



State of New Mexico
House Municipal Schools

Annual Financial Report
June 30, 2019

De'Aun Willoughby CPA, PC
Certified Public Accountant
Clovis, New Mexico



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House Municipal Schools
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State of New Mexico
House Municipal Schools
Official Roster
June 30, 2019

Board of Education

Rachelle Moon	President
Clint Runyan	Vice-President
Bill Noland	Secretary
Phillip Runyan	Member
Calvin Downey	Member

School Officials

Bonnie Lightfoot	Superintendent
Derrick S. Terrell	Business Manager

De'Aun Willoughby CPA, PC

Certified Public Accountant

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Independent Auditor's Report

Mr. Brian S. Colón
State Auditor of the State of New Mexico
Board Members of the House Municipal Schools

Mr. Colón and Members of the Board

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, and the budgetary comparisons for the general and major special revenue funds of House Municipal Schools (District), as of and for the year ended June 30, 2019, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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 misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedules of Required Supplementary Information for Pension Plan, Other Post Employment Benefits Plan and related notes 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 consider 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 inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management's Discussion and Analysis which is required 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the District's financial statements that collectively comprise the District's basic financial statements. The supplemental information such as the combining and individual nonmajor fund financial statements and the other 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 fund statements and other schedules required by 2.2.2.NMAC presented as supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 26, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

De'Aun Willoughby, CPA, PC

Clovis, New Mexico
August 26, 2019

Financial Section

State of New Mexico
House Municipal Schools
 Government-Wide Statement of Net Position
 June 30, 2019

	Governmental Activities
Assets	
Current Assets	
Cash and Cash Equivalents	\$ 660,124
Property Taxes Receivable	2,363
Due from Grantor	62,685
Inventory	2,486
Total Current Assets	727,658
Noncurrent Assets	
Capital Assets	4,840,362
Less Accumulated Depreciation	(3,444,038)
Total Noncurrent Assets	1,396,324
Total Assets	2,123,982
Deferred Outflows of Resources	
Deferred Outflows Related to Pensions	
Actuarial Experience	3,359
Changes of Assumptions	948,439
Investment Experience	10,188
Changes in Proportion	170,109
Contributions Subsequent to Measurement Date	155,819
Deferred Outflows Related to Other Post-Employment Benefits	
Contributions Subsequent to Measurement Date	22,417
Total Deferred Outflows of Resources	1,310,331
Liabilities	
Current Liabilities	
Accounts Payable	13,673
Accrued Interest	1,311
Current Portion of Long-Term Debt	40,000
Total Current Liabilities	54,984
Noncurrent Liabilities	
Bonds	190,000
Pension Liability	4,601,945
Other Post-Employment Benefits Liability	1,101,438
Total Noncurrent Liabilities	5,893,383
Total Liabilities	5,948,367
Deferred Inflows of Resources	
Deferred Inflows Related to Pensions	
Actuarial Experience	87,582
Changes in Proportion	49,506
Deferred Inflows Related to Other Post-Employment Benefits	
Actuarial Experience	65,212
Investment Experience	13,746
Changes of Assumptions	205,634
Changes in Proportion	169,389
Total Deferred Inflows of Resources	591,069
Net Position	
Net Investment in Capital Assets	1,166,324
Restricted for:	
Capital Projects	137,762
Debt Service	12,536
Unrestricted	(4,421,745)
Total Net Position	\$ (3,105,123)

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

State of New Mexico
House Municipal Schools
 Government-Wide Statement of Activities
 For the Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental Activities				
Instruction	\$ 1,834,653	\$ 450	\$ 234,517	\$ (1,599,686)
Support Services				
Students	116,189	0	13,526	(102,663)
Instruction	9,826	0	6,267	(3,559)
General Administration	199,806	0	0	(199,806)
School Administration	29,935	0	0	(29,935)
Central Services	121,616	0	0	(121,616)
Operation of Plant	256,451	2,200	0	(254,251)
Student Transportation	193,814	0	184,702	(9,112)
Food Services Operations	71,633	7,452	16,891	(47,290)
Community Service	1,019	0	0	(1,019)
Interest on Long-Term Obligations & Other Charges	11,754	0	0	(11,754)
Total Governmental Activities	\$ 2,846,696	\$ 10,102	\$ 455,903	\$ (2,380,691)

General Revenues

Taxes	
Property Taxes, Levied for General Purposes	102,982
Property Taxes, Levied for Capital Projects	31,841
Property Taxes, Levied for Debt Service	40,645
Federal and State aid not restricted to specific purpose	
General	1,533,451
Capital	24,395
Miscellaneous	37,020
Subtotal, General Revenues	1,770,334
 Change in Net Position	 (610,357)
 Net Position - Beginning	 (2,497,558)
Restatement	2,792
Restated Beginning Net Position	(2,494,766)
 Net Position - Ending	 \$ (3,105,123)

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

State of New Mexico
House Municipal Schools
Governmental Funds
Balance Sheet
June 30, 2019

	General		
	Operational 11000	Teacherage 12000	Transportation 13000
Assets			
Cash and Cash Equivalents	\$ 116,073	\$ 20,052	\$ 0
Receivables			
Taxes Receivable	155	0	0
Due From Grantor	0	0	0
Interfund Balances	61,275	0	0
Inventory	0	0	0
Total Assets	\$ 177,503	\$ 20,052	\$ 0
Liabilities			
Accounts Payable	\$ 12,074	\$ 0	\$ 0
Interfund Balance	0	0	0
Total Liabilities	12,074	0	0
Deferred Inflows of Resources			
Unavailable Revenue	137	0	0
Total Deferred Inflows of Resources	137	0	0
Fund Balances			
Nonspendable-Inventory	0	0	0
Restricted for Special Revenue	0	0	0
Restricted for Capital Projects	0	0	0
Restricted for Debt Service	0	0	0
Unassigned	165,292	20,052	0
Total Fund Balances	165,292	20,052	0
Total Liabilities, Deferred Inflows and Fund Balances	\$ 177,503	\$ 20,052	\$ 0

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

State of New Mexico
House Municipal Schools
 Governmental Funds
 Balance Sheet
 June 30, 2019

	General		Special Revenue	
	Instructional Materials 14000	IDEA B Entitlement 24106	Title I CSI 24190	
Assets				
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 0	0
Receivables				
Taxes Receivable	0	0		0
Due From Grantor	0	7,763		24,549
Interfund Balances	0	0		0
Inventory	0	0		0
Total Assets	\$ 0	\$ 7,763	\$ 24,549	
Liabilities				
Accounts Payable	\$ 0	\$ 0	\$ 0	0
Interfund Balance	0	7,763		24,549
Total Liabilities	0	7,763		24,549
Deferred Inflows of Resources				
Unavailable Revenue	0	0		0
Total Deferred Inflows of Resources	0	0		0
Fund Balances				
Nonspendable-Inventory	0	0		0
Restricted for Special Revenue	0	0		0
Restricted for Capital Projects	0	0		0
Restricted for Debt Service	0	0		0
Unassigned	0	0		0
Total Fund Balances	0	0		0
Total Liabilities, Deferred Inflows and Fund Balances	\$ 0	\$ 7,763	\$ 24,549	

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

State of New Mexico
House Municipal Schools
Governmental Funds
Balance Sheet
June 30, 2019

	Special Revenue		
	Wind Farm Projects 29134	Bond Building 31100	Senate Bill Nine-State 31700
Assets			
Cash and Cash Equivalents	\$ 364,750	\$ 92,649	\$ 0
Receivables			
Taxes Receivable	0	0	0
Due From Grantor	0	0	24,395
Interfund Balances	0	0	0
Inventory	0	0	0
Total Assets	<u>\$ 364,750</u>	<u>\$ 92,649</u>	<u>\$ 24,395</u>
Liabilities			
Accounts Payable	\$ 1,339	\$ 0	\$ 0
Interfund Balance	0	0	24,395
Total Liabilities	<u>1,339</u>	<u>0</u>	<u>24,395</u>
Deferred Inflows of Resources			
Unavailable Revenue	0	0	0
Total Deferred Inflows of Resources	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances			
Nonspendable-Inventory	0	0	0
Restricted for Special Revenue	363,411	0	0
Restricted for Capital Projects	0	92,649	0
Restricted for Debt Service	0	0	0
Unassigned	0	0	0
Total Fund Balances	<u>363,411</u>	<u>92,649</u>	<u>0</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 364,750</u>	<u>\$ 92,649</u>	<u>\$ 24,395</u>

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

State of New Mexico
House Municipal Schools
 Governmental Funds
 Balance Sheet
 June 30, 2019

	Other Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>
Assets		
Cash and Cash Equivalents	\$ 66,600	\$ 660,124
Receivables		
Taxes Receivable	2,208	2,363
Due From Grantor	5,978	62,685
Interfund Balances	0	61,275
Inventory	2,486	2,486
Total Assets	<u>\$ 77,272</u>	<u>\$ 788,933</u>
Liabilities		
Accounts Payable	\$ 260	\$ 13,673
Interfund Balance	4,568	61,275
Total Liabilities	<u>4,828</u>	<u>74,948</u>
Deferred Inflows of Resources		
Unavailable Revenue	2,010	2,147
Total Deferred Inflows of Resources	<u>2,010</u>	<u>2,147</u>
Fund Balances		
Nonspendable-Inventory	2,486	2,486
Restricted for Special Revenue	10,299	373,710
Restricted for Capital Projects	45,113	137,762
Restricted for Debt Service	12,536	12,536
Unassigned	0	185,344
Total Fund Balances	<u>70,434</u>	<u>711,838</u>
 Total Liabilities, Deferred Inflows and Fund Balances	 <u>\$ 77,272</u>	 <u>\$ 788,933</u>

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

State of New Mexico
House Municipal Schools
 Reconciliation of the Governmental Funds
 Balance Sheet to the Statement of Net Position
 June 30, 2019

Total Fund Balance - Governmental Funds \$ 711,838

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

Property taxes receivable will be collected after the period of availability, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds. 2,147

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

Capital Assets	\$	4,840,362	
Accumulated Depreciation		<u>(3,444,038)</u>	1,396,324

Deferred Outflows and Inflows Related to Pensions and Other Post-Employment Benefits (OPEB) are the results of differences in expected and actual actuary experience and the difference in actuary projected and actual earnings. Also changes in proportion and differences between contributions and proportionate share of contributions.

