



State of New Mexico
Rio Gallinas Charter School

Annual Financial Report
June 30, 2018

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



Official Roster.....	4
Independent Auditor's Report.....	5-6

Financial Section

Basic Financial Statements

Government Wide Financial Statements	
Statement of Net Position.....	8
Statement of Activities.....	9
Fund Financial Statements	
Government Funds - Balance Sheet.....	10-11
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	12
Statement of Revenues, Expenditures, and Changes in Fund Balances.....	13-14
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities.....	15
General Fund-Operational-11000	
Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget (Budgetary Basis) and Actual.....	16-18
General Fund-Instructional Material-14000	
Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget (Budgetary Basis) and Actual.....	19
Statement of Fiduciary Assets and Liabilities-Agency Funds	20
Notes to Financial Statements.....	21-43

Required Supplemental Information	
Schedules of Required Supplementary Information for Pension Plan.....	45
Notes for Pension Plan.....	46
Schedules of Required Supplementary Information and Notes for Other Post Employment Benefits.....	47
Supplemental Information Related to Nonmajor Funds	
Non-Major Funds	
Combining Balance Sheet.....	50-53
Combining Statement of Revenues, Expenditures and Changes in Fund Balance.....	54-57
Other Supplemental Information	
Activity	
Schedule of Fiduciary Assets and Liabilities-Agency Funds	60
Cash Reconciliations-All Funds.....	61
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i>	62-63
Schedule of Findings and Responses.....	64-66

State of New Mexico
Rio Gallinas Charter School
Official Roster
June 30, 2018

Governing Council

Rae Laing	Chairman
Georgina Ortega	Vice-Chairman
Jude Romero	Secretary
Crystal Gallegos	Member
Rosalie Lopez	Member
Vacant	Member
Vacant	Member

Charter School Officials

Kirk Ludi	Director
Rebekah Runyan	Business Manager

De'Aun Willoughby CPA, PC

Certified Public Accountant

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Independent Auditor's Report

Mr. Wayne Johnson
State Auditor of New Mexico
Governing Council of the Rio Gallinas Charter School

Mr. Johnson and Members of the Council

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, and the budgetary comparisons for the general fund of Rio Gallinas Charter (Charter), as of and for the year ended June 30, 2018, and the related notes to the financial statements which collectively comprise the Charter's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedules of Required Supplementary Information for Pension Plan and Other Post Employment Benefits Plan and related notes be presented to supplement the basic financial statements. Such information although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who consider it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during my audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the Charter's financial statements that collectively comprise the Charter's basic financial statements. The supplemental information such as the combining and individual nonmajor fund financial statements and the other schedules required by 2.2.2.NMAC, are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2018 on our consideration of the Charter's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Charter's internal control over financial reporting and compliance.

De'Aun Willoughby, CPA, PC

Clovis, New Mexico
October 16, 2018

Financial Section

State of New Mexico
Rio Gallinas Charter School
Government-Wide Statement of Net Position
June 30, 2018

	Governmental Activities
Assets	
Current Assets	
Cash and Cash Equivalents	\$ 189,086
Due from Grantor	5,209
Other Receivables	105,364
Total Current Assets	<u>299,659</u>
Noncurrent Assets	
Capital Assets	174,095
Less Accumulated Depreciation	<u>(164,685)</u>
Total Noncurrent Assets	<u>9,410</u>
Total Assets	<u>309,069</u>
Deferred Outflows of Resources	
Deferred Outflows Related to Pensions	
Actuarial Experience	3,100
Changes of Assumptions	504,155
Changes in Proportion	346,502
Contributions Subsequent to Measurement Date	60,512
Deferred Outflows Related to Other Post Employment Benefits	
Contributions Subsequent to Measurement Date	<u>8,707</u>
Total Deferred Outflows of Resources	<u>922,976</u>
Liabilities	
Current Liabilities	
Payroll Liabilities	<u>38,319</u>
Total Current Liabilities	<u>38,319</u>
Noncurrent Liabilities	
Pension Liability	1,727,033
Other Post Employment Benefits Liability	<u>466,762</u>
Total Noncurrent Liabilities	<u>2,193,795</u>
Total Liabilities	<u>2,232,114</u>
Deferred Inflows of Resources	
Deferred Inflows Related to Pensions	
Actuarial Experience	26,607
Investment Experience	237
Changes in Proportion	283,808
Deferred Inflows Related to Other Post Employment Benefits	
Actuarial Experience	17,912
Investment Experience	6,715
Changes of Assumptions	<u>81,607</u>
Total Deferred Inflows of Resources	<u>416,886</u>
Net Position	
Invested in Net Capital Assets	9,410
Unrestricted	<u>(1,426,365)</u>
Total Net Position	<u>\$ (1,416,955)</u>

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

State of New Mexico
Rio Gallinas Charter School
 Government-Wide Statement of Activities
 For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities					
Instruction	\$ 809,768	0	\$ 73,786	\$ 0	\$ (735,982)
Support Services					
Students	59,886	7,121	0	0	(52,765)
Instruction	3,419	0	3,114	0	(305)
General Administration	191,042	0	0	0	(191,042)
School Administration	23,290	0	0	0	(23,290)
Central Services	92,246	0	0	0	(92,246)
Operation of Plant	103,676	0	45,224	0	(58,452)
Student Transportation	22,291	0	0	0	(22,291)
Food Services Operations	17,638	0	0	0	(17,638)
Total Governmental Activities	\$ 1,323,256	\$ 7,121	\$ 122,124	\$ 0	(1,194,011)
General Revenues					
Federal and State Aid Not Restricted to a Specific Purpose					
General					
Capital					
Miscellaneous					
Total General Revenues					
Change in Net Position					
Net Position - Beginning					
Restatement					
Restated Beginning Net Position					
Net Position - Ending					

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

State of New Mexico
Rio Gallinas Charter School
 Governmental Funds
 Balance Sheet
 June 30, 2018

	General		
	Operational 11000	Instructional Materials 14000	Other Governmental Funds
Assets			
Cash and Cash Equivalents	\$ 169,348	\$ 1,899	\$ 17,839
Receivables			
Due From Grantor	0	2,095	3,114
Other Receivables	104,096	0	1,268
Interfund Balances	3,114	0	0
Total Assets	\$ 276,558	\$ 3,994	\$ 22,221
Liabilities			
Payroll Liabilities	\$ 36,044	\$ 0	\$ 2,275
Interfund Balances	0	0	3,114
Total Liabilities	36,044	0	5,389
Fund Balances			
Restricted for			
Special Revenue Funds	0	0	16,832
Unassigned	240,514	3,994	0
Total Fund Balances	240,514	3,994	16,832
Total Liabilities and Fund Balances	\$ 276,558	\$ 3,994	\$ 22,221

