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STATE OF NEW MEXICO  
House Municipal Schools  
June 30, 2018

Financial Statements and Supplementary Information  
As Of And For The Year Ended June 30, 2018  
With Independent Auditor's Report Thereon

*Sandra Rush CPA PC*

*1101 E Llano Estacado  
Clovis, New Mexico 88101*

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STATE OF NEW MEXICO  
HOUSE MUNICIPAL SCHOOLS

Official Roster  
For the year ended June 30, 2018

Board of Education

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

School Officials

Bonnie Llightfoot	Superintendent
Derrick S Terrell	Business Manager

STATE OF NEW MEXICO  
HOUSE MUNICIPAL SCHOOLS

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STATE OF NEW MEXICO  
HOUSE MUNICIPAL SCHOOLS

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## Financial Section

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# *Sandra Rush*

*Certified Public Accountant PC*

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1101 E Llano Estacado •

Clovis, New Mexico 88101 • 575-763-2245

## Independent Auditor's Report

Wayne Johnson  
New Mexico State Auditor  
The Governing Body  
House Municipal Schools  
House, New Mexico

### **Report on Financial Statements**

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, and the budgetary comparisons of the general fund and major special revenue funds of the House Municipal School (District) as of and for the year ended June 30, 2018, 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**

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I 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 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 District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

### **Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, the aggregate remaining fund information, and the respective budgetary comparisons for the general fund and major special revenue funds of the District as of June 30, 2018, and, the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

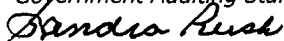
Accounting principles generally accepted in the United States of America require that the Schedule of the Proportionate Share of Net Pension Liability and the Schedule of Contributions, the notes to the Required Supplementary Information, the Schedule of the Proportionate Share of Net OPEB Liability, and the Schedule of Employer's Contributions as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

## **Other Information**

My audit was conducted for the purpose of forming an opinion on the basic financial statements. The supplemental information as noted in the table of contents required by Section 2.2.2 NMAC is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the supplemental schedules required by Section 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, I have also issued my report dated November 30, 2018 on my consideration of the District's internal control over financial reporting and on my 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 my 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.



Sandra Rush CPA PC  
Clovis, New Mexico  
November 30, 2018

## Basic Financial Statements

## Government Wide Financial Statements

STATE OF NEW MEXICO  
HOUSE MUNICIPAL SCHOOLS

Statement of Net Position  
June 30, 2018

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Current assets	
Cash	\$ 617,928
Receivables	
Taxes - current	2,511
Due from other governments	112,828
Other	514
Inventories	<u>1,890</u>
Total current assets	<u>735,671</u>
Noncurrent assets	
Capital assets	4,735,271
Accumulated depreciation	<u>(3,276,531)</u>
Capital assets	<u>1,458,740</u>
Total assets	<u>2,194,411</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Related to net pension liability - ERB	1,317,294
Related to net OPEB liability - RHC	<u>21,633</u>
Total deferred outflows of resources	<u>1,338,927</u>
Total assets and deferred outflows of resources	<u>\$ 3,533,338</u>
<u>LIABILITIES AND NET POSITION</u>	
Current liabilities	
Accounts payable	16,160
Accrued interest	1,464
Current portion of long term debt	<u>35,000</u>
Total current liabilities	<u>52,624</u>
Noncurrent liabilities	
Bonds	230,000
Net pension liability - ERB	3,973,065
Net OPEB liability - RHC	<u>1,315,092</u>
Total noncurrent liabilities	<u>5,518,157</u>
Total liabilities	<u>5,570,781</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Related to net pension liability - ERB	160,804
Related to net OPEB liability - RHC	<u>299,311</u>
Total deferred inflows of resources	<u>460,115</u>
<u>NET POSITION</u>	
Net investment in capital assets	1,193,740
Restricted for	
General fund	17,199
Special revenue funds	326,662
Capital project fund	161,924
Debt service fund	19,135
Unrestricted	<u>(4,216,218)</u>
Total net position	<u>(2,497,558)</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 3,533,338</u>

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

STATE OF NEW MEXICO  
HOUSE MUNICIPAL SCHOOLS

Statement of Activities  
For the year ended June 30, 2018

Functions / Programs	Expenses	Program Revenues			Net Program
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	[Expense] Revenues
					Governmental Activities Total
Governmental activities					
Instruction	\$ 1,774,120	\$ 69,345	\$ 91,851	\$ -	\$ (1,612,924)
Support services:					
Students	115,953	-	-	-	(115,953)
Instruction	12,809	-	9,178	-	(3,631)
General administration	143,360	-	-	-	(143,360)
School administration	10,285	-	-	-	(10,285)
Central services	96,151	-	-	-	(96,151)
Operation & maintenance of plant	219,807	1,600	11,066	-	(207,141)
Student transportation	134,808	-	130,229	-	(4,579)
Other support services	177	-	-	-	(177)
Food services	59,365	13,026	18,271	-	(28,068)
Community services	1,018	-	-	-	(1,018)
Facilities acquisition / construction	61,667	-	-	29,899	(31,768)
Capital outlay		-	-	-	-
Interest on long-term debt	13,105	-	-	-	(13,105)
<b>Total governmental activities</b>	<b>\$ 2,642,625</b>	<b>\$ 83,971</b>	<b>\$ 260,595</b>	<b>\$ 29,899</b>	<b>(2,268,160)</b>

General revenues:	
Property Tax:	
Levied for general purposes	6,002
Levied for capital projects	28,838
Levied for debt service	59,105
Local:	
Payment in lieu of taxes	57,281
Access board e-rate	802
Contributions and donations	6,328
Interest income	3,808
Gain (loss) sale of assets	6,161
Reimbursements / refunds	23,705
Emergency supplement	83,000
Equalization guarantee	1,554,656
<b>Total general revenues</b>	<b>1,829,686</b>
Change in net position	(438,474)
Net position, beginning	(467,014)
Prior period adjustment	(1,592,070)
Net position, beginning restated	(2,059,084)
<b>Net position, ending</b>	<b>\$ (2,497,558)</b>

The accompanying notes are an integral part of these financial statements

## Fund Financial Statements

STATE OF NEW MEXICO  
HOUSE MUNICIPAL SCHOOLS

Balance Sheet  
Governmental Funds  
June 30, 2018

	General Fund			
	Operational 11000	Teachorage 12000	Transportation 13000	Instructional Materials 14000
<u>ASSETS</u>				
Cash and cash equivalents	\$ 115,158	\$ 17,665	\$ -	\$ 715
Accounts receivable:				
Taxes - current	158	-	-	-
Taxes - delinquent taxes	-	-	-	-
Due from other governments	-	-	-	-
Due from other funds	89,888	-	-	-
Other accounts	-	-	-	-
Inventory	-	-	-	-
Total assets	<u>\$ 205,204</u>	<u>\$ 17,665</u>	<u>\$ -</u>	<u>\$ 715</u>
<u>LIABILITIES</u>				
Accounts payable	\$ 12,919	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
Total liabilities	<u>12,919</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>DEFERRED INFLOWS</u>				
Unavailable revenue - state grants	-	-	-	-
<u>FUND BALANCE</u>				
Non-spendable	-	-	-	-
Restricted for:				
General funds	-	17,665	-	715
Special revenue funds	-	-	-	-
Capital projects	-	-	-	-
Debt service	-	-	-	-
Unassigned:				
General funds	192,285	-	-	-
Special revenue funds	-	-	-	-
Capital projects	-	-	-	-
Total fund balance	<u>192,285</u>	<u>17,665</u>	<u>-</u>	<u>715</u>
Total liabilities and fund balances	<u>\$ 205,204</u>	<u>\$ 17,665</u>	<u>\$ -</u>	<u>\$ 715</u>

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



Special Revenue		Capital Projects		Other Governmental Funds	Total Governmental Funds
Risk Pool Reallocation 24120	Wind Farm 29134	Bond Building 31100	Senate Bill Nine State Match 31700		
\$ -	\$ 313,403	\$ 85,519	\$ -	\$ 85,468	\$ 617,928
-	-	-	-	2,353	2,511
61,628	-	-	29,899	21,301	112,828
-	-	23,705	-	-	113,593
-	-	-	-	514	514
-	-	-	-	1,890	1,890
<u>\$ 61,628</u>	<u>\$ 313,403</u>	<u>\$ 109,224</u>	<u>\$ 29,899</u>	<u>\$ 111,526</u>	<u>\$ 849,264</u>
\$ -	\$ 1,613	\$ -	\$ -	\$ 1,628	\$ 16,160
61,628	-	-	29,899	22,066	113,593
61,628	1,613	-	29,899	23,694	129,753
61,628	-	-	29,899	4,208	95,735
-	-	-	-	1,890	1,890
-	-	-	-	-	18,380
-	311,790	-	-	14,872	326,662
-	-	109,224	-	52,700	161,924
-	-	-	-	19,135	19,135
-	-	-	-	-	192,285
(61,628)	-	-	-	(4,973)	(66,601)
-	-	-	(29,899)	-	(29,899)
<u>(61,628)</u>	<u>311,790</u>	<u>109,224</u>	<u>(29,899)</u>	<u>83,624</u>	<u>623,776</u>
<u>\$ 61,628</u>	<u>\$ 313,403</u>	<u>\$ 109,224</u>	<u>\$ 29,899</u>	<u>\$ 111,526</u>	<u>\$ 849,264</u>

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STATE OF NEW MEXICO  
HOUSE MUNICIPAL SCHOOLS  
Reconciliation of the Balance Sheet  
All Governmental Funds to the  
Statement of Net Position  
June 30, 2018

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

Fund balance - total governmental funds		\$	623,776
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds			
Capital assets	\$	4,735,271	
Accumulated depreciation		<u>(3,276,531)</u>	1,458,740
Deferred outflows and inflows of resources related to grants not received in 60 days are applicable to future periods and therefore, are not reported in the funds			
Deferred inflows of resources related to grants			95,735.00
Deferred outflows and inflows of resources related to pensions are applicable to future periods and therefore, are not reported in the funds			
Deferred outflows of resources related to pension - ERB			1,317,294
Deferred inflows of resources related to pension - ERB			(160,804)
Deferred outflows of resources related to OPEB - RHC			21,633
Deferred inflows of resources related to OPEB - RHC			(299,311)
Certain liabilities, including accrued compensated absences, bonds payable, lease purchase notes and net pension liability, are not due and payable in the current period and therefore are not reported in the funds			
Accrued interest payable			(1,464)
Bond payment			(265,000)
Net pension liability- ERB			(3,973,065)
Net OPEB liability - RHC			<u>(1,315,092)</u>
Net position of governmental activities on the statement of net position		\$	<u>(2,497,558)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO  
HOUSE MUNICIPAL SCHOOLS  
Statement of Revenues, Expenditures, and Changes in  
Fund Balances - Governmental Funds  
For the year ended June 30, 2018  
Revenue

	General Fund			
	Operational 11000	Teacherage 12000	Transportation 13000	Instructional Materials 14000
Revenue				
Taxes levied / assessed	\$ 6,002	\$ -	\$ -	\$ -
In lieu of taxes	-	-	-	-
Interest	-	756	-	-
Fees - activities	3,509	-	-	-
Rents and royalties	-	1,600	-	-
Contributions	6,328	-	-	-
Prior year reimbursement	-	-	-	-
Gain (loss) of asset	-	-	-	-
Access board (E-Rate)	802	-	-	-
Insurance recoveries	11,066	-	-	-
Emergency Supplement	83,000	-	-	-
State equalization guarantee	1,554,656	-	-	-
State flowthrough grants	-	-	-	-
Transportation	-	-	130,229	-
Instructional materials - credit and cash	-	-	-	2,342
Federal flowthrough grants	-	-	-	-
Federal restricted grants-in-aid	-	-	-	-
Total revenues	<u>1,665,363</u>	<u>2,356</u>	<u>130,229</u>	<u>2,342</u>
Expenditures				
Current				
Instruction	1,031,487	-	-	2,710
Support Services				
Students	85,384	-	-	-
Instruction	3,631	-	-	-
General administration	141,832	-	-	-
School administration	10,285	-	-	-
Central services	94,494	-	-	-
Other support services	-	-	-	-
Operation of non-instructional services				
Operation & maintenance of plant	203,339	-	-	-
Facilities acquisition / construction	-	-	-	-
Student transportation	-	-	130,229	-
Food services operations	32,151	-	-	-
Capital outlay	-	-	-	-
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>1,602,603</u>	<u>-</u>	<u>130,229</u>	<u>2,710</u>
Excess (deficiency) of revenues over expenditures	62,760	2,356	-	(368)
Other financing sources (uses):				
Operating transfers in (out)	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	62,760	2,356	-	(368)
Fund balance, beginning	128,975	15,309	-	1,083
Prior period adjustment	550	-	-	-
Fund balance, beginning restated	<u>129,525</u>	<u>15,309</u>	<u>-</u>	<u>1,083</u>
Fund balance, ending	<u>\$ 192,285</u>	<u>\$ 17,665</u>	<u>\$ -</u>	<u>\$ 715</u>

