Plus (27166) – Funds allow for an extended school year for Kindergarten through third grade students. The program focuses on acclimating young students to the structure of a classroom environment and spending additional time to prepare them for the next grade. Authority for the creation of this fund is the New Mexico Public Education Department.

NM Grown FW (27183) – Distributed through a state appropriation for school districts to purchase New Mexico grown fresh fruits and vegetables for school meal programs created through House Bill 2, 2013, Section 5.

Social Workers for Middle Schools (27194) – This funding is to be used to hire a Middle School Social Worker. Authority for the creation of this fund is the New Mexico Public Education Department, Special Appropriation Fund.

NM Highway Dept (Road) (28120) - To account for funding received through the New Mexico Department of Transportation specifically for Hatch Valley Public Schools to excavate and repave 6 areas, including subgrade prep, base course, Garfield Elementary, Bear Avenue intersection with Rio Grande Elementary bus loop, Bear Avenue at intersection with E. Herrera Road, Rio Grande Elementary Cafeteria Road, and the bus yard. Authorization for the creation of this fund is the New Mexico Public Education Department with approval from the NM Department of Transportation Commission.

Healthier Schools DOH (28155) – This grant is an MOA with the New Mexico Department of Health and Hatch Valley Public Schools to implement at least one youth-led Community transformation Grant (CTG) for strategic direction in the education system to encourage healthy eating among elementary school age children and to implement at least one youth-led CTG strategic direction in the food system to encourage healthy eating.

GRADS Child Care (28189) – To account for a program funded by the Public Education Department for the purpose to establish and maintain an in-school, family and consumer science instructional and intervention program for pregnant and parenting students, which focuses on knowledge and skills related to positive self, pregnancy, parenting and economic independence. Special Revenue fund established by the local school board.

GRADS Instruction (28190) – To provide grants to States, Territories, or Tribes to assist needy families with children so that children can be cared for in their own homes; reduce dependency by promoting job preparation, work, and marriage; to reduce and prevent out-of-wedlock pregnancies; and to encourage the formation and maintenance of two-parent families. Social sectary act, Title IV, Part A, as amended; Personal Responsibility and Work Opportunity Reconciliation Act of 1996, Public Law 104-193.

GRADS Plus (28203) - To account for a program as an instructional component for teenage parents to be used for summer case management and GRADS case management period. Special Revenue fund established by the local school board.

Sloan-Price Grant (29102) – To account for local grants awarded to provide additional funding for specific projects.

STATE OF NEW MEXICO
Hatch Valley Public Schools
Nonmajor Governmental Fund Descriptions
June 30, 2019

CAPITAL FUNDS PROJECT

Special Capital Outlay (31300) – To account for resources received by revenue generated local sources for the purpose of remodeling and improvements on existing structures. Funding authority is the New Mexico Public Education Department.

SB-9 Capital Improvements (31700) – To account for resources received through Senate Bill 9 obtained for the purpose of building, remodeling, and equipping classroom facilities. Funding authority is the New Mexico Public Education Department.

SB-9 Capital Improvements Local Match (31701) – To account for resources received through Senate Bill 9 local tax levies obtained for the purpose of building, remodeling, and equipping classroom facilities. Funding authority is the New Mexico Public Education Department.

STATE OF NEW MEXICO
Hatch Valley Public Schools
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2019

	Special Revenue			
	Food Service 21000	Athletics 22000	Title I - IASA 24101	Migrant Children Education 24103
<i>Assets</i>				
Cash and cash equivalents	\$ -	9,591	-	-
Property taxes receivable	-	-	-	-
Intergovernmental receivables	-	-	332,836	-
Due from other funds	-	-	-	-
Inventory	4,078	-	-	-
<i>Total assets</i>	<u>\$ 4,078</u>	<u>9,591</u>	<u>332,836</u>	<u>-</u>
<i>Liabilities, deferred inflows of resources, and fund balances</i>				
<i>Liabilities</i>				
Accounts payable	\$ 25,985	-	-	-
Accrued payroll	28,952	-	96,780	-
Due to other funds	115,265	-	211,584	-
<i>Total liabilities</i>	<u>170,202</u>	<u>-</u>	<u>308,364</u>	<u>-</u>
<i>Deferred Inflows of resources</i>				
Unavailable revenue - property taxes	-	-	-	-
<i>Total deferred inflows of resources</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances</i>				
<i>Nonspendable</i>				
Inventory	4,078	-	-	-
<i>Spendable</i>				
<i>Restricted for:</i>				
Educational purposes	-	9,591	24,472	-
Capital acquisitions and improvements	-	-	-	-
Unassigned (deficit)	(170,202)	-	-	-
<i>Total fund balances</i>	<u>(166,124)</u>	<u>9,591</u>	<u>24,472</u>	<u>-</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 4,078</u>	<u>9,591</u>	<u>332,836</u>	<u>-</u>

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

Special Revenue

Entitlement IDEA-B 24106	Discretionary IDEA-B 24107	New Mexico Autism Project 24108	Preschool IDEA-B 24109	IDEA Early Intervention 24112	Fruit and Vegetables 24118
-	-	-	-	-	-
-	-	-	-	-	-
88,908	-	7,347	5,715	-	14,949
-	-	-	-	-	-
-	-	-	-	-	-
<u>88,908</u>	<u>-</u>	<u>7,347</u>	<u>5,715</u>	<u>-</u>	<u>14,949</u>
3,696	-	-	-	-	-
21,824	-	-	2,488	-	-
47,529	-	6,171	3,227	-	14,949
<u>73,049</u>	<u>-</u>	<u>6,171</u>	<u>5,715</u>	<u>-</u>	<u>14,949</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
15,859	-	1,176	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>15,859</u>	<u>-</u>	<u>1,176</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>88,908</u>	<u>-</u>	<u>7,347</u>	<u>5,715</u>	<u>-</u>	<u>14,949</u>

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

STATE OF NEW MEXICO
Hatch Valley Public Schools
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2019

	Special Revenue			
	21st Century CLC 24119	Title I 1003g Grant 24124	English Language Acquisition 24153	Title IIA Teacher/ Principal Training & Recruiting 24154
<i>Assets</i>				
Cash and cash equivalents	\$ -	-	-	-
Property taxes receivable	-	-	-	-
Intergovernmental receivables	132,658	128,144	55,056	67,539
Due from other funds	-	-	-	-
Inventory	-	-	-	-
<i>Total assets</i>	<u>\$ 132,658</u>	<u>128,144</u>	<u>55,056</u>	<u>67,539</u>
<i>Liabilities, deferred inflows of resources, and fund balances</i>				
<i>Liabilities</i>				
Accounts payable	\$ -	-	-	2,500
Accrued payroll	189	6,842	-	11,663
Due to other funds	132,671	123,261	72,051	46,905
<i>Total liabilities</i>	<u>132,860</u>	<u>130,103</u>	<u>72,051</u>	<u>61,068</u>
<i>Deferred Inflows of resources</i>				
Unavailable revenue - property taxes	-	-	-	-
<i>Total deferred inflows of resources</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances</i>				
<i>Nonspendable</i>				
Inventory	-	-	-	-
<i>Spendable</i>				
<i>Restricted for:</i>				
Educational purposes	-	-	-	6,471
Capital acquisitions and improvements	-	-	-	-
Unassigned (deficit)	<u>(202)</u>	<u>(1,959)</u>	<u>(16,995)</u>	<u>-</u>
<i>Total fund balances</i>	<u>(202)</u>	<u>(1,959)</u>	<u>(16,995)</u>	<u>6,471</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 132,658</u>	<u>128,144</u>	<u>55,056</u>	<u>67,539</u>