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

State of New Mexico
Rio Gallinas Charter School
 Governmental Funds
 Balance Sheet
 June 30, 2018

	Total Governmental Funds
Assets	
Cash and Cash Equivalents	\$ 189,086
Receivables	
Due From Grantor	5,209
Other Receivables	105,364
Interfund Balances	3,114
Total Assets	<u>\$ 302,773</u>
Liabilities	
Payroll Liabilities	\$ 38,319
Interfund Balances	3,114
Total Liabilities	<u>41,433</u>
Fund Balances	
Restricted for	
Special Revenue Funds	16,832
Unassigned	244,508
Total Fund Balances	<u>261,340</u>
Total Liabilities and Fund Balances	<u>\$ 302,773</u>

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

State of New Mexico
Rio Gallinas Charter School
 Reconciliation of the Governmental Funds
 Balance Sheet to the Statement of Net Position
 June 30, 2018

Total Fund Balance - Governmental Funds \$ 261,340

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

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

Capital Assets	\$ 174,095	
Accumulated Depreciation	(164,685)	9,410

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

Deferred Outflows Related to Pensions	914,269	
Deferred Outflows Related to OPEB	8,707	
Deferred Inflows Related to Pensions	(310,652)	
Deferred Inflows of Related to OPEB	(106,234)	506,090

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

Pension Liability	(1,727,033)	
Other Post Employment Benefits Liability	(466,762)	(2,193,795)

Total Net Position - Governmental Activities \$ (1,416,955)

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

State of New Mexico
Rio Gallinas Charter School
 Governmental Funds
 Statement of Revenues, Expenditures and Changes
 in Fund Balance
 For the Year Ended June 30, 2018

	General		
	Operational 11000	Instructional Materials 14000	Other Governmental Funds
Revenues			
Fees	\$ 0	\$ 0	\$ 7,121
State and Local Grants	796,716	3,007	56,427
Federal Grants	0	0	62,690
Miscellaneous	22,513	0	0
Total Revenues	<u>819,229</u>	<u>3,007</u>	<u>126,238</u>
Expenditures			
Current			
Instruction	398,686	4,760	70,779
Support Services			
Students	47,119	0	5,446
Instruction	7	0	3,114
General Administration	103,950	0	136
School Administration	23,290	0	0
Central Services	92,246	0	0
Operation of Plant	45,159	0	45,224
Student Transportation	12,323	0	0
Food Service Operations	4,354	0	0
Total Expenditures	<u>727,134</u>	<u>4,760</u>	<u>124,699</u>
Excess (Deficiency) of Revenues Over Expenditures	92,095	(1,753)	1,539
Fund Balances at Beginning of Year	<u>148,419</u>	<u>5,747</u>	<u>15,293</u>
Fund Balance End of Year	<u>\$ 240,514</u>	<u>\$ 3,994</u>	<u>\$ 16,832</u>

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

State of New Mexico
Rio Gallinas Charter School
 Governmental Funds
 Statement of Revenues, Expenditures and Changes
 in Fund Balance
 For the Year Ended June 30, 2018

	Total Governmental Funds
Revenues	
Fees	\$ 7,121
State and Local Grants	856,150
Federal Grants	62,690
Miscellaneous	22,513
Total Revenues	<u>948,474</u>
Expenditures	
Current	
Instruction	474,225
Support Services	
Students	52,565
Instruction	3,121
General Administration	104,086
School Administration	23,290
Central Services	92,246
Operation of Plant	90,383
Student Transportation	12,323
Food Service Operations	4,354
Total Expenditures	<u>856,593</u>
Excess (Deficiency) of Revenues Over Expenditures	91,881
Fund Balances at Beginning of Year	<u>169,459</u>
Fund Balance End of Year	<u>\$ 261,340</u>

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

State of New Mexico
Rio Gallinas Charter School
 Reconciliation of the Governmental Funds
 Statement of Revenues, Expenditures and Changes in Fund Balance
 To the Statement of Activities
 June 30, 2018

Excess (Deficiency) of Revenues Over Expenditures \$ 91,881

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

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

Depreciation expense	\$ (3,987)	
Capital Outlays	<u>0</u>	(3,987)

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

Pension Contributions	60,512	
Other Post Employment Benefits Contributions	8,707	
Pension Expense	(513,338)	
Other Post Employment Benefits Expenses	<u>(18,557)</u>	<u>(462,676)</u>

Changes in Net Position of Governmental Activities \$ (374,782)

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

State of New Mexico
Rio Gallinas Charter School
 General Fund-Operational-11000
 Statement of Revenues, Expenditures, and Changes in Cash Balance -
 Budget and Actual (Budgetary Basis)
 For the Year Ended June 30, 2018

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
State Grant	\$ 647,165	\$ 790,452	\$ 712,325	\$ (78,127)
Miscellaneous	0	1,788	2,808	1,020
Total Revenues	<u>647,165</u>	<u>792,240</u>	<u>715,133</u>	<u>(77,107)</u>
Expenditures				
Instruction				
Personnel Services	229,238	263,471	248,347	15,124
Employee Benefits	84,771	102,031	98,985	3,046
Professional & Tech Services	0	2,500	1,058	1,442
Purchased Property Services	4,000	4,171	4,410	(239)
Other Purchased Services	8,800	12,282	10,329	1,953
Supplies	8,500	4,000	996	3,004
Supply Assets	62,940	126,424	0	126,424
Total Instruction	<u>398,249</u>	<u>514,879</u>	<u>364,125</u>	<u>150,754</u>
Support Services				
Students				
Personnel Services	28,038	29,039	13,500	15,539
Employee Benefits	11,232	11,427	10,818	609
Professional & Tech Services	40,000	39,974	22,476	17,498
Other Purchased Services	250	326	325	1
Supplies	250	250	0	250
Total Students	<u>79,770</u>	<u>81,016</u>	<u>47,119</u>	<u>33,897</u>
Instruction				
Supplies	2,000	2,000	7	1,993
Total Instruction	<u>2,000</u>	<u>2,000</u>	<u>7</u>	<u>1,993</u>
General Administration				
Personnel Services	72,000	77,001	77,000	1
Employee Benefits	22,795	23,779	23,720	59
Professional & Tech Services	10,420	15,145	1,389	13,756
Other Purchased Services	2,250	2,850	1,841	1,009
Supplies	0	8,502	0	8,502
Total General Administration	<u>107,465</u>	<u>127,277</u>	<u>103,950</u>	<u>23,327</u>
School Administration				
Personnel Services	12,500	13,744	13,845	(101)
Employee Benefits	5,638	5,851	5,386	465
Professional & Tech Services	5,500	6,133	2,546	3,587
Other Purchased Services	1,000	1,150	904	246
Supplies	1,500	1,500	609	891
Total School Administration	<u>\$ 26,138</u>	<u>\$ 28,378</u>	<u>\$ 23,290</u>	<u>\$ 5,088</u>