Deferred Outflows Related to Pensions	1,287,914		
Deferred Outflows Related to OPEB	22,417		
Deferred Inflows Related to Pensions	(137,088)		
Deferred Inflows Related to OPEB	<u>(453,981)</u>		719,262

Long-term and certain other liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term and other liabilities at year end consist of :

Bonds payable	(230,000)		
Pension Liability	(4,601,945)		
OPEB Liability	(1,101,438)		
Accrued Interest	<u>(1,311)</u>		<u>(5,934,694)</u>

Total Net Position - Governmental Activities \$ (3,105,123)

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

State of New Mexico
House Municipal Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes
in Fund Balance
For the Year Ended June 30, 2019

	General		
	Operational 11000	Teacherage 12000	Transportation 13000
Revenues			
Property Taxes	\$ 6,960	\$ 0	\$ 0
In Lieu of Property Taxes	0	0	0
Fees	450	2,200	0
State & Local Grants	1,533,451	0	184,702
Federal Grants	0	0	0
Miscellaneous	28,997	537	0
Total Revenues	1,569,858	2,737	184,702
Expenditures			
Current			
Instruction	1,021,186	0	0
Support Services			
Students	86,706	0	0
Instruction	3,559	0	0
General Administration	149,170	0	0
School Administration	21,175	0	0
Central Services	92,096	0	0
Operation of Plant	188,714	350	0
Student Transportation	0	0	184,702
Food Services Operations	34,245	0	0
Capital Outlay	0	0	0
Debt Service			
Principal	0	0	0
Interest	0	0	0
Total Expenditures	1,596,851	350	184,702
Excess (Deficiency) of Revenues Over Expenditures	(26,993)	2,387	0
Fund Balances at Beginning of Year	192,285	17,665	0
Restatement	0	0	0
Restated Beginning Fund Balances	192,285	17,665	0
Fund Balances End of Year	\$ 165,292	\$ 20,052	\$ 0

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

State of New Mexico
House Municipal Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes
in Fund Balance
For the Year Ended June 30, 2019

	General			Special Revenue		
	Instructional Materials 14000	IDEA B Entitlement 24106	Title I CSI 24190			
Revenues						
Property Taxes	\$ 0	\$ 0	\$ 0			
In Lieu of Property Taxes	0	0	0			
Fees	0	0	0			
State & Local Grants	2,511	0	0			
Federal Grants	0	23,291	158,768			
Miscellaneous	0	0	0			
Total Revenues	2,511	23,291	158,768			
Expenditures						
Current						
Instruction	3,226	13,920	113,734			
Support Services						
Students	0	9,371	0			
Instruction	0	0	0			
General Administration	0	0	0			
School Administration	0	0	0			
Central Services	0	0	0			
Operation of Plant	0	0	0			
Student Transportation	0	0	0			
Food Services Operations	0	0	0			
Capital Outlay	0	0	45,034			
Debt Service						
Principal	0	0	0			
Interest	0	0	0			
Total Expenditures	3,226	23,291	158,768			
Excess (Deficiency) of Revenues Over Expenditures	(715)	0	0			
Fund Balances at Beginning of Year	715	(4,168)	(61,628)			
Restatement	0	4,168	61,628			
Restated Beginning Fund Balances	715	0	0			
Fund Balances End of Year	\$ 0	\$ 0	\$ 0			

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

State of New Mexico
House Municipal Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes
in Fund Balance
For the Year Ended June 30, 2019

	Special	Capital Projects		
	Revenue	Wind Farm Projects 29134	Bond Building 31100	Senate Bill Nine-State 31700
Revenues				
Property Taxes	\$ 0	\$ 0	\$ 0	\$ 0
In Lieu of Property Taxes	96,000	0	0	0
Fees	0	0	0	0
State & Local Grants	0	0	0	24,395
Federal Grants	0	0	0	0
Miscellaneous	6,259	1,227	0	0
Total Revenues	<u>102,259</u>	<u>1,227</u>	<u>24,395</u>	
Expenditures				
Current				
Instruction	50,637	0	0	0
Support Services				
Students	0	0	0	0
Instruction	0	0	0	0
General Administration	0	0	0	0
School Administration	0	0	0	0
Central Services	0	750	0	0
Operation of Plant	0	0	2,092	0
Student Transportation	0	0	0	0
Food Services Operations	0	0	0	0
Capital Outlay	0	17,052	22,303	0
Debt Service				
Principal	0	0	0	0
Interest	0	0	0	0
Total Expenditures	<u>50,637</u>	<u>17,802</u>	<u>24,395</u>	
Excess (Deficiency) of Revenues Over Expenditures	<u>51,622</u>	<u>(16,575)</u>	<u>0</u>	
Fund Balances at Beginning of Year	311,789	109,224	(29,899)	
Restatement	0	0	29,899	
Restated Beginning Fund Balances	<u>311,789</u>	<u>109,224</u>	<u>0</u>	
Fund Balances End of Year	<u>\$ 363,411</u>	<u>\$ 92,649</u>	<u>0</u>	

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

State of New Mexico
House Municipal Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes
in Fund Balance
For the Year Ended June 30, 2019

	Other Governmental Funds	Total Governmental Funds
Revenues		
Property Taxes	\$ 72,389	\$ 79,349
In Lieu of Property Taxes	0	96,000
Fees	7,452	10,102
State & Local Grants	43,766	1,788,825
Federal Grants	42,865	224,924
Miscellaneous	0	37,020
Total Revenues	<u>166,472</u>	<u>2,236,220</u>
Expenditures		
Current		
Instruction	59,318	1,262,021
Support Services		
Students	4,155	100,232
Instruction	6,267	9,826
General Administration	745	149,915
School Administration	0	21,175
Central Services	0	92,846
Operation of Plant	18,220	209,376
Student Transportation	0	184,702
Food Services Operations	28,320	62,565
Capital Outlay	20,702	105,091
Debt Service		
Principal	35,000	35,000
Interest	11,907	11,907
Total Expenditures	<u>184,634</u>	<u>2,244,656</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(18,162)</u>	<u>(8,436)</u>
Fund Balances at Beginning of Year	87,791	623,774
Restatement	805	96,500
Restated Beginning Fund Balances	<u>88,596</u>	<u>720,274</u>
Fund Balances End of Year	<u>\$ 70,434</u>	<u>\$ 711,838</u>

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

State of New Mexico
House Municipal Schools
 Reconciliation of the Governmental Funds
 Statement of Revenues, Expenditures and Changes in Fund Balance
 To the Statement of Activities
 June 30, 2019

Excess (Deficiency) of Revenues Over Expenditures \$ (8,436)

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

Some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered "available" revenues in the governmental funds, and are instead reported as unavailable revenues. They are however, recorded as revenues in the Statement of Activities.

Property Taxes Receivable, June 30, 2018	\$ (2,029)	
Property Taxes Receivable, June 30, 2019	<u>2,147</u>	118

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities.

Depreciation expense	(167,507)	
Capital Outlays	<u>105,091</u>	(62,416)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

Principal paid for bonds		35,000
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Interest is accrued through year end but the Balance Sheet included interest payable within thirty day of year end.

Accrued Interest, June 30, 2018	1,463	
Accrued Interest, June 30, 2019	<u>(1,311)</u>	152

Pension and OPEB contributions are reported as expenses in the government funds but are deferred outflows in the Statement of Net Position. Pension and OPEB expense is reported in the Statement of Activities but not in the governmental funds.

Pension Contributions	155,819	
Other Post-Employment Benefits Contributions	22,417	
Pension Expense	(790,363)	
Other Post-Employment Benefits Expenses	<u>37,352</u>	<u>(574,775)</u>

Changes in Net Position of Governmental Activities \$ (610,357)

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

State of New Mexico
House Municipal Schools
 General Fund-Operational-11000
 Statement of Revenues, Expenditures, and Changes in Cash Balance -
 Budget and Actual (Budgetary Basis)
 For the Year Ended June 30, 2019

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Property Taxes	\$ 6,585	\$ 6,585	\$ 7,100	\$ 515
Fees	1,000	1,000	450	(550)
State Grants	1,634,944	1,533,551	1,533,451	(100)
Miscellaneous	1,800	1,800	28,997	27,197
Total Revenues	<u>1,644,329</u>	<u>1,542,936</u>	<u>1,569,998</u>	<u>27,062</u>
Expenditures				
Instruction				
Personnel Services	829,945	766,945	756,514	10,431
Employee Benefits	316,626	268,084	245,413	22,671
Professional & Tech Services	3,350	3,350	8,497	(5,147)
Other Purchased Services	6,000	6,000	4,117	1,883
Supplies	8,407	8,407	7,797	610
Total Instruction	<u>1,164,328</u>	<u>1,052,786</u>	<u>1,022,338</u>	<u>30,448</u>
Support Services				
Students				
Personnel Services	31,215	31,215	31,215	0
Employee Benefits	22,147	22,147	23,514	(1,367)
Professional & Tech Services	30,000	30,000	24,606	5,394
Other Purchased Services	1,000	1,000	3,198	(2,198)
Supplies	5,000	5,000	2,605	2,395
Total Students	<u>89,362</u>	<u>89,362</u>	<u>85,138</u>	<u>4,224</u>
Instruction				
Supplies	<u>5,000</u>	<u>5,000</u>	<u>3,559</u>	<u>1,441</u>
Total Instruction	<u>5,000</u>	<u>5,000</u>	<u>3,559</u>	<u>1,441</u>
General Administration				
Personnel Services	95,880	95,880	95,880	0
Employee Benefits	24,285	24,285	23,903	382
Professional & Tech Services	27,162	27,162	25,289	1,873
Other Purchased Services	9,274	9,274	3,564	5,710
Supplies	150	150	366	(216)
Total General Administration	<u>156,751</u>	<u>156,751</u>	<u>149,002</u>	<u>7,749</u>
School Administration				
Personnel Services	10,654	17,144	17,136	8
Employee Benefits	2,551	4,071	4,039	32
Total School Administration	<u>\$ 13,205</u>	<u>\$ 21,215</u>	<u>\$ 21,175</u>	<u>\$ 40</u>

State of New Mexico
House Municipal Schools
 General Fund-Operational-11000
 Statement of Revenues, Expenditures, and Changes in Cash Balance -
 Budget and Actual (Budgetary Basis)
 For the Year Ended June 30, 2019

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Central Services				
Personnel Services	\$ 53,040	\$ 53,040	\$ 53,040	\$ 0
Employee Benefits	22,255	20,755	20,210	545
Professional & Tech Services	6,000	4,500	4,362	138
Other Purchased Services	15,000	15,000	15,000	0
Supplies	1,800	1,800	1,501	299
Total Central Services	<u>98,095</u>	<u>95,095</u>	<u>94,113</u>	<u>982</u>
Operation of Plant				
Personnel Services	59,835	59,835	59,874	(39)
Employee Benefits	25,055	25,055	24,450	605
Professional & Tech Services	49,500	49,500	40,958	8,542
Purchased Property Services	52,924	52,924	52,924	0
Supplies	14,585	14,585	10,517	4,068
Total Operation of Plant	<u>201,899</u>	<u>201,899</u>	<u>188,723</u>	<u>13,176</u>
Other Support Services				
Miscellaneous	2,289	2,289	0	2,289
Total Other Support Services	<u>2,289</u>	<u>2,289</u>	<u>0</u>	<u>2,289</u>
Total Support Services	<u>1,730,929</u>	<u>1,624,397</u>	<u>1,564,048</u>	<u>60,349</u>
Food Service				
Personnel Services	17,672	17,672	17,642	30
Employee Benefits	15,914	15,914	15,444	470
Professional & Tech Services	700	700	447	253
Supplies	700	700	115	585
Total Food Service	<u>34,986</u>	<u>34,986</u>	<u>33,648</u>	<u>1,338</u>
Total Expenditures	<u>1,765,915</u>	<u>1,659,383</u>	<u>1,597,696</u>	<u>61,687</u>
Excess (Deficiency) of Revenues Over Expenditures	(121,586)	(116,447)	(27,698)	88,749
Cash Balance Beginning of Year	<u>205,046</u>	<u>205,046</u>	<u>205,046</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 83,460</u>	<u>\$ 88,599</u>	<u>\$ 177,348</u>	<u>\$ 88,749</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (27,698)	
Net Change in Taxes Receivable			(3)	
Net Change in Accounts Payables			845	
Net Change in Unavailable Revenue			(137)	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (26,993)</u>	

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

State of New Mexico
House Municipal Schools
 General Fund-Teacherage-12000
 Statement of Revenues, Expenditures, and Changes in Cash Balance -
 Budget and Actual (Budgetary Basis)
 For the Year Ended June 30, 2019

