

STATE OF NEW MEXICO  
**MORIARTY-EDGEWOOD  
SCHOOL DISTRICT NO. 8**

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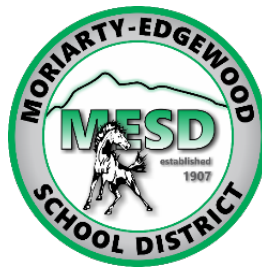
ANNUAL FINANCIAL REPORT  
AND  
SUPPLEMENTAL INFORMATION  
YEAR ENDED JUNE 30, 2019  
WITH  
REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

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INTRODUCTORY SECTION  
OF  
**MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8**

FINANCIAL ANNUAL REPORT  
FISCAL YEAR 2019

JULY 1, 2018 THROUGH JUNE 30, 2019



Our district consists of three elementary schools, two middle schools, and one high school. Our district proudly services the communities of Moriarty and Edgewood, as well as much of the Estancia Valley stretching in all directions. Both of the towns we serve are located along the historic Route 66—one of the original highways connecting the Midwest to the West.

### **Our Mission**

Moriarty-Edgewood School District cultivates positive relationships and inspires each student to excel today and tomorrow.

### **Our Core Values**

Our Leadership Team lives by and is committed to the following principles:

#### **Students First**

We believe the diverse needs of students are met by building relationships and providing a rigorous and relevant education.

#### **Trust**

We believe the confidence of all stakeholders is developed by demonstrating integrity, competency, intent, and character.

#### **Collaboration**

We believe success is dependent upon the teamwork of students, staff, parents, and community members.

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# TABLE OF CONTENTS

Year Ended June 30, 2019

## INTRODUCTORY SECTION

	Title Page
iii	Table of Contents
v	Official Roster

## FINANCIAL SECTION

3	Independent Auditors' Report
---	------------------------------

### BASIC FINANCIAL STATEMENTS:

7	<b>Management's Discussion and Analysis</b>
---	---

#### Government-Wide Financial Statements:

16	Statement of Net Position
18	Statement of Activities

#### Fund Financial Statements:

19	Balance Sheet – Governmental Funds
20	Reconciliation of the Balance Sheet – All Governmental Funds to the Statement of Net Position
21	Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds
22	Reconciliation of the Statement of Revenue, Expenditures, and Changes In Fund Balance – All Governmental Funds to the Statement of Activities

#### Major Funds:

23	Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis): General Fund
----	--

24	<b>Statement of Fiduciary Assets and Liabilities – Agency Funds</b>
----	---

#### Notes to the Financial Statements

25	Contents
26	Note I Summary of Significant Accounting Policies
37	Note II Stewardship, Compliance, and Accountability
38	Note III Detailed Notes On All Funds
43	Note IV Other Information

### REQUIRED SUPPLEMENTARY INFORMATION:

55	Schedule of the District's Proportionate Share of Net Pension Liability
55	Schedule of District's Contributions
56	Schedule of the District's Proportionate Share of Net OPEB Liability
56	Schedule of District's Contributions
57	Notes to the Required Supplementary Information



# TABLE OF CONTENTS

Year Ended June 30, 2019

## OTHER SUPPLEMENTAL INFORMATION:

### Combining and Individual Fund Financial Statements and Schedules:

#### General Fund:

62	Combining Balance Sheet
63	Combining Statement of Revenues, Expenditures, and Changes in Fund Balance Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis):

#### Fund #

64	Operating Fund	11000
65	Transportation Fund	13000
66	Instructional Materials Fund	14000

#### Nonmajor Governmental Funds:

72	Combining Balance Sheet
78	Combining Statement of Revenues, Expenditures, and Changes in Fund Balance

### State Required Disclosures:

#### Fiduciary Funds:

86	Schedule of Changes in Assets and Liabilities – All Agency Funds
87	Schedule of Pledged Collateral
88	Cash Reconciliation

## COMPLIANCE SECTION

91	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
93	Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by Uniform Guidance
96	Schedule of Expenditures of Federal Awards
97	Notes to the Schedule of Expenditures of Federal Awards
98	Schedule of Findings and Questioned Costs
101	Summary Schedule of Prior Year Audit Findings
102	Required Disclosure



# OFFICIAL ROSTER

June 30, 2019

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## BOARD OF EDUCATION

Elizabeth Howells	President
Charles Armijo	Vice-President
Albert Chavez	Secretary
Becky King-Spindle	Member
Selia Gomez	Member

## SCHOOL OFFICIALS

Teresa Salazar	Superintendent
Antoinette Young	Director of Finance
Priscilla Ortiz	Comptroller
Natatie Romero	Director of Learning
Tammy Chavez	AP Specialist
Maricela Chavez	Payroll Specialist

## AUDIT COMMITTEE

Teresa Salazar	Member
Antoinette Young	Member
Elizabeth Howells	Member
Selia Gomez	Member
Saul Araque	Member
Robin Prudencio	Member

## FINANCE COMMITTEE

Teresa Salazar	Member
Antoinette Young	Member
Selia Gomez	Member
Becky King-Spindle	Member



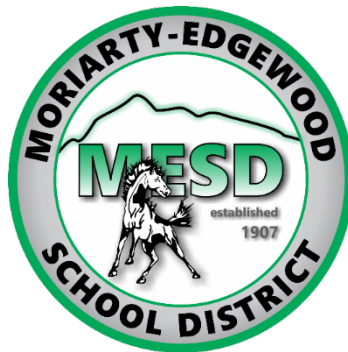
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FINANCIAL SECTION  
OF  
**MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8**

ANNUAL FINANCIAL REPORT  
FISCAL YEAR 2019

JULY 1, 2018 THROUGH JUNE 30, 2019



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## INDEPENDENT AUDITORS' REPORT

Brian S. Colón, Esq., State Auditor and  
The Board of Education and Audit Committee of  
Moriarty-Edgewood School District No. 8

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparison for the general fund of Moriarty-Edgewood School District No. 8, as of and for the year ended June 30, 2019, and the related notes to the financial statements which collectively comprise Moriarty-Edgewood School District No. 8 basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Moriarty-Edgewood School District No. 8' 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 Moriarty-Edgewood School District No. 8, as of June 30, 2019, and the respective changes in financial position thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Brian S. Colón, Esq., State Auditor and  
The Board of Education and Audit Committee of  
Moriarty-Edgewood School District No. 8

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7-13. Accounting principles generally accepted in the United States of America also require that the Schedule of Proportionate Share of the Net Pension Liability and Schedule of Contributions for pensions and OPEB on pages 55-61 to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. Our opinion on the basic financial statements is not affected by this missing information.


#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Moriarty-Edgewood School District No. 8' basic financial statements. The supplemental information such as the budgetary comparisons for the major capital project fund, the combining and individual nonmajor fund financial statements, the budgetary comparisons for non-major special revenue funds, capital projects funds, debt service funds, and the other information, such as the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the other schedules required by 2.2.2.NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

In accordance with Government Auditing Standards, we have also issued our report dated October 7, 2019 on our consideration of the Moriarty-Edgewood School District No. 8' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Moriarty-Edgewood School District No. 8' internal control over financial reporting and compliance.

  
Farmington, New Mexico  
October 7, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS  
OF  
**MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8**

AS OF AND FOR THE YEAR ENDED  
JUNE 30, 2019

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STATE OF NEW MEXICO  
**MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
JUNE 30, 2019  
(UNAUDITED)

## **INTRODUCTION**

This Management Discussion and Analysis of the financial operations of the Moriarty-Edgewood School District for the period ending June 30, 2019, represents the school district's eleventh year implementation of the Governmental Accounting Standards Board Statement No. 34 (GASB 34). GASB 34 requires this written analysis as a part of the school district's financial reports and is intended to be an objective and easily readable discussion of the financial performance of the district. For school districts, GASB 34 has had a significant impact in the manner in which the financial statements are prepared, as well as the kinds of statements that are included in the report. There are two statements: a Statement of Net Position, which includes all of the assets and liabilities of the district, and a Statement of Activities, which is a report that uses a net cost format with expenses reported by functions/programs. The Management Discussion and Analysis as well as the two statements, provide a review of the School District's overall financial activities using the accrual basis of accounting. Fund financial statements are reported on a modified accrual basis of accounting. The reports include a comparison with last fiscal year.

The annual audit report also consists of a series of detailed, audited financial statements and the notes to those statements. Also included in the report is the Independent Auditor's Report, the Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards, the Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133, and a Schedule of Findings and Questioned Costs.

## **FINANCIAL HIGHLIGHTS:**

- The school district received a Baa1 with a stable outlook from Moody's Investor Services. Moody's stated that the district's credit position is acceptable, including an adequate wealth and income profile, a solid tax base and a sound financial position. It also states that the district has an affordable debt burden and a significant pension liability,
- Enrollment continued to decline modestly, but the district's financial position was seriously impaired by legislative decisions during a statewide economic crisis. Moriarty-Edgewood School District had its budget reduced by approx. \$700,000 during FY16-17 essentially wiping out cash reserves, resulting in the district seeking, and receiving \$400,000 in emergency supplemental funding for FY17-18. The district committed to rebuilding its cash as quickly as possible and has increased cash to 4.4% by reducing expenditures in the FY17-18 school year and up to 6.28% for the FY18-19.
- For FY 18-19, the district has renovated the Ag Classrooms and shop; High School Administration, Counseling offices and multimedia center focusing on overall school security. For FY19-20 the district is working on upgrades to the HS main gym to include a complete re-roof and HVAC upgrades, as well as a complete redesign of the locker rooms, coach's offices, weight room, mat room and trainer room.
- Based on the FY 2017-18 audit report which is sample based, the district had one audit finding, Late Deposit of Receipts. The district continues to hold annual trainings for all staff that will handle money to ensure a complete understanding of NMAC 6.20.2.14(c), as well as one on one training as needed in order to understand what took place and to give them strategies to avoid such situations in the future. This finding was cleared for FY18-19. MESD has had an Audit Committee since 2010 and they have worked with the audit firm during the FY 18-19 audit.
- During FY 17-18, the district Business Office continued the annual training for all secretaries and principals. The Business Office has added training for all sponsors and athletic coaches on the manual for Student Activity Accounts that is utilized in the schools and departments for administration of processing for all receipts and expenditures of activity funds.
- The Moriarty-Edgewood School District has recertified two Business Office staff members as Chief Procurement Officers, in order to have a backup available. The Business Office continues to improve the record keeping of all Capital Assets, as well as making the Purchasing Flowchart available in the Budget Handbooks and on web site.

STATE OF NEW MEXICO  
**MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
 JUNE 30, 2019  
 (UNAUDITED)

**OVERVIEW OF THE FINANCIAL STATEMENTS**

**GOVERNMENT WIDE FINANCIAL STATEMENTS**

**Statement of Net Position**

As noted above in the Introduction, GASB 34 requires that the Statement of Net Position now be included in the financial statements of the Moriarty-Edgewood School District audit report. This statement is prepared using the accrual method of accounting. This statement shows that as of June 30, 2019, the school district has Total Net Position of (\$17,365,056). At June 30, 2018, Total Net Position was (\$12,257,961) for a decrease of \$5,107,095. There is a total of \$6,500,921 of cash and cash equivalents on hand as of June 30, 2019 compared to \$3,093,425 on June 30, 2018 for an increase of \$3,407,496. Accounts Payable/Accrued Expenses are \$1,688,158 in FY 18-19 compared to \$345,841 for June 30, 2018 for an increase of \$1,342,317 due to on-going bond-building projects.

<b>Assets</b>	<b>June 30, 2018</b>	<b>June 30, 2019</b>
Cash Assets	\$ 3,093,425	\$ 6,500,921
Other Current Assets	1,840,440	2,301,083
Capital Assets	<u>60,772,222</u>	<u>66,609,295</u>
<b>Total Assets</b>	<u>65,706,087</u>	<u>65,706,087</u>
<b>Deferred Outflows of Resources</b>	<u>17,754,151</u>	<u>13,964,909</u>
<b>Liabilities</b>		
Accounts Payable and Accrued Expenses	345,841	1,688,158
Long Term Debt	21,864,582	29,068,555
Noncurrent Liabilities	<u>67,630,228</u>	<u>70,289,527</u>
<b>Total Liabilities</b>	<u>89,840,651</u>	<u>101,046,240</u>
<b>Deferred Inflows of Resources</b>	<u>5,877,548</u>	<u>5,695,024</u>
<b>Net Position</b>		
Invested in Capital Assets	33,883,823	26,361,850
Restricted	8,866,743	17,361,269
Unrestricted	<u>(55,008,527)</u>	<u>(61,088,175)</u>
<b>Total Net Assets</b>	<u>\$ (12,257,961)</u>	<u>\$ (17,365,056)</u>

**Statement of Activities**

The Statement of (Governmental) Activities is another new statement required by GASB 34 and is prepared using the accrual method of accounting. This report complements the Statement of Net Position by showing the overall change in the school district’s net assets for the fiscal year ending June 30, 2019. As of June 30, 2019, the total net position is (\$17,365,056) which corresponds with the amount in the Statement of Net Position.

One of the most important questions that should be asked about the school district’s finances is “Is the school district as a whole better off or worse off as a result of the year’s activities?” The Statement of Net Position and the Statement of Activities report information about the school district as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year’s revenues and expenses are taken into account regardless of when cash is received or paid.



STATE OF NEW MEXICO  
**MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 JUNE 30, 2019  
 (UNAUDITED)

These two statements report the school district's net assets and changes in them. You can think of the school district's net assets-the difference between assets and liabilities-as a way to measure the school district's financial health or financial position. Over time, increases or decreases in the school district's net assets are one indicator of whether its financial health is improving or deteriorating. Other non-financial factors such as the assessed valuation and number of students in the district need to be considered to assess the overall financial health of the school district.

For June 30, 2019, Net Position-Ending totaled (\$17,365,056) and at June 30, 2018, the total amount for Net Position-Ending was (\$12,257,961) for a decrease of \$5,107,095. The implementation of GASB 68 and GASB 75 was the primary cause for the decrease. The financial condition of the district continues to improve in spite of the continued enrollment decline. There continues to be a significant investment to fund improvements to our buildings and land from GO Bond and SB-9 funds.

**Changes in Net Position**

	<u>June 30, 2018</u>	<u>June 30, 2019</u>
Revenues		
Program Revenues		
Charges for Services	\$ 487,158	\$ 481,379
Operating grants	4,828,708	4,670,603
Capital grants and contributions	67,170	225,645
Total Program Revenues	5,383,036	5,377,627
General Revenues		
Property Taxes	5,792,117	5,939,354
Grants and contributions not restricted	17,981,949	17,850,852
Unrestricted Investment Earnings	-	-
Miscellaneous income	130,795	130,795
Total General Revenues	23,904,861	23,963,354
Total Revenues	29,287,987	29,340,981
Expenses		
Instruction	19,294,390	20,411,068
Support Services - Students	2,754,056	2,754,418
Support Services - Instruction	583,941	555,579
Support Services - General Administration	945,066	619,594
Support Services - School Administration	1,142,498	1,136,830
Central Services	653,916	867,937
Operations & Maintenance of Plant	3,986,495	5,040,610
Student Transportation	1,396,745	1,422,853
Other Support Services	-	-
Food Services	1,285,832	1,228,051
Community Services	13,997	7,346
Bond interest paid	269,227	403,790
Total governmental activities	32,326,163	\$ 34,448,076
Change in Net Position	\$ (3,038,266)	(5,107,095)

STATE OF NEW MEXICO  
**MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
JUNE 30, 2019  
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**FUND FINANCIAL STATEMENTS**  
**BALANCE SHEET GOVERNMENTAL FUNDS**

Fund Financial Statements are based on a modified accrual basis of accounting. The modified accrual basis of accounting records all accounts receivables, accounts payables and accrued salaries and benefits. All of the school district's financial operations/activities are reported here except for Student Activity Funds that are reported in the Statement of Fiduciary Assets & Liabilities.