The accompanying notes are an integral part of these financial statements

Special Revenue		Capital Projects		Other Governmental Funds	Total Governmental Funds
Risk Pool Reallocation 24120	Wind Farm 29134	Bond Building 31100	Senate Bill 9 State Match 31700		
\$ -	\$ -	\$ -	\$ -	\$ 87,943	\$ 93,945
-	57,281	-	-	-	57,281
-	2,174	635	-	243	3,808
-	-	-	-	13,026	16,535
-	-	-	-	-	1,600
-	-	-	-	-	6,328
-	-	23,705	-	9,178	32,883
-	-	-	-	-	-
-	-	-	-	-	802
-	-	-	-	-	11,066
-	-	-	-	-	83,000
-	-	-	-	-	1,554,656
-	-	-	-	49,999	49,999
-	-	-	-	-	130,229
-	-	-	-	-	2,342
-	-	-	-	20,046	20,046
-	-	-	-	37,735	37,735
-	59,455	24,340	-	218,170	2,102,255
33,283	42,547	-	-	93,035	1,203,062
28,345	-	-	-	2,224	115,953
-	-	-	-	9,178	12,809
-	-	-	-	650	142,482
-	-	-	-	-	10,285
-	-	-	-	-	94,494
-	-	-	-	177	177
-	-	-	-	-	203,339
-	-	27,137	-	11,038	38,175
-	-	-	-	-	130,229
-	-	-	-	27,164	59,315
-	-	-	29,899	7,407	37,306
-	-	-	-	35,000	35,000
-	-	-	-	13,273	13,273
61,628	42,547	27,137	29,899	199,146	2,095,899
(61,628)	16,908	(2,797)	(29,899)	19,024	6,356
-	-	-	-	-	-
-	-	-	-	-	-
(61,628)	16,908	(2,797)	(29,899)	19,024	6,356
-	294,732	112,021	-	64,600	616,720
-	150	-	-	-	700
-	294,882	112,021	-	64,600	617,420
\$ (61,628)	\$ 311,790	\$ 109,224	\$ (29,899)	\$ 83,624	\$ 623,776

STATE OF NEW MEXICO  
HOUSE MUNICIPAL SCHOOLS  
Reconciliation of the Statement of Revenues, Expenditures, and  
Changes in Fund Balances of Governmental Funds to the  
Statement of Activities  
For the year ended June 30, 2018

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

Net change in fund balances - total governmental funds	\$ 6,356
<p>Capital outlays to purchase or build capital assets are reported in the 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. This is the amount by which depreciation exceeds capital outlays for the period.</p>	
Current year capital expenditures capitalized	37,306
Depreciation expense	(166,623)
Gain (loss) on sale of asset	6,161
<p>Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>	
Grant revenue not received in 60 days	95,735
Change in deferred inflows and outflows related to net pension liability	(452,577)
<p>The issuance of long-term debt (e.g., bonds, notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.</p>	
Accrued interest	168
Principal payment on bond	<u>35,000</u>
Change in Net Position of Governmental Activities	<u>\$ (438,474)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO  
HOUSE MUNICIPAL SCHOOLS  
General Fund - Operational - 11000  
Statement of Revenues, Expenditures, and Changes in Cash  
Balance - Budget and Actual (Non - GAAP Budgetary Basis)  
For the year ended June 30, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>Revenue</b>				
Taxes levied / assessed	\$ 5,728	\$ 5,728	\$ 5,868	\$ 140
In lieu of taxes	-	-	-	-
Interest	-	-	-	-
Fees - activities	-	-	3,509	3,509
Rentals / Royalties	1,200	1,200	-	(1,200)
Contributions	2,500	2,500	6,328	3,828
Refund prior year expense	-	-	-	-
Gain (loss) of asset	-	-	-	-
Access board (E-Rate)	3,000	3,000	802	(2,198)
Insurance recoveries	-	-	11,066	11,066
Emergency Supplement	221,682	82,999	83,000	1
State equalization guarantee	1,409,744	1,542,507	1,554,656	12,149
State flowthrough grants	-	-	-	-
Transportation	-	-	-	-
Instructional materials - credit and cash	-	-	-	-
Federal flowthrough grants	-	-	-	-
Federal restricted grants-in-aid	-	-	-	-
<b>Total revenues</b>	<b>1,643,854</b>	<b>1,637,934</b>	<b>1,665,229</b>	<b>27,295</b>
<b>Expenditures</b>				
<b>Current</b>				
Instruction	1,095,240	1,066,096	1,026,942	39,154
Support Services				
Students	108,554	134,379	85,384	48,995
Instruction	10,000	10,000	3,631	6,369
General administration	142,534	148,212	140,771	7,441
School administration	-	10,303	10,285	18
Central services	84,136	96,147	89,514	6,633
Other support services	2,470	2,470	-	2,470
Operation of non-instructional services				
Operation & maintenance of plant	212,117	225,174	205,172	20,002
Facilities acquisition / construction	-	-	-	-
Student transportation	-	-	-	-
Food services operations	33,508	33,508	32,884	624
Capital outlay	-	-	-	-
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total expenditures</b>	<b>1,688,559</b>	<b>1,726,289</b>	<b>1,594,583</b>	<b>131,706</b>
Excess (deficiency) of revenues over(under) expenditures	(44,705)	(88,355)	70,646	159,001
Other financing sources (uses)				
Operating transfers in (out)	-	-	(43,229)	(43,229)
Designated cash	44,705	88,355	-	(88,355)
<b>Total other financing sources (uses)</b>	<b>44,705</b>	<b>88,355</b>	<b>(43,229)</b>	<b>(131,584)</b>
Net change in cash balances	-	-	27,417	27,417
Cash balance, beginning	-	-	87,191	87,191
Prior period adjustment	-	-	550	550
<b>Cash balance, beginning restated</b>	<b>-</b>	<b>-</b>	<b>87,741</b>	<b>87,741</b>
<b>Cash balance, ending</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 115,158</b>	<b>\$ 115,158</b>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 27,417	
Adjustment to revenues for accruals & other deferrals			134	
Adjustment to expenditures for payables, prepaids & other accruals			35,209	
<b>Net change in fund balance (GAAP Basis)</b>			<b>\$ 62,760</b>	

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

STATE OF NEW MEXICO  
HOUSE MUNICIPAL SCHOOLS  
General Fund - Teacherage - 12000  
Statement of Revenues, Expenditures, and Changes in Cash  
Balance - Budget and Actual (Non - GAAP Budgetary Basis)  
For the year ended June 30, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>Revenue</b>				
Taxes levied / assessed	\$ -	\$ -	\$ -	\$ -
In lieu of taxes	-	-	-	-
Interest	40	40	756	716
Fees - activities	-	-	-	-
Rentals	2,400	2,400	1,600	(800)
Contributions	-	-	-	-
Refund prior year expense	-	-	-	-
Gain (loss) of asset	-	-	-	-
Access board (E-Rate)	-	-	-	-
Insurance recoveries	-	-	-	-
Emergency Supplement	-	-	-	-
State equalization guarantee	-	-	-	-
State flowthrough grants	-	-	-	-
Transportation	-	-	-	-
Instructional materials - credit and cash	-	-	-	-
Federal flowthrough grants	-	-	-	-
Federal restricted grants-in-aid	-	-	-	-
<b>Total revenues</b>	<b>2,440</b>	<b>2,440</b>	<b>2,356</b>	<b>(84)</b>
<b>Expenditures</b>				
<b>Current</b>				
Instruction	-	-	-	-
Support Services	-	-	-	-
Students	-	-	-	-
Instruction	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Central services	-	-	-	-
Other support services	-	-	-	-
Operation of non-instructional services	-	-	-	-
Operation & maintenance of plant	17,706	17,749	-	17,749
Facilities acquisition / construction	-	-	-	-
Student transportation	-	-	-	-
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt Service	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total expenditures</b>	<b>17,706</b>	<b>17,749</b>	<b>-</b>	<b>17,749</b>
Excess (deficiency) of revenues over(under) expenditures	(15,266)	(15,309)	2,356	17,665
<b>Other financing sources (uses)</b>				
Operating transfers in (out)	-	-	-	-
Designated cash	15,266	15,039	-	(15,039)
<b>Total other financing sources (uses)</b>	<b>15,266</b>	<b>15,039</b>	<b>-</b>	<b>(15,039)</b>
Net change in cash balances	-	(270)	2,356	2,626
Cash balance, beginning	-	-	15,309	15,309
Cash balance, ending	\$ -	\$ (270)	\$ 17,665	\$ 17,935
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 2,356	
Adjustment to revenues for accruals & other deferrals			-	
Adjustment to expenditures for payables, prepaids & other accruals			-	
Net change in fund balance (GAAP Basis)			\$ 2,356	

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



STATE OF NEW MEXICO  
HOUSE MUNICIPAL SCHOOLS  
General Fund - Transportation - 13000  
Statement of Revenues, Expenditures, and Changes in Cash  
Balance - Budget and Actual (Non - GAAP Budgetary Basis)  
For the year ended June 30, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>Revenue</b>				
Taxes levied / assessed	\$ -	\$ -	\$ -	\$ -
In lieu of taxes	-	-	-	-
Interest	-	-	-	-
Fees - activities	-	-	-	-
Rentals	-	-	-	-
Contributions	-	-	-	-
Refund prior year expense	-	-	-	-
Gain (loss) of asset	-	-	-	-
Access board (E-Rate)	-	-	-	-
Insurance recoveries	-	-	-	-
Emergency Supplement	-	-	-	-
State equalization guarantee	-	-	-	-
State flowthrough grants	-	-	-	-
Transportation	116,187	130,229	130,229	-
Instructional materials - credit and cash	-	-	-	-
Federal flowthrough grants	-	-	-	-
Federal restricted grants-in-aid	-	-	-	-
<b>Total revenues</b>	<b>116,187</b>	<b>130,229</b>	<b>130,229</b>	<b>-</b>
<b>Expenditures</b>				
<b>Current</b>				
Instruction	-	-	-	-
Support Services	-	-	-	-
Students	-	-	-	-
Instruction	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Central services	-	-	-	-
Other support services	-	-	-	-
Operation of non-instructional services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Facilities acquisition / construction	-	-	-	-
Student transportation	116,187	130,229	130,229	-
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt Service	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total expenditures</b>	<b>116,187</b>	<b>130,229</b>	<b>130,229</b>	<b>-</b>
Excess (deficiency) of revenues over(under) expenditures	-	-	-	-
Other financing sources (uses)	-	-	-	-
Operating transfers in (out)	-	-	-	-
Designated cash	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net change in cash balances	-	-	-	-
Cash balance, beginning	-	-	-	-
Cash balance, ending	\$ -	\$ -	\$ -	\$ -
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ -	
Adjustment to revenues for accruals & other deferrals			-	
Adjustment to expenditures for payables, prepaids & other accruals			-	
<b>Net change in fund balance (GAAP Basis)</b>			<b>\$ -</b>	

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

STATE OF NEW MEXICO  
HOUSE MUNICIPAL SCHOOLS  
General Fund - Instructional Materials - 14000  
Statement of Revenues, Expenditures, and Changes in Cash  
Balance - Budget and Actual (Non - GAAP Budgetary Basis)  
For the year ended June 30, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>Revenue</b>				
Taxes levied / assessed	\$ -	\$ -	\$ -	\$ -
In lieu of taxes	-	-	-	-
Interest	-	-	-	-
Fees - activities	-	-	-	-
Rentals	-	-	-	-
Contributions	-	-	-	-
Refund prior year expense	-	-	-	-
Gain (loss) of asset	-	-	-	-
Access board (E-Rate)	-	-	-	-
Insurance recoveries	-	-	-	-
Emergency Supplement	-	-	-	-
State equalization guarantee	-	-	-	-
State flowthrough grants	-	-	-	-
Transportation	-	-	-	-
Instructional materials - credit and cash	1,652	2,735	2,342	(393)
Federal flowthrough grants	-	-	-	-
Federal restricted grants-in-aid	-	-	-	-
<b>Total revenues</b>	<b>1,652</b>	<b>2,735</b>	<b>2,342</b>	<b>(393)</b>
<b>Expenditures</b>				
<b>Current</b>				
Instruction	1,652	2,735	2,710	25
Support Services				
Students	-	-	-	-
Instruction	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Central services	-	-	-	-
Other support services	-	-	-	-
Operation of non-instructional services				
Operation & maintenance of plant	-	-	-	-
Facilities acquisition / construction	-	-	-	-
Student transportation	-	-	-	-
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total expenditures</b>	<b>1,652</b>	<b>2,735</b>	<b>2,710</b>	<b>25</b>
Excess (deficiency) of revenues over(under) expenditures	-	-	(368)	(368)
<b>Other financing sources (uses)</b>				
Operating transfers in (out)	-	-	-	-
Designated cash	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net change in cash balances	-	-	(368)	(368)
Cash balance, beginning	-	-	1,083	1,083
Cash balance, ending	\$ -	\$ -	\$ 715	\$ 715
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (368)	
Adjustment to revenues for accruals & other deferrals			-	
Adjustment to expenditures for payables, prepaids & other accruals			-	
Net change in fund balance (GAAP Basis)			\$ (368)	

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

STATE OF NEW MEXICO  
HOUSE MUNICIPAL SCHOOLS  
Special Revenue Fund - Risk Pool Reallocation - 24120  
Statement of Revenues, Expenditures, and Changes in Cash  
Balance - Budget and Actual (Non - GAAP Budgetary Basis)  
For the year ended June 30, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenue				
Taxes levied / assessed	\$ -	\$ -	\$ -	\$ -
In lieu of taxes	-	-	-	-
Interest	-	-	-	-
Fees - activities	-	-	-	-
Rentals	-	-	-	-
Contributions	-	-	-	-
Refund prior year expense	-	-	-	-
Gain (loss) of asset	-	-	-	-
Access board (E-Rate)	-	-	-	-
Insurance recoveries	-	-	-	-
Emergency Supplement	-	-	-	-
State equalization guarantee	-	-	-	-
State flowthrough grants	-	-	-	-
Transportation	-	-	-	-
Instructional materials - credit and cash	-	-	-	-
Federal flowthrough grants	-	-	-	-
Federal restricted grants-in-aid	-	61,760	-	(61,760)
Total revenues	-	61,760	-	(61,760)
Expenditures				
Current				
Instruction	-	33,283	33,283	-
Support Services				
Students	-	28,477	28,345	132
Instruction	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Central services	-	-	-	-
Other support services	-	-	-	-
Operation of non-instructional services				
Operation & maintenance of plant	-	-	-	-
Facilities acquisition / construction	-	-	-	-
Student transportation	-	-	-	-
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	-	61,760	61,628	132
Excess (deficiency) of revenues over(under) expenditures	-	-	(61,628)	(61,628)
Other financing sources (uses)				
Operating transfers in (out)	-	-	61,628	61,628
Designated cash	-	-	-	-
Total other financing sources (uses)	-	-	61,628	61,628
Net change in cash balances	-	-	-	-
Cash balance, beginning	-	-	-	-
Cash balance, ending	\$ -	\$ -	\$ -	\$ -
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ -	
Adjustment to revenues for accruals & other deferrals			-	
Adjustment to expenditures for payables, prepaids & other accruals			(61,628)	
Net change in fund balance (GAAP Basis)			\$ (61,628)	