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Fees	\$ 1,600	\$ 1,600	\$ 2,200	\$ 600
Miscellaneous	150	150	537	387
Total Revenues	<u>1,750</u>	<u>1,750</u>	<u>2,737</u>	<u>987</u>
Expenditures				
Operation of Plant				
Supplies	18,809	19,415	350	19,065
Total Operation of Plant	<u>18,809</u>	<u>19,415</u>	<u>350</u>	<u>19,065</u>
Total Expenditures	<u>18,809</u>	<u>19,415</u>	<u>350</u>	<u>19,065</u>
Excess (Deficiency) of Revenues Over Expenditures	(17,059)	(17,665)	2,387	20,052
Cash Balance Beginning of Year	<u>17,665</u>	<u>17,665</u>	<u>17,665</u>	<u>0</u>
Cash Balance End of Year	\$ <u>606</u>	\$ <u>0</u>	\$ <u>20,052</u>	\$ <u>20,052</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ <u>2,387</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			\$ <u>2,387</u>	

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

State of New Mexico
House Municipal Schools
 General Fund-Transportation-13000
 Statement of Revenues, Expenditures, and Changes in Cash Balance -
 Budget and Actual (Budgetary Basis)
 For the Year Ended June 30, 2019

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
State Grant	\$ 170,369	\$ 184,702	\$ 184,702	\$ 0
Total Revenues	<u>170,369</u>	<u>184,702</u>	<u>184,702</u>	<u>0</u>
Expenditures				
Student Transportation				
Personnel Services	8,772	8,772	8,868	(96)
Employee Benefits	3,163	3,163	3,047	116
Professional & Tech Services	0	0	2,730	(2,730)
Purchased Property Services	14,042	28,375	28,375	0
Other Purchased Services	138,842	138,842	136,846	1,996
Supplies	5,550	5,550	4,836	714
Total Student Transportation	<u>170,369</u>	<u>184,702</u>	<u>184,702</u>	<u>0</u>
Total Expenditures	<u>170,369</u>	<u>184,702</u>	<u>184,702</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	0	0
Cash Balance Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 0	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			\$ 0	

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

State of New Mexico
House Municipal Schools
 General Fund-Instructional Materials-14000
 Statement of Revenues, Expenditures, and Changes in Cash Balance -
 Budget and Actual (Budgetary Basis)
 For the Year Ended June 30, 2019

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
State Grant	\$ 2,511	\$ 2,511	\$ 2,511	\$ 0
Total Revenues	<u>2,511</u>	<u>2,511</u>	<u>2,511</u>	<u>0</u>
Expenditures				
Instruction				
Supplies	<u>2,511</u>	<u>3,226</u>	<u>3,226</u>	<u>0</u>
Total Instruction	<u>2,511</u>	<u>3,226</u>	<u>3,226</u>	<u>0</u>
Total Expenditures	<u>2,511</u>	<u>3,226</u>	<u>3,226</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	0	(715)	(715)	0
Cash Balance Beginning of Year	<u>715</u>	<u>715</u>	<u>715</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 715</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ <u>(715)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			\$ <u>(715)</u>	

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

State of New Mexico

House Municipal Schools

Special Revenue Fund-IDEA B Entitlement-24106

Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2019

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Federal Grant	\$ 36,759	\$ 30,813	\$ 23,050	\$ (7,763)
Total Revenues	<u>36,759</u>	<u>30,813</u>	<u>23,050</u>	<u>(7,763)</u>
Expenditures				
Instruction				
Personnel Services	9,269	9,269	9,268	1
Employee Benefits	4,905	4,905	2,809	2,096
Supplies	<u>1,500</u>	<u>1,619</u>	<u>1,843</u>	<u>(224)</u>
Total Instruction	<u>15,674</u>	<u>15,793</u>	<u>13,920</u>	<u>1,873</u>
Support Services				
Students				
Professional & Tech Services	12,063	5,998	8,420	(2,422)
Supplies	<u>1,500</u>	<u>1,500</u>	<u>951</u>	<u>549</u>
Total Students	<u>13,563</u>	<u>7,498</u>	<u>9,371</u>	<u>(1,873)</u>
Total Support Services	<u>13,563</u>	<u>7,498</u>	<u>9,371</u>	<u>(1,873)</u>
Total Expenditures	<u>29,237</u>	<u>23,291</u>	<u>23,291</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	7,522	7,522	(241)	(7,763)
Cash Balance Beginning of Year	<u>(7,522)</u>	<u>(7,522)</u>	<u>(7,522)</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (7,763)</u>	<u>\$ (7,763)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (241)	
Net Change in Due from Grantor			<u>241</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 0</u>	

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

State of New Mexico
House Municipal Schools
Special Revenue Fund-Title I CSI-24190
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Federal Grant	\$ 0	\$ 202,200	\$ 134,219	\$ (67,981)
Total Revenues	<u>0</u>	<u>202,200</u>	<u>134,219</u>	<u>(67,981)</u>
Expenditures				
Instruction				
Personnel Services	0	50,000	44,426	5,574
Employee Benefits	0	11,800	11,820	(20)
Professional & Tech Services	0	10,000	0	10,000
Other Purchased Services	0	30,000	22,256	7,744
Supplies	0	20,400	35,232	(14,832)
Fixed Assets	0	80,000	45,034	34,966
Total Instruction	<u>0</u>	<u>202,200</u>	<u>158,768</u>	<u>43,432</u>
Total Expenditures	<u>0</u>	<u>202,200</u>	<u>158,768</u>	<u>43,432</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	(24,549)	(24,549)
Cash Balance Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (24,549)</u>	<u>\$ (24,549)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (24,549)	
Net Change in Due from Grantor			<u>24,549</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 0</u>	

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

State of New Mexico

House Municipal Schools

Special Revenue Fund-Wind Farm Projects-29134

Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2019

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
In Lieu of Property Taxes	\$ 56,350	\$ 56,350	\$ 96,000	\$ 39,650
Other	689	689	6,259	5,570
Total Revenues	<u>57,039</u>	<u>57,039</u>	<u>102,259</u>	<u>45,220</u>
Expenditures				
Instruction				
Professional & Tech Services	20,000	20,000	13,410	6,590
Other Purchased Services	206,000	206,000	31,734	174,266
Supplies	30,000	30,000	5,767	24,233
Total Instruction	<u>256,000</u>	<u>256,000</u>	<u>50,911</u>	<u>205,089</u>
Capital Outlay				
Fixed Assets	40,000	40,000	0	40,000
Total Capital Outlay	<u>40,000</u>	<u>40,000</u>	<u>0</u>	<u>40,000</u>
Total Expenditures	<u>296,000</u>	<u>296,000</u>	<u>50,911</u>	<u>245,089</u>
Excess (Deficiency) of Revenues Over Expenditures	(238,961)	(238,961)	51,348	290,309
Cash Balance Beginning of Year	<u>313,402</u>	<u>313,402</u>	<u>313,402</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 74,441</u>	<u>\$ 74,441</u>	<u>\$ 364,750</u>	<u>\$ 290,309</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 51,348	
Net Change in Accounts Payables			274	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 51,622</u>	

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

State of New Mexico
House Municipal Schools
Statement of Fiduciary Assets and Liabilities-Agency Funds
June 30, 2019

	<u>Agency Funds</u>
Assets	
Cash and Cash Equivalents	\$ 100,995
Total Assets	<u>\$ 100,995</u>
Liabilities	
Deposits Held for Others	\$ 100,995
Total Liabilities	<u>\$ 100,995</u>

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

Summary of Significant Accounting Policies

The financial statements of the House Municipal School (District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

Financial Reporting Entity

The District has been in existence since the early nineteen hundreds, and is currently operating under the provisions of the Public School District Code, Chapter 22, of the New Mexico Statutes Annotated, 1978 Compilation. The District operates with a local board of education - superintendent form of government and provides a supervised program of instruction designed to educate students at the elementary and secondary level.

GASB Statement No. 14 established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the District is considered a *primary government*, since it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the District may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges and issue bonded debt.

The District has no component units, defined by GASB Statement No. 14 as other legally separate organizations for which the elected District members are financially accountable. There are no other primary governments with which the School Board Members are financially accountable. There are no other primary governments with which the District has a significant relationship.

The accounts of the District are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

The funds of the District are classified into two categories: governmental and fiduciary. In turn, each category is divided into separate fund types. The fund classification and a description of each existing fund type follows below:

Governmental Funds

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

General Fund - The General Fund is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds.

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

Capital Projects Fund - The Capital Projects Fund is used to account for all resources for the acquisition of capital facilities by the District.

Debt Service Fund - The Debt Service Fund is used to account for the resources for, and the payment of, principal, interest and related costs.

Fiduciary Fund Type

Fiduciary funds account for assets held by the government in a trustee capacity or as an agent on behalf of outside parties, including other governments, or on behalf of other funds within the District.

The Student Activity Fund, an agency fund, accounts for assets held by the District as an agent for the District organizations. These organizations exist with the explicit approval of and are subject to revocation by the District's Board of Education. This accounting reflects the District's agency relationship with the student activity organizations.

The District reports the following major governmental funds:

General Fund (11000)(12000)(13000)(14000)

The General Fund consist of four sub funds. The first is the Operational fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. The Teacherage accounts for rents collected from teachers and related expenditures. The Transportation fund includes a state grant to provide transportation for students in the District. The Instructional Materials fund accounts for a state grant to provide text books for students in the District.

Major Special Revenue Funds

IDEA B Entitlement (24106). To account for a program funded by a Federal grant to assist the District in providing free appropriate public education to all handicapped children. Funding authorized by the Individuals with Disabilities Education Act, Part B, Sections 611-620, as amended, Public Laws 91-230, 93-380, 94-142, 98-199, 99-457, 100-639, and 101-476, 20 U. S. C. 1411-1420. The fund was created by the authority of federal grant provisions.

Title I CSI (24190). To account for a program funded by a Federal grant to supplement the regular instructional program for educationally deprived students. Funding authorized by the Elementary and Secondary Act of 1965, Chapter I of Title I, as amended, Public Laws 100-297, 20 U.S.C. 2701. The fund was created by the authority of federal grant provisions.

Wind Farm Projects (29134). To account for funds received from a wind farm in lieu of property tax revenue. The fund was created by definition.

Major Capital Projects Funds

Bond Building (31000). To account for capital improvements funded by a bond issue.

Senate Bill Nine-State (31700). The revenues are derived from state grant. Expenditures are restricted to repairs and maintenance of facilities.

Measurement Focus and Basis of Accounting
Government-Wide Financial Statements (GWFS)

The Statement of Net Position and the Statement of Activities displays information about the reporting government as a whole. Fiduciary funds are not included in the GWFS. Fiduciary Funds are reported only in the Statement of Fiduciary Assets and Liabilities at the fund financial statement level.

The Statement of Net Position and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, deferred outflow of resources, liabilities and deferred inflow of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, deferred outflow of resources, liabilities and deferred inflow of resources resulting from nonexchange transactions are recognized in accordance with the requirement of GASB Statement No. 33 "Accounting and Financial Reporting for Nonexchange Transactions."

Program Revenues

Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the District's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the District's general revenues. Program revenues include: 1) charges for services to students or applicants who purchase, use or directly benefit from the goods or services provided by the given function 2) program-specific operating grants and contributions, and including grants for transportation, instructional materials, food service, special revenue funds such as special education as well as others and federal and state programs 3) program specific capital grants and contributions.

Fund Financial Statements (FFS)

Governmental Funds

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within 30 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured principal and interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. Any effect of interfund activity has been eliminated from the district-wide financial statements.

Revenues

Ad valorem taxes are susceptible to full accrual on the government wide financial statements. Property Tax revenues recognize revenues net of estimated refunds and uncollectible accounts in the period for which the taxes are levied.

Entitlement and shared revenues (which include state equalization and state revenue sharing) are recorded as unrestricted grants-in-aid at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met and the susceptible to accrual criteria have been met.

Other receipts become measurable and available when cash is received by the District and are recognized as revenue at that time.

Expenditures

Salaries are recorded as paid. Salaries for nine-month employees are paid prior to the end of the fiscal year and therefore are not accrued. Salaries for the twelve month employees payroll are accrued.