The Balance Sheet Governmental Funds for June 30, 2019, the total assets of \$20,926,352 significantly exceed the total liabilities of \$2,367,850 with a fund balance of \$17,500,638. This is an increase from June 30, 2018 where total assets were \$10,553,911, total liabilities were \$739,300 and Fund Balance was \$8,868,069.

**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE**

The Statement of Revenue, Expenditures and Changes in Fund Balance guides the reader to a meaningful overall view for the school district's revenues, expenditures and fund balance, and changes to the fund balances. Total revenues for FY 18-19 were \$29,229,659 or \$45,574 less than the FY17-18 total revenues of \$29,275,233. The largest source of revenue is state sources with \$19,739,656 or 67% of the total. State sources decreased by \$136,792 due to a decrease in enrollment.

Total expenditures for the school district at June 30, 2019 were \$28,597,090. At June 30, 2018, total expenditures were \$31,363,283 for a decrease of \$3,039,193. The majority of the decrease in expenditures is a result of the districts efforts to increase cash carryover and get out of emergency supplemental status. The June 30, 2019 Fund Balance was \$17,500,638 for an increase of \$8,632,569 from \$8,868,069 at June 30, 2018.

The Statement of Revenue and Expenditures and Changes in Fund Balance clearly indicates that the district has continued to scale back expenditures in the Operational Fund due to the decrease in state funding from the decline in student enrollment. Because of the decline in enrollment and the subsequent decrease in funding, the district has carefully been monitoring staffing levels and expenditure levels in the Operational Fund where the enrollment decline has the largest impact on revenue. There has been a considerable reduction in staffing levels. The district's enrollment projections indicate that the enrollment decline will continue for at least the next four years. The decline in funding from the State Equalization Guarantee is expected to continue since the New Mexico funding formula is based on the number of students enrolled in the district.

**THE SCHOOL DISTRICT'S BUDGET**

The State of New Mexico public school budget process is defined under New Mexico State Statutes, (Section 22) and the New Mexico Administrative Code (Section 6). To improve the process of developing the annual budget, the Moriarty-Edgewood School District Board of Education strongly encourages the participation and input from all school district patrons, including students, staff, administrators, parents, business, and the community at large. The District Budget Committee consisted of 20+ members representing various stakeholder groups. The group met on a regular basis to develop and make recommendations to the Superintendent and School Board.

Over the course of the year, the school district Board of Education revises the budget as the need arises by means of a Budget Adjustment Request (BAR). These Budget Adjustment Requests fall into three categories. The first category includes budget adjustments that are approved shortly after the audit is completed and approved by both the State Auditor and the Board of Education and reflect the actual beginning cash balances (versus the amounts estimated in April of each year) when the board approved the budget. Included in this category are adjustments for actual carryover balances from Special Revenue accounts, such as Food Services, Athletics, state and federal flow through grants and capital outlay funds. The second category includes changes that the board approves from possible Unit Value changes as the Public Education

STATE OF NEW MEXICO  
**MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
JUNE 30, 2019  
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Department funds increases or decreases to the State Equalization Guarantee formula. Other similar changes include new awards or supplemental awards by the Public Education Department for flow through grants and contracts for which we must have expenditure authority from the PED before funds can be expended. Finally, the third category is budget adjustment requests to transfer budgets from one function to another to prevent budget overruns. The PED controls school district budgets at the function level. The summary of the budget adjustments is displayed in the Notes to Financial Statements, Note II, Stewardship, Compliance and Accountability, Budgetary Information.

The Statement of Revenues, Expenditures and Changes in Fund Balance—Budget (Non-GAAP Budgetary Basis) and Actual shows the Original Budget, Final Budget, Actual Amounts, and Variance for each fund of the school district.

### **CAPITAL ASSETS**

As indicated in the financial highlights above, the district worked very hard to improve the records for capital assets. At the end of the year, the school district had \$51,975,618, net of depreciation invested in a broad range of capital assets including, land, buildings, parking lots, athletic fields, school grounds, vehicles, and equipment. This represents a decrease of \$1,960,312 from the year ended June 30, 2018 and is due to depreciation expense and disposals.

At the beginning of the year, depreciable assets were valued at \$106,598,763. There were additions of \$1,065,519 for the year and deletions of \$91,392, for an ending balance of \$107,572,890. The total of accumulated depreciation is \$55,597,272, leaving the net value to just \$51,975,618. This is an indication that it will be necessary to start budgeting funds for the replacement of aged equipment in the future.

### **GENERAL LONG TERM DEBT**

Article IX, Section 11 of the New Mexico Constitution allows a school district to incur local general obligation debt. The school district can incur such debt for “the purpose of erecting, remodeling, making additions, and furnishing buildings or purchasing or improving school grounds or purchasing computer software or hardware for student use in public classrooms or any combination of these purposes”. The approval of the debt is subject to a referendum of the local registered voters in the school district. The total debt shall not exceed 6% of the total assessed valuation of taxable property within the school district. The voters in the district have been supportive of the school district and have voted and passed numerous referendums the past several years. The Moriarty-Edgewood School District has maintained a level of indebtedness that approaches the maximum level allowed by law for the past several years. As soon as the district has bonding capacity, the board submits a referendum to the voters to approve the new amounts needed. Each time the district asks, the voters to approve the General Obligation Bonds, the proposed bonds are structured in a way to avoid a tax increase to property owners.

The district still has considerable needs to renovate and improve health and safety issues throughout the district, upgrade the facilities at the high school, including the athletic facilities. In addition to funding the projects identified above, the school district will need to have funds available for technology, building maintenance, equipment replacement. The amount of long-term debt at June 30, 2019 was \$29,102,393; it increased by \$7,250,631 from year ended June 30, 2018 of \$21,851,762. The amount due within one year is \$4,237,393 in principal and interest. The district has always been able to make the principal and interest payments on a timely basis. At the end of the year, the Debt Service Fund Balance was \$4,412,378. The district does not anticipate any difficulty in making future payments on a timely basis for the principal and interest.

STATE OF NEW MEXICO  
**MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
JUNE 30, 2019  
(UNAUDITED)

**AGENCY FUNDS**

The school district, as a custodian, maintains and monitors funds on behalf of schools and school activity groups. These Agency Funds are maintained by the school district and are intended to benefit a specific activity or interest and are generally raised by students for student use. While each school site is responsible for the administration of the agency funds, the custody and use of these funds are in accordance with the Public Education Department regulations, and school district policy.

The Agency Funds Statement of Fiduciary Assets and Liabilities for the year ending June 30, 2019 shows the accumulated assets of all agency funds as \$178,117 a decrease of \$10,425 from June 30, 2018.

The district developed and implemented a manual for use by schools and departments for the administration, processing of all receipts and expenditures for activity funds; the manual has added new guidelines and regulations yearly. Every year the Business Office holds an annual refresher training of the manual of procedures.

**FUTURE TRENDS**

In subsequent years, the cost of health and medical insurance benefits provided through the New Mexico Public Schools Insurance Authority is expected to continue documenting double-digit inflation increases. These increases will greatly impact the district's budget.

The New Mexico Public Schools Insurance Authority also provides general liability, property damage, and worker's compensation coverage for all school districts in New Mexico. In the next several years, it is anticipated school districts will experience double-digit inflationary increases for this coverage. The funding formula often does not cover the premium increases for general liability, property damage and worker's compensation premium; however, due to high claims history of some districts, many districts will realize a budgetary shortfall.

Student enrollment is projected to continue to decline for at least another four (4) years unless there are new major economic developments in our area. A state charter school, located within district boundaries, is in the seventh year of operation and is expected to continue to impact enrollment numbers in future years. Since the Public Education Department school funding formula is primarily driven by the number of students in the district it is projected that revenue for the Operational Fund will decrease accordingly. Currently, it appears that the loss of students is due primarily to a decrease in the birth rate, to families moving out of the district to secure employment, as well as to charter schools. There is no evidence to substantiate that the enrollment of home school students and students attending private schools would account for the loss of students. It is interesting to note that although the school district is experiencing a loss of students, the local economy continues to indicate a growth in population, and gross receipt tax collections. Assessed Valuations have been increasing over the past few years.

The district is optimistic that with the court ruling in the favor of districts in the Yazzie/Martinez Sufficiency lawsuit, as well as, the state's current cash balance from the influx of oil and gas revenues that districts may receive some relief in the upcoming budget cycle.

The above factors will present challenges and opportunities for the district to carefully evaluate programs, operations, and staffing patterns in order to identify ways to balance the budget in future years. The district administration uses a representative committee serving in a budgetary/advisory capacity. The board of education will continue to seek staff and community input in order to develop long range plans for coping with upcoming budgetary challenges.

STATE OF NEW MEXICO  
**MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
JUNE 30, 2019  
(UNAUDITED)

**Contacting the Moriarty Edgewood Schools**

This financial report is designed to provide our community, parents, taxpayers, investors and creditors with an overview of the Moriarty-Edgewood School District's financial condition and to provide accountability for the funds the school district receives. If you have questions about this report or about the operations of the Moriarty-Edgewood School District, please contact:

Antoinette Young  
Director of Finance  
Moriarty-Edgewood School District  
P.O. Box 2000  
Moriarty, New Mexico 87035  
e-mail: [antoinette.young@mesd.us](mailto:antoinette.young@mesd.us)

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BASIC FINANCIAL STATEMENTS  
OF  
**MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8**

AS OF AND FOR THE YEAR ENDED  
JUNE 30, 2019

STATE OF NEW MEXICO  
**MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8**

STATEMENT OF NET POSITION  
**June 30, 2019**

	<u>Governmental Activities</u>
<b>Assets</b>	
Current:	
Cash and cash equivalents	\$ 6,500,921
Receivables:	
Delinquent property taxes receivable	1,137,402
Grant	994,941
Other receivables	2,027
Due from other governments	121,347
Fuel inventory	5,971
Food inventory	39,395
Non-current:	
Restricted cash	11,127,918
Non-depreciable assets	3,505,759
Depreciable capital assets, net	<u>51,975,618</u>
<b>Total Assets</b>	<u><u>75,411,299</u></u>
 <b>Deferred Outflows of Resources:</b>	
Contributions to pension subsequent to the measurement date	1,843,908
Difference between expected and actual pension experience	41,393
Net difference between projected and actual investment earnings on pension plan investments	125,554
Net change in pension assumptions	11,688,838
Contributions to OPEB subsequent to the measurement date	<u>265,216</u>
<b>Total Deferred Outflows of Resources</b>	<u><u>\$ 13,964,909</u></u>

( cont'd; 1 of 2 )

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



STATE OF NEW MEXICO  
**MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8**

STATEMENT OF NET POSITION  
**June 30, 2019**

	<u>Governmental Activities</u>
<b>Liabilities</b>	
Current:	
Accounts payable	\$ 1,371,420
Accrued interest	139,345
Compensated absences	177,393
Non-current:	
Long-term liabilities other than pensions:	
Due within one year	4,060,000
Due in more than one year	25,008,555
Aggregate net pension liability	56,715,703
Aggregate OPEB liability	<u>13,573,824</u>
<b>Total Liabilities</b>	<u>101,046,240</u>
 <b>Deferred Inflows of Resources</b>	
Gain on advanced bond refunding	50,972
Difference between expected and actual pension experience	1,079,391
Net change in proportionate share of pension liability	801,285
Difference between expected and actual OPEB experience	803,657
Net difference between projected and actual investment earnings on OPEB plan investments	169,396
Net change in OPEB assumptions	2,534,173
Net change in proportionate share of OPEB liability	<u>256,150</u>
<b>Total Deferred Inflows of Resources</b>	<u>5,695,024</u>
 <b>Net Position</b>	
Net investment in capital assets	26,361,850
Restricted for:	
Inventories	45,366
Special revenue funds	832,189
Capital projects	11,369,371
Debt service	5,114,343
Unrestricted	<u>(61,088,175)</u>
<b>Total Net Position</b>	<u>\$ (17,365,056)</u>

( 2 of 2 )

STATE OF NEW MEXICO  
MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2019

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	
<b>Primary government:</b>						
<b>Governmental activities:</b>						
Instruction	\$ 20,411,068	\$ 36,577	\$ 2,344,452	\$ 145,709	\$ (17,884,330)	
Support Services - Students	2,754,418	253,770	316,378	-	(2,184,270)	
Support Services - Instruction	555,579	-	63,815	-	(491,764)	
Support Services - General Administration	619,594	-	71,168	487	(547,939)	
Support Services - School Administration	1,136,830	-	130,578	-	(1,006,252)	
Central Services	867,937	-	99,693	-	(768,244)	
Operations & Maintenance of Plant	5,040,610	-	578,974	79,449	(4,382,187)	
Student Transportation	1,422,853	-	1,064,701	-	(358,152)	
Food Services	1,228,051	191,032	-	-	(1,037,019)	
Community Services	7,346	-	844	-	(6,502)	
Bond interest paid	403,790	-	-	-	(403,790)	
<b>Total governmental activities</b>	<b><u>\$ 34,448,076</u></b>	<b><u>\$ 481,379</u></b>	<b><u>\$ 4,670,603</u></b>	<b><u>\$ 225,645</u></b>	<b><u>(29,070,449)</u></b>	
General revenues:						
Taxes:						
Property Taxes:						
General purposes						244,474
Capital projects						948,830
Debt service						4,746,050
Grants and contributions not restricted						17,850,852
Miscellaneous income						173,148
Total general revenues						<u>23,963,354</u>
<i>Change in net position</i>						(5,107,095)
<b>Net position - beginning</b>						<u>(12,257,961)</u>
<b>Net position - ending</b>						<b><u>\$ (17,365,056)</u></b>

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

STATE OF NEW MEXICO  
**MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8**

GOVERNMENTAL FUNDS

Balance Sheet

June 30, 2019

	General Fund	Bond Building Fund #31100	Debt Service Fund #41000	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 1,411,837	\$ 65,328	\$ 4,253,035	\$ 770,721	\$ 6,500,921
Receivables:					
Property taxes	45,749	-	904,334	187,319	1,137,402
Grant	-	-	-	994,941	994,941
Other receivables	-	2,027	-	-	2,027
Due from other governments	4,985	-	96,319	20,043	121,347
Due from other funds	996,430	-	-	-	996,430
Fuel inventory	5,971	-	-	-	5,971
Food inventory	-	-	-	39,395	39,395
Restricted:					
Cash and cash equivalents	<u>-</u>	<u>11,127,918</u>	<u>-</u>	<u>-</u>	<u>11,127,918</u>
<b>Total assets</b>	<u>\$ 2,464,972</u>	<u>\$ 11,195,273</u>	<u>\$ 5,253,688</u>	<u>\$ 2,012,419</u>	<u>\$ 20,926,352</u>
 <b>Liabilities, deferred inflows, and fund balance</b>					
Liabilities:					
Accounts payable	\$ 1,337,676	\$ -	\$ -	\$ 33,744	\$ 1,371,420
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>996,430</u>	<u>996,430</u>
Total liabilities	<u>1,337,676</u>	<u>-</u>	<u>-</u>	<u>1,030,174</u>	<u>2,367,850</u>
Deferred inflows of resources:					
Delinquent property taxes	<u>42,456</u>	<u>-</u>	<u>841,310</u>	<u>174,098</u>	<u>1,057,864</u>
Fund balance:					
Non-spendable:					
Inventories	5,971	-	-	39,395	45,366
Restricted for:					
Special revenue funds	-	-	-	832,189	832,189
Capital projects funds	-	11,195,273	-	-	11,195,273
Debt service	-	-	4,412,378	-	4,412,378
Unassigned	<u>1,078,869</u>	<u>-</u>	<u>-</u>	<u>(63,437)</u>	<u>1,015,432</u>
Total fund balance	<u>1,084,840</u>	<u>11,195,273</u>	<u>4,412,378</u>	<u>808,147</u>	<u>17,500,638</u>
<b>Total liabilities, deferred inflows of resources, and fund balance</b>	<u>\$ 2,464,972</u>	<u>\$ 11,195,273</u>	<u>\$ 5,253,688</u>	<u>\$ 2,012,419</u>	<u>\$ 20,926,352</u>