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

Special Revenue						
Rural & Low Income Schools 24160	Title I School Improvement 24162	USDA School 24183	Student Support & Academic Achievement 24189	IDEA-B Fed Stim 24201	Headstart 25127	Title XIX Medicaid 3/21 Years 25153
-	483	-	-	-	22,719	38,895
-	-	-	-	-	-	-
42,041	-	6,090	10,509	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>42,041</u>	<u>483</u>	<u>6,090</u>	<u>10,509</u>	<u>-</u>	<u>22,719</u>	<u>38,895</u>
-	483	-	-	-	-	-
-	-	-	5,153	-	-	17,143
42,041	-	6,090	5,356	-	-	-
<u>42,041</u>	<u>483</u>	<u>6,090</u>	<u>10,509</u>	<u>-</u>	<u>-</u>	<u>17,143</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	22,719	21,752
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	22,719	21,752
<u>42,041</u>	<u>483</u>	<u>6,090</u>	<u>10,509</u>	<u>-</u>	<u>22,719</u>	<u>38,895</u>

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

STATE OF NEW MEXICO
Hatch Valley Public Schools
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2019

	Special Revenue			
	Dual Credit Instructional Materials/HB2 27103	2012 GO Bond Student Library Fund 27107	New Mexico Reads to Lead K-3 Reading Initiative 27114	Excellence in Teaching Awards 27125
<i>Assets</i>				
Cash and cash equivalents	\$ -	-	921	-
Property taxes receivable	-	-	-	-
Intergovernmental receivables	2,235	1,576	-	-
Due from other funds	-	-	-	-
Inventory	-	-	-	-
<i>Total assets</i>	<u>\$ 2,235</u>	<u>1,576</u>	<u>921</u>	<u>-</u>
<i>Liabilities, deferred inflows of resources, and fund balances</i>				
<i>Liabilities</i>				
Accounts payable	\$ -	-	-	-
Accrued payroll	-	-	-	-
Due to other funds	2,235	9,212	-	-
<i>Total liabilities</i>	<u>2,235</u>	<u>9,212</u>	<u>-</u>	<u>-</u>
<i>Deferred Inflows of resources</i>				
Unavailable revenue - property taxes	-	-	-	-
<i>Total deferred inflows of resources</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances</i>				
<i>Nonspendable</i>				
Inventory	-	-	-	-
<i>Spendable</i>				
<i>Restricted for:</i>				
Educational purposes	-	-	921	-
Capital acquisitions and improvements	-	-	-	-
Unassigned (deficit)	<u>-</u>	<u>(7,636)</u>	<u>-</u>	<u>-</u>
<i>Total fund balances</i>	<u>-</u>	<u>(7,636)</u>	<u>921</u>	<u>-</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 2,235</u>	<u>1,576</u>	<u>921</u>	<u>-</u>

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

Special Revenue

Teacher Recruitment 27128	Truancy Initiative PED 27141	Pre-K Initiative 27149	Kindergarten Three Plus 27166	NM Grown FW 27183	Social Workers for Middle Schools 27194	K3 Plus 4 & 5 Pilot 27198
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	107,499	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	107,499	-	-	-	-
-	-	-	-	-	-	-
-	-	53,053	(25,696)	-	-	-
-	-	43,582	12,712	9,751	5,973	-
-	-	96,635	(12,984)	9,751	5,973	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	10,864	12,984	-	-	-
-	-	-	-	-	-	-
-	-	-	-	(9,751)	(5,973)	-
-	-	10,864	12,984	(9,751)	(5,973)	-
-	-	107,499	-	-	-	-

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

STATE OF NEW MEXICO
Hatch Valley Public Schools
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2019

	Special Revenue			
	NM Highway Dept (Road) 28120	Healthier Schools DOH 28155	GRADS Child Care 28189	GRADS Instruction 28190
<i>Assets</i>				
Cash and cash equivalents	\$ -	6,321	1,625	-
Property taxes receivable	-	-	-	-
Intergovernmental receivables	-	-	-	-
Due from other funds	-	-	-	-
Inventory	-	-	-	-
<i>Total assets</i>	<u>\$ -</u>	<u>6,321</u>	<u>1,625</u>	<u>-</u>
<i>Liabilities, deferred inflows of resources, and fund balances</i>				
<i>Liabilities</i>				
Accounts payable	\$ -	-	-	-
Accrued payroll	-	-	-	-
Due to other funds	-	-	-	30,997
<i>Total liabilities</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,997</u>
<i>Deferred Inflows of resources</i>				
Unavailable revenue - property taxes	-	-	-	-
<i>Total deferred inflows of resources</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances</i>				
<i>Nonspendable</i>				
Inventory	-	-	-	-
<i>Spendable</i>				
<i>Restricted for:</i>				
Educational purposes	-	6,321	1,625	-
Capital acquisitions and improvements	-	-	-	-
Unassigned (deficit)	-	-	-	(30,997)
<i>Total fund balances</i>	<u>-</u>	<u>6,321</u>	<u>1,625</u>	<u>(30,997)</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ -</u>	<u>6,321</u>	<u>1,625</u>	<u>-</u>

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

Special Revenue		Capital Projects			Total Nonmajor Governmental Funds
GRADS Plus 28203	Sloan-Prince Grant 29102	Special Capital Outlay 31300	SB-9 Capital Improvements 31700	SB-9 Capital Improvements - Local Match 31701	
11,155	-	19,579	-	32,086	143,375
-	-	-	-	45,819	45,819
-	-	-	262,210	-	1,265,312
-	-	-	-	-	-
-	-	-	-	-	4,078
<u>11,155</u>	<u>-</u>	<u>19,579</u>	<u>262,210</u>	<u>77,905</u>	<u>1,458,584</u>
-	-	-	8	-	32,672
-	-	-	-	-	218,391
-	183	-	171,615	-	1,113,360
-	183	-	171,623	-	1,364,423
-	-	-	-	38,259	38,259
-	-	-	-	38,259	38,259
-	-	-	-	-	4,078
11,155	-	-	-	-	145,910
-	-	19,579	90,587	39,646	149,812
-	(183)	-	-	-	(243,898)
<u>11,155</u>	<u>(183)</u>	<u>19,579</u>	<u>90,587</u>	<u>39,646</u>	<u>55,902</u>
<u>11,155</u>	<u>-</u>	<u>19,579</u>	<u>262,210</u>	<u>77,905</u>	<u>1,458,584</u>

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

STATE OF NEW MEXICO
Hatch Valley Public Schools
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2019

	Special Revenue			
	Food Service	Athletics	Title I - IASA	Migrant Children
	21000	22000	24101	Education
	24103			
<i>Revenues</i>				
Property taxes	\$ -	-	-	-
Intergovernmental revenue:				
Federal flowthrough	842,942	-	750,701	-
State flowthrough	-	-	-	-
State Direct	42,578	-	-	-
Charges for services	16,250	38,187	-	-
<i>Total revenues</i>	<u>\$ 901,770</u>	<u>38,187</u>	<u>750,701</u>	<u>-</u>
<i>Expenditures</i>				
Current:				
Instruction	\$ -	36,531	659,085	-
Support services:				
Students	-	-	58,467	-
Instruction	-	-	33,455	-
General administration	-	-	-	-
School administration	-	-	-	-
Central services	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Food service operations	983,700	-	-	-
Capital outlay	-	-	-	-
<i>Total expenditures</i>	<u>983,700</u>	<u>36,531</u>	<u>751,007</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(81,930)</u>	<u>1,656</u>	<u>(306)</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Transfers in/(out)	-	-	-	-
Proceeds from sale of assets	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	<u>(81,930)</u>	<u>1,656</u>	<u>(306)</u>	<u>-</u>
<i>Fund balances - beginning of year</i>	<u>(84,194)</u>	<u>7,935</u>	<u>24,778</u>	<u>-</u>
<i>Fund balances - end of year</i>	<u>\$ (166,124)</u>	<u>9,591</u>	<u>24,472</u>	<u>-</u>