Other Financing Sources (Uses)

Transfers between funds that are not expected to be repaid (or any other types, such as capital lease transactions, sale of fixed assets, debt extinguishments, long-term debt proceeds, etc.) are accounted for as other financing sources (uses). These other financing sources (uses) are recognized at the time the underlying events occur.

Basis of Budgeting

Formal budgetary integration is employed as a management control device during the year.

Budgets for the General, Special Revenue, Debt Service and Capital Projects Funds are adopted on a basis inconsistent with generally accepted accounting principles (GAAP). These budgets are prepared using the cash basis of accounting. Budgetary comparisons for the various funds in this report are on the non-GAAP budgetary basis.

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

1. Prior to April 15, (unless a later date is fixed by the Secretary of Education) the local school board submits to the School Budget and Finance Analysis Unit (SBFAU) of the New Mexico Public Education Department an estimated budget for the District for the ensuing fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them. All budgets submitted to the New Mexico Public Education Department (PED) by the district shall contain headings and details as prescribed by law.
2. Prior to June 20, of each year, the proposed "operating" budget will be reviewed and approved by the SBFAU and certified and approved by the local school board at the public hearing of which notice has been published by the local school board which fixed the estimated budget for the district for the ensuing fiscal year.
3. The "operating" budget will be used by the District until they have been notified that the budget has been approved by the SBFAU and the local school board. The budget shall be integrated formally in to the accounting system. Encumbrances shall be used as an element for control and shall be integrated into the budget system.
4. 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 SBFAU.
5. No school board or officer or employee of the District shall make any expenditures or incur any obligation for the expenditures of public funds unless such expenditure or contractual obligation is made in accordance with an operating budget approved by the division. But this does not prohibit the transfer of funds between line items within a series of a budget.
6. Budget change requests are processed in accordance with Supplement I (Budget Preparation and Maintenance) of the *Manual of Procedures Public School Accounting and Budgeting*. Such changes are initiated by the District and approved by the SBFAU.
7. Legal budget control for expenditures is by function.

8. Appropriations lapse at fiscal year end. Funds unused during the fiscal year may be carried over into the next fiscal year by budgeting those in the subsequent fiscal year's budget. The budget of the District has been amended during the current fiscal year in accordance with these procedures. The budget schedules included in the accompanying financial statements reflect the approved budget and amendments thereto.

Budget comparison schedules are no longer required for non-major funds and are not included.

Cash and Cash Equivalents

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.

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

Investments

All money not immediately necessary for the public uses of the District may be invested in :

- (a) bonds or negotiable securities of the United States, the state or any county, municipality or school district which has a taxable valuation of real property for the last preceding year of at least one million dollars (1,000,000) and has not defaulted in the payment of any interest or sinking fund obligation or failed to meet any bonds at maturity at any time within five years last preceding; or
- (b) securities that are issued by the United States government or by its agencies or instrumentalities and that are either direct obligations of the United States or are backed by the full faith and credit of the United States government or agencies guaranteed by the United States government.
- (c) in contracts with banks, savings and loan associations or credit unions for the present purchase and resale at a specified time in the future of specific securities at specified prices at a price differential representing the interest income to be earned by the investor. The contract shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with the investment. The contract shall be fully secured by obligations of the United States having a market value of at least one hundred two percent of the contract. The collateral required for investment in the contracts provided for in this subsection shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with investment.

Receivables and Payables

Receivables include property taxes, interfund loans that are expected to be paid back and amount due from state government agencies related to various grant agreements. Payables represent routine monthly bills for services rendered and products purchased and accrued salaries and benefits.

Property Taxes

The County collects the District's share of property taxes assessed. Property taxes attach an enforceable lien on property as of January 1st. Tax notices are sent by the County treasurer to property owners by November 1st of each year to be paid in whole or in two installments by November 10th and April 10th of each year. The County collects such taxes and distributes them to the District on a monthly basis. The District accounts for its share of property taxes in the General, Debt Service and Capital Projects Funds. Only those collections received are recorded as revenues for the budget presentation.

Elimination and Reclassifications of Certain Receivables and Payables

In the process of aggregating data for the Statement of Assets and Liabilities and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Inventories and Prepaid Items

Purchased inventory is valued at the lower of cost (first-in, first-out) or market. Inventory in the Cafeteria Fund consists of purchased food and non-food items and United States Department of Agriculture (USDA) commodities. Commodities are shown at the USDA procurement cost. Costs are recorded as expenditures at the time individual inventory items are used (consumption method). Reported inventories are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both District-wide and fund financial statements.

Capital Assets

Capital assets are recorded at historical costs and depreciated over their estimated useful lives (with no salvage value). Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Donated capital assets are recorded at their estimated fair market value on the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

If there are any construction projects funded by the NM Public School Facilities Authority they are included in the appropriate capital projects fund and in the capital assets.

Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Straight line depreciation is used based on the following estimated useful lives:

Buildings & Improvements	20-50 Years
Equipment, Vehicles, Information Technology Equipment, Software & Library Books	3-15 Years

Capital Leases

Capital leases are recorded at the inception of the leases as expenditures and other financing sources in governmental fund financial statement at the present value of the future minimum lease payments, using the stated or implicit interest rate in the leases. Lease payments are recorded as expenditures on the due date. Capital leases are recorded as a liability in the government-wide financial statement at the time of inception and the corresponding asset is recorded in the capital asset section on the balance sheet.

Short -Term Debt

Short-term debt results from borrowings characterized by anticipation notes, use of lines of credit, and similar loans. The District does not have any activity in short-term debt.

Long-Term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method or the straight-line method if the difference from the effective interest method is minimal. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual net of debt proceeds received, are reported as debt service expenditures.

Restricted Net Position

For the government-wide statement of net position, net positions are reported as restricted when constraints placed on net positions use are either:

Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments;

Imposed by law through constitutional provisions or enabling legislation.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available it will first be applied to restricted resources.

Fund Balances of Fund Financial Statements

Nonspendable Fund Balance is a category that is not converted into cash such as inventory.

Restricted fund balance includes amounts that have constraints placed on their use that are (a) externally imposed by grantors, laws or regulation of other governments or (b) imposed by enabling legislation.

Committed fund balance is a classification for governmental fund balance reporting that includes amounts that can only be used for specific purposes pursuant to constraints imposed by law and require a formal action of the government's highest level of decision-making authority.

Assigned fund balance is a classification for governmental fund balance reporting that includes amounts that the governmental entity intends to use for specific purposes.

Unassigned fund balance is the residual classification used for reporting spendable fund balance in the General Fund that represents amounts that have not been committed or assigned or restricted.

Interfund Transfers

In governmental funds, transfers should be reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers.

Deferred Inflows

The District reports unearned and unavailable revenues on its Statement of Net Position and Fund Balance Sheet. Unearned revenues arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when the District has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and the revenue is recognized. Unavailable revenues also occur in the fund financial statements when revenue is earned but is not available. The revenue becomes available if received within 30 days of the fiscal year end.

Estimates

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

A. Deposits and Investments

The District is required by New Mexico State Statute (Section 6-10-17) to be 50% collateralized. Following is a schedule calculating the requirement and disclosing the pledged securities.

Citizens Bank

<u>Name of Account</u>		<u>Balance Per Bank 6/30/19</u>	<u>Reconciled Balance</u>	<u>Type</u>
House Municipal School Operational	Checking	\$ 522,572	\$ 385,124	Non-Interest
House Municipal School Fund	Checking	26,512	25,995	Non-Interest
House Municipal School Operational	CD	15,000	15,000	Interest
House Municipal School Operational	CD	15,000	15,000	Interest
House Municipal School Operational	CD	85,000	85,000	Interest
House Municipal School Operational	CD	175,000	175,000	Interest
House Municipal School Fund	CD	60,000	60,000	Interest
Total Deposited		899,084	\$ 761,119	
Less FDIC Coverage		(250,000)		
Uninsured Amount		649,084		
50% collateral requirement		324,542		
Pledged securities		400,000		
Over (Under) requirement		\$ 75,458		

The difference between the bank balance and the reconciled balance is outstanding deposits, outstanding checks and pending bank adjustments.

The following securities are pledged at Citizens Bank:

<u>Description</u>	<u>CUSIP #</u>	<u>Market Value</u>	<u>Maturity Date</u>	<u>Location</u>
FHLB	3130A0JR2	\$ 400,000	12/13/2019	TIB Dallas, TX
		\$ 400,000		

Custodial Credit Risk-Deposits

<u>Depository Account</u>	<u>Bank Balance</u>
Insured	\$ 250,000
Collateralized:	
Collateral held by the pledging bank in District's name	400,000
Uninsured and uncollateralized	249,084
Total Deposits	<u>\$ 899,084</u>

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2019 \$249,084 of the District's bank balance of \$899,084 was exposed to custodial credit risk.

B. Receivables

Revenues are deferred in accordance with the modified accrual basis of accounting for the fund financial statements. The following deferred revenues are measurable but do not represent available expendable resources for the fund financial statements for the fiscal year ended June 30, 2019:

	<u>Operational 11000</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
Property Taxes			
Available	\$ 18	\$ 198	\$ 216
Unavailable	137	2,010	2,147
Total	<u>\$ 155</u>	<u>\$ 2,208</u>	<u>\$ 2,363</u>

Amounts due from other agencies and units of government were as follows as of June 30, 2019:

State	\$ 24,395
Federal	38,290
Total	<u>\$ 62,685</u>

C. Interfund Receivables, Payables and Transfers

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Funds</u>				
	IDEA B Entitlement 24106	Title I CSI 24190	Senate Bill Nine-State 31700	Other Governmental Funds	Totals
Operational Fund	<u>\$ 7,763</u>	<u>\$ 24,549</u>	<u>\$ 24,395</u>	<u>\$ 4,568</u>	<u>\$ 61,275</u>

The above interfund balances resulted from reimbursement grants. The shortfalls were covered by the above funds. All transactions will be repaid within one year.

D. Capital Assets

Capital Assets Balances and Activity for the fiscal year is as follows:

	Beginning Balance 6/30/18	Increases	Deletions	Ending Balance 6/30/19
Governmental Activities				
Capital Assets not being depreciated:				
Land	\$ 7,875	\$ 0	\$ 0	\$ 7,875
Construction in Progress	0	0	0	0
Total Capital Assets, not Being Depreciated	<u>7,875</u>	<u>0</u>	<u>0</u>	<u>7,875</u>
Capital Assets being depreciated:				
Buildings & Improvements	4,086,572	39,356	0	4,125,928
Equipment, Vehicles, Information Technology Equipment, Software & Library Books	640,824	65,735	0	706,559
Total Capital Assets, being depreciated	<u>4,727,396</u>	<u>105,091</u>	<u>0</u>	<u>4,832,487</u>
Total Capital Assets	<u>4,735,271</u>	<u>105,091</u>	<u>0</u>	<u>4,840,362</u>
Less Accumulated Depreciation				
Buildings & Improvement	2,802,039	139,181	0	2,941,220
Equipment, Vehicles, Information Technology Equipment, Software & Library Books	474,492	28,326	0	502,818
Total Accumulated Depreciation	<u>3,276,531</u>	<u>167,507</u>	<u>0</u>	<u>3,444,038</u>
Capital Assets, net	<u>\$ 1,458,740</u>	<u>\$ (62,416)</u>	<u>\$ 0</u>	<u>\$ 1,396,324</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 142,856
Support Services	
General Administration	878
Central Services	1,657
Operation of Plant	16,468
Transportation	4,579
Food Service	50
Community Service	1,019
Total depreciation expense	<u>\$ 167,507</u>

E. Long-Term Liabilities and Other Liabilities

A summary of activity in the Long-Term Debt is as follows:

	Beginning Balance 6/30/18	Additions	Reductions	Ending Balance 6/30/19	Amounts Due Within One Year
Governmental Activities					
Bonds and Notes Payable					
General Obligation					
Bonds Series 2009	\$ 265,000	\$ 0	\$ 35,000	\$ 230,000	\$ 40,000
Long-Term Liabilities	<u>\$ 265,000</u>	<u>\$ 0</u>	<u>\$ 35,000</u>	<u>\$ 230,000</u>	<u>\$ 40,000</u>

Payments on the general obligation bonds are made by the Debt Service Funds.