STATE OF NEW MEXICO  
**MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8**

RECONCILIATION OF THE BALANCE SHEET - ALL GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET POSITION  
**June 30, 2019**

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

Fund balances - total governmental funds	\$	17,500,638
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Capital assets		111,078,649
Accumulated depreciation		(55,597,272)
Other assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Property taxes receivable		1,057,864
Deferred outflow of resources are not financial resources, and therefore are not reported in the funds and include:		
Contributions to pension subsequent to the measurement date		1,843,908
Difference between expected and actual pension experience		41,393
Net difference between projected and actual investment earnings on pension plan investments		125,554
Net change in pension assumptions		11,688,838
Contributions to OPEB subsequent to the measurement date		265,216
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds		
Bonds payable		(28,925,000)
Accrued interest payable		(139,345)
Accrued vacation payable		(177,393)
Bond premiums		(143,555)
Net pension liability		(56,715,703)
Net OPEB liability		(13,573,824)
Deferred inflow of resources are not financial resources, and therefore are not reported in the funds and include:		
Gain on advanced bond refunding		(50,972)
Difference between expected and actual pension experience		(1,079,391)
Net change in proportionate share of pension liability		(801,285)
Difference between expected and actual OPEB experience		(803,657)
Net difference between projected and actual investment earnings on OPEB plan investments		(169,396)
Net change in OPEB assumptions		(2,534,173)
Net change in proportionate share of OPEB liability		(256,150)
		<u>(256,150)</u>
Net position of governmental activities	\$	<u>(17,365,056)</u>

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

STATE OF NEW MEXICO  
**MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8**

GOVERNMENTAL FUNDS

Statement of Revenues, Expenditures, and Changes in Fund Balance  
Year Ended June 30, 2019

	General <u>Fund</u>	Bond Building <u>Fund #31100</u>	Debt Service <u>Fund #41000</u>	Other Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
<b>Revenues:</b>					
Taxes:					
Property	\$ 239,022	\$ -	\$ 4,649,336	\$ 939,674	\$ 5,828,032
Intergovernmental - federal grants	118,191	-	-	2,768,245	2,886,436
Intergovernmental - state grants	19,064,471	-	-	675,185	19,739,656
Contributions - private grants	-	-	-	5,000	5,000
Charges for services	36,577	-	-	444,802	481,379
Investment and interest income	-	114,929	1,079	-	116,008
Miscellaneous	<u>173,148</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>173,148</u>
<b>Total revenues</b>	<u>19,631,409</u>	<u>114,929</u>	<u>4,650,415</u>	<u>4,832,906</u>	<u>29,229,659</u>
<b>Expenditures:</b>					
Current:					
Instruction	11,112,280	-	-	1,193,164	12,305,444
Support services:					
Students	1,641,797	-	-	867,810	2,509,607
Instruction	480,569	-	-	-	480,569
General Administration	302,989	-	46,274	215,262	564,525
School Administration	1,019,648	-	-	16,141	1,035,789
Central Services	607,233	-	-	183,562	790,795
Operation & Maintenance of Plant	2,955,423	454,576	-	1,069,605	4,479,604
Student transportation	1,215,591	-	-	80,800	1,296,391
Food services operations	-	-	-	1,118,903	1,118,903
Community services	-	-	-	6,693	6,693
Capital outlay	-	2,469,352	-	212,992	2,682,344
Debt service:					
Principal retirement	-	-	775,000	-	775,000
Bond interest paid	-	-	438,426	-	438,426
Bond issuance costs	<u>-</u>	<u>113,000</u>	<u>-</u>	<u>-</u>	<u>113,000</u>
<b>Total expenditures</b>	<u>19,335,530</u>	<u>3,036,928</u>	<u>1,259,700</u>	<u>4,964,932</u>	<u>28,597,090</u>
<i>Excess (deficiency) of revenues over expenditures</i>	295,879	(2,921,999)	3,390,715	(132,026)	632,569
<b>Other financing sources:</b>					
Sale of bonds	<u>-</u>	<u>8,000,000</u>	<u>-</u>	<u>-</u>	<u>8,000,000</u>
<i>Net change in fund balance</i>	295,879	5,078,001	3,390,715	(132,026)	8,632,569
<b>Fund balance at beginning of the year</b>	<u>788,961</u>	<u>6,117,272</u>	<u>1,021,663</u>	<u>940,173</u>	<u>8,868,069</u>
<b>Fund balance at end of the year</b>	<u>\$ 1,084,840</u>	<u>\$ 11,195,273</u>	<u>\$ 4,412,378</u>	<u>\$ 808,147</u>	<u>\$ 17,500,638</u>

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

STATE OF NEW MEXICO  
**MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES ALL GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
**Year Ended June 30, 2019**

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

Net change in fund balance - total governmental funds	\$	8,632,569
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year</p>		
Capital outlay		2,682,344
Depreciation		(3,025,831)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Deferred property taxes at:		
June 30, 2018		(946,542)
June 30, 2019		1,057,864
<p>The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. These differences in the treatment of long-term debt and related items consist of:</p>		
Current year principal payments		775,000
Bonds sold		(8,000,000)
Deferred gain on bond refunding amortization		25,487
Bond premium amortization		21,027
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Compensated absences at:		
June 30, 2018		151,762
June 30, 2019		(177,393)
Accrued interest at:		
June 30, 2018		127,467
June 30, 2019		(139,345)
Deferred contributions to pension plan		1,843,908
Deferred contributions to OPEB plan		265,216
Pension expense		(8,473,553)
OPEB expense		<u>72,925</u>
Change in net position of governmental activities	\$	<u>(5,107,095)</u>

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

STATE OF NEW MEXICO  
**MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8**

GENERAL FUND  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)**  
**Year Ended June 30, 2019**

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
				Positive
				(Negative)
<b>Revenues:</b>				
Taxes:				
Property	\$ 238,609	\$ 238,609	\$ 237,621	\$ (988)
Intergovernmental - federal grants	92,998	92,998	118,191	25,193
Intergovernmental - state grants	18,915,216	19,056,747	19,064,471	7,724
Charges for services	48,200	48,200	36,577	(11,623)
Miscellaneous	<u>175,000</u>	<u>181,816</u>	<u>173,148</u>	<u>(8,668)</u>
<b>Total revenues</b>	<u>19,470,023</u>	<u>19,618,370</u>	<u>19,630,008</u>	<u>11,638</u>
<b>Expenditures:</b>				
Current:				
Instruction	11,910,651	11,924,135	11,102,024	822,111
Support services:				
Students	1,743,962	1,794,111	1,641,797	152,314
Instruction	487,695	493,623	480,569	13,054
General Administration	321,777	326,761	296,648	30,113
School Administration	1,064,529	1,072,058	1,019,123	52,935
Central Services	614,600	625,695	606,556	19,139
Operation & Maintenance of Plant	2,749,599	3,076,418	2,947,960	128,458
Student transportation	1,095,519	1,145,034	1,214,353	(69,319)
Other Support services	<u>33,301</u>	<u>33,301</u>	<u>-</u>	<u>33,301</u>
<b>Total expenditures</b>	<u>20,021,633</u>	<u>20,491,136</u>	<u>19,309,030</u>	<u>1,182,106</u>
<i>Excess (deficiency) of revenues</i>				
<i>over expenditures</i>	(551,610)	(872,766)	320,978	1,193,744
<i>Beginning cash balance budgeted</i>	551,610	872,766	-	(872,766)
<b>Fund balance at beginning of the year</b>	<u>-</u>	<u>-</u>	<u>788,961</u>	<u>788,961</u>
<b>Fund balance at end of the year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>1,109,939</u>	<u>\$ 1,109,939</u>
<b>RECONCILIATION TO GAAP BASIS:</b>				
Change in inventory			407	
Change in property tax receivable			6,093	
Change in due from other governments			761	
Change in payables			(26,908)	
Change in deferred property taxes			<u>(5,452)</u>	
<b>Fund balance at end of the year (GAAP basis)</b>			<u>\$ 1,084,840</u>	

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

STATE OF NEW MEXICO  
MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8

AGENCY FUNDS  
Statement of Fiduciary Assets and Liabilities  
June 30, 2019

ASSETS

Pooled cash and investments	\$ <u>178,117</u>
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LIABILITIES

Deposits held for others	\$ <u>178,117</u>
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The notes to the financial statements are an integral part of this statement.





<b>NOTE</b>	<b>PAGE</b>
I. SUMMARY OF ALL SIGNIFICANT ACCOUNTING POLICIES	
A. Reporting Entity	26
1. Blended Component Units	
2. Discretely Presented Component Units	
B. Implementation of New Accounting Principles	27
C. Government-Wide and Fund Financial Statements	30
D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation	30
1. Major Funds	31
E. Assets, Liabilities, and Net Position or Equity	32
II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY	
A. Budgetary Information	37
B. Budgetary Violations	38
C. Deficit Fund Equity	38
III. DETAILED NOTES ON ALL FUNDS	
A. Cash and Temporary Investments	38
B. Receivables	39
C. Inter-Fund Receivables and Payables	40
D. Capital Assets	41
E. Long-Term Debt	42
IV. OTHER INFORMATION	43



**I. SUMMARY OF ALL SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

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

The Board of Education is authorized to establish policies and regulations for its own government consistent with the laws of the State of New Mexico and the regulations of the Legislative Finance Committee. The Board of Education is comprised of five members who are elected for terms of four years. The District operates six schools and an early childhood development within its boundaries and, in conjunction with the regular educational programs, some of these schools offer special education. In addition, the District provides transportation and school food services for the students.

The District’s student enrollments were as follows:

FISCAL YEAR	40 DAY COUNT	80 DAY COUNT	120 DAY COUNT
2019	2,373	2,388	2,352
2018	2,408	2,441	2,445

The District’s financial statements include all entities over which the Board of Education exercises oversight responsibility. Oversight responsibility includes such aspects as appointment of governing body members, designation of management, the ability to significantly influence operations, and accountability for fiscal matters. Based upon the application of these criteria, no component units or fiduciary units were included in the financial statements.

Generally Accepted Accounting Principles (GAAP) requires that financial statements present the District (primary government) and its component units. The District has no component units that are required to be presented in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units, an amendment of GASB Statement No. 14*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*.

1. Blended Component Units

The District does not have any component units reported as blended component units.

2. Discretely Presented Component Units

The District does not have any component units reported as discretely presented component units.

The summary of significant accounting policies of the District is presented to assist in the understanding of the District’s financial statements. The financial statements and notes are the representation of Moriarty-Edgewood School District’ management who is responsible for their integrity and objectivity. The financial statements of the District conform to GAAP as applied to governmental units. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government’s accounting policies are described below.



## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### B. Implementation of New Accounting Principles

During fiscal year 2019, the District adopted the following Governmental Accounting Standards Board (GASB) Statements:

➤ **GASB Statement No. 83, *Certain Asset Retirement Obligations***

This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

This Statement requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred. The best estimate should include probability weighting of all potential outcomes, when such information is available or can be obtained at reasonable cost. If probability weighting is not feasible at reasonable cost, the most likely amount should be used. This Statement requires that a deferred outflow of resources associated with an ARO be measured at the amount of the corresponding liability upon initial measurement.

This Statement requires the current value of a government's AROs to be adjusted for the effects of general inflation or deflation at least annually. In addition, it requires a government to evaluate all relevant factors at least annually to determine whether the effects of one or more of the factors are expected to significantly change the estimated asset retirement outlays. A government should remeasure an ARO only when the result of the evaluation indicates there is a significant change in the estimated outlays. The deferred outflows of resources should be reduced and recognized as outflows of resources (for example, as an expense) in a systematic and rational manner over the estimated useful life of the tangible capital asset.

A government may have a minority share (less than 50 percent) of ownership interest in a jointly owned tangible capital asset in which a nongovernmental entity is the majority owner and reports its ARO in accordance with the guidance of another recognized accounting standards setter. Additionally, a government may have a minority share of ownership interest in a jointly owned tangible capital asset in which no joint owner has a majority ownership, and a nongovernmental joint owner that has operational responsibility for the jointly owned tangible capital asset reports the associated ARO in accordance with the guidance of another recognized accounting standards setter. In both situations, the government's minority share of an ARO should be reported using the measurement produced by the nongovernmental majority owner or the nongovernmental minority owner that has operational responsibility, without adjustment to conform to the liability measurement and recognition requirements of this Statement.

In some cases, governments are legally required to provide funding or other financial assurance for their performance of asset retirement activities. This Statement requires disclosure of how those funding and assurance requirements are being met by a government, as well as the amount of any assets restricted for payment of the government's AROs, if not separately displayed in the financial statements. This Statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. If an ARO (or portions thereof) has been incurred by a government but is not yet recognized because it is not reasonably estimable, the government is required to disclose that fact and the reasons therefor. This Statement requires similar disclosures for a government's minority shares of AROs.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018 (FYE June 30, 2019). Earlier application is encouraged.



## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### B. Implementation of New Accounting Principles (cont'd)

➤ **GASB Statement No. 88**, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*

The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

Requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018 (FYE June 30, 2019). Earlier application is encouraged.

Other accounting standards that the District is currently reviewing for applicability and potential impact on the financial statements include:

➤ **GASB Statement No. 84**, *Fiduciary Activities*

This Statement supersedes NCGA Statement 1, Governmental Accounting and Financial Reporting Principles, footnote 24; Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans, paragraph 4; Statement No. 34, Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments, paragraphs 70–73, 110, and 111; Implementation Guide No. 2015-1, Questions 4.14.1, 4.14.2, 6.43.2, 7.7.2, and 7.52.4; and Implementation Guide No. 2016-1, Implementation Guidance Update—2016, Question 4.26. It also amends NCGA Statement 1, paragraphs 32, 139, 143, and 147; NCGA Statement 5, Accounting and Financial Reporting Principles for Lease Agreements of State and Local Governments, paragraphs 5 and 6; Statement No. 6, Accounting and Financial Reporting for Special Assessments, paragraph 19; Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, footnote 12; Statement No. 14, The Financial Reporting Entity, paragraphs 19 and 27; Statement No. 24, Accounting and Financial Reporting for Certain Grants and Other Financial Assistance, paragraph 5; Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, paragraphs 18 and 22; Statement 34, paragraphs 6, 12, 13, 63, 65, 67, 69, 106–109, 115, 123, 125, 135, 138, 141, and 147, and footnotes 48, 49, and 51; Statement No. 37, Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments: Omnibus, paragraph 3; Statement No. 38, Certain Financial Statement Note Disclosures, paragraphs 6, 14, and 15; Statement No. 40, Deposit and Investment Risk Disclosures, paragraph 5; Statement No. 44, Economic Condition Reporting: The Statistical Section, paragraph 10; Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, paragraphs 30, 33, and 35; Statement No. 61, The Financial Reporting Entity: Omnibus, paragraph 9; Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, paragraph 34; Statement No. 67, Financial Reporting for Pension Plans, paragraph 11; Statement No. 72, Fair Value Measurement and Application, paragraph 80; Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, paragraph 116; Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, paragraphs 18 and 59; NCGA Interpretation 6, Notes to the Financial Statements Disclosure, paragraph 5; Technical Bulletin No. 2006-1, Accounting and Financial Reporting by Employers and OPEB Plans for Payments from the Federal Government Pursuant to the Retiree Drug Subsidy Provisions of Medicare Part D, paragraph 8; Implementation Guide 2015-1, Questions 1.4.2, 1.4.8, 2.7.1, 2.7.2, 3.49.1, 3.55.2, 3.58.1, 4.6.2, 4.27.1, 4.28.1, 4.28.11, 4.30.3, 4.62.2, 5.64.3, 5.64.4, 5.113.1, 6.29.3, 6.34.3, 6.34.4, 6.43.5, 6.45.1, 6.45.3, 7.3.5, 7.4.1, 7.51.6, 7.52.2, 7.52.3, 7.52.5–7.52.8, 7.55.5, 7.72.10, 7.77.4, 7.81.1, 7.81.2, 7.84.1, 7.97.1, 7.97.2, 7.97.4, 8.1.2, 8.1.3, and 8.15.4; Implementation Guide 2016-1, Questions 4.2, 4.13, 4.27, 4.61–4.63, 5.7, 5.8, 5.16, and 5.24; and 2002 AICPA State and Local Government Auditing and Accounting Guide, paragraph 5.28.



## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### B. Implementation of New Accounting Principles (cont'd)

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. A fiduciary component unit, when reported in the fiduciary fund financial statements of a primary government, should combine its information with its component units that are fiduciary component units and aggregate that combined information with the primary government's fiduciary funds. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018 (FYE June 30, 2020). Earlier application is encouraged. Changes adopted to conform to the provisions of this Statement should be applied retroactively by restating financial statements, if practicable, for all prior periods presented. If restatement for prior periods is not practicable, the cumulative effect, if any, of applying this Statement should be reported as a restatement of beginning net position (or fund balance or fund net position, as applicable) for the earliest period restated. In the first period that this Statement is applied, the notes to the financial statements should disclose the nature of the restatement and its effect. Also, the reason for not restating prior periods presented should be disclosed.

#### ➤ **GASB Statement No. 87, *Leases***

The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

**Definition of a Lease** - A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Any contract that meets this definition should be accounted for under the leases guidance, unless specifically excluded in this Statement.

The provisions of this Statement are effective for reporting periods beginning after December 15, 2019 (FYE June 30, 2021).

#### ➤ **GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period***

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. The requirements of this Statement apply to the financial statements of all state and local governments. In financial statements prepared using the economic resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expense in the period in which the cost is incurred. Such interest cost should not be capitalized as part of the historical cost of a capital asset. In financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019 (FYE June 30, 2021). Earlier application is encouraged.



## **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

### **B. Implementation of New Accounting Principles (cont'd)**

- **GASB Statement No. 90**, *Majority Equity Interests an amendment of GASB Statements No. 14 and No. 61*

The primary objectives of this Statement are to improve consistency in the measurement and comparability of the financial statement presentation of majority equity interests in legally separate organizations and to improve the relevance of financial statement information for certain component units.

This Statement modifies previous guidance for reporting a government's majority equity interest in a legally separate organization. This Statement also provides guidance for reporting a component unit if a government acquires a 100 percent equity interest in that component unit. The requirements of this Statement apply to the financial statements of all state and local governments.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018 (FYE June 30, 2020). Earlier application is encouraged.

- **GASB Statement No. 91**, *Conduit Debt Obligations*

This Statement provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2020 (FYE June 30, 2022). Earlier application is encouraged.

### **C. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the school district. For the most part, the effect of inter-fund activity has been removed from these statements.

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

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

### **D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues.

The District reports all direct expenses by function in the statement of activities. Direct expenses are those that are clearly identifiable with a function. The District does not currently employ indirect cost allocation systems. Depreciation expense is specifically identified by function and is included in the direct expense of each function, except for that portion of depreciation that is identified as unallocated on the statement of activities.



**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (cont'd)**

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

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

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

**General Fund** – The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

**Capital Projects Funds** are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

**Debt Service Funds** are used to account for the payment of principal and interest on long-term debt. Debt service revenues are from taxes and other operating revenues, some of which are pledged specifically to repay certain outstanding bond issues.

GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis* requires the District to present certain governmental funds as major funds. In addition to the General Fund, the District reports the following major governmental funds:

➤ **CAPITAL PROJECTS FUNDS**

**Bond Building** (Fund No. 31100) Minimum Balance: None  
 This fund provides financing for the construction of buildings, the purchase of equipment, and the acquisition and improvement of land. Funding is provided by the sale of general obligation bonds, which have been approved by the voters of the district.

➤ **DEBT SERVICE FUNDS**

**Debt Service Fund** (Fund No. 41000) Minimum Balance: None  
 The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Additionally, the government reports the following fund type:

**Fiduciary Funds** are agency funds used to account for financial resources used by the student activity groups for which the District has stewardship.



## **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

### **E. Assets, Liabilities, and Net Position or Equity**

#### *1. Deposits and investments*

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

State statutes authorize the investment of the District's funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, and money market accounts. The District is also allowed to invest in United States Government obligations. All funds for the District must follow the above investment policies.

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

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

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

#### *2. Receivables and payables*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due from/to other funds" (i.e., the current portion of inter-fund loans) or "advances to/from other funds" (i.e., the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as "due from/to other funds."

The District's property taxes are levied each year on the assessed valuation of property located in the District as of the preceding January 1st. Mill levy rates are set by the State of New Mexico each year for the General Fund, Capital Improvements SB – 9 Fund, and Debt Service Fund. Taxes are payable in two equal installments on November 10th and April 10th following the levy and become delinquent after 30 days.

Under GASB Statement 33, property taxes are impressed non-exchange revenue. Assets from impressed non-exchange transactions are reported when the District has an enforceable legal claim to the asset. The enforceable legal claim date for property taxes is the assessment date. Taxes are payable in two equal installments on November 10 and April 10th following the levy and become delinquent after 30 days. Therefore, the District has recorded a delinquent tax receivable and revenue for taxes received within the sixty days following year-end. A receivable and deferred revenue have been recorded for uncollected delinquent taxes. On the government-wide financial statements, the district has recorded delinquent property taxes receivable and revenue for taxes assessed as of year-end that have not be collected, as prescribed in GASB 34. An allowance for refunds and uncollectible amounts has not been recorded.

#### *3. Inventories*

The District's method of accounting for inventory is the consumption method. Under the consumption approach, governments report inventories they purchase as an asset and defer the recognition of the expenditures until the period in which the inventories are actually consumed. Inventory is valued at cost. In the General Fund, inventory consists of expendable fuel reserves held for consumption. Inventory in the Food Service Fund consists of U.S.D.A. commodities and other purchased food and non-food supplies. The cost of purchased inventory is recorded as an expenditure at the time individual inventory items are consumed. Commodities consumed during the year are reported as revenues and expenditures; unused commodities are reported as inventories.





**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**E. Assets, Liabilities, and Net Position or Equity (cont'd)**

4. *Capital assets*

Capital assets, which include property, plant, and equipment (software), are reported in the applicable governmental-wide financial statements. Beginning July 1, 2005, the threshold for defining Capital assets by the government was raised from \$1,000 to assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Software costs have been included with the cost of computer equipment and are capitalized with that equipment. The District does not develop software for internal use or any other use.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest on construction projects has not been capitalized.

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

<b>ESTIMATED USEFUL LIVES</b>	
<b>ASSETS</b>	<b>YEARS</b>
Buildings	40-50
Building improvements	20
Land Improvements	10-20
Vehicles	5-7
Office equipment	5
Computer equipment	3-5

5. *Compensated absences*

It is the District's policy to permit employees to accumulate 36 days of earned but unused vacation, which will be paid to employees upon retirement from the District's service. The amount for liability has been reported in the government-wide financial statements.

Accumulated sick leave is not payable upon termination and is recorded as expenditures when it is paid.

6. *Long-term obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, statement of Net Position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discounts.

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 debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as capital projects expenditures.

7. *Pensions*

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Education Retirement Board (ERB) and additions to/deductions from ERB's fiduciary net position have been determined on the same basis as they are reported by ERB. 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.



**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**E. Assets, Liabilities, and Net Position or Equity (cont'd)**

8. *Other Post Employment Benefits*

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the Retiree Health Care Authority (RHCA) and additions to/deductions from RHCA's fiduciary net position have been determined on the same basis as they are reported by RHCA. 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.

9. *Deferred Outflows/Inflows of Resources*

Both deferred inflows and outflows are reported in the Statement of Net Position, but are not recognized in the financial statements as revenues, expenses, and reduction of liabilities or increase in assets until the period(s) to which they relate.

In addition to assets, the District reports a separate section for deferred outflows of resources. This separate financial statement element represents a use of net position/fund balance that applies to future periods and will not be recognized as an expenditure until that time.

The District also reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position/fund balance that applies to future periods and so will not be recognized as a revenue until that time. Revenue must be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period) to be recognized. If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding liability for deferred inflows of resources.

The District reports deferred outflows of resources for pension-related amounts for the District's share of the difference between projected and actual earnings, for the District's share of the difference between contributions to the individual plans and the proportionate share of the contributions, and for changes of assumptions or other inputs.

The District reports deferred inflows of resources for pension-related amounts in the government wide financial statements or the District's share of the difference between expected and actual experience and for the District's share of the difference between contributions to the individual plans and the proportionate share of the contributions.

Under the modified accrual basis of accounting, revenue and other fund financial resources are recognized in the period in which they become both measurable and available. Assets recorded in the fund financial statements for which the revenues are not available are reported as a deferred inflow of resources. Deferred inflows of resources are also comprised of property tax and long-term receivables that are unavailable in the fund statements.

10. *Fund balance*

a. *Non-Spendable*

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

b. *Restricted*

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

c. *Committed*

Amounts that can only be used for specific purposes pursuant to constraints imposed by the formal action of the District's Board of Education should be reported as committed fund balance. The committed amounts cannot be used for any other purpose unless the District's Board of Education removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. The District did not have committed fund balances for the year ended June 30, 2019.



**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**E. Assets, Liabilities, and Net Position or Equity (cont'd)**

d. Assigned

Assigned fund balance includes (a) all remaining amounts, except for negative balances, that are reported in governmental funds, other than the general fund, that are not classified as non-spendable and are neither restricted nor committed and amounts in the general fund that are constrained by the District's intent to be used for specific purposes but are neither restricted nor committed. Intent, and removal of, is expressed by the Board of Education or the Finance Committee. The District did not have assigned fund balances for the year ended June 30, 2019.

e. Unassigned

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

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

11. *Net Position*

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

a. Net investment in capital assets

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

b. Restricted Net Position

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

c. Unrestricted Net Position

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

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

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

12. *Indirect Costs*

The District's General Fund receives indirect cost reimbursements from the various federal programs it administers. These reimbursements are for expenses incurred in performing administrative functions on behalf of the Special Revenue Funds. They are shown as expenditures in the Special Revenue Funds, and as other special federal revenue in the General Fund.



I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

E. Assets, Liabilities, and Net Position or Equity (cont'd)

13. *Estimates*

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

14. *Inter-fund Transactions*

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund from expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. All other inter-fund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other inter-fund transfers are reported as operating transfers.

15. *Revenues*

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

A school district's program costs are determined through the use of various formulas using 'program units' which take into consideration 1) early childhood education; 2) basic education; 3) special education; 4) bilingual-multicultural education, 5) size, etc. Payment is made from the public school fund under the authority of the Director of Public School Finance. The District received \$17,845,852 in state equalization guarantee distributions during the year ended June 30, 2019.

**Transportation Distribution:** School districts in the State of New Mexico received student transportation distributions. The transportation distribution is allocated to each school district in accordance with formulas developed by the State Transportation Director and the Director of Public School Finance. The funds shall be used only for the purpose of making payments to each school district for the to-and-from school transportation costs of students in grades K through twelve attending public school within the school district. The District received \$1,064,701 in transportation distributions during the year ended June 30, 2019.

**Instructional Materials:** The New Mexico Public Education Department (PED) receives federal mineral leasing funds from which it makes annual allocations to the various school districts for the purchase of educational materials. Of each allocation, fifty percent is restricted to the purchase of material listed on the PED 'Multiple List', while fifty percent of each allocation is available for purchases directly from vendors or transfer to the fifty percent account for purchase of material from the "Multiple List". Districts are allowed to carry forward unused textbook funds from year to year. The District received \$80,980 in instructional materials distributions during the year ended June 30, 2019.

16. *Tax Abatements*

Governmental Accounting Standards Board Statement No. 77 requires the District to disclose information on certain tax abatement agreements effecting the District. A tax abatement is created when a government enters into an agreement with an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. Accordingly, the District did not have any tax abatements effecting the District during the year ended June 30, 2019.



**II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budgetary Information**

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

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

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

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

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

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

The Board of Education may approve amendments to the appropriated budget, which are required when a change is made affecting budgeted ending fund balance. The appropriated budget for the year ended June 30, 2019 was properly amended by the Board through the year. New Mexico state law prohibits a Governmental Agency to exceed an individual line item. These amendments resulted in the following changes:

	ORIGINAL	FINAL
<b>Major Funds:</b>		
General Funds	\$ 20,021,633	\$ 20,491,136
Capital Projects Funds:		
Bond Building	779,501	13,742,001
Debt Service Funds:		
Debt Service	4,555,459	4,555,459
<b>Nonmajor Funds:</b>		
Special Revenue Funds	3,235,801	5,094,009
Capital Projects Funds	-	1,383,429
<b>Total Budget</b>	<b>\$ 28,592,394</b>	<b>\$ 45,266,034</b>



**II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (cont'd)**

**B. Budgetary Violations**

The District exceeded its legal budget in individual funds during the year ended June 30, 2019 as follows:

Debt Service	General Administration	\$ 2,446
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The District is aware of legal binding of budgets and has implemented a system of checks that will help prevent any further violations of budgetary control.

**C. Deficit Fund Equity**

The District had one fund, Transportation Fund, that had a deficit fund balance of \$2,522 as of June 30, 2019. This deficit will be funded by future grants or by the Operational Fund.

**III. DETAILED NOTES ON ALL FUNDS**

**A. Cash and Temporary Investments**

At June 30, 2019, the carrying amount of the District's deposits was \$17,806,956 and the bank balance was \$17,959,228 with the difference consisting of outstanding checks.

	<u>BALANCE</u>
<b>Financial institution:</b>	
Wells Fargo Bank	\$ 2,578,275
US Bank	4,253,035
<b>State agencies:</b>	
New Mexico Finance Authority	11,127,918
<b>Less:</b>	
Agency cash	(178,117)
Net reconciling items	(1,401,312)
Restricted Cash	(11,127,918)
<b>Add:</b>	
Written checks held at yearend	<u>1,249,040</u>
<b>Total cash and equivalents</b>	<u><u>\$ 6,500,921</u></u>

Of the total cash and cash equivalents balance, \$250,000 was covered by federal depository insurance and \$17,103,941 was covered by collateral held in joint safekeeping by a third party.



**III. DETAILED NOTES ON ALL FUNDS (cont'd)**

**A. Cash and Temporary Investments (cont'd)**

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. New Mexico State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the District for at least one half of the amount on deposit with the institution. The District does not have a deposit policy for custodial credit risk, other than the following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). The statement listed below will meet the State of New Mexico Office of the State Auditor's requirement in reporting the uninsured portion of the deposits. As of June 30, 2019, none of the District's bank deposits were exposed to custodial risk as follows:

	INSURED	UNDER INSURED	TOTAL
<b>Bank deposits:</b>			
Uninsured and uncollateralized	\$ -	\$ -	\$ -
Uninsured and collateral held by pledging bank's trust dept not in the District's name	17,459,228	-	17,459,228
Total uninsured	17,459,228	-	17,459,228
Insured (FDIC)	500,000	-	500,000
Total deposits	<u>\$ 17,959,228</u>	<u>\$ -</u>	<u>\$ 17,959,228</u>
<b>State of New Mexico collateral requirement:</b>			
50% of uninsured public fund bank deposits	\$ 8,729,615	\$ -	\$ 8,729,615
Pledged security	18,100,906	-	18,100,906
Over collateralization	<u>\$ 9,371,291</u>	<u>\$ -</u>	<u>\$ 9,371,291</u>

The collateral pledged is listed on Schedule of Pledged Collateral in the Other Supplemental Information section of this report. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico. According to the Federal Deposit Insurance Authority, public unit deposits are funds owned by the schools. Time deposits, savings deposits and interest bearing "Now" accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution.