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

Special Revenue

Entitlement IDEA-B 24106	Discretionary IDEA-B 24107	New Mexico Autism Project 24108	Preschool IDEA-B 24109	IDEA Early Intervention 24112	Fruit and Vegetables 24118
-	-	-	-	-	-
228,999	-	7,346	9,321	-	22,547
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>228,999</u>	<u>-</u>	<u>7,346</u>	<u>9,321</u>	<u>-</u>	<u>22,547</u>
136,431	-	7,347	9,321	-	-
32,745	-	-	-	-	-
-	-	-	-	-	-
43,964	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	22,547
-	-	-	-	-	-
<u>213,140</u>	<u>-</u>	<u>7,347</u>	<u>9,321</u>	<u>-</u>	<u>22,547</u>
<u>15,859</u>	<u>-</u>	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
15,859	-	(1)	-	-	-
-	-	1,177	-	-	-
<u>15,859</u>	<u>-</u>	<u>1,176</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

STATE OF NEW MEXICO
Hatch Valley Public Schools
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2019

	Special Revenue			
	21st Century CLC 24119	Title I 1003g Grant 24124	English Language Acquisition 24153	Title IIA Teacher/ Principal Training & Recruiting 24154
<i>Revenues</i>				
Property taxes	\$ -	-	-	-
Intergovernmental revenue:				
Federal flowthrough	309,291	272,352	75,387	86,963
State flowthrough	-	-	-	-
State Direct	-	-	-	-
Charges for services	-	-	-	-
<i>Total revenues</i>	<u>\$ 309,291</u>	<u>272,352</u>	<u>75,387</u>	<u>86,963</u>
<i>Expenditures</i>				
Current:				
Instruction	\$ 236,889	227,807	90,511	88,360
Support services:				
Students	-	46,504	-	-
Instruction	-	-	-	-
General administration	9,830	-	1,871	-
School administration	-	-	-	-
Central services	62,774	-	-	-
Operation and maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Food service operations	-	-	-	-
Capital outlay	-	-	-	-
<i>Total expenditures</i>	<u>309,493</u>	<u>274,311</u>	<u>92,382</u>	<u>88,360</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(202)</u>	<u>(1,959)</u>	<u>(16,995)</u>	<u>(1,397)</u>
<i>Other financing sources (uses)</i>				
Transfers in/(out)	-	-	-	-
Proceeds from sale of assets	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	(202)	(1,959)	(16,995)	(1,397)
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,868</u>
<i>Fund balances - end of year</i>	<u>\$ (202)</u>	<u>(1,959)</u>	<u>(16,995)</u>	<u>6,471</u>

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

Special Revenue						
Rural & Low Income Schools 24160	Title I School Improvement 24162	USDA School 24183	Student Support & Academic Achievement 24189	IDEA-B Fed Stim 24201	Headstart 25127	Title XIX Medicaid 3/21 Years 25153
-	-	-	-	-	-	-
42,041	-	6,090	53,012	-	-	127,477
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>42,041</u>	<u>-</u>	<u>6,090</u>	<u>53,012</u>	<u>-</u>	<u>-</u>	<u>127,477</u>
42,041	-	-	18,493	-	-	-
-	-	-	34,519	-	-	106,978
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	6,090	-	-	-	-
-	-	-	-	-	-	-
<u>42,041</u>	<u>-</u>	<u>6,090</u>	<u>53,012</u>	<u>-</u>	<u>-</u>	<u>106,978</u>
-	-	-	-	-	-	20,499
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	20,499
-	-	-	-	-	22,719	1,253
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,719</u>	<u>21,752</u>

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

STATE OF NEW MEXICO
Hatch Valley Public Schools
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2019

	Special Revenue			
	Dual Credit	2012 GO Bond	New Mexico	Excellence
	Instructional	Student Library	Reads to Lead K-3	in Teaching
	Materials/HB2	Fund	Reading Initiative	Awards
	27103	27107	27114	27125
<i>Revenues</i>				
Property taxes	\$ -	-	-	-
Intergovernmental revenue:				
Federal flowthrough	-	-	-	-
State flowthrough	2,235	1,576	-	16,148
State Direct	-	-	-	-
Charges for services	-	-	-	-
<i>Total revenues</i>	<u>\$ 2,235</u>	<u>1,576</u>	<u>-</u>	<u>16,148</u>
<i>Expenditures</i>				
Current:				
Instruction	\$ 2,235	-	-	16,148
Support services:				
Students	-	-	-	-
Instruction	-	1,576	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Central services	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Food service operations	-	-	-	-
Capital outlay	-	-	-	-
<i>Total expenditures</i>	<u>2,235</u>	<u>1,576</u>	<u>-</u>	<u>16,148</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Transfers in/(out)	-	-	-	-
Proceeds from sale of assets	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	-	-	-	-
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>(7,636)</u>	<u>921</u>	<u>-</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>(7,636)</u>	<u>921</u>	<u>-</u>

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

Special Revenue

Teacher Recruitment 27128	Truancy Initiative PED 27141	Pre-K Initiative 27149	Kindergarten Three Plus 27166	NM Grown FW 27183	Social Workers for Middle Schools 27194	K3 Plus 4 & 5 Pilot 27198
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	404,810	315,656	-	-	195,800
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	404,810	315,656	-	-	195,800
-	-	316,200	305,998	-	-	192,773
-	-	27,885	5,226	-	-	3,027
-	-	-	4,432	-	-	-
-	-	12,359	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	48,367	-	-	-	-
-	-	-	-	9,751	-	-
-	-	-	-	-	-	-
-	-	404,811	315,656	9,751	-	195,800
-	-	(1)	-	(9,751)	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	(1)	-	(9,751)	-	-
-	-	10,865	12,984	-	(5,973)	-
-	-	10,864	12,984	(9,751)	(5,973)	-

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

STATE OF NEW MEXICO
Hatch Valley Public Schools
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2019

	Special Revenue			
	NM Highway Dept (Road) 28120	Healthier Schools DOH 28155	GRADS Child Care 28189	GRADS Instruction 28190
<i>Revenues</i>				
Property taxes	\$ -	-	-	-
Intergovernmental revenue:				
Federal flowthrough	-	-	-	-
State flowthrough	-	-	-	-
State Direct	22,374	-	4,000	-
Charges for services	-	-	-	-
<i>Total revenues</i>	<u>\$ 22,374</u>	<u>-</u>	<u>4,000</u>	<u>-</u>
<i>Expenditures</i>				
Current:				
Instruction	\$ -	-	1,500	2,500
Support services:				
Students	-	-	-	-
Instruction	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Central services	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Food service operations	-	-	-	-
Capital outlay	22,374	-	-	-
<i>Total expenditures</i>	<u>22,374</u>	<u>-</u>	<u>1,500</u>	<u>2,500</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>2,500</u>	<u>(2,500)</u>
<i>Other financing sources (uses)</i>				
Transfers in/(out)	-	-	-	-
Proceeds from sale of assets	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	-	-	2,500	(2,500)
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>6,321</u>	<u>(875)</u>	<u>(28,497)</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>6,321</u>	<u>1,625</u>	<u>(30,997)</u>

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

Special Revenue		Capital Projects			Total Nonmajor Governmental Funds
GRADS Plus 28203	Sloan-Prince Grant 29102	Special Capital Outlay 31300	SB-9 Capital Improvements 31700	SB-9 Capital Improvements - Local Match 31701	
-	-	-	-	175,518	175,518
-	-	-	-	-	2,834,469
-	-	-	268,963	-	1,205,188
4,000	-	-	-	-	50,578
-	-	-	-	-	54,437
<u>4,000</u>	<u>-</u>	<u>-</u>	<u>268,963</u>	<u>175,518</u>	<u>4,320,190</u>
10,354	-	-	-	-	2,400,524
5,346	-	-	-	-	320,697
-	-	-	-	-	39,463
-	-	-	-	1,708	69,732
-	-	-	-	-	-
-	-	-	-	-	62,774
-	-	-	-	-	-
-	-	-	-	-	48,367
-	-	-	-	-	1,022,088
-	-	-	268,963	183,773	452,736
<u>15,700</u>	<u>-</u>	<u>-</u>	<u>268,963</u>	<u>185,481</u>	<u>4,416,381</u>
<u>(11,700)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9,963)</u>	<u>(96,191)</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>(11,700)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9,963)</u>	<u>(96,191)</u>
<u>22,855</u>	<u>(183)</u>	<u>19,579</u>	<u>90,587</u>	<u>49,609</u>	<u>152,093</u>
<u>11,155</u>	<u>(183)</u>	<u>19,579</u>	<u>90,587</u>	<u>39,646</u>	<u>55,902</u>