General Obligation Bonds.

The following bonds were issued for the purpose of erecting, furnishing, remodeling and making additions to District buildings and improving District grounds. A tax is annually assessed, levied and collected upon all taxable property within the District for the purpose of providing the necessary funds to meet the interest and principal payments as they become due.

Series	Maturity Date	Original Amount	Interest Rate	Balance
2009	2025	\$ 540,000	3.4% to 5%	230,000
				<u>\$ 230,000</u>

The annual requirements to amortize all of the above bonds including interest is as follows:

	Principal	Interest	Total
2019	\$ 40,000	\$ 10,490	\$ 50,490
2020	40,000	8,810	48,810
2021	40,000	7,070	47,070
2022	40,000	5,270	45,270
2023	45,000	3,410	48,410
2024-2025	25,000	1,250	26,250
	<u>\$ 230,000</u>	<u>\$ 36,300</u>	<u>\$ 266,300</u>

F. Commitments

The District has no construction commitments.

G. Retirement Plan

Summary of Significant Accounting Policies

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.

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

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

*The member's minimum age is 55, and has earned 30 or more years of service credit. Those who retire earlier than age 55, but with 30 years of earned service credit will have a reduction in benefits to the actuarial equivalent of retiring at age 55.

*The member's minimum age and earned service credit add up to the sum of 80 or more. Those who retire under the age of 65, and who have fewer than 30 years of earned service credit will receive reduced retirement benefits.

*The member's age is 67, and has earned 5 or more years of service credit.

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

Benefit Options. The Plan has three benefit options available.

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

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

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. The member's increased monthly benefit commences in the month following the beneficiary's death.

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

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

*Tier 1 membership is comprised of employees who became members prior to July 1, 2010.

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

*Tier 3 membership is comprised of employees who became members on or after July 1, 2013.

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

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

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

Contributions. For the fiscal year ended June 30, 2019 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's Rate</u>	<u>Employer's Rate</u>	<u>Combined Rate</u>
2019	7-1-18 to 6-30-19	Over \$20K	10.70%	13.90%	24.60%
2019	7-1-18 to 6-30-19	\$20K or less	7.90%	13.90%	21.80%
2018	7-1-17 to 6-30-18	Over \$20K	10.70%	13.90%	24.60%
2018	7-1-17 to 6-30-18	\$20K or less	7.90%	13.90%	21.80%

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, the District paid employee and employer contributions of \$119,218 and \$155,819 which equal the amount of the required contributions for each fiscal year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2019, the District reported a liability of \$4,601,945 for their 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 District's portion was established as of the measurement date of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating educational institutions at June 30, 2018, actuarially determined. At June 30, 2018, the District's proportion was 0.0387%, which was an increase of 0.00295% from its proportion measured as of June 30, 2017.

State of New Mexico
House Municipal Schools
Notes to the Financial Statements
June 30, 2019

For the year ended June 30, 2019, the District recognized pension expense of \$790,363. At the June 30, 2018, the District reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,359	\$ 87,582
Net difference between projected and actual earnings on pension plan investments	10,188	0
Changes of assumptions	948,439	0
Changes in proportion and differences between the District's contributions and proportionate share of contributions	170,109	49,506
District's contributions subsequent to the measurement date	155,819	0
	<u>\$ 1,287,914</u>	<u>\$ 137,088</u>

\$155,819 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June</u>	
2019	\$ 563,662
2020	400,322
2021	30,889
2022	134
Total	<u>\$ 995,007</u>

Actuarial Assumptions and Methods. The total pension liability as of June 30, 2018 was based on an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 and was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method

Entry age normal

Inflation 2.50%

Salary Increases 3.25% composed of 2.50% inflation, plus 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	<p>Healthy males: Based on the RP-2000 Combined Mortality Table with White Collar adjustments, generational mortality improvements with Scale BB from the table's base year of 2000.</p> <p>Healthy females: Based on GRS Southwest Region Teacher Mortality Table, set back one year, generational mortality improvements in accordance with Scale BB from the table's base year of 2012.</p> <p>Disabled males: RP-2000 Disabled Mortality Table for males, set back three years, projected to 2016 with Scale BB.</p> <p>Disabled females: RP-2000 Disabled Mortality Table for females, no set back, projected to 2016 with Scale BB.</p> <p>Active members: RP-2000 Employee Mortality Tables, with males set back two years and scaled at 80%, and females set back five years and scaled at 70%. Static mortality improvement from the table's base year of 2000 to the year 2016 in accordance with Scale BB. No future improvement was assumed for preretirement mortality.</p>
Retirement Age	<p>Experience based table of rates based on age and service. Adopted by NMERB on April 21, 2017 in conjunction with the six-year experience study for the period ended June 30, 2016.</p>
Cost-of-living Increases	<p>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.</p>
Payroll Growth	<p>3.00% per year (with no allowance for membership growth).</p>
Contribution Accumulation	<p>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.</p>
Disability Incidence	<p>Approved rates are applied to eligible members with at least 10 years of service.</p>

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

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

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

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

Discount rate. A single discount rate of 5.69% was used to measure the total pension liability as of June 30, 2018. This rate is 0.21% less than the 5.90% discount rate used for June 30, 2017.

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

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

Sensitivity of the Net Pension Liability. 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 (4.69%)</u>	<u>Current Discount Rate (5.69%)</u>	<u>1% Increase (6.69%)</u>
The Districts' proportionate share of the net pension liability	\$ 5,980,766	\$ 4,601,945	\$ 3,476,913

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

H. Other Post-Employment Benefits (OPEB)

Retiree Health Care Plan

The New Mexico Retiree Health Care Authority (the Authority) 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 Retiree Health Care Fund (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.

Summary of Significant Accounting Policies. *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.

Plan Description. 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. Employees of the Authority also participate in the Fund.

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.

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>

Plan membership	
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 \$22,417 for the year ended June 30, 2019.

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
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 Combined Healthy Mortality Table with White Collar Adjustment (males) and GRS Southwest Region Teacher Mortality Table (females) PERA members: RP-2000 Combined Healthy Mortality

Rate of Return

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

Asset Class	Long-Term Rate of Return
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	7.8%
Private equity	11.8%
Credit and structured	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

The following presents the net OPEB liability, calculated using the discount rate of 4.08%, as well as what the Fund's net OPEB liability would be if it were calculated using a discount rate that is 1-percent lower or 1-percent higher than the current rate:

	1% Decrease (3.08%)	Current Discount Rate (4.08%)	1% Increase (5.08%)
The Districts' proportionate share of the net OPEB liability	\$ 1,333,000	\$ 1,101,438	\$ 918,916

The following presents the Net OPEB Liability of the District, as well as what the Fund's Net OPEB Liability would be if it were calculated using a health cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the health cost trend rates used:

	<u>1% Decrease</u>	<u>Current Trend Rates</u>	<u>1% Increase</u>
The Districts' proportionate share of the net OPEB liability	\$ 931,102	\$ 1,101,438	\$ 1,234,986

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 \$1,101,438 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 School's proportion was 0.02533 percent.

For the year ended June 30, 2019, the District recognized OPEB expense of \$37,352. 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 Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 0	\$ 65,212
Net difference between projected and actual earnings on OPEB investments	0	13,746
Changes in assumptions	0	205,634
Changes in proportion and differences between the District's contributions and proportionate share of contributions	0	169,389
District's contributions subsequent to the measurement date	22,417	0
	<u>\$ 22,417</u>	<u>\$ 453,981</u>

Deferred outflows of resources totaling \$22,417 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:

<u>Year ended June</u>	
2019	\$ (108,197)
2020	(108,197)
2021	(108,197)
2022	(91,728)
2023	(37,662)
Total	<u>\$ (453,981)</u>

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

I. Reconciliation of Budgetary Basis to GAAP Basis Statements

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - all Governmental Fund Types is presented on the budgetary basis to provide a comparison of actual results with the budget. The major differences between the budget basis and GAAP (Generally Accepted Accounting Principles) basis are that:

- A. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- B. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

The adjustments necessary to convert the results of operations for the year from GAAP basis to the budget basis for the governmental funds included on each Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget and Actual (Budgetary Basis).

J. Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; error and omissions; and injuries to employees; and natural disasters. The District, as a New Mexico Public School, is insured through the New Mexico Public Schools Insurance Authority (NMPSIA). Annual premiums are paid by the District to NMPSIA for coverage provided in the following areas:

- Workers Compensation
- Property and Automobile Liability and Physical Damage
- Liability and Civil Rights and Personal Injury
- Contract School Bus Coverage; and
- Crime

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

K. Tax Abatement

Quay County, under the authority of the New Mexico County Industrial Revenue Bond Act, entered into a tax abatement agreement with FPL Energy New Mexico Wind, LLC (Wind Company) that effects the District. Property taxes of \$128,254 for the District were given up on the property owned by the Wind Company. In lieu of the property taxes, the Wind Company paid the District a \$96,000 PILOT, (payment in lieu of taxes).

L. Joint Powers Agreements

A joint powers agreement was entered into with the Regional Education Cooperative No. 6 (REC). The purpose of the agreement is to allow the submission of a consolidated application to the State Department of Education for certain funds granted to the State of New Mexico by the United States Department of Education under the Education of the Handicapped Act, Part B, PL 94-142 among others.

There are ten schools that participate in the REC, they are Dora, Elida, Floyd, Fort Sumner, Grady, House, Logan, Melrose, San Jon, and Texico. The agreement became effective on July 1, 1995 and is to remain in effect until the end of any fiscal year during which the school gives notice of intent to terminate.

The financial statements for the REC were prepared by another IPA. The audit report is available at the REC located at 1500 South Ave K, Station 9, Portales, New Mexico 88130.

M. 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.

N. Subsequent Events

Subsequent events were evaluated through August 26, 2019 which is the date the financial statements were available to be issued.

O. Over Expenditure of Budget

The District has maintained expenditures at the function level in which actual expenditures exceeded budgetary authority in IDEA B Entitlement-24106, Support Services of \$(1,873).

P. Restatement

Fund Balance was restated \$96,500 for Due from Grantors collected greater than 60 days by fund as stated below:

IDEA B Entitlement-24106	\$	4,168
Title I CSI-24190		61,628
Senate Bill Nine-State-31700		29,899
Other Governmental Funds		805
	\$	<u>96,500</u>

Net Position was restated \$2,792 for outstanding property taxes as of June 30, 2018.