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

STATE OF NEW MEXICO  
HOUSE MUNICIPAL SCHOOLS  
Special Revenue Fund - Wind Farm - 29134  
Statement of Revenues, Expenditures, and Changes in Cash  
Balance - Budget and Actual (Non - GAAP Budgetary Basis)  
For the year ended June 30, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>Revenue</b>				
Taxes levied / assessed	\$ -	\$ -	\$ -	\$ -
In lieu of taxes	295,422	295,542	57,280	(238,262)
Interest	-	-	2,174	2,174
Fees - activities	-	-	-	-
Rentals	-	-	-	-
Contributions	-	-	-	-
Refund prior year expense	-	-	-	-
Gain (loss) of asset	-	-	-	-
Access board (E-Rate)	-	-	-	-
Insurance recoveries	-	-	-	-
Emergency Supplement	-	-	-	-
State equalization guarantee	-	-	-	-
State flowthrough grants	-	-	-	-
Transportation	-	-	-	-
Instructional materials - credit and cash	-	-	-	-
Federal flowthrough grants	-	-	-	-
Federal restricted grants-in-aid	-	-	-	-
<b>Total revenues</b>	<b>295,422</b>	<b>295,542</b>	<b>59,454</b>	<b>(236,088)</b>
<b>Expenditures</b>				
<b>Current</b>				
Instruction	295,422	295,542	41,743	253,799
Support Services	-	-	-	-
Students	-	-	-	-
Instruction	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Central services	-	-	-	-
Other support services	-	-	-	-
Operation of non-instructional services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Facilities acquisition / construction	-	-	-	-
Student transportation	-	-	-	-
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt Service	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total expenditures</b>	<b>295,422</b>	<b>295,542</b>	<b>41,743</b>	<b>253,799</b>
Excess (deficiency) of revenues over(under) expenditures	-	-	17,711	17,711
<b>Other financing sources (uses)</b>				
Operating transfers in (out)	-	-	-	-
Designated cash	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in cash balances</b>	<b>-</b>	<b>-</b>	<b>17,711</b>	<b>17,711</b>
Cash balance, beginning	-	-	295,542	(295,542)
Prior period voided check	-	-	150	(150)
<b>Cash balance, beginning restated</b>	<b>-</b>	<b>-</b>	<b>295,692</b>	<b>(295,692)</b>
<b>Cash balance, ending</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 313,403</b>	<b>\$ (277,981)</b>
<b>Net change in fund balance (Non-GAAP Budgetary Basis)</b>			<b>\$ 17,711</b>	
Adjustment to revenues for accruals & other deferrals			1	
Adjustment to expenditures for payables, prepaids & other accruals			(804)	
<b>Net change in fund balance (GAAP Basis)</b>			<b>\$ 16,908</b>	

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

STATE OF NEW MEXICO  
HOUSE MUNICIPAL SCHOOLS  
Statement of Fiduciary Assets and Liabilities - Agency Funds  
June 30, 2018

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash and cash equivalents	<u>\$ 101,737</u>
Total assets	<u>\$ 101,737</u>
<u>LIABILITIES</u>	
Deposits held for others	<u>\$ 101,737</u>
Total liabilities	<u>\$ 101,737</u>

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

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## Notes to Financial Statements

**NOTE 1 Summary of Significant Accounting Policies**

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

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

**A. Financial Reporting Entity**

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statement 61. Blended component units, although legally separate entities, are in substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

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

**B. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all the non-fiduciary activities of the primary government. For the most part, the effect of inter fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

In the government-wide Statement of Net Position, the governmental activities column is presented on a consolidated basis and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations.

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

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



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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the fiduciary fund financial statement. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from non-exchange transactions are recognized in accordance with the requirements of GASB.

Statement No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions*. Property taxes are recognized as revenues in the year for which the taxes are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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

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

The *General Fund* as the primary operating fund of the District, and accounts for all financial resources, except those required to be accounted for in other funds.

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

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

The *Debt Service Funds* account for the services of general long-term debt not being financed by proprietary or nonexpendable trust funds.

Under the requirements of GASB Statement No. 34, the District is required to present certain of its governmental funds as major funds based upon certain criteria. The major funds presented in the fund financial statements include the following (in addition to the General Fund), which may include funds that were not required to be presented as major but were at the discretion of management:

General Fund 11000, 12000, 13000, 14000

The General Fund consists 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 Fund is to provide teachers affordable housing to entice them to teach there. 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

**IDEA-B Rick Pool 24120**

Reallocation by PED based upon available amounts from Fund 24106 Entitlement IDEA-B. This fund accounts 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 Individuals with Disabilities Act, Part B, Section 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.

**Wind Farm – Special Revenue Fund 29134**

This fund is used to account for wind farm payment in lieu of property taxes revenue. The fund was created by definition.

**Bond Building - Capital Project Fund 31100**

This fund is used to account for resources received from the Department of Education state equalization guarantee for use in remodeling and equipping classroom facilities.

**Senate Bill-9 – Capital Project Fund 31700**

Revenues are derived from a district tax levy and matched by the state. Expenditures are restricted to capital improvements.

Additionally, the government reports the following fund types:

**Debt Service Funds**

The fund is used to account for resources for and the payment of general long-term debt principal interest, and related cost.

**Fiduciary Funds**

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

Generally, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the District's taxpayer or citizenry, program revenues reduce the cost of the function to be financed from the District's general revenues. Program revenues are categorized as (a) charges for services, which include revenues collected for cafeteria fees and lost books, etc., (b) program specific operating grants, which includes revenues received from state and federal sources such as Title I and IDEA-B to be used as specified within each program grant agreement, and (c) program-specific capital grants and contributions, which include revenues from the state resources such as SB-9 and HB-33 funding to be used for capital projects. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and other items not properly included among program revenues.

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with the function. The District does not currently employ indirect cost allocation systems. Depreciation expense is specifically identified by function and is included in the direct expense of each function, except for that portion of depreciation that is identified as unallocated in the Statement of Activities. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

**D. Assets, Liabilities and Net Position or Equity**

**Cash and Cash Equivalents:** The District's cash and cash equivalents are cash on hand, demand deposits and short-term investments with original maturities of twelve months or less from the date of acquisition.

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

**Restricted Assets:** Restricted assets are those that are set aside for restrictions resulting from enabling legislation for future capital outlay expenditures. The District's restricted assets are made up of all capital project.

**Receivables and Payables:** Inter-fund activity is reported either as loans, services provided, reimbursements, or transfers. Loans are reported as inter-fund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related costs as a reimbursement. All other inter-fund transactions are treated as transfers. Transfers between governmental or between proprietary funds are netted as part of the reconciliation to the government-wide financial statements. All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

The District receives monthly income from a tax levy in Quay and Roosevelt counties. The funds are collected by the County Treasurers and remitted to the District in the following month. Under the modified accrual method of accounting, the amount remitted by the county treasurers in July and August is considered 'measurable and available' and, accordingly, is recorded as revenue in the governmental fund financial statements during the year ended June 30, 2018. Period of availability is deemed to be sixty days (60) after year end.

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

**Prepaid Items:** Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. As of June 30, 2018, the District does not have any prepaid items.

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

**Inventory:** The District's method of accounting for inventory is the consumption method. Under the consumption approach, governments report inventories they purchase as an asset and defer the recognition of the expenditures until the period in which the inventories are consumed. Inventory is valued at cost. In the General Fund, inventory consists of expendable supplies held for consumption. Inventory in the Food Service Fund consists of U.S.D.A. commodities and other purchased food and non-food supplies.

The cost of purchased inventory is recorded as an expenditure at the time individual inventory items are consumed. Commodities consumed during the year are reported as revenues and expenditures; unused commodities are reported as inventories.

**Capital Assets:** Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000, per section 12-6-10 NMSA 1978, and an estimated useful life more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets, (retroactive to 1979) are to be included as part of the governmental capital assets reported in the government wide statements. Donated capital assets are recorded at estimated fair market value at the date of donation. Information Technology Equipment including software is being capitalized and included in furniture, fixtures, and equipment in accordance with NMAC 2.20.1.9 C (5).

The District was a phase I government for purposes of implementing GASB Statement No. 34. However, the District does not have any infrastructure assets to report.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest was included as part of the cost of capital assets under construction during the year ended June 30, 2018.

Capital expenditures made on the District's building construction projects by the New Mexico Public School Facilities Authority are included in the District's capital assets as appropriate. Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Building and Improvements	20 - 50 Years
Vehicles	2 - 15 Years
Equipment	2 - 15 Years

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

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

**Compensated Absences:** The District contracts with all employees on an annual basis. Vacation and or sick leave are not paid out upon termination.

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

**Long-term Obligations:** In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. Bond premiums and discounts 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 inconsequential.

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

**Fund Balance:** Governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent: The following classifications may be used:

**Non-Spendable**

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

**Restricted**

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

**Committed**

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

**Assigned**

Assigned fund balance includes (a) all remaining amounts, except for negative balances, that are reported in governmental funds, other than the general fund, that are not classified as non-spendable and are neither restricted nor committed and amounts in the general fund that are constrained by the District's intent to be used for specific

purposes, but are neither restricted nor committed. Intent, and removal of, is expressed by the Board of Education or the Finance Committee. The District did not have assigned fund balances for the year ended June 30, 2018.

#### Unassigned

The remaining fund balance, after all other classifications, within the general fund is reported as unassigned fund balance. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. In governmental funds other than the general fund, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, a negative fund balance will be reported as unassigned fund balance.

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

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

#### Net investment in capital assets

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

#### Restricted Net Position

Net Position is reported as being restricted when the restriction is either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.

#### Unrestricted Net Position

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

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

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

**Estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates affecting the District's financials include management's estimate of the useful lives of capital assets.

## E. Revenues

**State Equalization Guarantee:** School districts in the State of New Mexico receive a 'state equalization guarantee distribution' which is defined as "that amount of money distributed to each school district to ensure that the school district's operating revenue, including its local and federal revenues as defined (in Chapter 22, Section 825, NMSA 1978) is at least equal to the school district's program cost.

A school district's program costs are determined using various formulas using 'program units' which take into consideration 1) early childhood education; 2) basic education; 3) special education; 4) bilingual-multicultural education; 5) size, etc. Payment is made from the public-school fund under the authority of the Secretary of the Public Education Department. The

District received \$1,554,656 in state equalization guarantee distributions and \$83,000 in state emergency supplement during the year ended June 30, 2018.

**Tax Revenues:** The District receives mill levy and ad-valorem tax revenues primarily for debt service and capital outlay purposes. Tax revenues are recognized when they are in the hands of the collecting agency. The District records only the portion of the taxes considered to be 'measurable' and 'available' on a modified accrual basis. The District recognized \$93,945 in tax revenues during the year ended June 30, 2018. Descriptions of the individual debt service and capital outlay funds contained in these financial statements include information regarding the authority for the collection and use of these taxes.

Property taxes attach an enforceable lien on property as of January 1. Tax notices are sent to property owners by November 1st of each year to be paid in whole or in two installments by November 10th and April 10th of each year. Quay and Roosevelt Counties collect county, city, and school taxes and distribute them to each fund once a month.

**Transportation Distribution:** School districts in the State of New Mexico receive student transportation distributions. The transportation distribution is allocated to each school district in accordance with formulas developed by the State Transportation Director and the Secretary of the Public Education Department. The funds shall be used only for making payments to each school district for the to-and-from school transportation costs of students in grades K through twelve attending public school within the school district. The District received \$130,229 in transportation distributions during the year ended June 30, 2018.

**Instructional Materials:** The New Mexico Public Education Department (PED) receives federal mineral leasing funds from which it makes annual allocations to the various school districts for the purchase of educational materials. Of each allocation, fifty percent is restricted to the purchase of materials listed in the PED "Multiple List", while fifty percent of each allocation is available for purchases directly from vendors. Allocations received from the State for the year ended June 30, 2018 totaled \$2,342.

**Public School Capital Outlay:** Under the provisions of Chapter 22, Article 24, a public-school capital outlay fund was created. The money in the fund may be used only for capital expenditures deemed by the public-school capital outlay council necessary for an adequate educational program, and the capital outlay expenditures are limited to the purchase, or construction of temporary or permanent classrooms.

The council shall approve an application for grant assistance from the fund when the council determines that:

1. A critical need exists requiring action;
2. The residents of the school districts have provided all available resources to the district to meet its capital outlay requirements;
3. The school district has used its resources in a prudent manner;
4. The school district is in a county or counties which have participated in the reappraisal program and the reappraised values are on the tax rolls, or will be used for the tax year 1979 as certified by the property tax division; and
5. The school district has provided insurance for buildings of the school district in accordance with the provisions of Section 13-5-3 NMSA 1978.

The council shall consider all applications for assistance from the fund and after public hearing shall either approve or deny the application. Applications for grant assistance shall only be accepted by the council after a district has complied with the provisions of this section. The council shall list all applications in order of priority and all allocations shall be made on a priority basis.

Money in the fund shall be disbursed by warrant of the Department of Finance and Administration on vouchers signed by the Secretary of Finance and Administration following certification by the council that the application has been approved.

During the year ended June 30, 2018, the District did not receive any special capital outlay funds.