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

**STATE OF NEW MEXICO
Hatch Valley Public Schools
Combining Balance Sheet
General Fund
June 30, 2019**

	General Fund				Total General Fund
	Operational 11000	Teacherage 12000	Pupil Transportation 13000	Instructional Materials 14000	
<i>Assets</i>					
Cash and cash equivalents	\$ 1,129,867	31,415	128,409	41,724	1,331,415
Property taxes receivable	9,686	-	-	-	9,686
Intergovernmental receivables	-	-	-	-	-
Other receivables	597	-	-	-	597
Due from other funds	1,113,360	-	-	-	1,113,360
<i>Total assets</i>	<u>\$ 2,253,510</u>	<u>31,415</u>	<u>128,409</u>	<u>41,724</u>	<u>2,455,058</u>
<i>Liabilities, deferred inflows of resources, and fund balances</i>					
<i>Liabilities</i>					
Accounts payable	\$ 65,815	-	-	-	65,815
Accrued payroll	858,843	-	50,164	-	909,007
Due to other funds	-	-	-	-	-
<i>Total liabilities</i>	<u>924,658</u>	<u>-</u>	<u>50,164</u>	<u>-</u>	<u>974,822</u>
<i>Deferred Inflows of resources</i>					
Unavailable revenue - property taxes	8,736	-	-	-	8,736
<i>Total deferred inflows of resources</i>	<u>8,736</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,736</u>
<i>Fund balances</i>					
<i>Spendable</i>					
<i>Restricted for:</i>					
Educational purposes	-	31,415	78,245	41,724	151,384
<i>Committed for:</i>					
Subsequent years expenditures	935,289	-	-	-	935,289
Emergency reserves	-	-	-	-	-
Unassigned	384,827	-	-	-	384,827
<i>Total fund balances</i>	<u>1,320,116</u>	<u>31,415</u>	<u>78,245</u>	<u>41,724</u>	<u>1,471,500</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 2,253,510</u>	<u>31,415</u>	<u>128,409</u>	<u>41,724</u>	<u>2,455,058</u>

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

STATE OF NEW MEXICO
Hatch Valley Public Schools
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
General Fund
For the Year Ended June 30, 2019

	General Fund				Total General Fund
	Operational 11000	Teacherage 12000	Pupil Transportation 13000	Instructional Materials 14000	
<i>Revenues</i>					
Property taxes	\$ 38,613	-	-	-	38,613
Intergovernmental revenue:					
Federal flowthrough	17,309	-	-	-	17,309
State flowthrough	-	-	-	-	-
State Direct	9,791,304	-	-	41,600	9,832,904
Local Grants	177,558	-	-	-	177,558
Transportation distribution	-	-	708,033	-	708,033
Charges for services	16,583	10,500	-	-	27,083
Investment income	397	-	-	-	397
Miscellaneous	5,853	-	-	-	5,853
<i>Total revenues</i>	<u>10,047,617</u>	<u>10,500</u>	<u>708,033</u>	<u>41,600</u>	<u>10,807,750</u>
<i>Expenditures</i>					
Current:					
Instruction	5,365,415	-	-	39,702	5,405,117
Support services:					
Students	967,910	-	-	-	967,910
Instruction	403,663	-	-	-	403,663
General administration	292,369	-	-	-	292,369
School administration	653,787	-	-	-	653,787
Central services	295,540	-	-	-	295,540
Operation and maintenance of plant	1,697,003	169	-	-	1,697,172
Student transportation	-	-	666,812	-	666,812
Capital outlay	-	-	-	-	-
<i>Total expenditures</i>	<u>9,675,687</u>	<u>169</u>	<u>666,812</u>	<u>39,702</u>	<u>10,382,370</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>371,930</u>	<u>10,331</u>	<u>41,221</u>	<u>1,898</u>	<u>425,380</u>
<i>Other financing sources (uses)</i>					
Transfers in/(out)	-	-	-	-	-
Sale of capital assets	12,897	-	-	-	12,897
Reversion to other entities	-	-	(37,025)	-	(37,025)
<i>Total other financing sources (uses)</i>	<u>12,897</u>	<u>-</u>	<u>(37,025)</u>	<u>-</u>	<u>(24,128)</u>
<i>Net change in fund balances</i>	<u>384,827</u>	<u>10,331</u>	<u>4,196</u>	<u>1,898</u>	<u>401,252</u>
Fund balances - beginning of year	<u>935,289</u>	<u>21,084</u>	<u>74,049</u>	<u>39,826</u>	<u>1,070,248</u>
Fund balances - end of year	<u>\$ 1,320,116</u>	<u>31,415</u>	<u>78,245</u>	<u>41,724</u>	<u>1,471,500</u>

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

STATE OF NEW MEXICO
Hatch Valley Public Schools
General Fund - Operational (11000)
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable</u> <u>(Unfavorable)</u> <u>Final to Actual</u>
<i>Revenues</i>				
Property taxes	\$ 36,874	36,874	38,613	(1,739)
Intergovernmental revenue:				
Federal flowthrough	25,000	25,000	17,309	7,691
State flowthrough	-	-	-	-
State direct	9,718,706	9,792,801	9,791,304	1,497
Local grants	85,000	85,000	177,558	(92,558)
Transportation distribution	-	-	-	-
Charges for services	15,000	15,000	16,583	(1,583)
Investment income	500	500	397	103
Miscellaneous	-	-	5,853	(5,853)
<i>Total revenues</i>	<u>9,881,080</u>	<u>9,955,175</u>	<u>10,047,617</u>	<u>(92,442)</u>
<i>Expenditures</i>				
Current:				
Instruction	5,720,157	5,916,329	5,365,415	550,914
Support services:				
Students	1,093,252	1,093,252	967,910	125,342
Instruction	417,668	417,668	403,663	14,005
General Administration	305,755	334,765	292,369	42,396
School Administration	624,597	661,501	653,787	7,714
Central Services	382,815	374,220	295,540	78,680
Operation and maintenance of plant	1,876,354	2,078,045	1,697,003	381,042
Student transportation	-	-	-	-
Capital Outlay	4,166	4,166	-	4,166
<i>Total expenditures</i>	<u>10,424,764</u>	<u>10,879,946</u>	<u>9,675,687</u>	<u>1,204,259</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(543,684)</u>	<u>(924,771)</u>	<u>371,930</u>	<u>1,296,701</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Sale of capital assets	-	-	(12,897)	(12,897)
Transfers in (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>(12,897)</u>	<u>(12,897)</u>
<i>Net change in fund balances</i>	<u>(543,684)</u>	<u>(924,771)</u>	<u>384,827</u>	<u>1,309,598</u>
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>1,769,495</u>	<u>1,769,495</u>
<i>Fund balances - end of year</i>	<u>\$ (543,684)</u>	<u>(924,771)</u>	<u>2,154,322</u>	<u>3,079,093</u>
Net change in fund balances (non-GAAP budgetary basis)			\$ 384,827	
Adjustments to revenue for property tax accruals and local grant accruals			-	
Adjustments to expenditures for salaries and instruction expenditures			-	
<i>Net change in fund balances (GAAP)</i>			<u>\$ 384,827</u>	