**B. Receivables**

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

	RECEIVABLES			DUE FROM OTHER	
	Property Taxes	Grants	Other	Governments	Funds
<b>Major Funds:</b>					
General Funds	\$ 45,749	\$ -	\$ -	\$ 4,985	\$ 996,430
Bond Building	-	-	2,027	-	-
Debt Service	904,334	-	-	96,319	-
<b>Other Governmental Funds</b>	187,319	994,941	-	20,043	-
<b>Total</b>	<u>\$ 1,137,402</u>	<u>\$ 994,941</u>	<u>\$ 2,027</u>	<u>\$ 121,347</u>	<u>\$ 996,430</u>

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



**III. DETAILED NOTES ON ALL FUNDS (cont'd)**

**B. Receivables (cont'd)**

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

	UNAVAILABLE	UNEARNED
<b>Delinquent property taxes</b>		
General Fund	\$ 42,456	\$ -
Bond Building	-	-
Debt Service	841,310	-
Other Governmental Funds	174,098	-
<b>Total</b>	<b>\$ 1,057,864</b>	<b>\$ -</b>

**C. Inter-Fund Receivables and Payables**

The inter-fund receivables and payables at June 30, 2019 were:

	RECEIVABLES	PAYABLES
<b>Major Funds:</b>		
General Funds	\$ 996,430	\$ -
<b>Other Governmental Funds</b>		
Title I	-	216,367
Entitlement IDEA-B	-	245,393
Preschool IDEA-B	-	8,885
IDEA-B CEIS	-	65,040
Education of Homeless	-	9,389
Fresh Fruits and Vegetables	-	3,490
IDEA-B Student Success	-	20,028
Title III English Language	-	6,468
Title II Teacher Quality	-	40,349
Carl D Perkins - JAG	-	9,620
Academic Achievement Title IV	-	8,894
Dual Credit Instructional Materials	-	3,883
Reads to Lead	-	51,277
Pre-K Initiative	-	119,430
State SB-9 Match	-	109,637
Capital Improvements SB-9	-	78,280
<b>Total</b>	<b>\$ 996,430</b>	<b>\$ 996,430</b>

The inter-fund loans were made for the purposes of cash shortfalls within the individual funds. The loans are expected to be repaid within the next fiscal year.





**III. DETAILED NOTES ON ALL FUNDS (cont'd)**

**D. Capital Assets**

Capital asset activity for the year ended June 30, 2019 was as follows:

	BEGINNING	INCREASES	DECREASES	ENDING
<b>Governmental activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land	\$ 1,464,406	\$ -	\$ -	\$ 1,464,406
Water rights	424,528	-	-	424,528
Construction in progress	-	1,616,825	-	1,616,825
Total capital assets not being depreciated	<u>1,888,934</u>	<u>1,616,825</u>	<u>-</u>	<u>3,505,759</u>
<u>Capital assets being depreciated:</u>				
Land improvements	2,237,622	24,141	-	2,261,763
Buildings and improvements	96,898,127	808,867	(91,392)	97,615,602
Furniture, fixtures, and equipment	7,463,014	232,511	-	7,695,525
Total capital assets being depreciated	<u>106,598,763</u>	<u>1,065,519</u>	<u>(91,392)</u>	<u>107,572,890</u>
Less accumulated depreciation for:				
Land improvements	(1,059,461)	(112,217)	-	(1,171,678)
Buildings and improvements	(45,971,673)	(2,711,786)	91,392	(48,592,067)
Furniture, fixtures, and equipment	(5,631,699)	(201,828)	-	(5,833,527)
Total accumulated depreciation	<u>(52,662,833)</u>	<u>(3,025,831)</u>	<u>91,392</u>	<u>(55,597,272)</u>
Total capital assets being depreciated, net	<u>53,935,930</u>	<u>(1,960,312)</u>	<u>-</u>	<u>51,975,618</u>
<b>Total capital assets, net</b>	<u>\$ 55,824,864</u>	<u>\$ (343,487)</u>	<u>\$ -</u>	<u>\$ 55,481,377</u>

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

	BALANCE
Instruction	\$ 1,814,120
Support Services - Students	244,811
Support Services - Instruction	49,379
Support Services - General Administration	55,069
Support Services - School Administration	101,041
Central Services	77,142
Operations & Maintenance of Plant	448,006
Student Transportation	126,462
Food Services	109,148
Community Services	653
Total Depreciation Expense	<u>\$ 3,025,831</u>

The Schedule of Capital Assets Used by Source, and the Schedule of Changes in Capital Assets by Function and Activity have not been prepared because the detailed information is unavailable.

Construction commitments

The District is involved in long-term construction projects as part of their master plan for upgrading the district buildings. The amount in the capital projects funds designated for subsequent years expenditures are committed for funding these projects. Interest on construction projects is not capitalized.



**III. DETAILED NOTES ON ALL FUNDS (cont'd)**

**E. Long-Term Debt**

General Obligation Bonds – The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. Bonds are direct obligations and pledge the full faith and credit of the District. The bonds will be paid from taxes levied against property owners living within the District’s boundaries. The details of the bonds and notes as of June 30, 2019 are as follows:

BOND ISSUES	ORIGINAL AMOUNT	INTEREST RATES	BALANCE	CURRENT PORTION
Series 05/15/13	\$ 5,000,000	1.00% to 2.00%	\$ 2,600,000	\$ 400,000
Series 12/11/14	2,000,000	2.50% to 3.00%	2,000,000	315,000
Series 05/26/15	4,000,000	1.50% to 2.00%	3,795,000	675,000
Series 03/15/16	4,000,000	1.81% to 1.81%	3,800,000	1,250,000
Series 01/25/17	4,000,000	2.47% to 2.47%	3,730,000	365,000
Series 06/01/18	5,000,000	1.77% to 2.58%	5,000,000	1,055,000
Series 06/07/19	8,000,000	1.49% to 1.90%	8,000,000	-
Total	<u>\$ 32,000,000</u>		<u>\$ 28,925,000</u>	<u>\$ 4,060,000</u>

Balances shown for bonds and notes do not include unamortized premiums or deferred amounts on refinancing.

	BALANCE
Bonds payable	\$ 28,925,000
Less: current maturities	(4,060,000)
Unamortized:	
Bond premiums	143,555
Total non-current liabilities	<u>\$ 25,008,555</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

YEAR ENDING	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS
JUNE 30,			
2020	\$ 4,060,000	\$ 580,454	\$ 4,640,454
2021	3,955,000	474,560	4,429,560
2022	3,165,000	404,990	3,569,990
2023	3,080,000	341,037	3,421,037
2024	2,995,000	278,037	3,273,037
2025 - 2029	10,450,000	617,277	11,067,277
2030	1,220,000	11,590	1,231,590
Total	<u>\$ 28,925,000</u>	<u>\$ 2,707,944</u>	<u>\$ 31,632,944</u>



**III. DETAILED NOTES ON ALL FUNDS (cont'd)**

**F. Long-Term Debt (cont'd)**

Changes in long term debt – During the year ended June 30, 2019 the following changes occurred in liabilities reported in the general obligation bonds account group:

BOND ISSUES	ORIGINAL AMOUNT	ADDITIONS	RETIREMENTS	ENDING BALANCE	DUE WITHIN ONE YEAR
<b>Compensated absences:</b>					
Compensated vacation	\$ 151,762	\$ 132,627	\$ 106,996	\$ 177,393	\$ 177,393
<b>Bonds payable</b>					
<u>Original Amount</u>	<u>Issue</u>				
\$ 5,000,000	05/15/13	3,000,000	-	400,000	2,600,000
2,000,000	12/11/14	2,000,000	-	-	2,000,000
4,000,000	05/26/15	3,800,000	-	5,000	3,795,000
4,000,000	03/15/16	3,900,000	-	100,000	3,800,000
4,000,000	01/25/17	4,000,000	-	270,000	3,730,000
5,000,000	06/01/18	5,000,000	-	-	5,000,000
8,000,000	06/07/19	-	8,000,000	-	8,000,000
<b>Total Bonds payable</b>		<u>21,700,000</u>	<u>775,000</u>	<u>28,925,000</u>	<u>4,060,000</u>
		<u>\$ 21,851,762</u>	<u>\$ 8,132,627</u>	<u>\$ 29,102,393</u>	<u>\$ 4,237,393</u>

The liability of compensated absences is liquidated with resources from the general fund and several special revenue funds.

New Debt

The District issued Series 2019 General Obligation Bonds in the amount of \$8,000,000 at par on June 7, 2019. The District will make the first interest payment on September 1, 2020 and will make the first principal payment on March 1, 2020. The bond series will mature on September 1, 2029 with interest rate of 1.49% to 1.90%. The District was at 86% bonding capacity after the issuance of GO Series 2019.

**IV. OTHER INFORMATION**

**A. Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injury to employees; and natural disasters. The New Mexico Public Schools Insurance Authority (NMSIA) was formed on April 5, 1985 under the New Mexico Public Schools Insurance Authority Act, Chapter 22, Section 2 of the New Mexico Statutes Annotated (NMSA 1978), as amended, as an insurance fund to provide health, disability and life insurance coverage (benefits coverage), and property, casualty and workers' compensation insurance coverage (risk coverage) to participating public schools, school board members, public school employees, and retirees within the State of New Mexico. The District is one of 91 members that participate in NMPSIA. Participation in NMPSIA is mandatory for all K-12 public schools except those with enrollment exceeding 60,000 students. Participation is voluntary for other public education institutions. The District pays an annual premium to the pool for its general insurance coverage. The agreement for formation of NMPSIA provides that the pool will be self-sustaining through member premiums. NMPSIA establishes self-insured retentions by line of coverage and procures insurance or reinsurance, where indicated, in excess of the self-insured retention on a per occurrence basis. NMPSIA will publish its own financial report for the year ended June 30, 2019.



#### IV. OTHER INFORMATION (cont'd)

##### B. Employee Retirement Plan

*Plan Description* - Substantially all of the District's full-time employees participate in a public employee retirement system authorized under the Educational Retirement Act (Chapter 22, Article 11, Sections 1 through 52, NMSA 1978). The Educational Retirement Board (ERB) is the administrator of the New Mexico Educational Employees' Retirement Plan (Plan), which is a cost-sharing multiple-employer defined benefit retirement plan. ERB issues a separate, publicly available financial report that includes the financial statements and required supplementary information for the plan. That report may be obtained [www.nmerb.org](http://www.nmerb.org), [www.saonm.org](http://www.saonm.org), or by writing to:

ERB  
P.O. Box 26129  
Santa Fe, New Mexico 87502-6129  
[www.nmerb.org](http://www.nmerb.org)

Membership in the Plan is a condition of employment. Employees of public schools, universities, regional cooperatives, special schools and state agencies providing educational programs, who are employed at more than 25% of a full-time equivalency, are required to be members of the Plan. There were 156,789 active, retired, and inactive members in fiscal year 2018; there were 153,514 active, retired, and inactive members in fiscal year 2017.

*Benefits Provided* - The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members (certified teachers, and other employees of State public school districts, colleges and universities) and beneficiaries. Benefits are based on three components: Final Average Salary (FAS), years of both earned and allowed service credits, and a 2.35% factor. The gross annual benefit is determined by multiplying the three components together. FAS is the higher of annual earnings for the previous 20 calendar quarters prior to retirement or the highest average annual earnings for any 20 consecutive calendar quarters.

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 or 75 or more; the member is at least sixty-five years of age and has five or more years of earned service credit; or the member has service credit totaling 25 years or more.

Chapter 288, Laws of 2009 changed the eligibility requirements for new members first employed on or after July 1, 2010. The eligibility for a member who either becomes a new member on or after July 1, 2010, or at any time prior to that date refunded all member contributions and then became, or becomes, reemployed after that date is as follows: the member's age and earned service credit add up to the sum of 80 or more; the member is at least sixty-seven years of age and has five or more years of earned service credit; or the member has service credit totaling 30 years or more.

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. There are three benefit options available: single life annuity; single life annuity monthly benefit reduced to provide for a 100% survivor's benefit; or single life annuity monthly benefit is reduced to provide for a 50% survivor's benefit.

Retired members and surviving beneficiaries receiving benefits receive an automatic cost of living adjustment (COLA) to their benefit commencing on July 1 following the later of: (i) the year a member retires, or (ii) the year in which a member attains age 65 (Tier 1 and Tier 2) or age 67 (Tier 3).

If the plan's funded ratio for the next preceding fiscal year is 100%, or greater, Section 22-11-31(C)(1) of the New Mexico Statutes Annotated defines the adjustment factor as  $\frac{1}{2}$  of the percentage increase of the consumer price index between the next preceding calendar year and the preceding calendar year. The adjustment factor cannot exceed four percent, nor be less than two percent. However, if the percentage increase of the consumer price index is less than two percent, the adjustment factor will be equal to the percentage increase of the consumer price index.

If the plan's funded ratio for the next preceding fiscal year is greater than 90%, but less than 100%, Section 22-11-31(C)(2) indicates that the adjustment factor for all non-disability retirements will be 95% of the adjustment factor defined in Section 22-11-31(C)(1) if the member had 25 or more years of service credit at retirement and whose annuity is less than or equal to the median adjusted annuity for the fiscal year next preceding the adjustment date. For all other retirees eligible for an adjustment, the adjustment factor will be 90% of the adjustment factor defined in Section 22-11-31(C)(1).



#### IV. OTHER INFORMATION (cont'd)

##### B. Employee Retirement Plan (cont'd)

If the plan's funded ratio for the next preceding fiscal year is 90%, or less, Section 22-11-31(C)(3) indicates that the adjustment factor for all non-disability retirements will be 90% of the adjustment factor defined in Section 22-11-31(C)(1) if the member had 25 or more years of service credit at retirement and whose annuity is less than or equal to the median adjusted annuity for the fiscal year next preceding the adjustment date. For all other retirees eligible for an adjustment, the adjustment factor will be 80% of the adjustment factor defined in Section 22-11-31(C)(1).

Finally, annuities shall not be decreased in the event that there is a decrease in the consumer price index between the next preceding calendar year and the preceding calendar year.

As of July 1, 2013, for current and future retirees the COLA was immediately reduced until the plan is 100% funded. The COLA reduction was 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%. All other retirees will have a 20% COLA reduction; their average COLA will be 1.6%. 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%. All other retirees will have a 10% COLA reduction; their average will be 1.8%. 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.

A member is eligible for a disability benefit provided (a) he or she has credit for at least 10 years of service, and (b) the disability is approved by ERB. The monthly benefit is equal to 2% of FAS times years of service, but not less than the smaller of (a) one-third of FAS or (b) 2% of FAS times year of service projected to age 60. The disability benefit commences immediately upon the member's retirement. Disability benefits are payable as a monthly life annuity, with a guarantee that, if the payments made do not exceed the member's accumulated contributions, determined as of the date of retirement, the balance will be paid in a lump sum to the member's surviving beneficiary. If the disabled member survives to age 60, the regular optional forms of payment are then applied. A member with five or more years of earned service credit on deferred status may retire on disability retirement when eligible under the Rule of 75 or when the member attains age 65.