**SB-9 State Match:** The Director shall distribute to any school district that has imposed a tax under the Public School Capital Outlay Improvements Act (22-25-1 to 22-25-10 NMSA 1978) an amount from the public school capital improvements fund that is equal to the amount by which the revenue estimated to be received from the imposed tax as specified in Subsection B of section 22-25-3 NMSA 1978, assuming a one hundred percent collection rate, is less than an amount calculated by multiplying the product obtained by the rate imposed in the District under the Public School Capital Improvements Act. The distribution shall be made by December 1, of each year that the tax is imposed in accordance with Section 22-25-3 NMSA 1978. Provided, however, if sufficient funds are not available in the public-school capital improvement

funds to make the state distribution provided for in this section, the dollar per program unit figure shall be reduced as necessary.

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

The District also receives revenues from Federal departments which are unrestricted to expenditures for special purposes. These revenues are reported in the Operational Fund.

## **NOTE 2 Stewardship, Compliance and Accountability**

### *Budgetary Information*

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

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

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

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

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

1. In April or May, the local school board submits to the School Budget and Finance Analysis Bureau (SBFAB) of the New Mexico Public Education Department, a proposed operating budget for the ensuing fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them. All budgets submitted to the State of New Mexico Public Education Department (PED) by the District shall contain headings and details as described by law and have been approved by the New Mexico Public Education Department.
2. In May or June of each year, the proposed "operating" budget will be reviewed and approved by the SBFAB and certified and approved by the local school board at a public hearing of which notice has been published by the local school board who fixes the estimated budget for the District for the ensuing fiscal year.
3. The school board meeting, while not intended for the public, is open for the public unless a closed meeting has been called.
4. The "operating" budget will be used by the District until they have been notified that the budget has been approved by the SBFAB and the local school board. The budget shall be integrated formally into the accounting system. Encumbrances shall be used as an element of control and shall be integrated into the budget system.
5. The District shall make corrections, revisions and amendments to the estimated budgets fixed by the local school board to recognize actual cash balances and carryover funds, if any. These adjustments shall be reviewed and approved by the SBFAB.
6. The superintendent is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the school board and the New Mexico Public Education Department.

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7. Budget change requests are processed in accordance with Supplement 1 (Budget Preparation and Maintenance) of the Manual of Procedures Public School Accounting and Budgeting. Such changes are initiated by the District and approved by the SBFAB.
8. Legal budget control for expenditures is by function.
9. Appropriations lapse at fiscal year-end. Funds unused during the fiscal year may be carried over into the next fiscal year by budgeting those in the subsequent fiscal year's budget. The budget 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.
10. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Capital Projects Funds and Debt Service Funds.
11. Budgets for the General, Special Revenue, Capital Projects, and Debt Service Funds are adopted on a basis not consistent with generally accepted accounting principles (GAAP). Encumbrances are treated the same way for GAAP purposes and for budget purposes.

The Board of Education may approve amendments to the appropriated budget, which are required when a change is made affecting budgeted ending fund balance. New Mexico state law prohibits a Governmental Agency from exceeding an individual function.

The accompanying Statements of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual present comparisons of the legally adopted budget with actual data on a budgetary basis.

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of resultant basis, perspective, equity, and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2018, is presented.

The appropriated budget for the year ended June 30, 2018, was properly amended by the Board of Education throughout the year.

	<u>Original Budget</u>	<u>Final Budget</u>
Major Funds		
Operational - 11000	\$ 1,688,559	\$ 1,726,289
Teacherage - 12000	\$ 17,706	\$ 17,749
Transportation - 13000	\$ 116,187	\$ 130,229
Instructional Material - 14000	\$ 1,652	\$ 2,735
Entitlement - 24106	\$ 17,904	\$ 20,128
Risk Pool - 24120	\$ -	\$ 61,760
NM Reads - 27114	\$ 49,999	\$ 49,999
Wind Farm - 29134	\$ 295,422	\$ 295,542
Bond Building - 31100	\$ 138,924	\$ 117,117
Senate Bill 9 - 31700	\$ -	\$ 29,899
Non major	\$ 133,655	\$ 190,844

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

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

**NOTE 3 Deposits and Temporary Investments**

State statutes authorize the investment of the District's funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the District properly followed State investment requirements as of June 30, 2018.



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

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

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

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

Per the Federal Deposit Insurance Corporation, public unit deposits are funds owned by the public unit. Time deposits, savings deposits and interest bearing NOW accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution.

Deposits

New Mexico State Statutes require collateral pledged for deposits more than the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the District for a least one half of the amount on deposit with the institution. The schedule listed below will meet the State of New Mexico, Office of the State Auditor's requirements in reporting the insured portion of the deposits.

	Citizens Bank Tucumcari, NM	Type
Total amount on deposit on June 30, 2018		
House Municipal School Operational	\$ 441,764	Checking
House Municipal School Fund Account	27,444	Checking
House Municipal School Bond Building	85,000	CD
House Municipal School Wind Farm	85,000	CD
House Municipal School Wind Farm	175,000	CD
House Municipal School Teacherage	15,000	CD
House Municipal School Fund	60,000	CD
House Municipal School Fund	15,000	CD
Total deposited	<u>904,208</u>	
Less FDIC coverage	<u>(500,000)</u>	
Total uninsured public funds	<u>404,208</u>	
50% collateral requirement		
as per Section 6-10-17, NMSA 1978	<u>202,104</u>	
Pledged securities		
Fed Natl Mtg Assn Pool	<u>399,526</u>	
Over (under)	<u>\$ 197,422</u>	

Pledged Collateral

The collateral segregated on the Districts behalf on June 30, 2018 is as follows

FHLB Discount Note, CUI SP 313376BR5, maturity date 12/14/18, market value \$399,526 held at Texas Independent Bank, Dallas Texas, securities held in Citizens Bank, Tucumcari, New Mexico pledged in House Municipal Schools name.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the governments' deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2018, \$4,682 of the District's bank balance of \$904,208 was exposed to custodial credit risk.

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Custodial Credit Risk-Deposits	
Account Balance	\$ 904,208
FDIC Insured	500,000
Collateral:	
Collateral held by the pledging bank, not in the the District's name	399,526
Uninsured and uncollateralized	4,682
Total Deposits	<u>\$ 904,208</u>

Custodial Credit Risk- Investments

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

At June 30, 2018, the District had no investment balances therefore there was no custodial credit risk.

**NOTE 4 Accounts Payables and Accrued Expenses**

Accounts payable as of June 30, 2018, was \$16,160 payable to suppliers.

**NOTE 5 Receivables**

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

	General Fund	SB-9 State Fund	Entitlement Fund	NM Reads to Lead Funds	Other Governmental Funds	Totals
Accounts receivable - taxes	\$ 158	\$ 773	\$ -	\$ -	\$ 1,580	\$ 2,511
Accounts receivable - grantor						
24106 Entitlement	-	-	7,518	-	-	
24109 Pre School	-	-	-	-	44	
24120 Risk Pool	-	-	-	-	61,628	
24154 Teacher / Principal	-	-	-	-	-	
27107 2012 GOB Public School	-	-	-	-	9,178	
27114 NM Reads to Lead	-	-	-	4,561	-	
31700 SB-9 State	-	-	-	-	29,899	
Total						112,828
Accounts receivable - other						
Food service	-	-	-	-	514	514

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

Governmental funds reported deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

	Deferred Inflows
24106 IDEA-B Entitlement	\$ 4,164
24109 Pre School	44
24120 Risk Pool Reallocation	61,628
31700 SB-9 State	29,899
Totals	<u>\$ 95,735</u>

**NOTE 6 Inter-Fund Receivables and Payables**

The District records temporary inter-fund receivables and payables to enable the funds to operate until grant monies are received.

The composition of inter-fund balances during the year ended June 30, 2018 is as follows:

	Interfund Receivable	Interfund Payable
11000 Operational	\$ 89,888	\$ -
24106 Entitlement	-	(7,522)
24109 Pre School	-	(44)
24120 Risk Pool Reallocation	-	(61,628)
24154 Teacher Principal	-	(761)
27107 2012 GOB Public School Library	-	(9,178)
27114 NM Reads to Lead	-	(4,561)
31700 SB-9 State	-	(6,194)
31100 Bond Building	23,705	-
31700 SB-9 State	-	(23,705)
Totals	<u>\$ 113,593</u>	<u>\$ (113,593)</u>

These funds are part of pooled cash, so the General Fund is deemed to have loaned it money until reimbursements are received. All inter-fund balances are to be paid within one year.

**NOTE 7 Capital Assets**

A summary of capital assets and changes occurring during the year ended June 30, 2018, including those changes pursuant to the implementation of GASB Statement No. 34, follows. Land is not subject to depreciation.

	Beginning Balances	Increase	Adjustments/ Decrease	Ending Balances
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 7,875	\$ -	\$ -	\$ 7,875
Capital assets being depreciated				
Buildings and improvements	4,086,572	-	-	4,086,572
Equipment, vehicles, information technology equipment, software and library books	625,493	46,306	(30,975)	640,824
Total assets	<u>4,719,940</u>	<u>46,306</u>	<u>(30,975)</u>	<u>4,735,271</u>
Less accumulated depreciation				
Buildings and improvements	(2,663,929)	(138,110)	-	(2,802,039)
Equipment, vehicles, information technology equipment, software and library books	(474,115)	(28,513)	28,136	(474,492)
Total accumulated depreciation	<u>(3,138,044)</u>	<u>(166,623)</u>	<u>28,136</u>	<u>(3,276,531)</u>
Governmental activity capital assets, net	<u>\$ 1,581,896</u>	<u>\$ (120,317)</u>	<u>\$ (2,839)</u>	<u>\$ 1,458,740</u>

Capital assets, net of depreciation, at June 30, 2018 appear in the Statement of Net Position as follows:

Governmental activities \$1,458,740

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

Support services - instruction	\$	118,481
Support service - general administration		878
Support service - business & support		1,657
Operation maintenance of plant		16,468
Student transportation		4,579
Food service		50
Community service		1,018
Capital outlay		23,492
Total depreciation expense	\$	<u>166,623</u>

**NOTE 8 Long-term Debt**

General Obligation Bonds

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. These bonds are issued with varying terms and varying amounts of principal maturing each year. All general obligation bonds as of June 30, 2018, are for governmental activities.

General obligation bonds outstanding at June 30, 2018, are comprised of the following:

Series	Date of Issue	Original Amount	Interest Rate
2009	5/15/2009	\$ 540,000	3.4% to 5.00%

The annual requirements to amortize the General Obligation Bonds as of June 30, 2018, including interest payments are as follows.

Year Ended June 30,	Principal	Interest	Total
2019	\$ 35,000	\$ 11,907	\$ 46,907
2020	40,000	10,490	50,490
2021	40,000	8,810	48,810
2022	40,000	7,070	47,070
2023	40,000	5,270	45,270
2024-2025	70,000	4,660	74,660
	<u>\$ 265,000</u>	<u>\$ 48,207</u>	<u>\$ 313,207</u>

During the year ended June 30, 2018 the following changes occurred in the liabilities reported in the government-wide Statement of Net Position:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Governmental activities					
Bonds payable					
General Obligation Bond	\$ 300,000	\$ -	\$ (35,000)	\$ 265,000	\$ 35,000

**NOTE 9 Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injury to employees; and natural disasters. The New Mexico Public Schools Insurance Authority (NMSIA) was formed on April 5, 1985 under the New Mexico Public Schools Insurance Authority Act, Chapter 22, Section 2 of the New Mexico Statutes Annotated (NMSA 1978), as amended, as an insurance fund to provide health, disability and life insurance coverage (benefits coverage), and property, casualty and workers' compensation insurance coverage (risk coverage) to participating public schools, school board members, public school employees, and retirees within the State of New Mexico.

The District is one of 91 members that participate in NMPSIA. Participation in NMPSIA is mandatory for all K-12 public schools except those with enrollment exceeding 60,000 students. Participation is voluntary for other public education institutions. The District pays an annual premium to the pool for its general insurance coverage. The agreement for formation of NMPSIA provides that the pool will be self-sustaining through member premiums. NMPSIA establishes self-insured retentions by line of coverage and procures insurance or reinsurance, where indicated, more than the self-insured retention on a per occurrence basis. NMPSIA will publish its own financial report for the year ended June 30, 2018.

**NOTE 10 Other Required Individual Fund Disclosures**

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

- A. Deficit fund balance
  - Entitlement (\$ 4,168)
  - Teacher Principal (\$ 761)
  - Pre School (\$ 44)
  - Risk Pool (\$61,628)
  - Senate Bill P State (\$29,899)
- B. Excess Expenditures over budget.  
None
- C. Designated cash appropriations more than available balance:  
None

**NOTE 11 Pension Plan – Education Retirement Board**

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

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

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

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

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

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

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

- The member has service credit totaling 25 years or more.  
Chapter 288, Laws of 2009 changed the eligibility requirements for new members first employed on, or after, July 1, 2010 and before July 1, 2013. The eligibility for a member who either becomes a new member on or after July 1, 2010 and before July 1, 2013, or at any time prior to July 1, 2010 refunded all member contributions and then becomes re-employed after July 1, 2010 is as follows:
- The member's age and earned service credit add up to the sum of 80 or more,
- The member is at least sixty-seven years of age and has five or more years of earned service credit, 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 Straight Life benefit. The member's increased monthly benefit commences in the month following the beneficiary's death.

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

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

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

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

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COLA will be 1.5%. Once the funding is greater than 90%, the COLA reductions will decrease. The retirees with benefits at or below the median and with 25 or more years of service credit will have a 5% COLA reduction; their average COLA will be 1.7%.

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

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

**Contributions** – For the fiscal years ended June 30, 2018 and 2017 educational employers contributed to the Plan based on the following rate schedule.