State of New Mexico
Rio Gallinas Charter School
 General Fund-Operational-11000
 Statement of Revenues, Expenditures, and Changes in Cash Balance -
 Budget and Actual (Budgetary Basis)
 For the Year Ended June 30, 2018

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Central Services				
Professional & Tech Services	\$ 65,000	\$ 83,165	\$ 81,054	\$ 2,111
Supplies	12,100	12,100	11,192	908
Total Central Services	<u>77,100</u>	<u>95,265</u>	<u>92,246</u>	<u>3,019</u>
Operation of Plant				
Personnel Services	9,500	9,500	3,589	5,911
Employee Benefits	2,498	2,498	1,055	1,443
Professional & Tech Services	24,187	38,099	31,159	6,940
Other Purchased Services	7,976	9,063	8,062	1,001
Supplies	2,000	2,000	1,294	706
Total Operation of Plant	<u>46,161</u>	<u>61,160</u>	<u>45,159</u>	<u>16,001</u>
Student Transportation				
Personnel Services	3,000	5,372	3,209	2,163
Employee Benefits	708	721	252	469
Professional & Tech Services	1,500	1,500	88	1,412
Purchased Property Services	250	10,250	7,219	3,031
Other Purchased Services	1,559	1,559	1,555	4
Supplies	2,500	2,500	0	2,500
Total Student Transportation	<u>9,517</u>	<u>21,902</u>	<u>12,323</u>	<u>9,579</u>
Other Support Service				
Other Support Services	200	200	0	200
Total Other Support Service	<u>200</u>	<u>200</u>	<u>0</u>	<u>200</u>
Total Support Services	<u>348,351</u>	<u>417,198</u>	<u>324,094</u>	<u>93,104</u>
Food Service				
Personnel Services	5,226	8,726	3,500	5,226
Employee Benefits	1,339	1,339	854	485
Total Food Service	<u>6,565</u>	<u>10,065</u>	<u>4,354</u>	<u>5,711</u>
Total Expenditures	<u>\$ 753,165</u>	<u>\$ 942,142</u>	<u>\$ 692,573</u>	<u>\$ 249,569</u>

State of New Mexico
Rio Gallinas Charter School
 General Fund-Operational-11000
 Statement of Revenues, Expenditures, and Changes in Cash Balance -
 Budget and Actual (Budgetary Basis)
 For the Year Ended June 30, 2018

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Excess (Deficiency) of Revenues Over Expenditures	\$ (106,000)	\$ (149,902)	\$ 22,560	\$ 172,462
Cash Balance Beginning of Year	<u>149,902</u>	<u>149,902</u>	<u>149,902</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 43,902</u>	<u>\$ 0</u>	<u>\$ 172,462</u>	<u>\$ 172,462</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures			\$ 22,560	
Net Change in Other Receivables			104,096	
Net Change in Accounts Payable			1,483	
Net Change in Payroll Liabilities			<u>(36,044)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 92,095</u>	

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

State of New Mexico
Rio Gallinas Charter School
 General Fund-Instructional Materials-14000
 Statement of Revenues, Expenditures, and Changes in Cash Balance -
 Budget and Actual (Budgetary Basis)
 For the Year Ended June 30, 2018

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
State Grant	\$ 2,119	\$ 3,006	\$ 912	\$ (2,094)
Total Revenues	<u>2,119</u>	<u>3,006</u>	<u>912</u>	<u>(2,094)</u>
Expenditures				
Instruction				
Supplies	6,619	8,753	4,760	3,993
Total Instruction	<u>6,619</u>	<u>8,753</u>	<u>4,760</u>	<u>3,993</u>
Total Expenditures	<u>6,619</u>	<u>8,753</u>	<u>4,760</u>	<u>3,993</u>
Excess (Deficiency) of Revenues Over Expenditures	(4,500)	(5,747)	(3,848)	1,899
Cash Balance Beginning of Year	<u>5,747</u>	<u>5,747</u>	<u>5,747</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 1,247</u>	<u>\$ 0</u>	<u>\$ 1,899</u>	<u>\$ 1,899</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures			\$ (3,848)	
Net Change in Due from Grantor			<u>2,095</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (1,753)</u>	

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

State of New Mexico
Rio Gallinas Charter School
Statement of Fiduciary Assets and Liabilities-Agency Funds
June 30, 2018

	<u>Agency Funds</u>
Assets	
Cash and Cash Equivalents	\$ 4,035
Total Assets	<u>\$ 4,035</u>
Liabilities	
Deposits Held for Others	\$ 4,035
Total Liabilities	<u>\$ 4,035</u>

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

Summary of Significant Accounting Policies

The financial statements of the Rio Gallinas Charter School (Charter), a component unit of West Las Vegas Schools, have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Charter's accounting policies are described below.

Financial Reporting Entity

The Charter has been in existence since 2000, and is currently operating under the provisions of the Public School Charter Code, Chapter 22, of the New Mexico Statutes Annotated, 1978 Compilation. The Charter operates with a local board of education - superintendent form of government and provides a supervised program of instruction designed to educate students at the elementary and secondary level.

GASB Statement No. 14 established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Charter is considered a component unit, since its budget is approved by West Las Vegas School elected officials. GASB Statement No. 14 defines a component unit as one who is not fiscally independent meaning the Charter may not, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges and issue bonded debt.

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

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

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

Governmental Funds

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

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

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

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

Fiduciary Fund Type

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

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

Major Funds

The Charter reports the following major governmental funds:

General Fund (11000)(14000) The General Fund consist of two sub funds. The first is the Operational Fund of the Charter and accounts for all revenues and expenditures of the Charter not encompassed within other funds. The Instructional Materials Fund accounts for a state grant to provide text books for students in the Charter.

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

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

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

Program Revenues

Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the Charter's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the Charter's general revenues. Program revenues include: 1) charges for services to students or applicants who purchase, use or directly benefit from the goods or services provided by the given function 2) program-specific operating grants and contributions, Transportation, Food Service, Special Revenue Funds such as special education as well as others., and 3) program specific capital grants and contributions.

Fund Financial Statements (FFS)

Governmental Funds

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

Revenues

Grants. Government mandated nonexchange transaction and voluntary nonexchange transactions. Recipients should recognize revenues in the period when all applicable eligibility requirements have been met and the resources are available.

Revenue Recognition for Grants.

Eligibility requirements for government-mandated and voluntary nonexchange transaction comprise one or more of the following:

1. Required characteristics of recipients. The recipient has the characteristics specified by the provider (are required to be school charters).
2. Time requirements. Time requirements specified by enabling legislation or the provider have been met (period when the resources are required to be used).
3. Reimbursements. The provider offers resources on a reimbursement ("expenditure-driven") basis and the recipient has incurred allowable costs under the applicable program.
4. Contingencies. The providers offer of resources is contingent upon a specified action of the recipient and that action has occurred (the recipient has raised the matching funds).