The member, upon retirement, has three options as to how to receive the benefit.

Option A – If the member elects the Option A, there is no reduction to the monthly benefit other than any "Rule of 75" deductions or any community property or child support reductions. There will be no continuing benefit to a beneficiary or estate upon the retiree's death, except the balance, if any, of member contributions. Those contributions are usually exhausted in the first three to four years of retirement.

Option B – If the member elects Option B, the monthly benefit is reduced to provide for a 100% survivor's benefit. The reduced benefit is payable during the life of the member and upon the retiree's death, the same benefit is paid to the beneficiary for his or her lifetime. The named beneficiary may not be changed after the effective date of retirement since the amount of the option is calculated by using both the age of the member and the beneficiary. If the beneficiary predeceases the member, the member's benefit will be adjusted by returning it to the Option A Benefit amount. The IRS prohibits selection of Option B for a non-spouse beneficiary more than ten years younger than the member.

Option C – If the member elects Option C, the monthly benefit is reduced to provide for a 50% survivor's benefit. The benefit is payable during the life of the member and upon the retiree's death, one half of the member's benefit is paid to the beneficiary for his or her lifetime. Here again, the named beneficiary may not be changed after the effective date of retirement. If the beneficiary predeceases the member, the member's benefit is adjusted by returning it to the Option A Benefit amount.

Under the provisions of Options B and C coverage, the beneficiary must be a person, and only one beneficiary may be named. The term beneficiary means a person having an insurable interest in the life of the member.

Member Contributions – Plan members whose annual salary is \$20,000 or less are required by statute to contribute 7.9% of their gross salary. Plan members whose annual salary is over \$20,000 are required to make the following contributions to the Plan: 10.7% of their gross salary in fiscal year 2019.



**IV. OTHER INFORMATION (cont'd)**

**B. Employee Retirement Plan (cont'd)**

*Employer Contributions* – In fiscal year 2019, the District was required to contribute 13.9% of the gross covered salary for employees whose annual salary is \$20,000 or less, and 13.9% of the gross covered salary for employees whose annual salary is more than \$20,000. The contribution requirements of plan members and the District are established in State statute under Chapter 22, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The District’s contributions to ERB for the fiscal years ending June 30, 2019 were \$1,843,908, which equal the amount of the required contributions for year ended June 30, 2019.

*Employers*

The Educational Retirement Act designates employers as Local Administrative Units, directly responsible for payment of compensation for the employment of members or participants of this Plan. There were 216 contributing employers in fiscal year 2018; there were 218 contributing employers in fiscal year 2017.

*Liabilities, Deferred Outflows of Resources, Deferred Inflows of Resources, and Expense Related to Pensions*

At June 30, 2019, the District reported a liability of \$56,715,703 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2019, the District's proportion was 0.47695 percent, which was a decrease of 0.00203 percent from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the District recognized pension expense of \$8,473,553.

PENSION EXPENSE CALCULATION	
Net pension liability - end of the year	\$ 56,715,703
Net pension liability - beginning of the year	(53,231,290)
Deferred outflows of resources during the year	3,779,030
Deferred inflows of resources during the year	(643,248)
Reductions to ending net pension liability due contributions paid	<u>1,853,358</u>
Total Pension Expense	<u>\$ 8,473,553</u>

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OUTFLOWS	INFLOWS
Difference between expected and actual experience	\$ 41,393	\$ 1,079,391
Change of assumptions	11,688,838	-
Net difference between projected and actual earnings on pension plan investments	125,554	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	801,285
District contributions subsequent to the measurement date	<u>1,843,908</u>	-
Total	<u>\$ 13,699,693</u>	<u>\$ 1,880,676</u>



**IV. OTHER INFORMATION (cont'd)**

**B. Employee Retirement Plan (cont'd)**

Deferred outflows of resources related to pensions in the amount of \$1,843,908 resulted from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020 (pension measurement date June 30, 2019). Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

JUNE 30,	AMORTIZATION
2020	\$ (5,989,660)
2021	(4,087,518)
2022	103,721
2023	(1,652)
2024	-
Thereafter	-
Total	\$ (9,975,109)

Actuarial Assumptions

A single discount rate of 5.69% was used to measure the total pension liability as of June 30, 2017. This single discount rate was based on the expected rate of return on pension plan investments of 7.25%. Based on the assumptions described below and the projection of cash flows, pension plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. The long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2018. The total pension liability was rolled forward from the valuation date to the Plan's year ended June 30, 2018 using generally accepted actuarial principles. The roll-forward incorporates the impact of the new assumptions adopted by the Board on April 21, 2017. There were no other significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2018. The liabilities reflect the impact of the new assumptions adopted by the Board of Trustees on April 21, 2017 as well as the change in the single discount rate between June 30, 2017 and June 30, 2018. Specifically, the liabilities measured as of June 30, 2018 incorporate the following assumptions:

- 1) All members with an annual salary of more than \$20,000 will contribute 10.7% during the fiscal year ending June 30, 2015 and thereafter.
- 2) Members hired after June 30, 2013 will have an actuarially reduced retirement benefit if they retire before age 55 and their Cost of Living Adjustment (COLA) will be deferred until age 67.
- 3) COLAs for most retirees are reduced until ERB attains a 100% funded status.
- 4) The new assumptions adopted by the Board on April 21, 2017 in conjunction with the change in the single discount rate, and
- 5) For purposes of projecting future benefits, it is assumed that the full COLA is paid in all future years.



**IV. OTHER INFORMATION (cont'd)**

**B. Employee Retirement Plan (cont'd)**

For the purposes of projecting future benefits, it is assumed that the full COLA is paid in all future years. The actuarial methods and assumptions used to determine contributions rates included in the measurement are as follows:

Actuarial Cost Method:	Entry age normal
Amortization Method:	Level Percentage of Payroll
Remaining Period:	Amortized - closed 30 years from June 30, 2012 to June 30, 2042
Asset Valuation Method:	5 year smoothed market for funding valuation (fair value for financial valuation)
Inflation:	3.00%
Salary Increases:	Composition: 2.50% inflation, plus 0.75% productivity increase rate, plus step rate promotional increases for members with less than 10 years of service
Investment Rate of Return:	7.25%
Single Discount Rate:	5.69%
Retirement Age:	Experience based table of age and service rates
Mortality:	Healthy Males – RP-2000 Combined Mortality Table with white collar adjustments, generational mortality improvements with scale BB.

Healthy Females – 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.

The long-term expected rate of return on pension plan investments is determined annually using a building-block approach that includes the following: 1) rate of return projections are the sum of current yield plus projected changes in price (valuation, defaults, etc.), 2) application of key economic projections (inflation, real growth, dividends, etc.), and 3) structural themes (supply and demand imbalances, capital flows, etc.). These items are developed for each major asset class. Best estimates of geometric real rates of return for each major asset class included in the Plan's target asset allocation for 2018 and 2017 for 30-year return assumptions are summarized in the following table:

<u>Asset Class</u>	<u>2018 Long-Term Expected Real Rate of Return</u>	<u>2017 Long-Term Expected Real Rate of Return</u>
Cash	-0.49%	-0.25%
U.S. Treasuries	-0.01%	0.25%
IG Corp Credit	1.44%	1.75%
Mortgage Backed Securities	-0.01%	0.25%
Core Bonds*	0.47%	0.75%
Treasury Inflation Protected Securities	0.48%	0.50%
High-Yield Bonds	2.13%	2.50%
Bank Loans	2.16%	2.75%
Global Bonds (Unhedged)	-0.75%	-0.50%
Global Bonds (Hedged)	-0.47%	-0.38%
Emerging Market Debt External	1.64%	2.50%
Emerging Market Debt Local Currency	3.10%	3.25%
Large Cap Equities	4.03%	4.25%
Small/ Mid Cap Equities	4.24%	4.50%
International Equities (Unhedged)	4.24%	4.50%
International Equities (Hedged)	4.65%	4.89%
Emerging International Equities	5.61%	6.25%
Private Equity	5.92%	6.25%
Private Debt	4.07%	4.75%
Private Real Assets	4.24%	5.90%
Real Estate	3.10%	3.25%
Commodities	2.08%	2.25%
Hedge Funds	2.97%	3.22%





**IV. OTHER INFORMATION (cont'd)**

**B. Employee Retirement Plan (cont'd)**

Rate of Return

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

- 1) Rate of return projections are the sum of current yield plus projected changes in price (valuation, defaults, etc.),
- 2) Application of key economic projections (inflation, real growth, dividends, etc.), and
- 3) Structural themes (supply and demand imbalances, capital flows, etc.).

These items are developed for each major asset class.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate Assumption

The following table shows the sensitivity of the net pension liability to changes in the discount rate as of fiscal year end 2018, 2017, and 2016. In particular, the table presents the Plan's net pension liability under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (1% decrease) or one percentage point higher (1% increase) than the single discount rate.

		CURRENT SINGLE RATE			
		Discount Rate	1% Decrease	Single Rate Assumption	1% Increase
<b>ERB (All Employers)</b>					
2018	5.69%	\$ 15,454,175,919	\$ 11,891,330,976	\$ 8,984,271,849	
2017	5.90%	14,466,972,041	11,113,468,217	8,372,251,980	
2016	7.75%	9,531,509,131	7,196,433,561	5,258,980,529	
<b>Moriarty-Edgewood School District No. 8</b>					
2018	5.69%	\$ 73,708,692	\$ 56,715,703	\$ 42,850,485	
2017	5.90%	69,293,902	53,231,290	40,101,412	
2016	7.75%	46,500,420	35,108,521	25,656,462	

**C. Post-Retirement Health Care Benefits**

Plan Description

Plan Description - The District, as an employer, contributes to the New Mexico Retiree Health Care Fund (RHCA), a cost-sharing multiple-employer defined benefit postemployment healthcare plan. The plan provides healthcare insurance and prescription drug benefits to retired employees of participating employers, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies. RHCA issues a separate, publicly available financial report that includes the financial statements and required supplementary information for the plan. That report may be obtained [www.nmrhca.org](http://www.nmrhca.org), [www.saonm.org](http://www.saonm.org), or by writing to:

Retiree Health Care Authority  
 4308 Carlisle NE, Suite 104  
 Albuquerque, NM 87107

The plan is used to provide postemployment benefits other than pensions (OPEB) for retirees who were an employee of participating employer in either the New Mexico Public Employees Retirement Association (PERA) or Educational Retirement Board (ERB), eligible to receive a pension. For employers who “buy-in” to the plan, retirees are eligible for benefits six months after the effective date of employer participation. Retirees not in a PERA enhanced (Fire, Police, Corrections) pension plan who commence benefits on or after January 1, 2020 will not receive any subsidy from RHCA before age 55.



#### IV. OTHER INFORMATION (cont'd)

##### C. Post-Retirement Health Care Benefits (cont'd)

Eligible retirees are:

- 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which the event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement;
- 2) retirees defined by the Act who retired prior to July 1, 1990;
- 3) former legislators who served at least two years; and
- 4) former governing authority members who served at least four years.

There were 156,025 active, retired, surviving spouses, and inactive members in fiscal year 2018; there were 160,035 active, retired, surviving spouses, and inactive members in fiscal year 2017.

##### *Funding Policy*

The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service-based subsidy rate schedule for the medical, plus basic life plan, plus an additional participation fee of five dollars (\$5) if the eligible participant retired prior to the employer's effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from RHCA or viewed on their website at [www.nmrhca.org](http://www.nmrhca.org).

The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the fund in the amount determined to be appropriate by the Board.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2014, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

*Benefits Provided* - Retirees and spouses are eligible for medical and prescription drug benefits. Dental and vision benefits are also available but were not included in any valuation since they are 100% retiree-paid. A description of these benefits may be found in Enrolled Participants at [www.nmrhca.org](http://www.nmrhca.org).

*Member Contributions* – Employees that were not members of an enhanced plan, the statute required each participating employee was required to contribute 1% of their gross salary in fiscal year 2019.

*Employer Contributions* – In fiscal year 2019, the District was required to contribute 2% of the gross covered salary for employees who are entitled to RHCA benefits. The District's contributions to RHCA for the fiscal year ending June 30, 2019 was \$265,978, which equal the amount of the required contributions for each fiscal year.

*Employers* - The Educational Retirement Act designates employers as Local Administrative Units, directly responsible for payment of compensation for the employment of members or participants of this Plan. There were 302 contributing employers in fiscal year 2018.



**IV. OTHER INFORMATION (cont'd)**

**C. Post-Retirement Health Care Benefits (cont'd)**

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

At June 30, 2019, the District reported a liability of \$13,573,824 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2018, the District's proportion was 0.31216 percent, which was a decrease of 0.00558 percent from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the District recognized OPEB income of \$72,925.

OPEB EXPENSE CALCULATION	
Net OPEB liability - end of the year	\$ 13,573,824
Net OPEB liability - beginning of the year	(14,398,938)
Deferred outflows of resources during the year	-
Deferred inflows of resources during the year	486,211
Reductions to ending net OPEB liability due contributions paid	265,978
Total OPEB Income	\$ (72,925)

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OUTFLOWS	INFLOWS
Difference between expected and actual experience	\$ -	\$ 803,657
Change of assumptions	-	2,534,173
Net difference between projected and actual earnings on OPEB plan investments	-	169,396
Changes in proportion and differences between District contributions and proportionate share of contributions	-	256,150
District contributions subsequent to the measurement date	265,604	-
Total	\$ 265,604	\$ 3,763,376

Deferred outflows of resources related to OPEB in the amount of \$265,604 resulted from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020 (OPEB measurement date June 30, 2019). Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

JUNE 30,	AMORTIZATION
2020	\$ 945,380
2021	945,380
2022	945,380
2023	742,431
2024	184,805
Thereafter	-
Total	\$ 3,763,376



**IV. OTHER INFORMATION (cont'd)**

**C. Post-Retirement Health Care Benefits (cont'd)**

Actuarial Assumptions

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 OPEB plan'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.

A blended rate of the assumed investment return on Plan assets (e.g. 7.25% for the June 30, 2018 valuation) and the rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (e.g. 3.58% as of June 30, 2017). The 7.25% discount rate was used to calculate the net OPEB liability through June 30, 2029. Benefit payments after June 30, 2029 are then discounted by the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher, currently 4.08%. The blended discount rate of 4.08% was used to measure the total OPEB liability as of June 30, 2018.

The total OPEB liability was determined by an actuarial valuation as of June 30, 2018 using the following actuarial assumptions:

Valuation Date:	June 30, 2017
Actuarial Cost Method:	Entry age normal, level percent of pay, calculated on individual employee basis
Amortization Method:	30-year open-ended amortization, level percent of payroll
Remaining Period:	30 years as of June 30, 2016
Asset Valuation Method:	Market value of assets
<u>Actuarial assumptions</u>	
Inflation:	2.50% for ERB; 2.25% for PERA
Projected Salary Increases:	3.5% to 12.50% based on years of service, including inflation
Investment Rate of Return:	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation
Health Care Cost Trend Rate:	8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 for Medicare medical plan costs

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

<u>Asset Class</u>	2018	2017
	<u>Long-Term Expected Real Rate of Return %</u>	<u>Long-Term Expected Real Rate of Return %</u>
U.S. core fixed income	2.1	9.1
U.S. equity - large cap	7.1	9.1
Non U.S. - emerging markets	10.2	12.2
Non U.S. - developed equities	7.8	9.8
Private equity	11.8	13.8
Credit and structured finance	5.3	7.3
Real estate	4.9	6.9
Absolute return	4.1	6.1
U.S. equity - small/mid cap	7.1	9.1



**IV. OTHER INFORMATION (cont'd)**

**C. Post-Retirement Health Care Benefits (cont'd)**

*Sensitivity of the Net OPEB Liability to Changes in the Discount Rate Assumption*

The following table shows the sensitivity of the net OPEB liability to changes in the discount rate as of June 30, 2018. In particular, the table presents the Plan's net OPEB liability under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (1% decrease) or one percentage point higher (1% increase) than the single discount rate.