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

STATE OF NEW MEXICO
Hatch Valley Public Schools
General Fund - Teacherage (12000)
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable</u> <u>(Unfavorable)</u> <u>Final to Actual</u>
<i>Revenues</i>				
Property taxes	\$ -	-	-	-
Intergovernmental revenue:				
Federal flowthrough	-	-	-	-
State flowthrough	-	-	-	-
State direct	-	-	-	-
Local grants	-	-	-	-
Transportation distribution	-	-	-	-
Charges for services	-	-	-	-
Investment income	7,200	7,200	10,500	3,300
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>7,200</u>	<u>7,200</u>	<u>10,500</u>	<u>3,300</u>
<i>Expenditures</i>				
Current:				
Instruction	-	-	-	-
Support services:				
Students	-	-	-	-
Instruction	-	-	-	-
General Administration	-	-	-	-
School Administration	-	-	-	-
Central Services	-	-	-	-
Operation and maintenance of plant	27,684	27,684	169	27,515
Student transportation	-	-	-	-
Capital Outlay	-	-	-	-
<i>Total expenditures</i>	<u>27,684</u>	<u>27,684</u>	<u>169</u>	<u>27,515</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(20,484)</u>	<u>(20,484)</u>	<u>10,331</u>	<u>30,815</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	<u>(20,484)</u>	<u>(20,484)</u>	<u>10,331</u>	<u>30,815</u>
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>21,084</u>	<u>21,084</u>
<i>Fund balances - end of year</i>	<u>\$ (20,484)</u>	<u>(20,484)</u>	<u>31,415</u>	<u>51,899</u>
Net change in fund balances (non-GAAP budgetary basis)			\$ 10,331	
No adjustments to revenues			-	
No adjustments to expenditures			-	
<i>Net change in fund balances (GAAP)</i>			<u>\$ 10,331</u>	

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

STATE OF NEW MEXICO
Hatch Valley Public Schools
General Fund - Pupil Transportation (13000)
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable</u> <u>(Unfavorable)</u> <u>Final to Actual</u>
<i>Revenues</i>				
Property taxes	\$ -	-	-	-
Intergovernmental revenue:				
Federal flowthrough	-	-	-	-
State flowthrough	-	-	-	-
State direct	-	-	-	-
Local grants	-	-	-	-
Transportation distribution	708,033	708,033	708,033	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>708,033</u>	<u>708,033</u>	<u>708,033</u>	<u>-</u>
<i>Expenditures</i>				
Current:				
Instruction	-	-	-	-
Support services:				
Students	-	-	-	-
Instruction	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Central Services	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Student transportation	708,033	745,058	666,812	78,246
Capital Outlay	-	-	-	-
<i>Total expenditures</i>	<u>708,033</u>	<u>745,058</u>	<u>666,812</u>	<u>78,246</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>(37,025)</u>	<u>41,221</u>	<u>78,246</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Reversion to other entities	-	-	37,025	37,025
Transfers in (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>37,025</u>	<u>37,025</u>
<i>Net change in fund balances</i>	<u>-</u>	<u>(37,025)</u>	<u>4,196</u>	<u>41,221</u>
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>159,876</u>	<u>159,876</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>(37,025)</u>	<u>164,072</u>	<u>201,097</u>
Net change in fund balances (non-GAAP budgetary basis)			\$ 4,196	
No adjustments for revenue accruals			-	
Adjustments to expenditures for student transportation accruals			-	
<i>Net change in fund balances (GAAP)</i>			<u>\$ 4,196</u>	

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

STATE OF NEW MEXICO
Hatch Valley Public Schools
General Fund - Instructional Materials (14000)
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable</u> <u>(Unfavorable)</u> <u>Final to Actual</u>
<i>Revenues</i>				
Property taxes	\$ -	-	-	-
Intergovernmental revenue:				
Federal flowthrough	-	-	-	-
State flowthrough	-	-	-	-
State direct	41,600	45,160	41,600	(3,560)
Local grants	-	-	-	-
Transportation distribution	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>41,600</u>	<u>45,160</u>	<u>41,600</u>	<u>(3,560)</u>
<i>Expenditures</i>				
Current:				
Instruction	41,600	45,160	39,702	5,458
Support services:				
Students	-	-	-	-
Instruction	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Central Services	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Capital Outlay	-	-	-	-
<i>Total expenditures</i>	<u>41,600</u>	<u>45,160</u>	<u>39,702</u>	<u>5,458</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>1,898</u>	<u>1,898</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Reversion to other entities	-	-	-	-
Transfers in (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	<u>-</u>	<u>-</u>	<u>1,898</u>	<u>1,898</u>
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>39,826</u>	<u>39,826</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>-</u>	<u>41,724</u>	<u>41,724</u>
Net change in fund balances (non-GAAP budgetary basis)			\$ 1,898	
No adjustments for revenue accruals			-	
Adjustments to expenditures for student transportation accruals			-	
<i>Net change in fund balances (GAAP)</i>			<u>\$ 1,898</u>	

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

SUPPORTING SCHEDULES

STATE OF NEW MEXICO
Hatch Valley Public Schools
Agency Funds
Schedule of Changes in Fiduciary Assets and Liabilities
For the Year Ended June 30, 2019

	Balance			Balance
<i>Assets</i>	June 30, 2018	Additions	Deletions	June 30, 2019
Cash and cash equivalents				
Hatch Elementary School	\$ 15,331	43,615	40,902	18,044
Garfield Elementary School	8,641	15,023	14,198	9,466
Rio Grande Elementary School	24,171	36,515	36,023	24,663
Hatch Middle School	19,404	40,725	37,981	22,148
Hatch High School	110,719	74,285	79,419	105,585
Athletics	2,441	1,307	-	3,748
<i>Total Assets</i>	<u>\$ 180,707</u>	<u>211,470</u>	<u>208,523</u>	<u>183,654</u>
<i>Liabilities</i>				
Accounts payable	\$ 209	364	209	364
Deposit held in trust for others	180,498	211,315	208,523	183,290
<i>Total Liabilities</i>	<u>\$ 180,707</u>	<u>211,679</u>	<u>208,732</u>	<u>183,654</u>

See independent auditors' report.

STATE OF NEW MEXICO
Hatch Valley Public Schools
Schedule of Collateral Pledged by Depository for Public Funds
June 30, 2019

<u>Name of Depository</u>	<u>Description of Pledged Collateral</u>	<u>Maturity</u>	<u>CUSIP Number</u>	<u>Fair Market Value June 30, 2019</u>
Deposits				
Bank of the West				
	FNMA CONV 30 YR SF	9/1/2042	3138MAKS6	\$ 185,330
	G2SF MA4321 3.500	3/20/2047	36179SYS0	<u>175,508</u>
	Total Bank of the West			<u>360,838</u>
Name and location of safekeeper for above pledged collateral: 2527 Camino Ramon, San Ramon, CA 94583				
Wells Fargo				
	FMAC FGPC 2.500%	5/1/1930	3128MMTK9	42,393
	FNMA FNMS 2.500%	7/1/1930	3138WFAP1	<u>912,654</u>
	Total Wells Fargo Bank			<u>955,047</u>
Name and location of safekeeper for above pledged collateral: BNY Mellon, One Wall Street, Fourth Floor, New York, NY 10286				
<i>Total Pledged Collateral - Deposits</i>				\$ <u>1,315,885</u>
Repurchase Agreements				
Bank of the West				
	MA3596	4/20/2046	36179R7H6	17,233
	MA3596	4/20/2046	36179R7H6	<u>311,763</u>
Name and location of safekeeper for above pledged collateral: 2527 Camino Ramon, San Ramon, CA 94583				
<i>Total Pledged Collateral - Repurchase Agreements</i>				<u>328,996</u>
<i>Total Pledged Collateral</i>				<u>\$ <u>1,644,881</u></u>

See independent auditors' report.