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

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

Expenditures

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

Other Financing Sources (Uses)

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

Basis of Budgeting

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

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

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

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

8. Appropriations lapse at fiscal year end. Funds unused during the fiscal year may be carried over into the next fiscal year by budgeting those in the subsequent fiscal year's budget. The budget of the Charter 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.

Cash and Cash Equivalents

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

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

Investments

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

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

Receivables and Payables

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

Elimination and Reclassifications of Certain Receivables and Payables

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

Inventories and Prepaid Items

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

Capital Assets

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

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

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

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

Capital Leases

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

Short -Term Debt

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

Long-Term Liabilities

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

Restricted Net Position

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

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

Imposed by law through constitutional provisions or enabling legislation.

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

Fund Balances of Fund Financial Statements

Nonspendable fund balance indicates that portion of fund equity is not spendable such as inventory.

The restricted fund balance category includes amounts that can be spent only for specific purposes stipulated by constitution, external resources providers, or through enabling legislation.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.

Unassigned fund balance is the residual amount that is not restricted or committed.

Interfund Transfers

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

Deferred Outflows

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

Estimates

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

A. Deposits and Investments

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

Southwest Capital Bank

<u>Name of Account</u>	Balance Per Bank 6/30/18	Reconciled Balance	<u>Type</u>
Rio Gallinas School for Ecology and the Arts	\$ 213,444	\$ 193,121	Checking
Total Deposited	213,444	\$ 193,121	
Less FDIC Coverage	(213,444)		
Uninsured Amount	0		
50% collateral requirement	0		
Pledged securities	0		
Over (Under) requirement	\$ 0		

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

Custodial Credit Risk-Deposits

<u>Depository Account</u>	<u>Balance</u>
Collateralized:	
Insured	\$ 213,444
Total Deposits	\$ 213,444

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2018 none of the Charter's balance of \$213,444 was exposed to custodial risk.

B. Receivables

Following is a schedule of receivables as of June 30, 2018:

	Operational 11000	Instructional Materials 14000	Other Governmental Funds	Totals
Due From Grantors:				
State	\$ 0	\$ 2,095	\$ 3,114	\$ 5,209
Federal Agencies	0	0	0	0
Other Receivables	104,096	0	1,268	105,364
	<u>\$ 104,096</u>	<u>\$ 2,095</u>	<u>\$ 4,382</u>	<u>\$ 110,573</u>

C. Interfund Receivables, Payables and Transfers

Interfund balances during the year ending June 30, 2018 were as follows:

Due to Operational from:

Other Governmental Funds	\$ 3,114
Total	<u>\$ 3,114</u>

Short term loans from the General Fund to the above fund were to cover costs during the year until the grant revenue is received, the loans will be repaid within one year.

D. Capital Assets

Capital Assets Balances and Activity for the Year Ended June 30, 2018, is as follows:

	Balance 6/30/17	Increases	Adjustment	Balance 6/30/18
Governmental Activities				
Capital Assets, being Depreciated				
Buildings Improvements	\$ 29,249	\$ 0	\$ 0	\$ 29,249
Equipment, Vehicles, Information Technology Equipment, Software & Library Books	144,846	0	0	144,846
Total Capital Assets, being Depreciated	<u>174,095</u>	<u>0</u>	<u>0</u>	<u>174,095</u>
Total Capital Assets	<u>\$ 174,095</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 174,095</u>
Less Accumulated Depreciation				
Buildings & Improvements	\$ 13,376	\$ 830	\$ 6,935	\$ 21,141
Equipment, Vehicles, Information Technology Equipment, Software & Library Books	147,322	3,157	(6,935)	143,544
Total Accumulated Depreciation	<u>160,698</u>	<u>3,987</u>	<u>(6,935)</u>	<u>164,685</u>
Capital Assets, net	<u>\$ 13,397</u>	<u>\$ (3,987)</u>	<u>\$ 6,935</u>	<u>\$ 9,410</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 3,987
Total Depreciation Expenses	<u>\$ 3,987</u>

E. Commitments

The Charter has no construction commitments on June 30, 2018.

F. Retirement Plan

Summary of Significant Accounting Policies

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

General Information about the Pension Plan

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

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

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

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

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

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

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

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

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

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

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

Benefit Options. The Plan has three benefit options available.

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

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

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

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

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

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

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

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

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

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

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

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

<u>Fiscal Year</u>	<u>Date Range</u>	<u>Wage Category</u>	<u>Member's Rate</u>	<u>Employer's Rate</u>	<u>Combined Rate</u>
2018	7-1-16 to 6-30-17	Over \$20K	10.70%	13.90%	24.60%
2018	7-1-16 to 6-30-17	\$20K or less	7.90%	13.90%	21.80%

There was no change in the rates from the previous year.

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 and 2017, the Charter paid employee and employer contributions of \$420,800 and \$434,044, which equal the amount of the required contributions for each fiscal year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2018, the Charter reported a liability of \$1,727,033 for their 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 Charter's portion was established as of the measurement date of June 30, 2017. The Charter's proportion of the net pension liability was based on a projection of the Charter's long-term share of contributions to the pension plan relative to the projected contributions of all participating educational institutions, actuarially determined. At June 30, 2017, the Charter's proportion was 0.01554%, which was a decrease of 0.00786% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Charter recognized pension expense of \$513,338. At the June 30, 2018, the Charter reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,100	26,607
Net difference between projected and actual earnings on pension plan investments	0	237
Changes of assumptions	504,155	0
Changes in proportion and differences between the Charter's contributions and proportionate share of contributions	346,502	283,808
Charter's contributions subsequent to the measurement date	60,512	0
Total	\$ <u>914,269</u>	<u>310,652</u>

\$60,512 reported as deferred outflows of resources related to pensions resulting from the Charter'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:

<u>Year ended June</u>	
2019	\$ 392,402
2020	78,454
2021	86,471
2022	(14,222)
Total	\$ <u>543,105</u>

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 Expected Remaining Service Lives	<table border="0" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Fiscal year</th> <th style="text-align: center; border-bottom: 1px solid black;">2017</th> <th style="text-align: center; border-bottom: 1px solid black;">2016</th> <th style="text-align: center; border-bottom: 1px solid black;">2015</th> <th style="text-align: center; border-bottom: 1px solid black;">2014</th> </tr> </thead> <tbody> <tr> <td style="text-align: left;">Service Life in Years</td> <td style="text-align: center;">3.35</td> <td style="text-align: center;">3.77</td> <td style="text-align: center;">3.92</td> <td style="text-align: center;">3.88</td> </tr> </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>Healthy males: Based on the RP-2000 Combined Mortality Table with White Collar adjustments, generational mortality improvements with Scale BB.</p> <p>Healthy females: Based on GRS Southwest Region Teacher Mortality Table, set back one year, generational mortality improvements in accordance with Scale BB from the table's base year of 2012.</p> <p>Disabled males: RP-2000 Disabled Mortality Table for males, set back three years, projected to 2016 with Scale BB.</p> <p>Disabled females: RP-2000 Disabled Mortality Table for females, no set back, projected to 2016 with Scale BB.</p> <p>Active members: RP-2000 Employee Mortality Tables, with males set back two years and scaled at 80%, and females set back five years and scaled at 70%. Static mortality improvement from the table's base year of 2000 to the year 2016 in accordance with Scale BB. No future improvement was assumed for preretirement mortality.</p>										
Retirement Age	Experience-based table rates based on age and service, adopted by the 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.