		CURRENT SINGLE RATE			
		Discount Rate	1% Decrease	Single Rate Assumption	1% Increase
<b>RHCA (All Employers)</b>					
2018	4.08%	\$ 5,262,533,266	\$ 4,348,354,815	\$ 3,627,778,443	
2017	3.81%	5,496,848,763	4,531,673,018	3,774,405,896	
<b>Moriarty-Edgewood School District No. 8</b>					
2018	4.08%	\$ 16,427,524	\$ 13,573,824	\$ 11,324,473	
2017	3.81%	12,247,288	14,398,938	16,076,693	

The following presents the Net OPEB Liability of RHCA as of June 30, 2018, as well as what the Fund's Net OPEB Liability would be if it were calculated using a health cost trend rate that is one percentage point lower (1% decrease) or one percentage point higher (1% increase) than the health cost trend rates used:

		HEALTH COST TREND RATE		
		1% Decrease	Current Trend Rates	1% Increase
<b>RHCA (All Employers)</b>				
2018	\$ 3,675,884,346	\$ 4,348,354,815	\$ 4,875,586,778	
<b>Moriarty-Edgewood School District No. 8</b>				
2018	\$ 11,474,641	\$ 13,573,824	\$ 15,219,632	

**C. Contingent Liabilities**

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

The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the government's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the government.

**D. Cash Flows**

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



**IV. OTHER INFORMATION (cont'd)**

**E. Subsequent Events**

Subsequent events were evaluated through October 7, 2019 which is the date the financial statements were available to be issued.



SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE  
 NET PENSION LIABILITY  
 Educational Retirement Board (ERB) Pension Plan  
 Last 10 Fiscal Years\*

For the year ended:	Measurement date of June 30:	District's proportion of the net pension liability	District's proportionate share of the net pension liability	District's covered-employee payroll	District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability
June 30, 2019	2018	0.476950%	\$ 56,715,703	\$ 13,337,336	425.24%	52.17%
June 30, 2018	2017	0.478980%	53,231,290	13,639,000	390.29%	52.95%
June 30, 2017	2016	0.487860%	35,108,521	14,189,000	247.43%	61.58%
June 30, 2016	2015	0.519670%	33,660,410	14,902,777	225.87%	63.97%
June 30, 2015	2014	0.540670%	30,849,175	14,874,884	207.39%	66.54%
June 30, 2014	2013	-	-	-	-	-
June 30, 2013	2012	-	-	-	-	-
June 30, 2012	2011	-	-	-	-	-
June 30, 2011	2010	-	-	-	-	-
June 30, 2010	2009	-	-	-	-	-

\* These schedules are intended to present 10 years of trending history. However, information is not available prior to the year ended June 30, 2015 and, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS  
 Educational Retirement Board (ERB) Pension Plan  
 Last 10 Fiscal Years\*

	Contractually required contribution	Contributions in relation to the contractually required	Contribution deficiency (excess)	District's Covered-employee Payroll	Contribution as a percentage of covered-employee payroll
June 30, 2019	\$ 1,843,908	\$ 1,843,908	\$ -	\$ 13,278,506	13.89%
June 30, 2018	1,853,358	1,853,358	-	13,337,336	13.90%
June 30, 2017	1,896,030	1,896,030	-	13,639,000	13.90%
June 30, 2016	2,053,000	2,053,000	-	14,189,000	14.47%
June 30, 2015	1,956,101	1,956,101	-	14,902,777	13.13%
June 30, 2014	-	-	-	-	-
June 30, 2013	-	-	-	-	-
June 30, 2012	-	-	-	-	-
June 30, 2011	-	-	-	-	-
June 30, 2010	-	-	-	-	-

\* These schedules are intended to present 10 years of trending history. However, information is not available prior to the year ended June 30, 2015 and, until a full 10-year trend is compiled, the District will present information for those years for which information is available.



SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE  
 NET OPEB LIABILITY  
 Retiree Health Care Authority (RHCA) OPEB Plan  
 Last 10 Fiscal Years\*

For the year ended:	Measurement date of June 30:	District's proportion of the net OPEB liability	District's proportionate share of the net OPEB liability	District's covered-employee payroll	District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability
June 30, 2019	2018	0.312160%	\$ 13,573,824	\$ 13,328,642	101.84%	13.14%
June 30, 2018	2017	0.317740%	14,398,938	13,619,160	105.73%	11.34%
June 30, 2017	2016	-	-	-	-	-
June 30, 2016	2015	-	-	-	-	-
June 30, 2015	2014	-	-	-	-	-
June 30, 2014	2013	-	-	-	-	-
June 30, 2013	2012	-	-	-	-	-
June 30, 2012	2011	-	-	-	-	-
June 30, 2011	2010	-	-	-	-	-
June 30, 2010	2009	-	-	-	-	-

\* These schedules are intended to present 10 years of trending history. However, information is not available prior to the year ended June 30, 2018 and, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS  
 Retiree Health Care Authority (RHCA) OPEB Plan  
 Last 10 Fiscal Years\*

	Contractually required contribution	Contributions in relation to the contractually required	Contribution deficiency (excess)	District's Covered-employee Payroll	Contribution as a percentage of covered-employee payroll
June 30, 2019	\$ 265,604	\$ 265,604	\$ -	\$ 13,280,191	2.00%
June 30, 2018	266,592	266,592	-	13,328,642	2.00%
June 30, 2017	-	-	-	-	-
June 30, 2016	-	-	-	-	-
June 30, 2015	-	-	-	-	-
June 30, 2014	-	-	-	-	-
June 30, 2013	-	-	-	-	-
June 30, 2012	-	-	-	-	-
June 30, 2011	-	-	-	-	-
June 30, 2010	-	-	-	-	-

\* These schedules are intended to present 10 years of trending history. However, information is not available prior to the year ended June 30, 2018 and, until a full 10-year trend is compiled, the District will present information for those years for which information is available.





NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
 For the Year Ended June 30, 2019

*Changes of benefit terms:* The COLA and retirement eligibility benefits changes in recent years are described in the Benefits Provided subsection of the financial statement note disclosure General Information on the Pension Plan.

*Changes of assumptions:* ERB conducts an actuarial experience study for the Plan on a biennial basis. Based on the six-year actuarial experience study presented to the Board of Trustees on June 30, 2016. There were no modifications to the benefit provisions that were reflected in the actuarial valuation as of June 30, 2018.

Assumptions that were not changed:

- a. Wage inflation 3.25%
- b. Payroll growth 3.00%
- c. COLA assumption 1.90% per year
- d. Salary increases at 2.50% inflation, plus 0.75% productivity increase rate, plus step-rate promotional increases for less than ten years of service
- e. Inflation rate 2.50%
- f. Investment return 7.25%

See also the Note VI (B) *Actuarial Assumptions* of the financial statement note disclosure on the Pension Plan.

*Changes of assumptions:* RHCA conducts an actuarial experience study for the Plan on a biennial basis. Based on the six-year actuarial experience study presented to the Board of Trustees on June 30, 2017, RHCA implemented the following changes in assumptions for fiscal years 2018 and 2017.

The total OPEB liability as of June 30, 2018 was determined by an actuarial valuation as of June 30, 2018. The mortality, retirement, disability, turnover and salary increase assumptions are based on the PERA annual valuation as of June 30, 2017 and the ERB actuarial experience study as of June 30, 2017.

- 1) Fiscal year 2018 valuation assumptions that changed based on this study:
  - a. Minor changes to demographic assumptions
- 2) Assumptions that were not changed:
  - a. Investment return 7.25%
  - b. Inflation rate 2.50% for ERB and 2.25 for PERA
  - c. Population growth per year at 0.00%
  - d. Health care cost trend rate 8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5%

See also the Note IV (C) *Actuarial Assumptions* of the financial statement note disclosure on the OPEB Plan.

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OTHER SUPPLEMENTAL INFORMATION  
OF  
**MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8**

AS OF AND FOR THE YEAR ENDED  
JUNE 30, 2019

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## GENERAL FUNDS

*(OTHER SUPPLEMENTAL INFORMATION)*

**Operating Fund** (Fund No. 11000)

The government's primary fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**Transportation Fund** (Fund No. 13000)

Accounts for all the Transportation funds received through the state that are used in the maintaining and operating vehicles used to transport students.

**Instructional Materials Fund** (Fund No. 14000)

Accounts for all the Instructional Materials funds received through the state for the purpose of acquiring study materials for the students.

STATE OF NEW MEXICO  
**MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8**

GENERAL FUNDS  
**Combining Balance Sheet**  
**June 30, 2019**

	Operational Fund #11000	Transportation Fund #13000	Instructional Materials Fund #14000	Total General Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 1,392,449	\$ -	\$ 19,388	\$ 1,411,837
Receivables:				
Property taxes	45,749	-	-	45,749
Due from other governments	4,985	-	-	4,985
Due from other funds	996,430	-	-	996,430
Fuel inventory	-	5,971	-	5,971
<b>Total assets</b>	<u>\$ 2,439,613</u>	<u>\$ 5,971</u>	<u>\$ 19,388</u>	<u>\$ 2,464,972</u>
 <b>Liabilities, deferred inflows and fund balance</b>				
Liabilities:				
Accounts payable	\$ 1,324,643	\$ 2,522	\$ 10,511	\$ 1,337,676
Deferred inflows of resources:				
Delinquent property taxes	42,456	-	-	42,456
Fund balance:				
Non-spendable:				
Inventories	-	5,971	-	5,971
Unassigned	1,072,514	(2,522)	8,877	1,078,869
Total fund balance	1,072,514	3,449	8,877	1,084,840
<b>Total liabilities, deferred inflows of resources, and fund balance</b>	<u>\$ 2,439,613</u>	<u>\$ 5,971</u>	<u>\$ 19,388</u>	<u>\$ 2,464,972</u>

STATE OF NEW MEXICO  
MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8

GENERAL FUNDS  
Combining Statement of Revenues, Expenditures, and  
Changes in Fund Balance  
Year Ended June 30, 2019

	General Funds			Total General Fund
	Operational Fund #11000	Transportation Fund #13000	Instructional Materials Fund #14000	
<b>Revenues:</b>				
Taxes:				
Property	\$ 239,022	\$ -	\$ -	\$ 239,022
Intergovernmental - federal grants	118,191	-	-	118,191
Intergovernmental - state grants	17,918,790	1,064,701	80,980	19,064,471
Charges for services	36,577	-	-	36,577
Miscellaneous	165,829	-	7,319	173,148
<b>Total revenue</b>	<b>18,478,409</b>	<b>1,064,701</b>	<b>88,299</b>	<b>19,631,409</b>
<b>Expenditures:</b>				
Current:				
Instruction	11,008,100	-	104,180	11,112,280
Support services:				
Students	1,641,797	-	-	1,641,797
Instruction	480,569	-	-	480,569
General Administration	302,989	-	-	302,989
School Administration	1,019,648	-	-	1,019,648
Central Services	607,233	-	-	607,233
Operation & Maintenance of Plant	2,955,423	-	-	2,955,423
Student transportation	149,642	1,065,949	-	1,215,591
<b>Total expenditures</b>	<b>18,165,401</b>	<b>1,065,949</b>	<b>104,180</b>	<b>19,335,530</b>
<i>Excess (deficiency) of revenues over expenditures</i>	313,008	(1,248)	(15,881)	295,879
<b>Fund balance at beginning of the year</b>	<b>759,506</b>	<b>4,697</b>	<b>24,758</b>	<b>788,961</b>
<b>Fund balance at end of the year</b>	<b>\$ 1,072,514</b>	<b>\$ 3,449</b>	<b>\$ 8,877</b>	<b>\$ 1,084,840</b>

STATE OF NEW MEXICO  
MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8

OPERATIONAL FUND - NO. 11000  
Statement of Revenues, Expenditures, and  
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)  
Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
				Positive (Negative)
<b>Revenues:</b>				
Taxes:				
Property	\$ 238,609	\$ 238,609	\$ 237,621	\$ (988)
Intergovernmental - federal grants	92,998	92,998	118,191	25,193
Intergovernmental - state grants	17,769,535	17,905,986	17,918,790	12,804
Charges for services	48,200	48,200	36,577	(11,623)
Miscellaneous	<u>175,000</u>	<u>175,000</u>	<u>165,829</u>	<u>(9,171)</u>
<b>Total revenues</b>	<u>18,324,342</u>	<u>18,460,793</u>	<u>18,477,008</u>	<u>16,215</u>
<b>Expenditures:</b>				
Current:				
Instruction	11,805,268	11,805,268	11,007,122	798,146
Support services:				
Students	1,743,962	1,794,111	1,641,797	152,314
Instruction	487,695	493,623	480,569	13,054
General Administration	321,777	326,761	296,648	30,113
School Administration	1,064,529	1,072,058	1,019,123	52,935
Central Services	614,600	625,695	606,556	19,139
Operation & Maintenance of Plant	2,749,599	3,076,418	2,947,960	128,458
Student transportation	30,818	80,333	149,652	(69,319)
Other Support services	<u>33,301</u>	<u>33,301</u>	<u>-</u>	<u>33,301</u>
<b>Total expenditures</b>	<u>18,851,549</u>	<u>19,307,568</u>	<u>18,149,427</u>	<u>1,158,141</u>
<i>Excess (deficiency) of revenues over expenditures</i>	(527,207)	(846,775)	327,581	1,174,356
<i>Beginning cash balance budgeted</i>	527,207	846,775	-	(846,775)
<b>Fund balance at beginning of the year</b>	<u>-</u>	<u>-</u>	<u>759,506</u>	<u>759,506</u>
<b>Fund balance at end of the year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>1,087,087</u>	<u>\$ 1,087,087</u>
<b>RECONCILIATION TO GAAP BASIS:</b>				
Change in property tax receivable			6,093	
Change in due from other governments			761	
Change in payables			(15,975)	
Change in deferred property taxes			<u>(5,452)</u>	
<b>Fund balance at end of the year (GAAP basis)</b>			<u>\$ 1,072,514</u>	



STATE OF NEW MEXICO  
**MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8**

TRANSPORTATION FUND - NO. 13000  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)**  
**Year Ended June 30, 2019**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		(Negative)
<b>Revenues:</b>				
Intergovernmental - state grants	\$ 1,064,701	\$ 1,064,701	\$ 1,064,701	\$ -
<b>Expenditures:</b>				
Current:				
Support services:				
Student transportation	<u>1,064,701</u>	<u>1,064,701</u>	<u>1,064,701</u>	<u>-</u>
<i>Excess of revenues over expenditures</i>	-	-	-	-
<b>Fund balance at beginning of the year</b>	<u>-</u>	<u>-</u>	<u>4,697</u>	<u>4,697</u>
<b>Fund balance at end of the year</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u>4,697</u>	<u><u>\$ 4,697</u></u>
<b>RECONCILIATION TO GAAP BASIS:</b>				
Change in inventory			407	
Change in payables			<u>(1,655)</u>	
<b>Fund balance at end of the year (GAAP basis)</b>			<u><u>\$ 3,449</u></u>	

STATE OF NEW MEXICO  
**MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8**

INSTRUCTIONAL MATERIALS FUND - NO. 14000  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)**  
**Year Ended June 30, 2019**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>Revenues:</b>				
Intergovernmental - state grants	\$ 80,980	\$ 86,060	\$ 80,980	\$ (5,080)
Miscellaneous	<u>-</u>	<u>6,816</u>	<u>7,319</u>	<u>503</u>
<b>Total revenues</b>	80,980	92,876	88,299	(4,577)
<b>Expenditures:</b>				
Current:				
Instruction	<u>105,383</u>	<u>118,867</u>	<u>94,902</u>	<u>23,965</u>
<i>Excess (deficiency) of revenues over expenditures</i>	(24,403)	(25,991)	(6,603)	19,388
<i>Beginning cash balance budgeted</i>	24,403	25,991	-	(25,991)
<b>Fund balance at beginning of the year</b>	<u>-</u>	<u>-</u>	<u>24,758</u>	<u>24,758</u>
<b>Fund balance at end of the year</b>	<u>\$ -</u>	<u>\$ -</u>	18,155	<u>\$ 18,155</u>
<b>RECONCILIATION TO GAAP BASIS:</b>				
Change in payables			<u>(9,278)</u>	
<b>Fund balance at end of the year (GAAP basis)</b>			<u>\$ 8,877</u>	

## NONMAJOR GOVERNMENTAL FUNDS

*(OTHER SUPPLEMENTAL INFORMATION)*

Funds that did not meet the requirements of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis* to be considered Major Funds and have not been identified as Major Funds by management.