STATE OF NEW MEXICO
Hatch Valley Public Schools
Cash Reconciliation
June 30, 2019

	Operational Fund 11000	Teacherage Fund 12000	Transportation Fund 13000	Instructional Materials Fund 14000
Cash, June 30, 2018	\$ 804,816	21,084	144,151	39,826
Add:				
2018-2019 revenues	10,047,617	10,500	708,033	41,600
Loans from other funds	1,113,360	-	-	-
Total cash available	11,965,793	31,584	852,184	81,426
Less:				
2018-2019 expenditures	(9,675,687)	(169)	(666,812)	(39,702)
Receivables/Payables	(1,160,239)	-	(56,963)	-
Loans to other funds	-	-	-	-
Cash, June 30, 2019	\$ 1,129,867	31,415	128,409	41,724
Reconciliations to GAAP basis audit reclassifications to cash	190,249	-	(50,164)	-
Fund balance reconciliation to GAAP basis modified accrual adjustments	-	-	-	-
Fund balance, modified accrual basis	\$ 1,320,116	31,415	78,245	41,724

See independent auditors' report.

Food Services Fund 21000	Athletics Fund 22000	Student Activity 23000	Federal Flowthrough Fund 24000	Federal Direct Fund 25000
-	7,935	180,707	54,774	-
901,770	38,187	211,470	1,864,050	127,477
-	-	-	-	-
901,770	46,122	392,177	1,918,824	127,477
(983,700)	(36,531)	(208,523)	(1,869,051)	(106,978)
197,195	-	-	662,545	41,115
(115,265)	-	-	(711,835)	-
-	9,591	183,654	483	61,614
(166,124)	-	-	28,339	(17,143)
-	-	-	-	-
(166,124)	9,591	183,654	28,822	44,471

See independent auditors' report.

**STATE OF NEW MEXICO
Hatch Valley Public Schools
Cash Reconciliation
June 30, 2019**

	<u>State Flowthrough Fund 27000</u>	<u>State Direct Fund 28000</u>	<u>Teacherage Fund 29000</u>	<u>Transportation Fund 31100</u>
Cash, June 30, 2018	\$ 7,666	29,176	-	826,324
Add:				
2018-2019 revenues	936,225	30,374	-	25,416
Loans from other funds	-	-	-	-
Total cash available	<u>943,891</u>	<u>59,550</u>	-	<u>851,740</u>
Less:				
2018-2019 expenditures	(945,977)	(42,074)	-	(259,535)
Receivables/Payables	86,472	32,622	183	625,000
Loans to other funds	<u>(83,465)</u>	<u>(30,997)</u>	<u>(183)</u>	<u>-</u>
Cash, June 30, 2019	<u><u>\$ 921</u></u>	<u><u>19,101</u></u>	<u><u>-</u></u>	<u><u>1,217,205</u></u>
Reconciliations to GAAP basis audit reclassifications to cash	<u>488</u>	<u>(30,997)</u>	<u>(183)</u>	<u>(170,440)</u>
Fund balance reconciliation to GAAP basis modified accrual adjustments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, modified accrual basis	<u><u>\$ 1,409</u></u>	<u><u>(11,896)</u></u>	<u><u>(183)</u></u>	<u><u>1,046,765</u></u>

See independent auditors' report.

Food Services Fund 31300	Athletics Fund 31700	Federal Flowthrough Fund 31701	Federal Direct Fund 41000	Total
19,579	62,055	46,763	864,319	3,109,175
-	268,963	175,518	913,914	16,301,114
-	-	-	-	1,113,360
19,579	331,018	222,281	1,778,233	20,523,649
-	(268,963)	(185,481)	(801,731)	(16,090,914)
-	109,560	(4,714)	(24,687)	508,089
-	(171,615)	-	-	(1,113,360)
<u>19,579</u>	<u>-</u>	<u>32,086</u>	<u>951,815</u>	<u>3,827,464</u>
			Less agency fund:	<u>(183,654)</u>
				<u>3,643,810</u>
-	90,587	7,560	39,546	(78,282)
-	-	-	-	-
<u>19,579</u>	<u>90,587</u>	<u>39,646</u>	<u>991,361</u>	<u>3,749,182</u>
			Less agency fund:	<u>(183,654)</u>
				<u>3,565,528</u>

See independent auditors' report.

STATE OF NEW MEXICO
Hatch Valley Public Schools
Schedule of Deposits
June 30, 2019

<u>Bank Account</u>	<u>Checking</u>		<u>Money Market</u>	<u>Totals</u>
	<u>Bank of the West</u>	<u>Wells Fargo Bank</u>	<u>NMFA</u>	
Operational Account	\$ 46,895	572,887	-	619,782
Cafeteria Account	-	86,348	-	86,348
Payroll Account	335,650	-	-	335,650
Capital Projects account	32,509	-	-	32,509
Budgetary Clearing Account	315,504	-	-	315,504
Debt Service Account	-	950,229	-	950,229
Office Account	-	13,734	-	13,734
Direct Deposit Clearing	-	2,339	-	2,339
Athletics	-	33,880	-	33,880
Activity Account	-	182,328	-	182,328
Building Improvements	-	-	1,487,084	1,487,084
Total Deposits	730,558	1,841,745	1,487,084	4,059,387
Reconciling Items	(222,928)	(9,245)	-	(232,173)
<i>Reconciled Balance June 30, 2019</i>	<u>\$ 507,630</u>	<u>1,832,500</u>	<u>1,487,084</u>	3,827,214
Plus: Petty Cash				250
Less: Fiduciary Funds Cash				(183,654)
Less: Restricted Investments per Statements of Net Position				<u>(1,487,084)</u>
<i>Cash and cash equivalents per Government-wide Financial Statements</i>			\$	<u>2,156,726</u>
Cash and cash equivalents per Statements of Net Position				1,163,347
Restricted cash and cash equivalents per Statements of Net Position				<u>993,379</u>
			\$	<u>2,156,726</u>

See independent auditors' report.

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**

Mr. Brian Colón
New Mexico State Auditor and
Board of Education
Office of Management and Budget
Hatch Valley Public Schools
Hatch, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information and the budgetary comparison of the General Fund of the Hatch Valley Public Schools (the District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 2, 2020.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We did identify a certain deficiency in internal control described in the accompanying schedule of findings and questioned costs as 2016-001 that we consider to be a material weakness.

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. We did identify certain deficiencies in internal control described in the accompanying schedule of findings and questioned costs as 2017-001 and 2017-008 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items 2017-005 and 2019-001.

District's Responses to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Albuquerque, New Mexico
June 2, 2020

FEDERAL FINANCIAL ASSISTANCE

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

Mr. Brian Colón
New Mexico State Auditor and
Board of Education
Office of Management and Budget
Hatch Valley Public Schools
Hatch, New Mexico

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

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

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2019-002. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2019-002 that we consider to be a significant deficiency.

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

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


Albuquerque, New Mexico
June 2, 2020

STATE OF NEW MEXICO
Hatch Valley Public Schools
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

Federal Grantor or Pass-Through Grantor/Program Title	Pass-through Number	Federal CFDA Number		Federal Expenditures	Funds Provided to Subrecipients	Noncash Assistance
U.S. Department of Education						
<i>Passed through New Mexico Public Education Department</i>						
Title I Grants to Local Educational Agencies	*	24101	84.010	(1) 751,007	-	-
Special Education Grants to States		24106	84.027	(2) 213,140	-	-
Special Education Grants to States		24108	84.027	(2) 7,347	-	-
Special Education Preschool Grants		24109	84.173	(2) 9,321	-	-
IDEA Early Intervention		24112	84.141	-	-	-
21st Century Community Living and Learning Center		24119	84.287	309,493	-	-
School Improvement Grants		24124	84.377	274,311	-	-
English Language Acquisition State Grants		24153	84.365A	92,382	-	-
Supporting Effective Instruction State Grants		24154	84.367A	88,360	-	-
Rural Education		24160	84.358B	42,041	-	-
Student Support		24189	84.424	53,012	-	-
Total U.S. Department of Education				1,840,414	-	-
U.S. Department of Health & Human Services						
<i>Pass-through State of NM Department of Health and Human Services</i>						
Title XIX Medicaid 3/21 Years		25153	93.778	106,978	-	-
U.S. Department of Agriculture						
<i>Federal Direct Payments</i>						
Schools and Roads - Grants to States		11000	10.665	17,309	-	-
<i>Passed through State of New Mexico</i>						
Fresh Fruit and Vegetable Program		24118	10.582	22,547	-	-
National School Lunch Program			10.553/			
	*	21000	10.555	981,161	-	-
Total U.S. Department of Agriculture				1,127,995	-	-
Total Federal Financial Assistance				2,968,409	-	-

* Denotes Major Federal Financial Assistance Program
 () Denotes Cluster

See independent auditor's report.
 See accompanying notes to the schedule of expenditures of federal awards.