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

Discount rate. A single discount rate of 5.9% 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 Net Pension Liability. The following presents the Charter’s proportionate share of the net pension liability calculated using the discount rate of 5.90 percent, as well as what the Charter’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 (4.9%)	Current Discount Rate (5.9%)	1% Increase (6.9%)
The Charters' proportionate share of the net pension liability	\$ 2,248,167	\$ 1,727,033	\$ 1,301,048

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.

G. Other Post Employment Benefits (OPEB)

Retiree Health Care Plan

The New Mexico Retiree Health Care Authority (the Authority) was formed February 13, 1990, under the New Mexico Retiree Health Care Act (the Act) of New Mexico Statutes Annotated, as amended (NMSA 1978), to administer the Retiree Health Care Fund (the Fund) under Section 10-7C-1-19 NMSA 1978. The Fund was created to provide comprehensive group health insurance coverage for individuals (and their spouses, dependents and surviving spouses) who have retired or will retire from public service in New Mexico.

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

All regular full-time employees of the Charter are members of the Plan, in addition to certain job share and intermittent employees. Eligible employees become members on the first day they are physically on the job. At June 30, 2017, Plan membership consisted of the following:

Plan membership	
Current retirees and surviving spouses	51,208
Inactive and eligible for deferred benefit	11,478
Current active members	97,349
Total	<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>

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

Because the Authority is a self-funded, mainly self-insured entity pursuant to Section 10-7C NMSA 1978, the Authority is not construed to be transacting insurance activity otherwise subject to the laws of the State of New Mexico that regulate insurance companies and therefore, not subject to minimum statutory reserve requirements.

Employer and employee contributions to the Authority 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 Authority.

Current retirees are required to make monthly contributions for individual basic medical coverage. The Board may designate other plans as "optional coverages." See Section 10 7C-13 NMSA 1978 for more details.

The Schedules are prepared using the economic resource measurement focus and the accrual basis of accounting in accordance with the standards issued by the Government Accounting Standards Board (GASB). Contributions are recognized when due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value. For the purposes of measuring the net OPEB liability, deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the Authority and additions to and deductions from Authority's fiduciary net position have been determined on the same basis as they were reported by Authority. Each participating employer's proportionate share of the Fund's net OPEB liability, deferred amounts and OPEB expense is calculated based on the employer's contributions to the Fund as a percentage of total employer contributions received by the Fund during the measurement year.

The preparation of the schedules in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain amounts and disclosures for the reporting period. Actual results could differ from those estimates.

Benefits Provided

Benefit Types: Retirees and spouses are eligible for medical and prescription drug benefits. Dental and vision benefits are also available, but were not included in this valuation, since they are 100% retiree paid. A description of these benefits may be found at www.nmrhca.org by clicking on Retirees.

Duration of Coverage: Employees and dependents are valued for life.

Dependent Benefits: Same as retirees.

Dependent Coverage: Same as retirees.

Retiree Contributions: The retiree contribution is derived on a service based schedule implemented effective 7/1/2001 and updated annually. The table below shows the anticipated retiree paid portion of claims.

Actuarial cost method	Entry age normal, level percent of pay, calculated on individual employee basis
Asset valuation method	Market value of assets
Actuarial assumptions:	
Inflation	2.50% for ERB members; 2.25% for PERA members
Projected payroll increases	3.50%
Investment rate of return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation rate 8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 for Medicare medical plan costs.
Health care cost trend rate	8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 for Medicare medical plan costs.
Mortality	ERB members: RP-2000 Combined Healthy Mortality Table with White Collar Adjustment (males) and GRS Southwest Region Teacher Mortality Table (females) PERA members: RP-2000 Combined Healthy Mortality.

Rate of Return

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

Asset Class	Target Allocation	Long-Term Rate of
U.S. core fixed income	20.0%	4.1%
U.S. equity - large cap	20.0%	9.1%
Non U.S. - emerging markets	15.0%	12.2%
Non U.S. - developed	12.0%	9.8%
Private equity	10.0%	13.8%
Credit and structured	10.0%	7.3%
Real estate	5.0%	6.9%
Absolute return	5.0%	6.1%
U.S. equity - small/mid cap	3.0%	9.1%

Discount Rate

The discount rate used to measure the 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

The following presents the net OPEB liability, calculated using the discount rate of 3.81%, as well as what the Fund's net OPEB liability would be if it were calculated using a discount rate that is 1-percent lower or 1-percent higher than the current rate:

	1% Decrease <u>(2.81%)</u>	Current Discount Rate <u>(3.81%)</u>	1% Increase <u>(4.81%)</u>
The Charters' proportionate share of the net OPEB liability	\$ <u>566,175</u>	\$ <u>466,762</u>	\$ <u>388,764</u>

The following presents the Net OPEB Liability of NMRHCA as of June 30, 2017, as well as what the Fund's Net OPEB Liability would be if it were calculated using a health cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the health cost trend rates used:

	1% Decrease	Current Trend Rates	1% Increase
The Charters' proportionate share of the net OPEB liability	\$ <u>397,013</u>	\$ <u>466,762</u>	\$ <u>521,149</u>

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

At June 30, 2018, the Charter reported a liability of \$466,762 for their 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 June 30, 2016. The total OPEB liability was rolled-forward from the valuation date to the plan year ending June 30, 2017 using generally accepted actuarial principles. Therefore, the employer's portion as established as of the measurement date of June 30, 2017. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2017. The Charter's proportion of the net OPEB liability was based on a projection of the Charter's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating institutions, actuarially determined. At June 30, 2017, the Charter's proportion was 0.01030%, which was an increase of 0% from their proportion measured as of June 30, 2016.