Fiscal Year	Date Range	Wage Category	Member Rate	Employer Rate	Combined Rate	Increase Over Prior Year
2018	7/1/17 to 6/30/18	Over \$20K	10.70%	13.90%	24.60%	0.00%
2018	7/1/17 to 6/30/18	\$20K or less	7.90%	13.90%	21.90%	0.00%
2017	7/1/16 to 6/30/17	Over \$20K	10.70%	13.90%	24.60%	0.00%
2017	7/1/16 to 6/30/17	\$20K or less	7.90%	13.90%	21.90%	0.00%

The contribution requirements are established in statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the New Mexico Legislature. For the fiscal years ended June 30, 2018, the District paid employee and employer contributions of \$289,086, which equal the amount of the required contributions for the fiscal year.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** – At June 30, 2018, the District reported a liability of \$3,973,065 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2017 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, 2017. Therefore, the employer’s portion was established as of the measurement date of June 30, 2017. The District’s proportion of the net pension liability was based on a projection of the Districts long-term share of contributions to the pension plan relative to the projected contributions of all participating educational institutions, actuarially determined. At June 30, 2017, the District’s proportion was 0.03575 %, which was a decrease of 0.00085% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$602,832. At June 30, 2018, District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 7,132	\$ 61,209
Reallocation	-	-
Change in assumptions	1,159,816	-
Net difference between projected and actual earnings on plan investments	-	545
Change in proportion and difference between District contribution and proportionate share of contributions	-	99,050
District’s contribution subsequent to the measurement date	150,346	-
Totals	\$ 1,317,294	\$ 160,804

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\$150,346 reported as deferred outflows of resources related to pensions resulting from 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,		
2018	\$	370,688
2019	\$	408,411
2020	\$	259,761
2021	\$	(32,715)

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

Inflation	2.50%										
Salary increases	3.25% composed of 2.50% inflation, plus a 0.75% productivity increase rate, plus a step-rate promotional increase for members with less than 10 years of service.										
Investment rate of return	7.25% compounded annually, net of expenses. This is made up of a 2.50% inflation rate and a 4.75 real rate of return.										
Average of Expected Remaining Service Lives	<table> <thead> <tr> <th>Fiscal year</th> <th>2017</th> <th>2016</th> <th>2015</th> <th>2014</th> </tr> </thead> <tbody> <tr> <td>Service life in years</td> <td>3.35</td> <td>3.77</td> <td>3.92</td> <td>3.88</td> </tr> </tbody> </table>	Fiscal year	2017	2016	2015	2014	Service life in years	3.35	3.77	3.92	3.88
Fiscal year	2017	2016	2015	2014							
Service life in years	3.35	3.77	3.92	3.88							
Mortality	<p><b>Healthy males:</b> Based on the RP-2000 Combined Healthy Mortality Table with White Collar adjustments, not set back. Generational mortality improvements with Scale BB from the table's base year of 2000.</p> <p><b>Healthy females:</b> 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><b>Disabled males:</b> RP-2000 Disabled Mortality Table for males, set back three years, projected to 2016 with Scale BB.</p> <p><b>Disabled females:</b> RP-2000 Disabled Mortality Table for females, no set back, projected to 2016 with Scale BB.</p> <p><b>Active members:</b> RP-2000 Employee Mortality Tables, with males set back two years and scaled at 80%, and females set back five years and scaled at 70%. Static mortality improvement from the table's base year of 2000 to the year 2016 in accordance with Scale BB. No future improvement was assumed for preretirement mortality.</p>										
Retirement Age	Experience-based table rates based on age and service, adopted by the Board on June 12, 2015 in conjunction with the six-year experience study for the period ending June 30, 2014.										
Cost-of-living increases	1.90% per year, compounded annually.										
Payroll growth	3.00% per year (with no allowance for membership growth).										
Contribution accumulation	The accumulated member account balance with interest is estimated at the valuation date by assuming that member contributions increased 5.50% per year for all years prior to the valuation date. Contributions are credited with 4.00% interest, compounded annually, applicable to the account balances in the past as well as the future.										
Disability incidence	Approved rates are applied to eligible members with at least 10 years of service.										



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.

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Equities	35%	
Fixed Income	28%	
Alternatives	36%	
Cash	1%	
	<u>100%</u>	<u>7.25%</u>

*Discount rate.* A single discount rate of 5.9% was used to measure the total pension liability as of June 30, 2017. This 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 3.56%, net of expense. Based on the stated assumptions and the projection of cash flows, the plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2053. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the 2053 fiscal year, and the municipal bond rate was applied to all benefit payments after that date.

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

*Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate.* The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 5.90 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 (4.90 percent) or 1-percentage-point higher (6.90 percent) than the current rate:

	1% Decrease 4.90%	Current Discount 5.90%	1% Increase 6.90%
District's proportionate share of the net pension liability	\$ 5,171,942	\$ 3,973,065	\$ 2,993,080

*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](https://www.nmerb.org/Annual_reports.html).

**Payables to the pension plan**

At June 30, 2018, the District had no outstanding amount of contribution to the plan and therefore had no payables reported at fiscal year 2018.

**NOTE 12 OPEB**

*Plan description.* Employees of the District are provided with OPEB through the Retiree Health Care Fund (the Fund)—a cost-sharing multiple-employer defined benefit OPEB plan administered by the New Mexico Retiree Health Care Authority (NMRHCA). NMRHCA was formed February 13, 1990, under the New Mexico Retiree Health Care Act (the Act) of New Mexico Statutes Annotated, as amended (NMSA 1978), to administer the Fund under Section 10-7C-1-19 NMSA 1978. The Fund was created to provide comprehensive group health insurance coverage for

individuals (and their spouses, dependents and surviving spouses) who have retired or will retire from public service in New Mexico.

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

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

**Employees covered by benefit terms-**At June 30, 2017, the Fund's measurement date, the following employees were covered by the benefit terms:

Plan membership	
Current retirees and surviving spouses	51,208
Inactive and eligible for deferred benefit	11,478
Current active members	97,349
	<u>160,035</u>
Active membership	
State general	19,593
State police and corrections	1,886
Municipal general	21,004
Municipal police	3,820
Municipal FTRE	2,290
Educational Retirement Board	48,756
	<u>97,349</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 was \$21,633 for the year ended June 30, 2018.

At June 30, 2018, the District reported a liability of \$1,315,092 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

The District's proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2017. At June 30, 2017, the District's proportion was .02902 percent.

For the year ended June 30, 2018, the District recognized OPEB expense of \$52,284 . At June 30, 2018 the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>                    </u>	<u>                    </u>
Difference between expected and actual experience	\$ -	\$ 50,466
Change in assumptions	-	229,927
Difference between projected and actual and projected earnings on OPEB investments	-	18,918
District's contribution made after the measurement date	21,633	-
Totals	<u>\$ 21,633</u>	<u>\$ 299,311</u>

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Deferred outflows of resources totaling \$21,633 represent District contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year Ended June 30,		
2019	\$	(63,636)
2020		(63,636)
2021		(63,636)
2022		(63,636)
2023		(44,767)
Total	\$	<u>(299,311)</u>

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

Valuation Date	June 30, 2017
Actuarial cost method	Entry age normal, level percent of pay, calculated on individual employee basis
Asset valuation method	Market value of assets
Actuarial assumptions:	
Inflation	2.50% for ERB; 2.25% for PERA
Projected payroll increases	3.50%
Investment rate of return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation
Health care cost trend rate	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation 8% graded down to 4.5% over 14 years for Non- Medicare medical plan costs and 7.5% graded down to 4.5% over 12 for Medicare medical plan costs

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

The 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	4.10%
U.S. equity - large cap	9.10%
Non U.S. - emerging markets	12.20%
Non U.S. - developed equities	9.80%
Private equity	13.80%
Credit and structured finance	7.30%
Real estate	6.90%
Absolute return	6.10%
U.S. equity - small/mid cap	9.10%

**Discount Rate.** The discount rate used to measure the Fund's total OPEB liability is 3.81% as of June 30, 2017. 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, 2028. 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, 3.81% is the blended discount rate.

**Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates.** The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.81 percent) or 1-percentage-point higher (4.81 percent) than the current discount rate:

	1% Decrease 2.81%	Current Discount 3.81%	1% Increase 4.81%
District's proportionate share	\$ 1,595,186	\$ 1,315,092	\$ 1,095,333

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

1% Decrease	Current Trend Rates	1% Increase
\$ 1,118,576	\$ 1,315,092	\$ 1,468,325

**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, 2017.

**Payable Changes in the Net OPEB Liability.** At June 30, 2018, the District did not report a payable for outstanding contributions due to NMRHCA for the year ended June 30, 2018.

**NOTE 13 Contingent Liabilities**

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

**NOTE 14 Concentrations**

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

**NOTE 15 Cash Flows**

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

**NOTE 16 Subsequent Events**

The date to which events occurring after June 30, 2018, the date of the most recent Statement of Net Position, have been evaluated for possible adjustment to the financial statements or disclosures is November 30, 2018.

**NOTE 17 Non-Cash Federal Assistance**

The District receives USDA Commodities for use in sponsoring the National School Lunch and Breakfast programs. The value of commodities received for the year ended June 30, 2018 was \$1,558

**NOTE 18 Surety Bond**

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

**NOTE 19 Memorandum of Understanding**

District

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

Participants: Regional Education Cooperative and House Municipal Schools

Responsible Party for Operation and Audit: Regional Education Cooperative

Beginning and Ending Date of Agreement: July 1, 1995 until the end of any fiscal year during which the school gives notice of intent to terminate.

Clovis Community College Dual Enrollment Agreement

Purpose: Clovis Community College will provide higher education to qualified House High School junior and senior students in both technical and arts and science courses.

Participants: Clovis Community College and House Municipal Schools.

Responsibility: House Municipal Schools will be responsible for tuition and enrollment fees for the enrolled students.

Beginning and ending dates of agreement: Extended indefinitely until terminated by either party.

Estimated costs: Total costs are dependent on the number of enrolled students and is the sole responsibility of House Municipal Schools.

**NOTE 20 Net Position Restatement**

The District had a prior period adjustment of (\$1,592,070) of which was required for the implementation of GASB Statement No. 75. The adjustment reflects a beginning net pension liability of \$(1,315,092), beginning deferred inflows (\$21,633) and a beginning deferred outflow of resources employer contributions subsequent to the measurement date of \$299,311.

The district also voided stale dated checks totaling \$700.

STATE OF NEW MEXICO  
HOUSE MUNICIPAL SCHOOLS  
Notes to the Financial Statements  
June 30, 2018

**NOTE 21 GASB 77**

The District entered in to certain agreements during the year that involve tax abatements; the following tables outline the key information regarding the entities involved and the type and amounts of taxes abated during the year ending June 30, 2018.

Agency number for Agency making the disclosure (Abating Agency)	85-6000238
Abating Agency Name	Quay County, New Mexico
Abating Agency Type	Governmental subdivision of the State of New Mexico
Tax Abatement Agreement Name	Quay County, New Mexico Taxable Industrial Revenue Bond (FPL Energy New Mexico Wind, LLC Project)
Name of agency affected by abatement agreement (Affected Agency)	House Municipal Schools
Agency number of Affected Agency	7042
Agency type of Affected Agency	New Mexico School District
Recipient(s) of tax abatement	FPL Energy New Mexico Wind, LLC
Tax abatement program (name and brief description)	New Mexico county industrial revenue bonds. At the closing of a New Mexico County IRB transaction, the IRB project property, which may be any combination of real and personal property, is conveyed from the Company (a private entity) to a New Mexico county, which immediately leases the project property back to the Company. The county retains ownership, and the lease continues, for the term of the bonds, which may be any period specified by the county, up to 30 years. Under the New Mexico Constitution and applicable state statutes, this arrangement results in two separate tax subsidies. First, the project property is exempt from ad valorem taxation for the term of the bonds, and, second, purchases of project property that is tangible, depreciable, personal property are deductible or exempt, as the case may, from gross receipts and compensating taxes.
Specific Tax(es) Being Abated	(i) Ad valorem property tax (all project property), (ii) gross receipts tax (tangible, depreciable, personal project property purchased from New Mexico vendors), and (iii) compensating tax (tangible, depreciable, personal project property purchased from out-of-state vendors). Pursuant to Section 4-59-12 NMSA 1978, interest on the bond is also exempt from New Mexico income tax. Since, however, most modern IRBs are sold to affiliates of the Company, on a consolidated basis there is no income arising from the interest, and the income tax exemption is meaningless. (All of the Quay IRBs are held by affiliates of the respective Companies.)
Authority under which abated tax would have been paid to Affected Agency	The County Industrial Revenue Bond Act, Ch. 4, Art. 59 NMSA 1978 (the "Act").
Gross dollar amount, on an accrual basis, by which the Affected Agency's tax revenues were reduced during the reporting period as a result of the tax abatement agreement	<p>2002 IRB Total Project expenditures = (8) (\$141,000,000) = \$112,800,000</p> <p>Project Realty Value = (1) (\$112,800,000) = \$11,280,000  Foregone ad valorem tax (real property) = (51) (700,000) = \$11,280,000</p> <p>Electric Plant Value = (85) (\$112,800,000) = \$95,880,000  Foregone ad valorem tax (Electric Plant) = (59) (\$80,000) = \$95,880,000</p> <p>Other Expendable Value = (25) (\$112,800,000) = \$1,640,000  Foregone ad valorem tax (Other Expendable Value) = (55) (\$6,600) = \$1,640,000</p> <p>Foregone gross receipts tax = \$0  PILOT payment to County = \$112,820</p> <p>Total reduction (depreciation) in County taxes (revenues) =</p> <p style="text-align: right;">\$ 11,280,000  + \$95,880,000  + \$1,640,000  = \$108,800,000</p>
For any Payments in Lieu of Taxes (PILOTs) or similar payments receivable by the Affected Agency in association with the foregone tax revenue, list the amount of payments received in the current fiscal year	\$56,350.00
If the Abating Agency is omitting any information required in this spreadsheet or by GASB 77, cite the legal basis for such omission	N/A