STATE OF NEW MEXICO
Hatch Valley Public Schools
Notes to Schedule of Expenditures of Federal Awards
June 30, 2019

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of Hatch Valley Public Schools (The District) and is presented on the modified accrual basis of accounting, which is the same basis as was used to prepare the financial statements. The information in this schedule is presented in accordance with the requirements of Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

2. 10% de Minimus Indirect Cost Rate

The District did not elect to use the 10% indirect cost rate.

3. Loans

The District did not expend federal awards related to loans or loan guarantees during the year.

4. Federally Funded Insurance

The District has no federally funded insurance.

Reconciliation of Schedule of Expenditures of Federal Awards to Financial Statements:

Total federal awards expended per Schedule of Expenditures of Federal Awards	\$ 2,968,409
Total expenditures funded by other sources	<u>13,062,049</u>
<i>Total expenditures</i>	<u>\$ 16,030,458</u>

**STATE OF NEW MEXICO
Hatch Valley Public Schools
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019**

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements:

- | | |
|--|------------|
| 1. Type of auditors’ report issued | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | Yes |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes |
| c. Noncompliance material to the financial statements? | None noted |

Federal Awards:

- | | | | | | | | | | |
|---|--|-----------------|---------------|---------|--------|--|---------------|-------------------------------|--|
| 1. Type of auditors’ report issued on compliance for major programs | Unmodified | | | | | | | | |
| 2. Internal control over major programs: | | | | | | | | | |
| a. Material weaknesses identified? | None noted | | | | | | | | |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes | | | | | | | | |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? | Yes | | | | | | | | |
| 4. Identification of major programs: | | | | | | | | | |
| <table border="0" style="margin-left: auto; margin-right: auto;"> <tr> <td style="text-align: center;">CFDA</td> <td style="text-align: center;">Federal Program</td> </tr> <tr> <td style="text-align: center;"><u>Number</u></td> <td style="text-align: center;"><u></u></td> </tr> <tr> <td style="text-align: center;">84.010</td> <td style="text-align: center;">Title I Grants to Local Educational Agencies</td> </tr> <tr> <td style="text-align: center;">10.553/10.555</td> <td style="text-align: center;">National School Lunch Program</td> </tr> </table> | CFDA | Federal Program | <u>Number</u> | <u></u> | 84.010 | Title I Grants to Local Educational Agencies | 10.553/10.555 | National School Lunch Program | |
| CFDA | Federal Program | | | | | | | | |
| <u>Number</u> | <u></u> | | | | | | | | |
| 84.010 | Title I Grants to Local Educational Agencies | | | | | | | | |
| 10.553/10.555 | National School Lunch Program | | | | | | | | |
| 5. Dollar threshold used to distinguish between type A and type B programs: | \$750,000 | | | | | | | | |
| 6. Auditee qualified as low-risk auditee? | No | | | | | | | | |

**STATE OF NEW MEXICO
Hatch Valley Public Schools
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019**

SECTION II – FINANCIAL STATEMENT FINDINGS

2016-001 – Capital Assets - Material Weakness (Repeated and Modified)

Condition: The District is improperly maintaining capital assets for the year ended June 30, 2019. The District is not tracking construction in progress account. Additionally, the District did not record capital asset additions totaling \$627,492. Current year depreciation expense of \$1,439,255 was not recorded in the accounting system. The District did not make progress on this finding.

Criteria: Per section 2.20.1.18 D of NMAC, all disposition must be recorded in the fixed asset inventory records. Appropriate entries must also be made in the financial accounts to reflect the disposition of property. Gains or losses on disposal must be recorded in funds where such accounting is required. Per section 2.20.1.10 A of NMAC depreciation is a set of methods for allocating the cost of an asset over its economic life. Per section 2.20.1.12 B of NMAC, depreciation normally should not be recorded until the asset is ready for use.

Effect: The district could have an inaccurate accounting of its fixed assets.

Cause: The District did not have controls in place to maintain its fixed asset listing.

Auditors' Recommendation: We recommend that the District track all capital asset activity in the accounting system no less than quarterly. Final annual reports should be available for external audit review no later than 60 days subsequent to the fiscal year end. We also recommend that management add a control to properly reconcile all additions and deletions from the capital assets listing to the accounting system and the inventory controls.

Views of Responsible Officials and Planned Corrective Actions: The District will track all capital asset activity in the accounting system quarterly. The final annual reports will be made available for external audit review no later than 60 days subsequent to the fiscal year end. The district will develop and implement policies and procedures to ensure proper reconciliation of all additions and deletions from the capital assets listing to the accounting system and the inventory controls.

Person Responsible: Business Manager

Estimated Completion Date: June 30, 2020

**STATE OF NEW MEXICO
Hatch Valley Public Schools
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019**

SECTION II – FINANCIAL STATEMENT FINDINGS (continued)

2017-001 – Bank Reconciliations – Significant Deficiency (Repeated and Modified)

Condition: During our test of cash balance, we noted that bank reconciliations are prepared by the Business Manager; however, no review is done on those reconciliations.

Criteria: Section 6.20.2.14 K NMAC, all bank accounts shall be reconciled on a monthly basis. Reconciled bank statements are to be reviewed by the business manager and/or assistant superintendent for business administration. A bank reconciliation is used to explain the difference between the bank/cash balance in the organization’s bank statement, as provided by the bank, and the corresponding amount shown in the organization’s own accounting records at a particular point in time. The New Mexico Public Education Department issued regulation 6.20.2 NMAC governing budgeting and accounting for New Mexico public schools. This regulation applies to public school districts, charter schools and regional education cooperatives in the State of New Mexico. Per Section 6.20.2.14.K. NMAC, “all bank accounts shall be reconciled on a monthly basis. Reconciled bank statements are to be reviewed by the business manager and/or assistant superintendent for business administration.” Also, per Section 6.20.14.L NMAC “the school district shall submit cash reports to the department by the last working day of the month following the end of the reporting period, unless extended to a later date by the secretary of education.”

Effect: The District may not be able to discover issues/differences with the cash balances presented in the District’s records or the bank statement if reconciliations are not reviewed. This may lead to poor management and financial decisions and also raises the risk that errors and/or irregularities may go undetected.

Cause: Turnover in personnel created a breakdown in internal controls.

Auditors’ Recommendations: We recommend that the District reviews monthly bank reconciliation by someone aside from the preparer and that review is documented by initialing the monthly reconciliation. In performing the review, we recommend that the reviewer verify the bank balances, book balances, and significant reconciling items by reviewing bank statements, general ledger and other supporting documentations. The reviewer needs to be aware also of any long-outstanding reconciling items.

Views of Responsible Officials and Planned Corrective Actions: The District business office will complete monthly bank reconciliations. The Finance Director will initial the monthly reconciliations and verify the bank balances, book balance and review significant reconciling items, general ledger and other supporting documentation. The Finance Director and Superintendent will initial and review the Quarterly Cash Reports.