For the year ended June 30, 2017, the Charter recognized OPEB expense of \$18,557. At June 30, 2018, the Charter reported deferred outflows of resources and deferred inflows or resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 0	17,912
Net difference between projected and actual earnings on OPEB investments	0	6,715
Changes in assumptions	0	81,607
Changes in proportion and differences between the Charter's contributions and proportionate share of contributions	0	0
Charter's contributions subsequent to the measurement date	8,707	0
Total	<u>\$ 8,707</u>	<u>106,234</u>

\$8,707 reported as deferred outflows of resources related to OPEB resulting from Charter's contributions subsequent to the measurement date June 30, 2017 will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ended June</u>		
2019	\$	(22,586)
2020		(22,586)
2021		(22,586)
2022		(22,586)
2023		(15,890)
Total	\$	<u>(106,234)</u>

Additional Information. Additional financial information is available at www.nmrhca.org or by contacting New Mexico Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

H. Reconciliation of Budgetary Basis to GAAP Basis Statements

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

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

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

The reconciliation of budgetary basis to GAAP basis statements are located at the bottom of each budget actual.

I. 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 Charter expects such amount, if any, to be immaterial.

J. Risk Management

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

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

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

K. Subsequent Events

Subsequent events were evaluated through October 16, 2018 which is the date the financial statements were available to be issued.

L. Restatement

Net Position was restated \$(554,439) for the inclusion of the Other Post Employment Benefits Liability.

Required Supplemental Information

State of New Mexico
Rio Gallinas Charter School
Schedules of Required Supplementary Information for Pension Plan

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

Last 10 Fiscal Years*

	Fiscal Year	2015	2016	2017	2018
	Measurement Date	2014	2015	2016	2017
Charter's proportion of the net pension liability.		0.03084%	0.02340%	0.01814%	0.01554%
Charter's proportionate share of the net pension liability.	\$	1,074,252	\$ 1,444,215	\$ 1,305,433	\$ 1,727,033
Charter's covered-employee payroll.	\$	664,777	\$ 518,209	\$ 442,108	\$ 435,339
Charter's proportionate share of the net pension liability as a percentage of its covered-employee payroll.		161.60%	278.69%	295.27%	396.71%
Plan fiduciary net position as a percentage of the total pension liability.		66.54%	63.97%	61.58%	52.95%

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

Schedule of Charter's Contributions

Last 10 Fiscal Years*

	June 30,			
	2015	2016	2017	2018
Contractually required contribution.	92,404 \$	72,031 \$	61,453 \$	60,512
Contributions in relation to the contractually required contribution.	92,404	72,031	61,453	60,512
Contribution deficiency (excess).	0 \$	0 \$	0 \$	0
Charters covered-employee payroll.	664,777 \$	518,209 \$	442,108 \$	435,339
Contributions as a percentage of covered-employee payroll.	13.90%	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 Charter is not available prior to fiscal year 2015, the year the statement's requirements became effective.

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

Notes to Required Supplementary Information

Changes of benefit terms and assumptions.

The liabilities reflect the impact of Senate Bill 115, signed into law on March 29, 2013, and new assumptions adopted by the Board of Trustees on June 12, 2015 in conjunction with the six-year experience study period ended June 30, 2014. Specifically, the liabilities measured as of June 30, 2016 incorporate the following assumptions:

- * All members with annual salary of more than \$20,000 will contribute 10.70% during the fiscal year ending June 30, 2015 and thereafter,
- * Members hired after June 30, 2013 will have an actuarially reduced retirement benefit if they retire before age 55 and their COLA will be deferred until age 67,
- * COLAs for most retirees are reduced until NMERB attains a 100% funded status, and
- * For purposes of projecting future benefits, it is assumed that the full COLA is paid in all future years.

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

Schedule of the Charter's Proportionate Share of the Net Other Post Employment Benefits (OPEB) Liability

Last 10 Fiscal Years*

	Fiscal Year Measurement Date	2018 2017
Charter's proportion of the net OPEB liability.		0.01030%
Charter's proportionate share of the net OPEB liability.	\$	466,762
Charter's covered-employee payroll.	\$	435,339
Charter's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll.		107.22%
Plan fiduciary net OPEB as a percentage of the total OPEB liability.		11.34%

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

Schedule of Charter's Contributions

Last 10 Fiscal Years*

	June 30, 2018
Contractually required contribution.	\$ 8,707
Contributions in relation to the contractually required contribution.	8,707
Contribution deficiency (excess).	\$ 0
Charter's covered-employee payroll.	435,339
Contributions as a percentage of covered-employee payroll.	2.00%

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

Notes to Required Supplementary Information

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

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

**Supplemental Information Related to
Nonmajor Funds**

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.

Title I (24101).To account for a program funded by a Federal grant to supplement the regular instructional program for educationally deprived students. Funding authorized by the Elementary and Secondary Act of 1965, Chapter I of Title I, as amended, Public Laws 100-297, 20 U.S.C. 2701. The fund was created by the authority of federal grant provisions.

IDEA B Entitlement (24106) P.L. 94-142, Individuals with Disabilities Education Act - to account for a federal grant restricted to operation and maintenance of meeting the special education need of children with disabilities. Authority for the creation of this fund is Individuals with Disabilities Act, Part B, Sec. 611, as amended; Public laws 91-230,93-142,98-199,99-457,100-630 and 101-476; 20 U.S.C. 1401-1419, Public Law 105-17.

Teacher/Principal Training & Recruiting (24154). To provide grants to State Education Agencies (SEAs) on a formula basis to increase student academic achievement through strategies such as improving teacher and principal quality and increasing the number of highly qualified teachers in the classroom and highly qualified principals and assistant principals in schools and hold local educational agencies and schools accountable for improvements in student academic achievement. Elementary and Secondary Education Act of 1965, as amended, Title II, Part A (PL 107-110).

Title I School Improvement (24162).To account for a program funded by a Federal grant to supplement the regular instructional program for educationally deprived students. Funding authorized by the Elementary and Secondary Act of 1965, Chapter I of Title I, as amended, Public Laws 100-297, 20 U.S.C. 2701. The fund was created by the authority of federal grant provisions.

Medicaid (25153). To account for a program providing school-based screening, diagnostic services and other related health services and administrative activities in conformance with the approved Medicaid State Plan in order to improve health and developmental outcomes for children. The fund was created by the authority of federal grant provisions. (Title XIX Social Security Act).

Student Library (27107) This award allows schools to acquire library books, equipment and library resources for public school library resources for public school libraries statewide. The funding was made available through Senate and House Bill.

Grow Dome (29102). To account for grants and donations to support the green house for student instruction. Authority is provided by the council.

Public School Capital Outlay (31200). To account for a grant received from the state for rent for facilities.

Senate Bill Nine (31700). The revenues are derived from a state grant. Expenditures are restricted to capital improvements, repairs and maintenance, supplies and supply assets used in the upkeep of the facilities.