## Supplementary Information Related to Major Funds

STATE OF NEW MEXICO  
HOUSE MUNICIPAL SCHOOLS  
Capital Project Fund - Bond Building - 31100  
Statement of Revenues, Expenditures, and Changes in Cash  
Balance - Budget and Actual (Non - GAAP Budgetary Basis)  
For the year ended June 30, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>Revenue</b>				
Taxes levied / assessed	\$ -	\$ -	\$ -	\$ -
In lieu of taxes	-	-	-	-
Interest	336	336	636	300
Fees - activities	-	-	-	-
Rentals	-	-	-	-
Contributions	-	-	-	-
Refund prior year expense	-	-	-	-
Gain (loss) of asset	-	-	-	-
Access board (E-Rate)	-	-	-	-
Insurance recoveries	-	-	-	-
Emergency Supplement	-	-	-	-
State equalization guarantee	-	-	-	-
State flowthrough grants	-	-	-	-
Transportation	-	-	-	-
Instructional materials - credit and cash	-	-	-	-
Federal flowthrough grants	-	-	-	-
Federal restricted grants-in-aid	-	-	-	-
<b>Total revenues</b>	<b>336</b>	<b>336</b>	<b>636</b>	<b>300</b>
<b>Expenditures</b>				
<b>Current</b>				
Instruction	-	-	-	-
Support Services				
Students	-	-	-	-
Instruction	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Central services	-	-	-	-
Other support services	-	-	-	-
Operation of non-instructional services				
Operation & maintenance of plant	-	-	-	-
Facilities acquisition / construction	18,398	18,398	18,398	-
Student transportation	-	-	-	-
Food services operations	-	-	-	-
Capital outlay	120,526	98,719	13,500	85,219
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total expenditures</b>	<b>138,924</b>	<b>117,117</b>	<b>31,898</b>	<b>85,219</b>
Excess (deficiency) of revenues over(under) expenditures	(138,588)	(116,781)	(31,262)	85,519
<b>Other financing sources (uses)</b>				
Operating transfers in (out)	-	-	-	-
Designated cash	138,924	116,781	-	(116,781)
<b>Total other financing sources (uses)</b>	<b>138,924</b>	<b>116,781</b>	<b>-</b>	<b>(116,781)</b>
Net change in cash balances	336	-	(31,262)	(31,262)
Cash balance, beginning	-	-	116,781	116,781
Cash balance, ending	\$ 336	\$ -	\$ 85,519	\$ 85,519
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (31,262)	
Adjustment to revenues for accruals & other deferrals			23,704	
Adjustment to expenditures for payables, prepaids & other accruals			4,761	
<b>Net change in fund balance (GAAP Basis)</b>			<b>\$ (2,797)</b>	

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



STATE OF NEW MEXICO  
HOUSE MUNICIPAL SCHOOLS  
Capital Project Fund - Senate Bill Nine State Match - 31700  
Statement of Revenues, Expenditures, and Changes in Cash  
Balance - Budget and Actual (Non - GAAP Budgetary Basis)  
For the year ended June 30, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>Revenue</b>				
Taxes levied / assessed	\$ -	\$ -	\$ -	\$ -
In lieu of taxes	-	-	-	-
Interest	-	-	-	-
Fees - activities	-	-	-	-
Rentals	-	-	-	-
Contributions	-	-	-	-
Refund prior year expense	-	-	-	-
Gain (loss) of asset	-	-	-	-
Access board (E-Rate)	-	-	-	-
Insurance recoveries	-	-	-	-
Emergency Supplement	-	-	-	-
State equalization guarantee	-	-	-	-
State flowthrough grants	-	29,899	31,237	1,338
Transportation	-	-	-	-
Instructional materials - credit and cash	-	-	-	-
Federal flowthrough grants	-	-	-	-
Federal restricted grants-in-aid	-	-	-	-
<b>Total revenues</b>	<b>-</b>	<b>29,899</b>	<b>31,237</b>	<b>1,338</b>
<b>Expenditures</b>				
<b>Current</b>				
Instruction	-	-	-	-
Support Services	-	-	-	-
Students	-	-	-	-
Instruction	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Central services	-	-	-	-
Other support services	-	-	-	-
Operation of non-instructional services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Facilities acquisition / construction	-	-	-	-
Student transportation	-	-	-	-
Food services operations	-	-	-	-
Capital outlay	-	29,900	29,900	-
Debt Service	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>29,900</b>	<b>29,900</b>	<b>-</b>
Excess (deficiency) of revenues over(under) expenditures	-	(1)	1,337	1,338
<b>Other financing sources (uses)</b>				
Operating transfers in (out)	-	-	(1,337)	(1,337)
Designated cash	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>(1,337)</b>	<b>(1,337)</b>
Net change in cash balances	-	(1)	-	1
Cash balance, beginning	-	-	-	-
Cash balance, ending	\$ -	\$ (1)	\$ -	\$ 1
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ -	
Adjustment to revenues for accruals & other deferrals			(31,237)	
Adjustment to expenditures for payables, prepaids & other accruals			1,338	
Net change in fund balance (GAAP Basis)			\$ (29,899)	

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

## Required Supplementary Information

STATE OF NEW MEXICO  
HOUSE MUNICIPAL SCHOOLS  
Required Supplementary Information  
Education Retirement Board (ERB) Pension Plan  
Last 10 Fiscal Years\*

Schedule of Proportionate Share of the Net Pension Liability

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
The District's proportion of the net pension liability (asset)	0.03863%	0.03843%	0.03660%	0.03575%
The District's proportionate share of the net pension liability (asset)	\$ 2,204,115	\$ 2,489,213	\$ 2,633,805	\$ 3,973,065
The District's covered-employee payroll	\$ 1,064,907	\$ 1,045,444	\$ 1,018,196	\$ 1,081,626
The District's proportionate share of the net pension liability (asset) 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%

Schedule of Employer's Contributions

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually required contribution	\$ 151,917	\$ 145,317	\$ 141,529	\$ 150,346
Contributions in relation to the contractually required contribution	151,917	145,317	141,529	150,346
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
The 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	14.27%	13.90%	13.90%	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 the District is not available prior to fiscal year 2015, the year the statement's requirements became effective.

Note: Employee contributions are not included in this schedule.

See notes to required supplementary information

Education Retirement Board (ERB) Pension Plan

*Changes in benefit provisions.* There were no modifications to the benefit provisions that were reflected in the actuarial valuation as of June 30, 2017.

*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%.

Retiree Health Care

*Changes in benefit provisions.*

There were no modifications to the benefit provisions as this is the first year of adoption of the OPEB accounting standard.

*Changes in assumptions and methods.*

There were no modifications to the assumptions and methods as this is the first year of adoption of the OPEB accounting standard.

STATE OF NEW MEXICO  
HOUSE MUNICIPAL SCHOOLS  
Required Supplementary Information  
For the Year Ended June 30, 20189

Schedule of Employer's Proportionate Share of the Net OPEB Liability

	<u>2018*</u>
The District's proportion of the net OPEB liability	0.02902%
The District's proportionate share of the net OPEB liability	\$ 1,315,092
The District's covered-employee payroll	\$ 1,081,626
The District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	121.58%
Plan fiduciary net position as a percentage of the total OPEB liability	11.34%

Schedule of Employer's OPEB Contributions

	<u>2018*</u>
Contractually required contribution	\$ 21,633
Contributions in relation to the contractually required contribution	<u>21,633</u>
Contribution deficiency (excess)	<u>\$ -</u>
The District's covered-employee payroll	\$ 1,081,626
Contributions as a percentage of covered-employee payroll	2.00%

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

Supplementary Information Related to  
Nonmajor Governmental Funds

## **NONMAJOR GOVERNMENTAL FUNDS**

### **Special Revenue Funds**

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

#### **Food Service 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.

#### **Athletics 22000**

To account for revenue and expenditures associated with the District's budgeted athletic activities. NMAC 6.20.2.

#### **IDEA-B Preschool 24109**

The objective of the Assistance to State for the Education of Handicapped Children Program is to assist in providing free, appropriate public education to all handicapped children from ages three to five. Federal revenues accounted for in this fund are allocated to the District through the New Mexico Department of Children, Youth and Families. Authority for creation of this fund is Public Law 105-17

#### **Teacher Principal Training and Recruiting 24154**

The purpose of this fund is to improve the skills of teachers and the quality of instruction in mathematics and science and to increase the accessibility of such instruction to all students. Authority for creation of this fund is Title II of the Elementary and Secondary Education Act of 1965 as amended, Public Law 103-382.

#### **Dual Credit Instructional Materials 27103**

The objective is to account for the monies received from ENMU-Roswell for dual credit college enrollment for qualified high school seniors.

#### **IDEA-B Entitlement – Special Revenue Fund 24106**

The purpose of this program is to account for revenue used to help maximize the resources in meeting the objective of handicapped children. The federal revenues in this fund are received from and administered by the New Mexico Department of Education. Authority for the creation of this fund is Part B of the Handicapped Act, Public Law 105-17.

#### **New Mexico Reads to Lead – Special Revenue Fund 27114**

The purpose of this grant is to assist the District to purchase informational text materials for grades K-3 in alignment with Common Core State Standards (CCSS).

### **Capital Projects**

#### **SB-9 Local - 37101**

To account for resources received through Senate Bill 9 and local tax levies obtained for building, remodeling, and equipping classroom facilities.

### **Debt Service Fund**

#### **Debt Service Fund - 41000**

The fund is used to account for the resources for, and the payment of, principal, interest, and related cost.

STATE OF NEW MEXICO  
HOUSE MUNICIPAL SCHOOLS  
All Nonmajor Governmental Funds  
Combining Balance Sheet  
June 30, 2018

	Food Service 21000	Athletics 22000	IDEA - B Entitlement 24106	IDEA - B Preschool 24109
<b>ASSETS</b>				
Cash and cash equivalents	\$ 15,244	\$ -	\$ -	\$ -
Accounts receivable				
Taxes	-	-	-	-
Due from other governments	-	-	7,518	44
Other	514	-	-	-
Inventory	1,890	-	-	-
	<u>17,648</u>	<u>-</u>	<u>7,518</u>	<u>44</u>
Total assets	<u>\$ 17,648</u>	<u>\$ -</u>	<u>\$ 7,518</u>	<u>\$ 44</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 886	\$ -	\$ -	\$ -
Due to other funds	-	-	7,522	44
	<u>886</u>	<u>-</u>	<u>7,522</u>	<u>44</u>
Total liabilities	<u>886</u>	<u>-</u>	<u>7,522</u>	<u>44</u>
Aggregated deferred inflows	-	-	4,164	44
<b>FUND BALANCE</b>				
Non-spendable	1,890	-	-	-
Restricted for				
Special revenue funds	14,872	-	-	-
Capital projects funds	-	-	-	-
Debt service funds	-	-	-	-
Unrestricted				
Special revenue funds	-	-	(4,168)	(44)
	<u>16,762</u>	<u>-</u>	<u>(4,168)</u>	<u>(44)</u>
Total fund balance	<u>16,762</u>	<u>-</u>	<u>(4,168)</u>	<u>(44)</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 17,648</u>	<u>\$ -</u>	<u>\$ 7,518</u>	<u>\$ 44</u>

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



Teacher / Principal Training & Recruiting 24154	Rural Education Achievement Program 25233	2012 GO Bond Public School Library 27107	New Mexico Reads to Lead 27114	Senate Bill Nine Local Sources 31701	Debt Service 41000	Total Non-major Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 52,669	\$ 17,555	\$ 85,468
-	-	-	-	773	1,580	2,353
-	-	9,178	4,561	-	-	21,301
-	-	-	-	-	-	514
-	-	-	-	-	-	1,890
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,178</u>	<u>\$ 4,561</u>	<u>\$ 53,442</u>	<u>\$ 19,135</u>	<u>\$ 111,526</u>
\$ -	\$ -	\$ -	\$ -	\$ 742	\$ -	\$ 1,628
761	-	9,178	4,561	-	-	22,066
<u>761</u>	<u>-</u>	<u>9,178</u>	<u>4,561</u>	<u>742</u>	<u>-</u>	<u>23,694</u>
-	-	-	-	-	-	4,208
-	-	-	-	-	-	1,890
-	-	-	-	-	-	14,872
-	-	-	-	52,700	-	52,700
-	-	-	-	-	19,135	19,135
<u>(761)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,973)</u>
<u>(761)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>52,700</u>	<u>19,135</u>	<u>83,624</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,178</u>	<u>\$ 4,561</u>	<u>\$ 53,442</u>	<u>\$ 19,135</u>	<u>\$ 111,526</u>

STATE OF NEW MEXICO  
HOUSE MUNICIPAL SCHOOLS  
All Nonmajor Governmental Funds  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
For the year ended June 30, 2018