Person Responsible: Business Manager

Estimated Completion Date: June 30, 2020

**STATE OF NEW MEXICO
Hatch Valley Public Schools
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019**

SECTION II – FINANCIAL STATEMENT FINDINGS (continued)

2017-005 – Budgetary Condition – Other Non-Compliance (Repeated and Modified)

Condition: The District had expenditure function where actual expenditures exceeded budgetary authority:

Nonmajor Funds:

SB-9 Capital Improvements Local Match – 31701	\$ (643)
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The District did not make progress on this finding.

Criteria: Per NMAC 6.20.2.9(A) every school district shall follow budget requirements stated in section 22-8-5 through 22-8-12.2 NMSA 1978, and procedures of the department in preparing, submitting, maintaining and reporting budgetary information.

Per NMAC 6.20.2.10.B, School districts shall submit budget adjustment requests for the operating budget to the department for budget increases, budget decreases, transfers between functional categories, and transfers from the emergency reserve account. Expenditures shall not be made by the school district until budget authority has been established and approval received from the department. Budget adjustments shall not be incorporated into the school district's accounting system until approval is received by the department.

Effect: The District had expenditures that were in a function that was not properly budgeted.

Cause: The District did not review the budget verse actual and prepare the appropriate budget adjustments. Proper approval was not received from New Mexico Public Education Department (PED).

Auditors' Recommendation: We recommend the District establish a policy of budgetary review at the end of each quarter and have the board and PED approve the necessary budgetary adjustments to ensure that expenditures do not exceed functions budgeted.

Views of Responsible Officials and Planned Corrective Actions: The District will establish and implement a budget review policy. The district will conduct monthly budget reviews and submit budget adjustments to the board and PED for approval as necessary to ensure that expenditures do not exceed functions budgeted.

Person Responsible: Business Manager

Estimated Completion Date: June 30, 2020

**STATE OF NEW MEXICO
Hatch Valley Public Schools
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019**

SECTION II – FINANCIAL STATEMENT FINDINGS (continued)

2017-008 – Adjustments to Client Provided Information – Significant Deficiency (Repeated and Modified)

Condition: During the performance of audit procedures related to accounts receivable and accounts payable, we noted the following:

- The management of the District prepared the accounts payable listing which improperly excluded \$46,408, was discovered during subsequent disbursement testwork.
- The management of the District prepared the accounts receivable listing which improperly excluded \$276,827 related to property taxes.

The District did not make progress on this finding

Criteria: 2011 GAO-12-331G Government Accounting standards section 3.51, states the District is required to prepare accurate account balance for financial presentation.

Effect: When sufficient controls over the preparation of financial statements and related disclosures are not designed, implemented and operating effectively, an entity's ability to prevent or detect a misstatement in it financial statement is limited.

Cause: The District did not have proper controls in place to ensure all accrual adjustments were properly accounted for.

Auditors' Recommendation: We recommend that the District develop and implement policies and procedure to ensure that all accrual adjustments are complete and accurate.

Views of Responsible Officials and Planned Corrective: The district will develop and implement policies and procedures to ensure that accounts payables and receivables for June of prior year are properly and accurately documented.

Person Responsible: Business Manager

Estimated Completion Date: June 30, 2020

**STATE OF NEW MEXICO
Hatch Valley Public Schools
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019**

SECTION II – FINANCIAL STATEMENT FINDINGS (continued)

2019-001 – Late Audit Report - Other Non-Compliance

Condition: The School's audit report for the year ended June 30, 2019 was not submitted to the State Auditor by the required due date, November 15, 2019.

Criteria: Audit reports not received on or before the due date, November 15, are considered to be in non-compliance with requirements of Section 2.2.2.9.A of the State Audit Rule.

Effect: The result was the late submission of the School's audit report for the year ended June 30, 2019. The users of the audited financial statements and the School's management do not have timely information. In addition, untimely financial statements may affect federal and state funding.

Cause: Delay in bank reconciliations by the Finance Department and various adjustments required by the auditor's for accounts payable, accounts receivable and capital assets extended the testing timing of the audit.

Auditors' Recommendation: We recommend that School complete all bank reconciliations in a timely manner and record all accounts payable and accounts receivable prior to the start of the audit.

Views of Responsible Officials and Planned Corrective Actions: The District business office will complete monthly bank reconciliations. The Finance Director will initial the monthly reconciliations and verify the bank balances, book balance and review significant reconciling items, general ledger and other supporting documentation. The Finance Director and Superintendent will initial and review the Quarterly Cash Reports. The district will develop and implement policies and procedures to ensure that accounts payables and receivables for June of prior year are properly and accurately documented.

Person Responsible: Business Manager

Estimated Completion Date: June 30, 2020

**STATE OF NEW MEXICO
Hatch Valley Public Schools
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019**

SECTION III – FEDERAL AWARD FINDINGS

2019-002 – Internal Controls over Financial Statements Reporting and Controls over Compliance- Significant Deficiency

Federal Program Information:

Funding Agency: Department of Agriculture
Title: National School Lunch Program
CFDA Number: 10.553/10.555
Award Year: 2018-2019
Grant Year: 2018-2019

Condition: During our testing of disbursements, we noted that 1 out of 23 allowable cash disbursements tested, the vendor invoice was not stamped as received by the Accounts Payable Department indicating goods or services received/rendered.

Criteria: Per NMAC 6.20.2.11 Internal Control Structure Standards, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded 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. 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.

Effect: The District was not maintaining strict internal controls, close supervision in accordance with GAAP.

Cause: The district did not ensure that the Districts policies and procedures were being followed.

Auditors' Recommendation: Ensure all invoices are stamped as received when goods or services are received prior to making vendor payments. This will ensure that payments are only made for delivered goods and services that were provided.

Views of Responsible Officials and Planned Corrective Actions: The District will ensure that all invoices are stamped as received when goods or services are received prior to making vendor payments.

Person Responsible: Business Manager

Estimated Completion Date: June 30, 2020

**STATE OF NEW MEXICO
Hatch Valley Public Schools
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019**

SECTION IV – PRIOR YEAR AUDIT FINDINGS

Financial Statement Findings

2016-001 – Capital Assets – Material Weakness – Repeated

2017-001 – Bank Reconciliations – Other Matters – Repeated

2017-005 – Budgetary Condition – Other Matters – Repeated

2017-008 – Adjustments to client provided information – Other Matters – Repeated

2017-009 – Stale Dated Checks – Other Matters – Resolved

2018-001 – Internal Controls Structure – Other Matters – Resolved

2018-002 – Restatement of Fund Balances – Significant Deficiency – Resolved

2018-003 – Monitoring of Grants Expenses – Significant Deficiency – Resolved

Federal Award Findings

2018-004 – Internal Controls over Financial Statements Reporting and Controls over Compliance – Significant Deficiency - Resolved

HATCH VALLEY PUBLIC SCHOOLS
Michael Chavez, Superintendent

P. O. Box 790
Hatch, NM 87937
Phone: (575) 267-8200
Fax No. (575) 267-8202



STATE OF NEW MEXICO
Hatch Valley Public Schools
Corrective Action Plan
For the Year Ended June 30, 2019

Audit Finding	Corrective Action Plan	Person(s) Responsible	Estimated Completion Date
2019-002 Internal Controls over Financial Statements Reporting and Controls over Compliance	See management's response in the schedule of findings and questioned costs	Business Manager	June 30, 2020

**STATE OF NEW MEXICO
Hatch Valley Public Schools
Exit Conference
For the Year Ended June 30, 2019**

Exit Conference

An exit conference was held on May 28, 2020. The following individuals were in attendance:

Hatch Valley Public Schools

Michael Chavez, Superintendent
Shelly Oretga, Business Manager
Sheila Offutt, Operations
Lupe Castillo, Board Member
Elva J. Garay, Vice President

Axiom Certified Public Accountants and Business Advisors LLC

Jaime Rumbaoa, Managing Audit Partner

Financial Statement Preparation

Axiom Certified Public Accountants and Business Advisors LLC prepared the GAAP-basis financial statements and footnotes of Hatch Valley Public 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.