State of New Mexico
Rio Gallinas Charter School
 Nonmajor Funds
 Combining Balance Sheet
 June 30, 2018

	Special Revenue		
	Food Service 21000	Title I 24101	IDEA B Entitlement 24106
Assets			
Cash and Cash Equivalents	\$ 1,882	\$ 1,346	\$ 0
Receivables			
Due From Grantor	0	0	0
Other Receivables	0	0	0
Total Assets	\$ 1,882	\$ 1,346	\$ 0
Liabilities and Fund Balances			
Liabilities			
Payroll Liabilities	\$ 0	\$ 1,346	\$ 0
Interfund Balance	0	0	0
Total Liabilities	0	1,346	0
Fund Balances			
Restricted for			
Special Revenue	1,882	0	0
Total Fund Balances	1,882	0	0
Total Liabilities and Fund Balances	\$ 1,882	\$ 1,346	\$ 0

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

State of New Mexico
Rio Gallinas Charter School
 Nonmajor Funds
 Combining Balance Sheet
 June 30, 2018

	Special Revenue		
	Teacher Principal Training 24154	Title I School Improvement 24162	Medicaid 25153
Assets			
Cash and Cash Equivalents	\$ 0	\$ 929	\$ 12,725
Receivables			
Due From Grantor	0	0	0
Other Receivables	0	0	1,268
Total Assets	<u>\$ 0</u>	<u>\$ 929</u>	<u>\$ 13,993</u>
Liabilities and Fund Balances			
Liabilities			
Payroll Liabilities	\$ 0	\$ 929	\$ 0
Interfund Balance	0	0	0
Total Liabilities	<u>0</u>	<u>929</u>	<u>0</u>
Fund Balances			
Restricted for			
Special Revenue	0	0	13,993
Total Fund Balances	<u>0</u>	<u>0</u>	<u>13,993</u>
Total Liabilities and Fund Balances	<u>\$ 0</u>	<u>\$ 929</u>	<u>\$ 13,993</u>

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

State of New Mexico
Rio Gallinas Charter School
 Nonmajor Funds
 Combining Balance Sheet
 June 30, 2018

	Special Revenue		Capital Outlay
	Student Library 27107	Grow Dome 29102	Public School Capital Outlay 31200
Assets			
Cash and Cash Equivalents	\$ 0	\$ 957	\$ 0
Receivables			
Due From Grantor	3,114	0	0
Other Receivables	0	0	0
Total Assets	\$ 3,114	\$ 957	\$ 0
Liabilities and Fund Balances			
Liabilities			
Payroll Liabilities	\$ 0	\$ 0	\$ 0
Interfund Balance	3,114	0	0
Total Liabilities	3,114	0	0
Fund Balances			
Restricted for			
Special Revenue	0	957	0
Total Fund Balances	0	957	0
Total Liabilities and Fund Balances	\$ 3,114	\$ 957	\$ 0

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

State of New Mexico
Rio Gallinas Charter School
 Nonmajor Funds
 Combining Balance Sheet
 June 30, 2018

	<u>Capital Outlay</u>	
	Senate Bill Nine-State 31700	Total
	<u> </u>	<u> </u>
Assets		
Cash and Cash Equivalents	\$ 0	\$ 17,839
Receivables		
Due From Grantor	0	3,114
Other Receivables	0	1,268
Total Assets	<u>\$ 0</u>	<u>\$ 22,221</u>
Liabilities and Fund Balances		
Liabilities		
Payroll Liabilities	\$ 0	\$ 2,275
Interfund Balance	0	3,114
Total Liabilities	<u>0</u>	<u>5,389</u>
Fund Balances		
Restricted for		
Special Revenue	0	16,832
Total Fund Balances	<u>0</u>	<u>16,832</u>
Total Liabilities and Fund Balances	<u>\$ 0</u>	<u>\$ 22,221</u>

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

State of New Mexico
Rio Gallinas Charter School
 Nonmajor Funds
 Combining Statement of Revenues, Expenditures and
 Changes in Fund Balance
 For the Year Ended June 30, 2018

	Special Revenue		
	Food Service 21000	Title I 24101	IDEA B Entitlement 24106
Revenues			
Fees	\$ 0	\$ 0	\$ 0
State and Local Grants	0	0	0
Federal Grants	0	25,000	10,515
Total Revenues	<u>0</u>	<u>25,000</u>	<u>10,515</u>
Expenditures			
Current			
Instruction	0	25,000	10,515
Support Services			
Students	0	0	0
Instruction	0	0	0
Central Services	0	0	0
Operation of Plant	0	0	0
Total Expenditures	<u>0</u>	<u>25,000</u>	<u>10,515</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	0
Fund Balances at Beginning of Year	<u>1,882</u>	<u>0</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 1,882</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

State of New Mexico
Rio Gallinas Charter School
 Nonmajor Funds
 Combining Statement of Revenues, Expenditures and
 Changes in Fund Balance
 For the Year Ended June 30, 2018

	Special Revenue		
	Teacher Principal Training 24154	Title I School Improvement 24162	Medicaid 25153
Revenues			
Fees	\$ 0	\$ 0	\$ 7,121
State and Local Grants	0	0	0
Federal Grants	4,311	22,864	0
Total Revenues	<u>4,311</u>	<u>22,864</u>	<u>7,121</u>
Expenditures			
Current			
Instruction	4,311	22,864	0
Support Services			
Students	0	0	5,446
Instruction	0	0	0
Central Services	0	0	136
Operation of Plant	0	0	0
Total Expenditures	<u>4,311</u>	<u>22,864</u>	<u>5,582</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	1,539
Fund Balances at Beginning of Year	<u>0</u>	<u>0</u>	<u>12,454</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 13,993</u>

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

State of New Mexico
Rio Gallinas Charter School
 Nonmajor Funds
 Combining Statement of Revenues, Expenditures and
 Changes in Fund Balance
 For the Year Ended June 30, 2018

	<u>Special Revenue</u>		<u>Capital Outlay</u>
	Student Library 27107	Grow Dome 29102	Public School Capital Outlay 31200
Revenues			
Fees	\$ 0	\$ 0	\$ 0
State and Local Grants	3,114	0	45,224
Federal Grants	0	0	0
Total Revenues	<u>3,114</u>	<u>0</u>	<u>45,224</u>
Expenditures			
Current			
Instruction	0	0	0
Support Services			
Students	0	0	0
Instruction	3,114	0	0
Central Services	0	0	0
Operation of Plant	0	0	45,224
Total Expenditures	<u>3,114</u>	<u>0</u>	<u>45,224</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	0
Fund Balances at Beginning of Year	<u>0</u>	<u>957</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 957</u>	<u>\$ 0</u>

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

State of New Mexico
Rio Gallinas Charter School
 Nonmajor Funds
 Combining Statement of Revenues, Expenditures and
 Changes in Fund Balance
 For the Year Ended June 30, 2018