	Food Service 21000	Athletics 22000	IDEA - B Entitlement 24106	IDEA - B Preschool 24109
<b>Revenue</b>				
Taxes levied / assessed	\$ -	\$ -	\$ -	\$ -
In lieu of taxes	-	-	-	-
Interest	-	-	-	-
Fees	13,026	-	-	-
Rentals	-	-	-	-
Contributions	-	-	-	-
Refund prior year reimbursement	-	-	-	-
Gain (loss) of asset	-	-	-	-
Access board (E-Rate)	-	-	-	-
Insurance recoveries	-	-	-	-
Emergency Supplement	-	-	-	-
State equalization guarantee	-	-	-	-
State flowthrough grants	-	-	-	-
Transportation	-	-	-	-
Instructional materials - credit and cash	-	-	-	-
Federal flowthrough grants	-	-	-	-
Federal restricted grants-in-aid	18,271	-	15,164	3,265
<b>Total revenues</b>	<b>31,297</b>	<b>-</b>	<b>15,164</b>	<b>3,265</b>
<b>Expenditures</b>				
<b>Current</b>				
Instruction	-	777	17,108	3,309
Support Services				
Students	-	-	2,224	-
Instruction	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Other support services	-	-	-	-
Operation of non-instructional services				
Operation & maintenance of plant	-	-	-	-
Facilities acquisition / construction	-	-	-	-
Student transportation	-	-	-	-
Food services operations	27,164	-	-	-
Capital outlay	-	-	-	-
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total expenditures</b>	<b>27,164</b>	<b>777</b>	<b>19,332</b>	<b>3,309</b>
Excess (deficiency) of revenues over(under) expenditures	4,133	(777)	(4,168)	(44)
<b>Other financing sources (uses)</b>				
Operating transfers in (out)	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>4,133</b>	<b>(777)</b>	<b>(4,168)</b>	<b>(44)</b>
Fund balance, beginning	12,629	777	-	-
Fund balance, ending	<u>\$ 16,762</u>	<u>\$ -</u>	<u>\$ (4,168)</u>	<u>\$ (44)</u>

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

Teacher / Principal Training & Recruiting 24154	Rural Education Achievement Program 25233	2012 GO Bond Public School Library 27107	New Mexico Reads to Lead 27114	Senate Bill 9 Local Sources 31701	Debt Service 41000	Total Non-major Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 28,838	\$ 59,105	\$ 87,943
-	-	-	-	-	-	-
-	-	-	-	243	-	243
-	-	-	-	-	-	13,026
-	-	-	-	-	-	-
-	-	9,178	-	-	-	9,178
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	49,999	-	-	49,999
-	-	-	-	-	-	-
-	20,046	-	-	-	-	20,046
1,035	-	-	-	-	-	37,735
<u>1,035</u>	<u>20,046</u>	<u>9,178</u>	<u>49,999</u>	<u>29,081</u>	<u>59,105</u>	<u>218,170</u>
1,796	20,046	-	49,999	-	-	93,035
-	-	-	-	-	-	-
-	-	9,178	-	-	-	2,224
-	-	-	-	250	400	9,178
-	-	-	-	-	-	650
-	-	-	-	-	177	-
-	-	-	-	-	-	177
-	-	-	-	-	-	-
-	-	-	-	11,038	-	11,038
-	-	-	-	-	-	-
-	-	-	-	-	-	27,164
-	-	-	-	7,407	-	7,407
-	-	-	-	-	-	-
-	-	-	-	-	35,000	35,000
-	-	-	-	-	13,273	13,273
<u>1,796</u>	<u>20,046</u>	<u>9,178</u>	<u>49,999</u>	<u>18,695</u>	<u>48,850</u>	<u>199,146</u>
(761)	-	-	-	10,386	10,255	19,024
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(761)	-	-	-	10,386	10,255	19,024
-	-	-	-	42,314	8,880	64,600
<u>\$ (761)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,700</u>	<u>\$ 19,135</u>	<u>\$ 83,624</u>

Supplementary Information  
Related to Fiduciary Funds

## **AGENCY FUNDS**

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

The District has the following funds classified as Agency Funds:

Activity - To account for assets held by the District until distributed to various organizations at the schools.

STATE OF NEW MEXICO  
HOUSE MUNICIPAL SCHOOLS  
Agency Funds - Activity  
Statement of Changes in Assets and Liabilities  
June 30, 2018

Schedule I

	Beginning Balance	Additions	Deductions	Ending Balance
<b>ASSETS</b>				
School Fund	\$ 25	\$ 6,524	\$ 6,524	\$ 25
General	62,531	193,802	193,807	62,526
Class of 2017	1,414	2,827	4,241	-
Class of 2022	418	1,556	837	1,137
Class of 2020	1,052	2,824	2,104	1,772
Family Consumer Science	-	759	-	759
Publications	1,129	3,851	3,875	1,105
FFA	3,784	18,674	21,739	719
FCCLA	2,318	7,591	6,141	3,768
Business Professionals of America	2,246	7,364	6,582	3,028
Student Council	585	1,170	1,170	585
Class of 2018	3,261	7,341	9,883	719
Class of 2019	1,235	5,486	4,871	1,850
TLC Book Deposit	5,809	13,301	12,994	6,116
Elementary Athletics	779	2,291	2,012	1,058
Technology	5,000	10,000	10,000	5,000
Class of 2021	417	1,555	835	1,137
Fellowship of Christian Students	(242)	1,446	485	719
Archery	35	1,548	70	1,513
PTO	7,114	23,292	27,406	3,000
Athletic Activities	2,180	4,359	4,359	2,180
Accelerated Reader	2,087	4,174	4,174	2,087
Honor Society	935	1,869	1,870	934
	<u>\$ 104,112</u>	<u>\$ 323,604</u>	<u>\$ 325,979</u>	<u>\$ 101,737</u>
Total assets	<u>\$ 104,112</u>	<u>\$ 323,604</u>	<u>\$ 325,979</u>	<u>\$ 101,737</u>
<b>LIABILITIES</b>				
Due to student groups	<u>\$ 104,112</u>	<u>\$ 323,604</u>	<u>\$ 325,979</u>	<u>\$ 101,737</u>
Total liabilities	<u>\$ 104,112</u>	<u>\$ 323,604</u>	<u>\$ 325,979</u>	<u>\$ 101,737</u>

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

## Other Supplemental Information

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STATE OF NEW MEXICO  
HOUSE MUNICIPAL SCHOOLS  
Cash Reconciliation - All Funds  
For the year ended June 30, 2018

Schedule II

<u>Bank Name</u>	<u>Bank Statement Balance</u>	<u>Outstanding Deposits</u>	<u>Outstanding Checks</u>	<u>Reconciled Balance</u>
<u>Governmental Funds</u>				
Citizens Bank				
Checking				
Operational	\$ 441,764	\$ -	\$ (183,836)	\$ 257,928
Certificate of Deposits				
Teacherage	15,000	-	-	15,000
Wind farm	85,000	-	-	85,000
Wind Farm	175,000	-	-	175,000
Bond Building	85,000	-	-	85,000
Total governmental funds	<u>\$ 801,764</u>	<u>\$ -</u>	<u>\$ (183,836)</u>	<u>\$ 617,928</u>
<u>Agency Funds</u>				
Checking				
Activities	27,444	-	(707)	26,737
Certificate of Deposits				
Activities	60,000	-	-	60,000
Activities	15,000	-	-	15,000
	<u>\$ 102,444</u>	<u>\$ -</u>	<u>\$ (707)</u>	<u>\$ 101,737</u>
Total House Municipal Schools	<u>\$ 904,208</u>	<u>\$ -</u>	<u>\$ (184,543)</u>	<u>\$ 719,665</u>

## Compliance Section

# Sandra Rush

Certified Public Accountant PC

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Clovis, New Mexico 88101 • 575-763-2245

Independent Auditor's 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*

Wayne Johnson  
New Mexico State Auditor  
The Governing Board  
House Municipal School  
House, New Mexico

I 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 accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information and the budgetary comparisons for the general fund and major special revenue funds of House Municipal School (District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents and have issued my report thereon dated November 30, 2018.

### Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I 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 my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I do not express an opinion on the effectiveness of the District's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and responses, I identified certain deficiencies in internal control that I consider to be either material weaknesses or significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. I consider the deficiency described in the accompanying schedule of findings and responses as items 2018-007, 2018-008, 2018-009, and 2018-010 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiencies described in the accompanying schedule of findings and responses as item to be significant deficiencies. 2018-004, 2018-2005, and 2018-006.

### Compliance and Other Matters


As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and Section 12-6-5 NMSA 1978 as items 2018-001, 2018-002, 2018-003, 2018-004, and 2018-011.

**District's Responses to Findings**

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

**Purpose of this Report**

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

  
Sandra Rush CPA PC  
Clovis, New Mexico  
November 30, 2018

STATE OF NEW MEXICO  
HOUSE MUNICIPAL SCHOOLS  
Schedule of Findings and Responses  
June 30, 2018

2018-001 Internal Revenue Service Form 941

Other Non Compliance

Condition

The test of liabilities and subsequent events revealed two of the four Internal Revenue Service (IRS) Quarterly Form 941's was not filed timely. The IRS assessed penalty and interest totaling \$4,054.49

Criteria

NMAC 6.20.2.18 states the local board shall establish written policies and procedures which comply with state and federal regulations on payroll as well as maintaining strict internal controls, close supervision and financial accounting in accordance with GAAP. The IRS requires Form 941's be filed by the last day of the month following the end of a quarter.

Effect

The District was not in compliance with IRS regulations and was assessed a penalty for noncompliance.

Cause

The business manager failed to file the IRS Form 941's by the due date.

Recommendation

All federal and state tax forms should be filed timely.

Response:

The Business Manager is aware of the late submissions and has since implemented safeguards, both physical and electronic to ensure this does not occur in the future.

Responsible Position Business Manager  
Timeframe June 30, 2019

STATE OF NEW MEXICO  
HOUSE MUNICIPAL SCHOOLS  
Schedule of Findings and Responses  
June 30, 2018

2018-002 ERA

Other Non Compliance

Condition

The test of Educational Retirement Act (ERA) reports revealed the wrong amount was withheld and remitted for three (3) of the twelve (12) reports. It was determined that ERB was over withheld for one (1) employee three (3) times and under withheld for one (1) employee two (2) times for a total of \$643.35. There was not a penalty for the miscalculation.

Criteria

Educational Retirement Act, Sections 22-11-1 to 22-11-55 NMSA 1978 requires the District to withhold from all eligible employees at the correct rate and submit the withholding and employer's contribution by the 10th of the following month.

Effect

The District was not in compliance with Educational Retirement Act, Sections 22-11-1 to 22-11-55 NMSA 1978 requirements which can result in an obligation of public monies that was not approved or budgeted.

Cause

Lack of training and understanding of Educational Retirement Act, Sections 22-11-1 to 22-11-55 NMSA 1978.

Recommendation

The District should implement a monitoring system to ensure that all calculations are double checked and approved by someone trained and qualified to review and approve the ERA calculation and remittance. The approval should be documented.

Response:

The Business Office has since adjusted for said employees and has established the proper training to aide in the calculations and review process of ERB deductions and reporting. The Business Manager is responsible for the continued accuracy of said reports and deductions.

Responsible Position Business Manager

Timeframe June 30, 2019

STATE OF NEW MEXICO  
HOUSE MUNICIPAL SCHOOLS  
Schedule of Findings and Responses  
June 30, 2018

2018-003 Activity Accounts

Material Non Compliance

Condition

The audit of activity fund accounts revealed 3 of the 23 funds totals beginning general ledger cash did not agree with prior year audited cash balances.

The audit of activity fund accounts also revealed cash transfers between activity fund accounts were not properly recorded as cash transfers. Instead journal entries were made debiting cash and crediting expenditures.

The general ledger for the activity account funds has 3 cash accounts. General ledger 0000.11016 total cash does not agree to the reconciled bank account. This general ledger cash accounts are overstated \$75,000. General ledger account 0000.11000 total does not reconcile to any bank account. The general ledger cash account 0000.11022 does agree with the total of two certificates of deposit. However, a reconciliation was not provided for the certificates of deposit.

Criteria

NMAC 2.2.5.8 (4) Bank reconciliations are to be performed timely and agreed to the general ledger.

Generally Accepted Accounting Principles require cash transfers be recorded as transfers not a reduction of expenditures.

Effect

Cash balances reported on the general ledger do not agree with the reconciled bank statement and certificates of deposit.

When bank statements are not reconciled to the general ledger there is an opportunity for misappropriation of cash assets and incorrect financial reporting. Management decisions may be skewed by the incorrect financials.

Cause

The business manager is unaware the general ledger cash balances must agree with the reconciled bank account balances and a lack of understanding of GAAP requirements.

Recommendation

I recommend activity accounts general ledger account 0000.11016 only report cash held in the checking account. This general ledger account should be reconciled to the activity account bank account monthly.

General ledger account 0000.11022 should only report cash held in the certificates of deposits. This general ledger account should be reconciled to the activity certificates of deposit monthly.

General ledger account 0000.11000 should be investigated to determine where the cash should be reported.

The business manager should provide each activity treasurer and/or with a detailed revenue and expenditure report monthly for their approval.

Response:

The Business Manager will work diligently to have all funds cleaned up and reported accurately while adhering to the recommendations provided by the auditor immediately.

Responsible Position Business Manager

Timeframe June 30, 2019

STATE OF NEW MEXICO  
HOUSE MUNICIPAL SCHOOLS  
Schedule of Findings and Responses  
June 30, 2018

2018-004 Capital Assets

Significant Deficiency

Condition

The capital asset inventory schedule was not reconciled to the general ledger. Per the general ledger, the asset added was purchased by two funds. The Senate Bill 9 State Fund paid \$29,899 cash plus a \$9,000 traded in allowance and the Senate Bill 9 Local Fund paid \$7,407 for a total cost of \$46,306. However, the asset was added as a purchase by Senate Bill 9 State Fund to the Capital Asset inventory at \$37,306, a difference of \$9,000.

The deletion report provided by the business manager did not report the date deleted, accumulated depreciation, or salvage value. The current years depreciation was not taken on the deleted asset. The new asset was acquired June 21, 2018 so the trade in should have had a full year depreciation.

Criteria

The State Audit Act, 12-6-10 NMSA 1978 requires that the District prepare and maintain an accurate listing of capital assets. The District must have a capital assets management policy to provide accountability for the safeguarding of assets in accordance with GASB 34 and Section 12-2-10 NMSA 1978.

Effect

Lack of sufficient records results in assets that are not properly safeguarded. Asset identification and location are essential in the prevention of theft and loss of assets due to fraudulent activity. The financial statements of the District may be materially misstated due to the balances of capital assets and accumulated depreciation being misstated.