**Supplemental Information Related to
Major Funds**

State of New Mexico
House Municipal Schools
 Capital Projects Fund-Bond Building-31100
 Statement of Revenues, Expenditures, and Changes in Cash Balance -
 Budget and Actual (Budgetary Basis)
 For the Year Ended June 30, 2019

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Other	\$ 200	\$ 200	\$ 1,227	\$ 1,027
Total Revenues	<u>200</u>	<u>200</u>	<u>1,227</u>	<u>1,027</u>
Expenditures				
Capital Outlay				
Professional & Tech Services	5,777	5,777	750	5,027
Supplies	15,000	15,000	0	15,000
Fixed Assets	30,500	30,500	17,052	13,448
Supply Assets	<u>31,500</u>	<u>31,500</u>	<u>0</u>	<u>31,500</u>
Total Capital Outlay	<u>82,777</u>	<u>82,777</u>	<u>17,802</u>	<u>64,975</u>
Total Expenditures	<u>82,777</u>	<u>82,777</u>	<u>17,802</u>	<u>64,975</u>
Excess (Deficiency) of Revenues Over Expenditures	(82,577)	(82,577)	(16,575)	66,002
Cash Balance Beginning of Year	<u>109,224</u>	<u>109,224</u>	<u>109,224</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 26,647</u>	<u>\$ 26,647</u>	<u>\$ 92,649</u>	<u>\$ 66,002</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (16,575)	
Net Change in Accounts Payables			<u>0</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (16,575)</u>	

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

State of New Mexico

House Municipal Schools

Capital Projects Fund-Senate Bill Nine-State-31700

Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2019

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
State Grant	\$ 29,899	\$ 54,937	\$ 29,899	\$ (25,038)
Total Revenues	<u>29,899</u>	<u>54,937</u>	<u>29,899</u>	<u>(25,038)</u>
Expenditures				
Capital Outlay				
Purchased Property Services	0	20,000	24,395	(4,395)
Supplies	<u>0</u>	<u>5,038</u>	<u>0</u>	<u>5,038</u>
Total Capital Outlay	<u>0</u>	<u>25,038</u>	<u>24,395</u>	<u>643</u>
Total Expenditures	<u>0</u>	<u>25,038</u>	<u>24,395</u>	<u>643</u>
Excess (Deficiency) of Revenues Over Expenditures	29,899	29,899	5,504	(24,395)
Cash Balance Beginning of Year	<u>(29,899)</u>	<u>(29,899)</u>	<u>(29,899)</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (24,395)</u>	<u>\$ (24,395)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 5,504	
Net Change in Due from Grantor			<u>(5,504)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 0</u>	

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

Required Supplemental Information

State of New Mexico
House Municipal Schools
Schedules of Required Supplementary Information for Pension Plan

Schedule of the District's Proportionate Share of the Net Pension Liability

Last 10 Fiscal Years*

	Fiscal Year Measurement Date	2015 2014	2016 2015	2017 2016	2018 2017
District's proportion of the net pension liability		0.03863%	0.03843%	0.03660%	0.03575%
District's proportionate share of the net pension liability	\$	2,204,115	2,489,213	2,633,805	3,973,065
District's covered-employee payroll	\$	1,064,907	1,045,444	1,018,196	1,081,626
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll		206.98%	238.10%	258.67%	367.32%
Plan fiduciary net position as a percentage of the total pension liability		66.54%	63.97%	61.58%	52.95%
	Fiscal Year Measurement Date	2019 2018			
District's proportion of the net pension liability		0.03870%			
District's proportionate share of the net pension liability	\$	4,601,945			
District's covered-employee payroll	\$	1,121,000			
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll		410.52%			
Plan fiduciary net position as a percentage of the total pension liability		52.17%			

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

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

State of New Mexico
House Municipal Schools
Schedules of Required Supplementary Information for Pension Plan

Schedule of District's Contributions

Last 10 Fiscal Years*

	June 30,			
	2015	2016	2017	2018
Contractually required contribution	\$ 151,917	\$ 145,317	\$ 141,529	\$ 150,346
Contributions in relation to the contractually required contribution	<u>151,917</u>	<u>145,317</u>	<u>141,529</u>	<u>150,346</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
District's covered-employee payroll	\$ 1,064,907	\$ 1,045,444	\$ 1,018,196	\$ 1,081,626
Contributions as a percentage of covered-employee payroll	13.90%	13.90%	13.90%	13.90%

Last 10 Fiscal Years*

	June 30,
	2019
Contractually required contribution	\$ <u>155,819</u>
Contributions in relation to the contractually required contribution	<u>155,819</u>
Contribution deficiency (excess)	<u>\$ 0</u>
District's covered-employee payroll	\$ 1,121,000
Contributions as a percentage of covered-	13.90%

*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 District is not available prior to fiscal year 2015, the year the statement's requirements became effective.

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

Notes to Required Supplementary Information

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

Changes in 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%.

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

House Municipal Schools**Schedules of Required Supplementary Information and Notes for OPEB****Schedule of the District's Proportionate Share of the Net Other Post Employee Benefits (OPEB)**

Last 10 Fiscal Years*

	Fiscal Year Measurement Date	2018 2017	2019 2018
District's proportion of the net OPEB liability		0.02836%	0.02533%
District's proportionate share of the net OPEB liability		\$ 1,285,182	\$ 1,101,438
District's covered-employee payroll		\$ 1,208,612	\$ 1,121,000
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll		106.34%	98.25%
Plan fiduciary net OPEB as a percentage of the total OPEB liability		11.34%	13.14%

**Governmental Accounting Standards Board Statement No. 68* requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the District is not available prior to fiscal year 2018, the year the statement's requirements became

Schedule of District's Contributions

Last 10 Fiscal Years*

	June 30,	
	2018	2019
Contractually required contribution	\$ 24,172	\$ 22,418
Contributions in relation to the contractually required contribution	24,172	22,418
Contribution deficiency (excess)	\$ 0	\$ 0
District's covered-employee payroll	1,208,612	1,120,874
Contributions as a percentage of covered-employee payroll	2.00%	2.00%

**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 District is not available prior to fiscal year 2018, the year the statement's requirements became effective.

Notes to Required Supplementary Information

Changes of benefit terms and assumptions. There were no changes in benefit terms from the previous valuation. A description of these benefits may be found at www.nmrhca.org by clicking on Retirees. Assumptions are included in the notes to the financial statements Note H.

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

**Supplemental Information Related to
Nonmajor Funds**

Nonmajor Special Revenue Funds

Food Services (21000). To account for revenue and expenditures associated with the school breakfast and lunch program. Funding is provided from fees from patrons and USDA food reimbursements. Authority for creation of this fund is NMSA 22-13-13.

IDEA Preschool (24109). To account for a program funded by a Federal grant to assist the District in providing a free appropriate public education to preschool disabled children aged three through five years. Funding authorized by the Individuals with Disabilities Education Act, Part B, Section 619, as amended, Public Laws 94-142, 99-457, 100-630, 101-497, 101-476, and 102-119. The fund was created by the authority of federal grant provisions.

IDEA B Risk Pool Reallocation (24106). To account for a program funded by a Federal grant to assist the District in providing free appropriate public education to all handicapped children. Funding authorized by the Individuals with Disabilities Education Act, Part B, Sections 611-620, as amended, Public Laws 91-230, 93-380, 94-142, 98-199, 99-457, 100-639, and 101-476, 20 U. S. C. 1411-1420. The fund was

Teacher/Principal Training (24154). To provide grants to State Education Agencies on a formula basis to increase student academic achievement through strategies such as improving teacher and principal quality and increasing the number of highly qualified teachers in the classroom and highly qualified principals and assistant principals in schools and hold local educational agencies and schools accountable for improvements in student academic achievement. The authority for the creation of this fund is the Elementary and Secondary Education Act of 1965 as amended, Title II, Part A, Public Law 107-110. The fund was created by the authority of federal grant provisions.

Rural Education Achievement Program (REAP) (25233). To account for funds received from US Department of Education and is designed to address the needs of rural, low-income schools. The fund was created by the authority of federal grant provisions.

GO Library Books (27107). To account for revenues and expenditures from a state grant to provide for public school and juvenile detention libraries. The funding made available to update and expand library collections in order to circulate and provide access of materials to students and teachers. Funding provided by the State of New Mexico. The fund was created by the authority of state grant provisions.

NM Reads to Lead (27114). To account for revenue and expenditures received from a state grant for the purpose of improving skills of young students in the area of reading. The fund was created by the authority of state grant provisions.

Nonmajor Capital Projects Fund

Senate Bill Nine-Local (31701). The revenues are derived from local ad-valorem taxes. Expenditures are restricted to capital improvements and maintenance of the facilities.

Nonmajor Debt Service Fund

Debt Service-(41000). To account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. The resources of this fund are generated by a tax levy based upon property values. Expenditures are restricted to debt reduction.

State of New Mexico
House Municipal Schools
 Nonmajor Funds
 Combining Balance Sheet
 June 30, 2019

	Special Revenue		
	Food Service 21000	Preschool 24109	IDEA B Risk Pool Reallocation 24120
Assets			
Cash and Cash Equivalents	\$ 9,149	\$ 0	\$ 0
Receivables			
Taxes Receivable	0	0	0
Due From Grantor	1,410	4,568	0
Inventory	2,486	0	0
Total Assets	\$ 13,045	\$ 4,568	\$ 0
Liabilities			
Accounts Payables	\$ 260	\$ 0	\$ 0
Interfund Balance	0	4,568	0
Total Liabilities	260	4,568	0
Deferred Inflows of Resources			
Unavailable Revenue	0	0	0
Total Deferred Inflows of Resources	0	0	0
Fund Balances			
Nonspendable-Inventory	2,486	0	0
Restricted for Special Revenue	10,299	0	0
Restricted for Capital Projects	0	0	0
Restricted for Debt Service	0	0	0
Total Fund Balance	12,785	0	0
Total Liabilities, Deferred Inflows and Fund Balances	\$ 13,045	\$ 4,568	\$ 0

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

State of New Mexico
House Municipal Schools
 Nonmajor Funds
 Combining Balance Sheet
 June 30, 2019

	Special Revenue		
	Teacher/ Principal Training 24154	REAP 25233	GO Student Library 27107
Assets			
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 0
Receivables			
Taxes Receivable	0	0	0
Due From Grantor	0	0	0
Inventory	0	0	0
Total Assets	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Liabilities			
Accounts Payables	\$ 0	\$ 0	\$ 0
Interfund Balance	0	0	0
Total Liabilities	<u>0</u>	<u>0</u>	<u>0</u>
Deferred Inflows of Resources			
Unavailable Revenue	0	0	0
Total Deferred Inflows of Resources	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances			
Nonspendable-Inventory	0	0	0
Restricted for Special Revenue	0	0	0
Restricted for Capital Projects	0	0	0
Restricted for Debt Service	0	0	0
Total Fund Balance	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

State of New Mexico
House Municipal Schools
 Nonmajor Funds
 Combining Balance Sheet
 June 30, 2019

	<u>Special Revenue</u>		<u>Capital Projects</u>	
	NM Reads to Lead 27114	Senate Bill Nine-Local 31701	Debt Service 41000	
Assets				
Cash and Cash Equivalents	\$ 0	\$ 45,026	\$ 12,425	
Receivables				
Taxes Receivable	0	752	1,456	
Due From Grantor	0	0	0	
Inventory	0	0	0	
Total Assets	<u>\$ 0</u>	<u>\$ 45,778</u>	<u>\$ 13,881</u>	
Liabilities				
Accounts Payables	\$ 0	\$ 0	\$ 0	
Interfund Balance	<u>0</u>	<u>0</u>	<u>0</u>	
Total Liabilities	<u>0</u>	<u>0</u>	<u>0</u>	
Deferred Inflows of Resources				
Unavailable Revenue	<u>0</u>	<u>665</u>	<u>1,345</u>	
Total Deferred Inflows of Resources	<u>0</u>	<u>665</u>	<u>1,345</u>	
Fund Balances				
Nonspendable-Inventory	0	0	0	
Restricted for Special Revenue	0	0	0	
Restricted for Capital Projects	0	45,113	0	
Restricted for Debt Service	<u>0</u>	<u>0</u>	<u>12,536</u>	
Total Fund Balance	<u>0</u>	<u>45,113</u>	<u>12,536</u>	
 Total Liabilities, Deferred Inflows and Fund Balances	 <u>\$ 0</u>	 <u>\$ 45,778</u>	 <u>\$ 13,881</u>	

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

State of New Mexico
House Municipal Schools
 Nonmajor Funds
 Combining Balance Sheet
 June 30, 2019