	<u>Capital Outlay</u>	
	Senate Bill Nine-State 31700	Total
Revenues		
Fees	\$ 0	\$ 7,121
State and Local Grants	8,089	56,427
Federal Grants	0	62,690
Total Revenues	<u>8,089</u>	<u>126,238</u>
Expenditures		
Current		
Instruction	8,089	70,779
Support Services		
Students	0	5,446
Instruction	0	3,114
Central Services	0	136
Operation of Plant	0	45,224
Total Expenditures	<u>8,089</u>	<u>124,699</u>
Excess (Deficiency) of Revenues Over Expenditures	0	1,539
Fund Balances at Beginning of Year	<u>0</u>	<u>15,293</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 16,832</u>

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

Other Supplemental Information

Fiduciary Fund

Activity Trust Fund

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

State of New Mexico
Rio Gallinas Charter School
 Agency Funds - Activities
 Schedule of Fiduciary Assets and Liabilities-Agency Funds
 For the Year Ended June 30, 2018

	<u>Balance</u> <u>6/30/17</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Balance</u> <u>6/30/18</u>
Activity Accounts				
Student Activity	\$ 2,336	\$ 3,211	\$ 2,201	\$ 3,346
Middle School	7	400	0	407
Art Fund	100	0	0	100
4th & 5th Grades	132	0	0	132
Staff Appreciation	50	0	0	50
Total Activities	<u>\$ 2,625</u>	<u>\$ 3,611</u>	<u>\$ 2,201</u>	<u>\$ 4,035</u>

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

State of New Mexico
Rio Gallinas Charter School
Cash Reconciliation-All Funds
For the Year Ended June 30, 2018

		Beginning Cash 6/30/17	Revenue	Expenditures	Ending Cash 6/30/18
Operational	11000 \$	149,902 \$	715,133 \$	692,573 \$	172,462
Instructional Materials	14000	5,747	912	4,760	1,899
Food Service	21000	1,882	0	0	1,882
Federal Flow through	24000	(4,540)	67,231	60,416	2,275
Federal Direct	25000	12,568	5,853	5,696	12,725
State Flowthrough	27000	0	0	3,114	(3,114)
Local/State	29000	957	0	0	957
Public School Capital Outlay	31200	0	45,224	45,224	0
Senate Bill Nine-State	31700	0	8,089	8,089	(0)
Activities	23000	2,625	3,611	2,201	4,035
Total		<u>\$ 169,141</u>	<u>\$ 846,053</u>	<u>\$ 822,074</u>	<u>\$ 193,120</u>

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

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

Independent Auditor's Report

Mr. Wayne Johnson
State Auditor of the State of New Mexico
Governing Council of the Rio Gallinas Charter School

Mr. Johnson and Members of the Council

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general fund, of the Rio Gallinas Charter School (Charter) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Charter's basic financial statements, and have issued our report thereon dated October 16, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses, that we consider to be significant deficiencies. 2016-001, 2018-001, 2018-002.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Charter's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Responses as item 2016-001, 2018-001, 2018-002.

Charter's Responses to Findings

The Charter's responses to the findings identified in our audit as described in the accompanying Schedule of Findings and Responses. Responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

De'Aun Willoughby, CPA, PC

Clovis, New Mexico
October 16, 2018

Prior Year Audit Findings	<u>Status</u>
2016-001 Payroll Issues	Repeated & Modified
2017-001 Expenditure Issues	Resolved
2017-002 Receipts	Resolved

Current Year Audit Findings

2016-001 Payroll Issues-Compliance and Internal Control-Significant Deficiency

Condition

- a. Nine of the 14 I-9s tested were not completed within the timeframe, incomplete or incorrectly completed.
- b. One of the 11 official transcripts tested could not be located. Two of the 11 were copies.

Management has not made progress in correcting this finding.

Criteria

- a. Employers have certain responsibilities under immigration law during the hiring process. The employer sanctions provisions, found in section 274A of the Immigration and Nationality Act (INA), were added by the Immigration Reform and Control Act of 1986 (IRCA). These provisions further changed with the passage of the Immigration Act of 1990 and the Illegal Immigration Reform and Immigrant Responsibility Act (IIRIRA) of 1996.
- b. Employee Handbook II. Employment Policies G-1-c. states that Official Transcripts are required.

Cause

- a. Management was not aware of how to correct old I-9s with errors.
- b. A copy of an official transcript was used to verify education.

Effect

Improper completion, retention or making it available for inspection fines range from \$100 to \$1,100 for each I-9.

Recommendation

- a. All I-9s should be updated after additional training has occurred to assure they are completed correctly.
- b. The Charter should obtain official transcripts to become in compliance with the Charter's policy.

Response

- a. Management will work on creating letters to attach to the old I-9s with errors to resolve this issue.
- b. The school will get an official copy of the transcript.

Responsible Party and Timeline

The assistant business manager will work to resolve this issue in the current fiscal year.

2018-001 New Hire Reporting-Compliance and Internal Control-Significant Deficiency

Condition

One of the 3 new hires sampled we noted 1 was not submitted timely.

Criteria

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

Cause

The business office was under the impression that it was a 30 day period instead of a 20 day period.

Effect

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

Recommendation

Training and supervision should occur to assure the new hire reporting requirements are met.

Response

The business office will work on submitting all new employees within 20 days of new hire going forward.

Responsible Party and Timeline

The assistant business manager will implement this in the new fiscal year.

2018-002 Non-Exempt Pay-Compliance and Internal Control-Significant Deficiency

Condition

We noted that non-exempt employees' wages for the pay period from 2/16/18-2/28/18 were not paid until 3/15/18.

Criteria

New Mexico Stat. 50-4-2 An employer must designate regular pay days no more than sixteen (16) days apart. An employer must pay employees for wages earned during the 1st to 15th day of the month by the 25th of the month, and for wages earned during the 16th to last day of the month by the 10th day of the following month. An employer may pay professional, administrative or executive employees, or outside salesman one time per month.

Cause

Management was not aware of this statute.

Effect

The Charter could be subject to penalties.

Recommendation

We recommend that the Charter pay non-exempt employees within 10 days from the end of the pay period to become in compliance.

Response

The business office will work on correcting this in the current fiscal year.

Responsible Party and Timeline

The business manager will implement this in the new fiscal year.

Financial Statement Preparation

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

Exit Conference

An exit conference was held on October 16, 2018. Those in attendance were Kurt Ludi-Director, Rosalie Lopez-Board Member, Georgina Ortega-Vice Chairman, Ann Cherkasova-Assistant Business Manager, Katherine Espinoza-Assistant Business Manager, Rebekah Runyan-Business Manager and DeAun Willoughby, CPA.