Cause

There are no procedures in place to ensure that all capital assets are accounted for correctly in a capital asset inventory listing. Further, the District did not have a system in place to track capital asset additions and deletions and to calculate and account for depreciation and accumulated depreciation.

Recommendation

The District should develop procedures to ensure that all capital assets are accounted for in a capital asset inventory listing. The District should establish controls over its capital assets in order to safeguard them and establish accountability for their custody and use. Per (Capital Asset Controls 2.20.1.15, NMAC) Such controls should apply to authorization to acquire fixed assets, receiving purchases, tagging the assets, assigned location, individuals responsible for tracking use and location, and fund and organizational unit fund and organizational unit

The District should also use sub-ledgers to tract assets that are acquired by more than one fund to insure when the asset is disposed of the total asset and accumulated depreciation is removed from the capital asset schedule.

Response:

The Business Manager has corrected the error. He will be attending trainings to help the district abide by all requirements and will also be taking the auditors recommendations under advisement regarding sub-ledgers.

Responsible Position Business Manager  
Timeframe June 30, 2019



STATE OF NEW MEXICO  
HOUSE MUNICIPAL SCHOOLS  
Schedule of Findings and Responses  
June 30, 2018

2018-005 Annual Inventory and Certification

Significant Deficiency

Condition

The District did not perform a physical inventory of capital assets for the year ended June 30, 2018. Also, the District failed to obtain a certification from the school board as required by 12-6-10 NMAC 1978.

Criteria

According to 2.2.2.10 W (2) of the State Audit Rule agencies shall conduct an annual physical inventory of movable chattels and equipment on the inventory list at the end of each fiscal year in accordance with the requirements of 12-6-10 NMSA 1978. The school board shall certify the correctness of the inventory after the physical inventory. This certification shall be provided to the agency's auditors. The IPA shall audit the inventory listing for correctness and compliance with the requirements of the Audit Act

Effect

The District is not in compliance with 12-6-10 NMAC 1978 regarding their annual capital asset certification.

Cause

Management was unaware of the requirements of 12-6-10 NMAC 1978 to perform a physical inventory of capital assets at year end and have the capital asset inventory certified by the school board.

Recommendation

The District should implement procedures to perform a physical inventory at year end and have the annual capital asset inventory certified by the school board.

The business manager should review and become familiar with 2.2.2.10 W (2) and 12-6-10 NMAC 1978.

Response

Effective FY19, the Business Manager will ensure the proper execution of 2.2.2.10 W (2) and 12-6-10 NMAC 1978 regarding annual inventory and certification.

Responsible Position Business Manager  
Timeframe June 30, 2019

STATE OF NEW MEXICO  
HOUSE MUNICIPAL SCHOOLS  
Schedule of Findings and Responses  
June 30, 2018

2018-006 New Hires

Significant Deficiency

Condition

Out of 7 new hires sampled, the District could not provide documentation of timely submission of the New Hire Reports for any of them.

Criteria

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.

Cause

Management was not aware new hires had to be reported within 20 days of hire.

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

The District should report new hires within 20 days of hire.

Response

As stated, the Business Office was unaware of the requirements set forth by the statutes listed above. The Business Manager is responsible to adhere to the reporting requirements and will do so going forward in his tenure as Business Manager.

Responsible Position Business Manager

Timeframe June 30, 2019

STATE OF NEW MEXICO  
HOUSE MUNICIPAL SCHOOLS  
Schedule of Findings and Responses  
June 30, 2018

2018-007 Cash Balances

Material Weakness

Condition

In the prior year the District submitted a Senate Bill 9 State Fund request for reimbursement (RFR) in the amount of \$23,706 without proper documentation. Therefore, PED disallowed the reimbursement. Since the funds had already been spent and the Senate Bill 9 State Fund did not have sufficient funds the expenditures were moved to Bond Building.

During the audit year the District hired a consultant to train the new business manager, she was able to obtain the \$23,706 reimbursement. However, the reimbursement was deposited into the Senate Bill 9 State Fund, but the expenditures had been paid out of the Bond Building Fund. Thus, overstating the Senate Bill 9 State Fund cash in the amount of \$23,706 and understating the Bond Building Fund cash \$23,706. The business manager did not request a permanent cash transfer from the Senate Bill 9 State Fund to the Bond Building Fund. Therefore, Senate Bill 9 State Fund cash balance is overstated \$23,706 and Bond Building Fund cash balance is understated \$23,706 on the June 30, 2018 general ledger and the June 30, 2018 PED report.

The District spent the overstated Senate Bill 9 State Fund cash and now don't have the cash to transfer to the Bond Building Fund.

PED requested the District transfer the cash to the proper fund on July 1, 2018 which results in a receivable and payable between the two funds on June 30, 2018. However, the liability causes the Senate Bill 9 State Fund to have a deficit fund balance.

Criteria

6.20.2.11 (B) (6) NMAC and Regulation SBE-6 the reports sent to the New Mexico Public Education Department (PED) must agree to the District's general ledger and must be submitted quarterly and annually by July 31.

Effect

The information that is reported to PED is incomplete and could lead to inappropriate funding for the District. Also, the Senate Bill 9 State Funds cash is overstated, and Bond Building Fund cash is understated this affects the subsequent years cash available to budget. The Districts general ledger cash accounts did not properly reflect the cash available to each fund.

Cause

The District does not have policies and procedures in place to assure the correct balances are reported to PED. Nor do they have policies and procedures in place to assure the general ledger cash is correct. The District does not have policies and procedures in place that require all reports be reviewed and approved by someone with appropriate training and skills other than the preparer.

Recommendation

I recommend the District develop policies and procedures that assure all deposits are reported in the correct fund.

Response

The district will take the recommendations of the auditor and apply them immediately regarding policy and procedures to prevent this error in the future. The Business Manager has submitted a permanent cash transfer request to the state department to rectify the misstated accounts.

Responsible Position Business Manager  
Timeframe June 30, 2019

2018-008 (2017-001) Financial Statements and Disclosures

Material Weakness

Condition

The District relies upon their independent auditor to prepare the financial statements in accordance with generally accepted accounting principles (GAAP). The accounting staff lacks the knowledge to prepare such statements, as well as the ability to detect accuracy and completeness of all required notes that explain financial activity contained in the financial statements. The District requires the independent auditor gather all necessary information to convert their cash basis accounting information into financial statements prepared in accordance with GAAP. Presently the business manager is unable to prepare the financial statements in accordance with GAAP. No progress has been made correcting this finding.

Criteria

Auditing standards adopted in the United States of America in particular Statement on Auditing Standards (SAS) 115, paragraph 3 states the following: "Internal control is a process – effected by those charged with governance, management, and other personnel – designed to provide reasonable assurance about the achievement of the entity's objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with laws and regulations. Internal control over safeguarding of assets against unauthorized acquisition, use, or disposition may include control relating to financial reporting and operations objectives. Generally, controls that are relevant to an audit of financial statements are those that pertain to the entity's objective of reliable financial reporting."

Appropriate internal control procedures over financial reporting include the ability to prepare financial statements in accordance with GAAP or at a minimum, management should have the ability to comprehend the requirements for financial reporting. Financial statements prepared in accordance with GAAP include all required statements of financial position, statements of changes in financial position, changes in cash flow, and notes.

SAS 115 paragraph 5 provides an explanation of a deficiency in internal control as either a deficiency in design or in operation. Paragraph 6 states "A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis." SAS 115 paragraph 15 provides a list of indicators of a material weakness in internal control. One such example is "Ineffective oversight of the entity's financial reporting and internal control by those charged with governance."

Effect

Since the District personnel lack the ability to prepare, and did not prepare, the financial statements, there is an increased risk that a misstatement of the District's financial statements, that is more than inconsequential, will not be prevented or detected. Further, since the District's business manager lacks the proper knowledge or training regarding the requirements of GAAP financial reporting, there is more than a remote possibility that a material misstatement of the financial statements will not be prevented or detected.

Cause

The District's business manager lacks the proper ability to prepare financial statements and the associated disclosures. When audit services are sought, there is a requirement that the auditor will prepare the financial statements. In the past this may have been sufficient; however, the accounting profession, by issuance of SAS 115, now requires recognition and reporting of significant deficiencies in internal control when there is an ineffective oversight of the financial reporting and internal control by those charged with governance.

Recommendation

I recommend the business manager of the District attend seminars on governmental financial reporting to increase his knowledge and abilities.

Response:

The Business Manager will utilize CEUs through NMASBO to better equip himself to rectify this finding on the next audit. SAS 115 will be studied, and adherence will be held going forward.

Responsible Position Business Manager  
Timeframe June 30, 2019

STATE OF NEW MEXICO  
HOUSE MUNICIPAL SCHOOLS  
Schedule of Findings and Responses  
June 30, 2018

2018-009 (2017-002)                      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 my audit, I noted the following internal control deficiencies: Limited progress has been made correcting this finding.

- Manual journal entries are prepared and posted by the business manager without independent review.
- Bank reconciliations are prepared by the Business Manager without independent review.
- The District does not have an updated policy for safeguarding capital assets.
- Five deposits out of ten deposits tested were not deposited within one week of receipt.
- In test work over bank reconciliations, we noted 9 out of 12 were not reconciled timely.
- Capital asset reports were not reconciled to the general ledger or the prior year's schedule. The schedule was not updated to properly report dollar amounts of additions and to ensure that all assets were being depreciated in accordance with the District's policies.

Criteria: NMAC 6.20.2.11 states:

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.

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.

Cause

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

Recommendation

The District should ensure that a comprehensive internal control structure over financial information is designed, documented, and implemented. Management should follow and ensure that all staff follows the District's documented internal control procedures. The School Board is charged with governance and should provide effective oversight of the internal control and financial reporting process.

Response

New internal controls will be put into effect such as, any manual JE will be verified and signed off by the 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, Staff will be cross trained on preparation of deposits and delivery so that business can continue unaffected by the extended absence of the designated depositor, Bank Statements will be reconciled within 10 days of receipt. The new framework will be documented.

Responsible Position      Business Manager  
Timeframe                      June 30, 2019

2018-010 (2017-003) Bank Reconciliation Preparation

Material Weakness

Condition:

During the test for cash it was discovered the Districts bank reconciliations are not always prepared timely. A sample of 12 revealed 10 reconciliations were not prepared timely. Nor was there documentation the reconciliations were reviewed by someone other than the preparer. No progress was made correcting this finding.

Criteria

Section 6-20-2-14, NMSA 1978 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. The bank statement, deposit slips, and canceled checks shall be made available to the district's auditor during the annual audit.

Cash and cash equivalents should be reconciled to the general ledger not to the bank statement. The general ledger is the control not the bank statement.

Effect

The District is not in compliance with Section 6-20-2-14, NMSA 1978. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information. Also, cash is subject to errors, fraud, or abuse.

Cause

The business manager reconciles the general ledger to the bank statement instead of the bank statement to the general ledger. Adjustments were made to the general ledger to agree to the bank statement. The certificates of deposit balance are run as a negative balance on the general ledger, so the remaining balance is reconciled to the bank statement. There is no policy and procedure in place requiring the bank accounts and certificates of deposits be reconciled timely, agreed to the general ledger, and reviewed by someone other than the preparer and the review documented.

Recommendation

I recommend the District implement policies and procedures that require the all bank accounts and certificates of deposits be reconciled monthly, agreed to the general ledger, and reviewed by someone other than the preparer. The reviewer should be someone trained and knowledgeable in bank reconciliations. Evidence of the review should be documented on the reconciliation.

Response

New policy Effective Immediately: Bank statements will be reconciled within 10 days and once reconciled, reports will be generated and given to an independent reviewer for approval and closer.

Bank statement received and reconciled by business manager

Bank statement and reconciling documents given to the Superintendent who is the CPO

The Superintendent who is the CPO verifies and closes statement in Visions

Responsible Position Business Manager

Timeframe June 30, 2019

STATE OF NEW MEXICO  
HOUSE MUNICIPAL SCHOOLS  
Schedule of Findings and Responses  
June 30, 2018

2018-011 (2017-011)      Audit Report Filed Late      Other Non-Compliance

Condition

The June 30, 2018 audit report was not submitted to the State Auditor’s office timely. No progress made correcting this finding.

Criteria

According to State Auditor Rule NMAC 2.2.2.9, the audited financial statements were due November 15 of the fiscal year audited.

Cause

The audit was submitted to the New Mexico State Auditor January 14, 2019.

Effect

The District is not in compliance with State Auditor Rule 2.2.2.9 for the fiscal year ended June 30, 2018.

Recommendation

The audit needs to be submitted timely.

Response

The Business Manager is working diligently to provide the auditor with all necessary items to complete the June 30, 2018 Audit as promptly as possible. He will do all he can to ensure timely submission of June 30, 2019\ Audit and each going forward thereafter.

Responsible Position      Business Manager  
Timeframe                      June 30, 2019

Financial Statement Preparation

Although it would be preferred and desirable for the District to prepare its own GAAP-basis financial statements, it is felt that the District’s personnel did not have the time to prepare them. Therefore, the outside auditor prepared the GAAP basis financial statements and footnotes for inclusion in the annual audit report from the original books and records provided to them by the management of the District. Management of the District has reviewed and approved these financial statements and related notes and believes they are adequately supported by the books and records of the government.

Exit Conference

The contents of this report were discussed with, Bonnie Lightfoot, Superintendent, Bill Noland, board member, Derrick Terrell, Business Manager and Sandra Rush, CPA, in an exit conference on January 9, 2019.

Prior Year Findings

2018-008 (2017-001)	Financial Statements and Disclosures	Modified and Repeated
2018-009 (2017-002)	Design Deficiencies in Internal Control over Financial Reporting	Modified and Repeated
2018-010 (2017-003)	Bank Reconciliation Preparation	Modified and Repeated
2018-011 (2017-011)	Audit Report Filed Late	Modified and Repeated