	<u>Total</u>
Assets	
Cash and Cash Equivalents	\$ 66,600
Receivables	
Taxes Receivable	2,208
Due From Grantor	5,978
Inventory	2,486
Total Assets	<u>\$ 77,272</u>
Liabilities	
Accounts Payables	\$ 260
Interfund Balance	4,568
Total Liabilities	<u>4,828</u>
Deferred Inflows of Resources	
Unavailable Revenue	2,010
Total Deferred Inflows of Resources	<u>2,010</u>
Fund Balances	
Nonspendable-Inventory	2,486
Restricted for Special Revenue	10,299
Restricted for Capital Projects	45,113
Restricted for Debt Service	12,536
Total Fund Balance	<u>70,434</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 77,272</u>

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

State of New Mexico
House Municipal Schools
 Nonmajor Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balance
 For the Year Ended June 30, 2019

	Special Revenue		
	Food Service 21000	Preschool 24109	IDEA B Risk Pool Reallocation 24120
Revenues			
Property Taxes	\$ 0	\$ 0	\$ 0
Fees	7,452	0	0
State & Local Grants	0	0	0
Federal Grants	16,891	5,804	0
Total Revenues	<u>24,343</u>	<u>5,804</u>	<u>0</u>
Expenditures			
Current			
Instruction	0	1,649	0
Support Services			
Students	0	4,155	0
Instruction	0	0	0
General Administration	0	0	0
Operation of Plant	0	0	0
Food Services Operation	28,320	0	0
Capital Outlay	0	0	0
Debt Service			
Principal	0	0	0
Interest	0	0	0
Total Expenditures	<u>28,320</u>	<u>5,804</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(3,977)</u>	<u>0</u>	<u>0</u>
Fund Balances at Beginning of Year	16,762	(44)	0
Restatement	0	44	0
Restated Beginning Fund Balances	<u>16,762</u>	<u>0</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 12,785</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

State of New Mexico
House Municipal Schools
 Nonmajor Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balance
 For the Year Ended June 30, 2019

	Special Revenue		
	Teacher/ Principal Training 24154	REAP 25233	GO Student Library 27107
Revenues			
Property Taxes	\$ 0	\$ 0	\$ 0
Fees	0	0	0
State & Local Grants	0	0	6,267
Federal Grants	973	19,197	0
Total Revenues	<u>973</u>	<u>19,197</u>	<u>6,267</u>
Expenditures			
Current			
Instruction	973	19,197	0
Support Services			
Students	0	0	0
Instruction	0	0	6,267
General Administration	0	0	0
Operation of Plant	0	0	0
Food Services Operation	0	0	0
Capital Outlay	0	0	0
Debt Service			
Principal	0	0	0
Interest	0	0	0
Total Expenditures	<u>973</u>	<u>19,197</u>	<u>6,267</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances at Beginning of Year	(761)	0	0
Restatement	761	0	0
Restated Beginning Fund Balances	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

State of New Mexico
House Municipal Schools
 Nonmajor Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balance
 For the Year Ended June 30, 2019

	<u>Special Revenue</u>	<u>Capital Projects</u>	
	NM Reads to Lead 27114	Senate Bill Nine-Local 31701	Debt Service 41000
Revenues			
Property Taxes	\$ 0	\$ 31,659	\$ 40,730
Fees	0	0	0
State & Local Grants	37,499	0	0
Federal Grants	0	0	0
Total Revenues	<u>37,499</u>	<u>31,659</u>	<u>40,730</u>
Expenditures			
Current			
Instruction	37,499	0	0
Support Services			
Students	0	0	0
Instruction	0	0	0
General Administration	0	323	422
Operation of Plant	0	18,220	0
Food Services Operation	0	0	0
Capital Outlay	0	20,702	0
Debt Service			
Principal	0	0	35,000
Interest	0	0	11,907
Total Expenditures	<u>37,499</u>	<u>39,245</u>	<u>47,329</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>0</u>	<u>(7,586)</u>	<u>(6,599)</u>
Fund Balances at Beginning of Year	0	52,699	19,135
Restatement	0	0	0
Restated Beginning Fund Balances	<u>0</u>	<u>52,699</u>	<u>19,135</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 45,113</u>	<u>\$ 12,536</u>

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

State of New Mexico
House Municipal Schools
 Nonmajor Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balance
 For the Year Ended June 30, 2019

	<u>Total</u>
Revenues	
Property Taxes	\$ 72,389
Fees	7,452
State & Local Grants	43,766
Federal Grants	<u>42,865</u>
Total Revenues	<u>166,472</u>
Expenditures	
Current	
Instruction	59,318
Support Services	
Students	4,155
Instruction	6,267
General Administration	745
Operation of Plant	18,220
Food Services Operation	28,320
Capital Outlay	20,702
Debt Service	
Principal	35,000
Interest	11,907
Total Expenditures	<u>184,634</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(18,162)</u>
Fund Balances at Beginning of Year	87,791
Restatement	805
Restated Beginning Fund Balances	<u>88,596</u>
Fund Balance End of Year	<u>\$ 70,434</u>

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

Other Supplemental Information

Fiduciary Fund

Activity Trust Fund

To account for funds of various student groups that are custodial in nature.

State of New Mexico
House Municipal Schools
Agency Fund - Activities
Schedule of Fiduciary Net Assets and Liabilities-Agency Funds
For the Year Ended June 30, 2019

	Beginning Balance 6/30/18	Additions	Deductions	Ending Balance 6/30/19
Assets				
23000 Non-Instructional Support	\$ 25	\$ 0	\$ 25	\$ 0
23701 General	62,526	5,976	7,354	61,148
23703 Plateau Grant	0	2,947	2,947	0
23704 Seniors 2022	1,138	41	0	1,179
23705 Seniors 2020	1,772	0	0	1,772
23706 Family Consumer Science	759	887	0	1,646
23707 Publications	1,105	1,475	217	2,363
23708 FFA	739	6,009	5,540	1,208
23709 FCCLA	3,768	0	0	3,768
23710 BPA	3,028	109	1,398	1,739
23711 Student Council	585	0	179	406
23712 Seniors 2023	719	0	0	719
23713 Seniors 2019	1,850	2,410	946	3,314
23714 TCL Book Deposit	6,066	1,580	1,406	6,241
23715 Elementary	1,058	171	964	265
23716 Technology	5,000	0	2,000	3,000
23718 Seniors 2021	1,137	18	0	1,154
23719 Fellowship Christian Students	719	0	0	719
23720 Archery	1,513	178	1,163	527
23721 PTO	2,940	6,708	2,876	6,772
23723 Athletic Activities	2,180	0	160	2,020
23724 Seniors 2024	0	40	0	40
23730 Accelerated Reader	2,087	0	2,087	0
23731 Honor Society	934	61	0	995
Total Assets	<u>\$ 101,647</u>	<u>\$ 28,609</u>	<u>\$ 29,261</u>	<u>\$ 100,995</u>
Liabilities				
Deposits Held for Others	\$ 101,647	\$ 28,609	\$ 29,261	\$ 100,995
Total Liabilities	<u>\$ 101,647</u>	<u>\$ 28,609</u>	<u>\$ 29,261</u>	<u>\$ 100,995</u>

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

State of New Mexico
House Municipal Schools
Cash Reconciliations - All Funds
For the Year Ended June 30, 2019

		Beginning Cash Balance 6/30/18	Revenue	Expenditures	Ending Cash Balance 6/30/19
Operational	11000	\$ 205,046	\$ 1,569,998	\$ 1,597,696	\$ 177,348
Teacherage	12000	17,665	2,737	350	20,052
Transportation	13000	0	184,702	184,702	0
Instructional Materials	14000	715	2,511	3,226	0
Food Service	21000	15,244	21,928	28,023	9,149
Activities	23000	101,647	28,609	29,261	100,995
Federal Flowthrough	24000	(69,956)	221,911	188,835	(36,880)
Federal Direct	25000	0	19,197	19,197	0
State Grants	27000	(13,739)	57,505	43,766	0
Local Grants	29134	313,402	102,259	50,911	364,750
Bond Building	31100	109,224	1,227	17,802	92,649
Senate Bill Nine-State	31700	(29,899)	29,899	24,395	(24,395)
Senate Bill Nine-Local	31701	52,668	32,345	39,987	45,026
Debt Service	41000	17,555	42,199	47,329	12,425
Totals		\$ <u>719,572</u>	\$ <u>2,317,027</u>	\$ <u>2,275,480</u>	\$ <u>761,119</u>

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

De'Aun Willoughby CPA, PC

Certified Public Accountant

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Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed
In Accordance with *Government Auditing Standards*

Independent Auditor's Report

Mr. Brian S. Colón
State Auditor of the State of New Mexico
Board Members of the House Municipal Schools

Mr. Colón and Members of the Board

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general and major special revenue funds, of House Municipal Schools (District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Districts basic financial statements, and have issued our report thereon dated August 26, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did identify deficiencies in internal control that we consider to be material weaknesses, 2019-003. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses, that we consider to be significant deficiencies. 2019-001, 2019-004, 2019-005, 2019-006, 2019-007, 2019-008, and 2019-009.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses; 2019-002, 2019-003, 2019-005, 2019-006, 2019-007, and 2019-008.

The District's Responses to Findings

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

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

De'Aun Willoughby, CPA, PC

Clovis, New Mexico

August 26, 2019

Prior Year Audit Findings

		Status
2018-001	IRS Form 941	Resolved
2018-002	ERA	Repeated & Modified
2018-003	Activity Accounts	Resolved
2018-004	Capital Assets	Resolved
2018-005	Annual Inventory and Certification	Resolved
2018-006	New Hires	Repeated & Modified
2018-007	Cash Balances	Resolved
2018-008	Financial Statements and Disclosures	Resolved
2018-009	Design Deficiencies in Internal Control over Financial Reporting	Repeated & Modified
2018-010	Bank Reconciliations	Repeated & Modified
2018-011	Audit Report Filed Late	Resolved

Current Year Audit Findings

Summary of Audit Results

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
• Material weakness (es) identified?	1
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	7
Noncompliance material to financial statements noted?	N/A

2019-001 (2018-002) Educational Retirement Plan (ERB) - Compliance and Internal Control - Significant Deficiency

Condition

The ERB withholdings were incorrect for 2 of the 10 employees tested.

Management is making progress resolving this finding.

Criteria

22-11-21 NMSA 1978 Contributions; members; local administrative units. The ERB handbook states any employee working .25 FTE or more is covered by ERB's retirement program. As per ERB New Member Brochure any employee covered by ERB's retirement program earning Greater than \$20,000 is to contribute 10.7% and employees earning less than \$20,000 are to contribute 7.9%. ERB withholdings are based on the employee's gross salary without including stipends or

Cause

During the payroll set up, one employee's matrix was not checked and the other employee passed the threshold via stipends which were not accounted for due to the Business Manager's understanding that ERB is based on the base salary and not total salary.

Effect

The first employee's deduction was as if the employee was earning over \$20,000 when in fact the employee was earning under \$20,000. The District over withheld from the employee's pay by \$20.27 per month for an estimated amount of \$243.18 for the year. The second employee's deduction was as if the employee was earning over \$20,000 when in fact the employee was under \$20,000. This caused the District to under withhold from the employee's pay by \$25.36 per month for an estimated amount of \$304.37 for the year.

Recommendation

When adding the employees' salaries each year, the payroll setup should be reviewed making sure the employees are in the correct matrix within the software. If an employee receives a stipend/increment, the payroll setup should be reviewed to determine that the extra amount does not change the matrix.

Response

The payroll set up will be double checked each year.

Responsible Position: Business Manager

Timeframe: June 30, 2020

2019-002 (2018-006) New Hires - Other Non-compliance

Condition

One of 4 new hires tested was not submitted to the State timely.

Management is making progress resolving this finding.

Criteria

Under New Mexico law (§50-13-1 to 50-13-4) and Federal law (42 USC §653.a.(b)(1)(A)), all public, private, non-profit, and government employers are required to report all newly hired employees within 20 days of hire or rehire to the New Mexico New Hires Directory.

Cause

The hire was under abnormal circumstances and led to an oversight by the business manager.

Effect

Pursuant to federal law, states have the option of imposing civil monetary penalties on employers who fail to report new hires. The fine can be up to \$20 per newly hired employee, and if there is a conspiracy between the employer and employee not to report, the penalty can be up to \$500 per newly hired employee.

Recommendation

Training and supervision is necessary to assure the new hire reporting requirements are met.

Response

New hires will be reported the day of hire. This will be guaranteed due to new processes put in place by administration.

Responsible Position: Business Manager

Timeframe: June 30, 2020

2019-003 (2018-009) Design Deficiencies in Internal Control over Financial Reporting-Material Weakness Condition

The District's internal control structure is inadequate. The District does not have a comprehensive documented internal control system over financial information. The District does not maintain proper oversight or monitoring in regards to the District's accounting activities and has not taken the proper measures to monitor and mitigate the risk for fraud, misappropriation of assets, or misstatement of financial statements. During the audit the following internal control deficiencies were found:

*Seven of 14 deposits tested were not deposited within one week of receipt.

*Money is not turned into the central office daily.

*Bank reconciliations are not completed timely and there is no evidence they are reviewed and approved by management.

Management has not made progress resolving this finding.

Criteria

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

B. An internal control structure is required to demonstrate the District's ability to record, process, summarize and report financial data consistent with the following financial statement assertions:

- (1) rights and ownership;
- (2) existence and occurrence;
- (3) valuation and allocations;
- (4) completeness; and,
- (5) presentation and disclosure.

C. The internal control structure shall demonstrate that the District identifies applicable laws and regulations, and that procedures are designed to provide reasonable assurance that the District complies with those laws and regulations. Internal control procedures shall be established, documented and implemented. Appropriate internal control procedures shall be adopted by school board to safeguard its assets, check the accuracy and reliability of its accounting data, promote operational efficiency, and encourage adherence to prescribed managerial policies. The internal control structure shall address all District transactions.

Cause

The District has not performed a formalized risk assessment process for those key controls in place to prevent and detect errors or fraud.

Effect

Because certain internal controls have weaknesses in design, key controls are not in place to properly safeguard assets and prevent or detect material misstatements due to errors or fraud.

Recommendation

The District should ensure that a comprehensive internal control structure over financial information is designed, documented, and implemented that follows *Manual of Procedures PSAB Supplement 2 Internal Control Structure*. Management should follow and ensure that all staff follow the District's documented internal control procedures.

2019-003 (2018-009) Design Deficiencies in Internal Control over Financial Reporting-Material Weakness (Continued)

Response

New internal controls will be put into effect, such as, any manual journal will be verified and signed by Superintendent who is the CPO; bank reconciliations will be reviewed and approved by an independent party before being closed; NMSBA Policy service will be implemented and adhered to; bank statements will be reconciled within 30 days of receipt.

Responsible Position: Business Manager

Timeframe: June 30, 2020

2019-004 (2018-010) Bank Reconciliations - Compliance and Internal Control - Significant Deficiency

Condition

Six of the 12 monthly bank reconciliations were not completed timely. There were no initials or signatures indicating the bank reconciliations are reviewed and approved by the superintendent.

Management is making progress on resolving this finding.

Criteria

Section 20-2-14 (K), NMSA Cash Control Standards - 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.

Cause

There is not a policy or procedure in place requiring bank accounts to be reconciled timely, agreed to the general ledger, and reviewed by someone other than the preparer and the review documented.

Effect

When bank statements are not reconciled to the general ledger timely there is an opportunity for misappropriation of cash assets, loss of cash from outside fraud not discovered within the 30 day timeframe to recover the loss from the bank and incorrect financial reporting.

Recommendation

Bank reconciliations must be completed within 30 days of receipt to protect the District from fraud involving the bank account. And because there is small accounting staff requiring the business manager to maintain the books and records and also reconcile the bank account, the superintendent must review and approve the bank reconciliations.

Response

Policy and Procedure as Follows: 1- Bank statement received and reconciled by Business Manager. 2- Bank statement and reconciling documents given to the Superintendent who is the CPO. 3- The Superintendent verifies and closes the statement.

Responsible Position: Superintendent

Timeframe: September 1, 2019

2019-005 NMPSIA - Compliance and Internal Control - Significant Deficiency

Condition

Of the ten employees tested one employee's health insurance premium being withheld was the wrong percentage. Based on the employee's base salary the employee should have been paying 35% of her medical premium, however only 25% was withheld.

Criteria

6.50.8.1 NMAC Subsection D of Section 22-29-7 NMSA 1978, directs the authority to promulgate necessary rules, regulations and procedures for the implementation of the New Mexico Public School Insurance Authority Act, Section 22-29-1 et seq. NMSA 1978. As per NMPSIA Handbook "If an employee works 20+ hours a week or fewer than 20 hours per week but at least 15 hours per week, you may also be eligible to participate if your employer has passed a resolution which has been approved by the NMPSIA Board of Directors, then they are eligible to participate in this employee benefit program". The employee base salary will determine which matrix the employee falls into (25%/75%, 30%/70%, 35%/65%, or 40%/60%).

Cause

The employee's salary exceeded the 25% salary threshold after the state mandated raises and the NMPSIA classification was not changed accordingly.

Effect

The amount the District failed to withhold from the employee's salary totaled \$2,480.95. The money could have been spent on other educational needs.

Recommendation

Additional training is necessary to correctly classify employees for NMPSIA benefits. A second review should be implemented to assure the correct amount is being withheld from the employee's pay.

Response

The payroll set up will be double checked each year.

Responsible Position: Business Manager

Timeframe: June 30, 2020

2019-006 Personnel Files- Compliance and Internal Control - Significant Deficiency

Condition

Out of 10 personnel files tested the following was found:

- (a) Four non-exempt employees had no time records to determine if overtime had been earned. The District does not require non-exempt employees to keep timesheets.
- (b) One did not have a background check and another used a PED background check that was over 2 years old.

Criteria

- (a) Recordkeeping Requirements under the Fair Labor Standards Act (FLSA). Every covered employer must keep certain records for each non-exempt worker. The Act requires no particular form for the records, but does require that the records include certain identifying information about the employee and data about the hours worked and the wages earned. The law requires this information to be accurate. Each employer shall preserve for at least three years payroll records. Records on which wage computations are based should be retained for two years 29 CFR §516.6, i.e., time cards and piece work tickets, wage rate tables, work and time schedules, and records of additions to or deductions from wages.
- (b) 22-10A-5 governs background checks for all licensed school employees, including contracted employees (i.e. instructional support providers). School districts may request a copy from an NMPED- background during the initial 24 months of receiving their initial licensure.

Cause

The District was unaware time records had to be kept. There is a lack of training on the requirements of background checks.

Effect

- (a) If the Department of Labor (DOL) finds that the District has willfully violated the FLSA, the DOL may file suit for back wages and double damages. The DOL can also prosecute violations criminally with fines of up to \$10,000. Civil money penalties of up to \$1,100 per violation are also possible for willful and repeated violations.
- (b) As a safety measure, people with serious criminal records may not be fit to have responsibility for the safety and well being of children.

Recommendation

A timekeeping system should be implemented and training and supervision is necessary to avoid background check issues. A review of all personnel files correcting issues should be performed as soon as possible.

Response

Training and more frequent supervision of personnel files will occur. A review and correction of all personnel files, including the initiation of timesheets for non-exempt employees, will be performed as soon as possible.

Responsible Position: Business Manager

Timeframe: June 30, 2020

2019-007 Receipts - Compliance and Internal Control - Significant Deficiency

Condition

Seven of 14 receipts were not deposited within one week as required. Money is not turned into central office daily and is kept in a locked drawer rather than the vault until the money is prepared to be deposited.

Criteria

6.20.2.14 C NMAC Cash Controls - Money received and receipted shall be deposited in the bank within twenty four (24) hours or one banking day. If the distance to the bank is considerable, or the cash collection is limited to small amounts and/or low volume and it is impractical to meet the twenty four hour/one banking day requirement, the local board may request approval for the Public Education Department for an alternative plan which the district has set in place. Money received shall be deposited weekly. Section 6-10-3 NMSA 1978. Money received shall be deposited with an authorized banking institution by the end of the next business day after receipt.

Cause

There is a lack of training and supervision of personnel responsible for handling activity receipts.

Effect

Activity funds pose a high risk of fraud making the implementation of a strong internal control system very important. Without a strong working control system, activity funds could easily be misappropriated.

Recommendation

The District should provide the personnel responsible for handling activity receipts with sufficient training and supervision to ensure compliance with internal control systems.

Response

The District will provide the personnel responsible for handling activity receipts with sufficient training and supervision to ensure compliance with internal control systems.

Responsible Position: Each Sponsor and Administrative Secretary

Timeframe: June 30, 2020

2019-008 Adjusting Journal Entries - Compliance and Internal Control - Significant Deficiency

Condition

There was no supporting documentation attached to any of the adjusting journal entries.

Criteria

The AICPA Practice Alert 2003-02, Journal Entries and Other Adjustments requires supporting documentation, and evidence that the entry was properly authorized and approved.

Cause

School Business Office was not aware that additional documentation above and beyond a written description was necessary.

Effect

Without supporting documentation which consists of source documents, supportive calculations, and/or other items necessary to substantiate the accuracy and appropriateness of a journal entry it is unclear if the adjusting journal is correct and not perpetuating fraud.

Recommendation

Supporting documentation is necessary to substantiate the accuracy and appropriateness of an adjusting journal entry.

Response

School Business Office will provide additional supporting documentation to all adjusting journal entries.

Responsible Position: Business Manager

Timeframe: June 30, 2020

2019-009 Budget Violations-Compliance and Internal Control-Significant Deficiency

Condition

The District has maintained expenditures at the function level in which actual expenditures exceeded budgetary authority in the following fund:

IDEA B Entitlement-24106	<u>Final Budget</u>	<u>Actual</u>	<u>Budget</u>
Support Services	\$ <u>7,498</u>	\$ <u>9,371</u>	\$ <u>(1,873)</u>

Criteria

Sound financial management and state regulation 6.20.2.9 (A), NMAC and state statutes 22-8-5 through 22-8-12.2, NMSA 1978, require that budgets not be exceeded at the legal level of control. For school district's, the expenditure function is the legal level of control.

Cause

The District did not make the appropriate budgetary adjustments requests and transfers to the fund mentioned in the condition, which would alleviate over-expenditure within the function prior to the spending the funds.

Effect

As a result, the District is in non-compliance with New Mexico law, and the control established by the use of budgets has been compromised. Continued over-expenditure of budgeted balances may result in unnecessary usage of operating funds to absorb over-expenditures.

Recommendation

The District should establish a policy of budgetary review before approving an expenditure and make the necessary budget adjustments.

Response

School Business Office will more closely monitor appropriate budget adjustments and transfers to alleviate over-expenditures.

Responsible Position: Business Manager

Timeframe: June 30, 2020

Financial Statement Preparation-The financial statements were prepared by De'Aun Willoughby CPA. However, they are the responsibility of management.

Exit Conference-An exit conference was held on August 22, 2019. Those present were Bonnie Lightfoot-Superintendent, Rachelle Moon-Board Vice-President, Bill Noland-Board Secretary, Matt Cramblet-Parent, Marsha Stowe-Community Member, Derrick S Terrell-Business Manager, Starla Sharp-Auditor, and De'Aun Willoughby-CPA.