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**Nonmajor Special Revenue Funds**

Special revenue funds are operating funds used to account for the proceeds of specific revenue sources that are intended for specific purposes other than special assessments or major capital projects.

**Food Service** (Fund No. 21000) Minimum Balance: None  
 This program provides financing for the school breakfast and lunch program. Funding is provided from fees from patrons and USDA food reimbursements, under the National School Lunch Act of 1946, as amended, Public Law 79-396, Sections 2-4, 60 Stat. 230, 42 U.S.C. 1751 et seq.; 80 stat. 889, as amended; 84 stat. 270; and the Child Nutrition Act of 1966, as amended, Sections 4 and 10. Public Law 89-642, 80 sat. 886, 889, 42 U.S.C. 1773, 1779; Public Law 99-591, 100 stat. 3341; Public Law 100-71, 101 stat. 430.

**Athletics** (Fund No. 22000) Minimum Balance: None  
 This fund provides financing for school athletic activities. Funding is provided by fees from patrons.

**Title I** (Fund No. 24101) Minimum Balance: None  
 To help local education agencies (LEAs) and schools improve the teaching and learning of children failing, or most at-risk of failing, to meet challenging State academic standards. Funding authorization: Elementary and Secondary Education Act of 1965, Title I, Part A, 20 U.S.C. 6301 et seq.

**Entitlement IDEA-B** (Fund No. 24106) Minimum Balance: None  
 Program provides grants to states that flow-through to schools, to assist them in providing a free appropriate public education to all children with disabilities. The program is funded by the United States government, under the Individuals with Disabilities Education Act, Part B, Section 611-617, and part D, Section 674 as amended, 20 U.S.C. 1711-1417 and 1420.

**Preschool IDEA-B** (Fund No. 24109) Minimum Balance: None  
 The Preschool program is for the purpose of enhancing Special Education for handicapped children from ages 3 to 5. The program is funded by the United States government, under the Individuals With Disabilities Act, Part B, Section 619, as amended, Public Laws 94-142, 99-457, 100-630, 101-497, and 101-476.

**IDEA-B CEIS** (Fund No. 24112) Minimum Balance: None  
 Under IDEA 2004, a Local Education Agency ("LEA") may use up to 15 percent of the combined IDEA Part B Basic and Preschool Entitlement subgrants the LEA is allocated for any fiscal year, less any amount reduced by the LEA pursuant to 34 CFR § 300.205, if any, in combination with other amounts (which may include amounts other than education funds), to develop and implement CEIS. This may include interagency financing structures, for students in kindergarten through grade twelve (with particular emphasis on students in kindergarten through grade three) who are not currently identified as needing special education or related services, but who need additional academic and behavioral support to succeed in a general education environment in accordance with 34 CFR § 300.226(a) and 6.31.2.9(D) NMAC.

**Education of Homeless** (Fund No. 24113) Minimum Balance: None  
 To ensure that all homeless children and youth have equal access to the same free, appropriate public education available to other children, the Education for Homeless Children and Youth program provides assistance to States, Outlying Areas, and the Department of Interior/Bureau of Indian Education (BIE) to: (1) establish or designate an Office of Coordinator of Education of Homeless Children and Youths; (2) develop and carry out a State plan for the education of homeless children; and (3) make subgrants to local educational agencies to support the education of those children. Authorization: McKinney-Vento Homeless Assistance Act, Title VII, Subtitle B.

**Fresh Fruits and Vegetables** (Fund No. 24118) Minimum Balance: None  
 To assist States, through cash grants, in providing free fresh fruits and vegetables to school children in designated participating schools beginning in school year 2004/2006. Authorization granted under National School Lunch Act, as amended, 42 U.S.C. 1769.

**IDEA-B Student Success** (Fund No. 24132) Minimum Balance: None  
 The purpose of this grant award is to support activities included in the school's Educational Plan for Student Success, or areas in need of improvement, identified through the instructional audit. The program is funded by the United States government, under the Individuals with Disabilities Act, Public Law 108-446 Part B.

**Title III English Language** (Fund No. 24153) Minimum Balance: None  
 To ensure that limited English proficient children (LEP) and youth, including immigrant children and youth, attain English proficiency and meet the same standards as all children and youth are expected to meet; to provide assistance to Native American, Native Hawaiian, Native American Pacific Islander, and Alaskan native children with certain modifications relative to the unique status of native American language under Federal Law; to develop to the extent possible, the native language skills of such children. The fund is authorized through the Elementary and Secondary Education Act (ESEA), as amended, Title III, Part A, Sections 3101,3129.



**Nonmajor Special Revenue Funds ( cont'd )**

- Title II Teacher Quality** (Fund No. 24154) Minimum Balance: None  
 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 the academic achievement. Authorization is granted through the Elementary and Secondary Education Act of 1965, as amended, Title II, Part A, Public Law 107-110.
- Carl D Perkins** (Fund No. 24171 & 24176) Minimum Balance: None  
 The redistribution component of the Carl D. Perkins program represents an allocation of remaining balances from the Carl D. Perkins Career and Technical Education Act (Perkins IV-Year 4). The program is funded by the United States government, under the Carl D. Perkins Vocational-Technical Education Act Amendments, Title I; 20 U.S.C. 2321 et seq., Public Law 105-332.
- Academic Achievement Title IV** (Fund No. 24189) Minimum Balance: None  
 To improve student’s academic achievement by increasing the capacity of States, local educational agencies, schools and local communities to: (1) provide all students with access to a well-rounded education; (2) improve school conditions for student learning; and (3) improve the use of technology in order to improve the academic achievement and digital literacy for all students.
- Title XIX Medicaid** (Fund No. 25153) Minimum Balance: None  
 To provide financial assistance from the Federal government which flows-through the State of New Mexico to school districts, for payments of medical assistance on behalf of cash assistance recipients, children, pregnant women and the aged who meet income and resource requirements, and other categorically-eligible groups. The program is funded by the U.S. government under the Social Security Act, Title XIX, as amended; Public Laws 92-223, 92-602, 93-66, 93-233, 96-499, 97-35, 97-2248, 98-369, 99-272, 99-509, 100-93, 100-202, 100-203, 100-360, 100-436, 100-485, 100-647, 101-166, 101-234, 101-239, 101-508, 101-517, 102-234, 102-170, 102-394, 103-66, 103-14, 103-333, 104-91, 104-191, 104-193, 104-208, and 104-134; Balanced Budget Act of 1997, Public Law 105-33.
- Wallace Foundation** (Fund No. 26125) Minimum Balance: None  
 The purpose of this program is to provide funding to develop the use and understanding of accountability to build effective leaders in the educational system along with improving student achievement. Funds are acquired from federal sources through the New Mexico Department of Finance and Administration. Funding is provided by the Wallace Foundation a private funding for the State Action for Education Leadership Project.
- Dual Credit Instructional Materials** (Fund No. 27103) Minimum Balance: None  
 To be used for courses approved by Higher Education Department (HED) and through a college/university for which the district has an approved agreement.
- Library Go Bonds 2012** (Fund No. 27107) Minimum Balance: None  
 Funds to be used for library books and library resources for public school libraries statewide. Library resources include computers, software, projectors, televisions, other related hardware and software, shelving, desks, chairs, and book trucks/carts. Senate Bill 66, Laws of 2012, 2nd Session, Chapter 54, Section 10.B.(3).
- Reads To Lead** (Fund No. 27114) Minimum Balance: None  
 Provides an aligned approach for districts and schools to ensure that children can read by the end of third grade—giving them essential skills for future career and college success. It also provides regional and district reading coaches, supports for intervention, and professional development for parents, teachers, reading coaches, and administrators.
- Excellence in Teaching** (Fund No. 27125) Minimum Balance: None  
 The funding under this award must be used solely for Excellence in Teaching salary supplements. These salary supplements are \$5,000.00 or \$10,000.00 per teacher and may only be awarded to teachers who have met the award criteria.
- Recruitment Support** (Fund No. 27128) Minimum Balance: None  
 To provide support to implement a recruitment, training, and support program to ensure effective, culturally competent, and qualified teachers are placed in New Mexico public schools that have high American Indian student enrollment.
- Pre-K Initiative** (Fund No. 27149) Minimum Balance: None  
 The pre-k program shall address the total development needs of preschool children, including physical, cognitive, social and emotional needs, and shall include health care, nutrition, safety and multicultural sensitivity.



**Nonmajor Special Revenue Funds ( cont'd )**

- New Mexico Grown** (Fund No. 27183) Minimum Balance: None  
 Funds under this award are to be used to purchase locally grown New Mexico fresh fruits and vegetables, to be made available at no charge to students. Funds have been received as appropriation through the General Appropriations Act to distribute to school districts and charter schools.
- Dairy Max** (Fund No. 29102) Minimum Balance: None  
 The goal of the awards program is to call attention to the importance of alternate school breakfast. Offering breakfast outside of the classroom increases participation by providing service for children who arrive late or who prefer to socialize rather than eat, and by helping to remove the potential social stigma that the program is meant for low-income students.

**Nonmajor Capital Projects Funds**

- Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.
- State SB-9 Match** (Fund No. 31700) Minimum Balance: None  
 To account for erecting, remodeling, making additions to and furnishing of school buildings, or purchasing or improving school grounds or any combination thereof as identified by the local school board. Financing is provided by the State of New Mexico’s State Equalization Matching as authorized by the Public School District Capital Improvements Act (22-25-1 to 22-25-10 NMSA 1978).
- Capital Improvements SB – 9** (Fund No. 31701) Minimum Balance: None  
 This fund provides financing for the purchase of equipment and capital improvements to School District property. Funding is received from a 2 mill property tax levy and interest earned on investments, under New Mexico Senate Bill 9.

STATE OF NEW MEXICO  
**MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8**

NON-MAJOR GOVERNMENTAL FUNDS  
**Combining Balance Sheet**  
**June 30, 2019**

**Special Revenue Funds**

	<u>Food Service Fund #21000</u>	<u>Athletics Fund #22000</u>	<u>Title I Fund #24101</u>	<u>Entitlement IDEA-B Fund #24106</u>	<u>Preschool IDEA-B Fund #24109</u>
<b>Assets</b>					
Cash and cash equivalents	\$ 210,109	\$ 268,904	\$ -	\$ -	\$ -
Receivables:					
Property taxes	-	-	-	-	-
Grant	76,628	-	216,431	245,492	8,885
Due from other governments	-	-	-	-	-
Food inventory	<u>39,395</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total assets</b>	<u>\$ 326,132</u>	<u>\$ 268,904</u>	<u>\$ 216,431</u>	<u>\$ 245,492</u>	<u>\$ 8,885</u>
<b>Liabilities, deferred inflows and fund balance</b>					
Liabilities:					
Accounts payable	\$ 4,150	\$ 10,928	\$ 64	\$ 99	\$ -
Due to other funds	<u>-</u>	<u>-</u>	<u>216,367</u>	<u>245,393</u>	<u>8,885</u>
Total liabilities	<u>4,150</u>	<u>10,928</u>	<u>216,431</u>	<u>245,492</u>	<u>8,885</u>
Deferred inflows of resources:					
Delinquent property taxes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance:					
Non-spendable:					
Inventories	39,395	-	-	-	-
Restricted for:					
Special revenue funds	282,587	257,976	-	-	-
Capital projects funds	-	-	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balance	<u>321,982</u>	<u>257,976</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total liabilities, deferred inflows of resources, and fund balance</b>	<u>\$ 326,132</u>	<u>\$ 268,904</u>	<u>\$ 216,431</u>	<u>\$ 245,492</u>	<u>\$ 8,885</u>

( cont'd; 1 of 6 )



STATE OF NEW MEXICO  
**MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8**

NON-MAJOR GOVERNMENTAL FUNDS  
**Combining Balance Sheet**  
**June 30, 2019**

	<b>Special Revenue Funds</b>				
	IDEA-B CEIS Fund #24112	Education of Homeless Fund #24113	Fresh Fruits and Vegetables Fund #24118	IDEA-B Student Success Fund #24132	Title III English Language Fund #24153
<b>Assets</b>					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Receivables:					
Property taxes	-	-	-	-	-
Grant	65,040	9,389	3,490	20,028	6,468
Due from other governments	-	-	-	-	-
Food inventory	-	-	-	-	-
<b>Total assets</b>	<b>\$ 65,040</b>	<b>\$ 9,389</b>	<b>\$ 3,490</b>	<b>\$ 20,028</b>	<b>\$ 6,468</b>
 <b>Liabilities, deferred inflows and fund balance</b>					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	65,040	9,389	3,490	20,028	6,468
<b>Total liabilities</b>	<b>65,040</b>	<b>9,389</b>	<b>3,490</b>	<b>20,028</b>	<b>6,468</b>
Deferred inflows of resources:					
Delinquent property taxes	-	-	-	-	-
Fund balance:					
Non-spendable:					
Inventories	-	-	-	-	-
Restricted for:					
Special revenue funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Unassigned	-	-	-	-	-
<b>Total fund balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total liabilities, deferred inflows of resources, and fund balance</b>	<b>\$ 65,040</b>	<b>\$ 9,389</b>	<b>\$ 3,490</b>	<b>\$ 20,028</b>	<b>\$ 6,468</b>

( cont'd; 2 of 6 )

STATE OF NEW MEXICO  
**MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8**

NON-MAJOR GOVERNMENTAL FUNDS  
**Combining Balance Sheet**  
**June 30, 2019**

	<b>Special Revenue Funds</b>				
	Title II Teacher Quality Fund #24154	Carl D Perkins - JAG Fund #24171	Carl D Perkins Secondary Redistribution Fund #24176	Academic Achievement Title IV Fund #24189	Title XIX Medicaid Fund #25153
<b>Assets</b>					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 282,626
Receivables:					
Property taxes	-	-	-	-	-
Grant	40,349	9,620	-	8,894	-
Due from other governments	-	-	-	-	-
Food inventory	-	-	-	-	-
<b>Total assets</b>	<b>\$ 40,349</b>	<b>\$ 9,620</b>	<b>\$ -</b>	<b>\$ 8,894</b>	<b>\$ 282,626</b>
<b>Liabilities, deferred inflows and fund balance</b>					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 82
Due to other funds	40,349	9,620	-	8,894	-
<b>Total liabilities</b>	<b>40,349</b>	<b>9,620</b>	<b>-</b>	<b>8,894</b>	<b>82</b>
Deferred inflows of resources:					
Delinquent property taxes	-	-	-	-	-
Fund balance:					
Non-spendable:					
Inventories	-	-	-	-	-
Restricted for:					
Special revenue funds	-	-	-	-	282,544
Capital projects funds	-	-	-	-	-
Unassigned	-	-	-	-	-
<b>Total fund balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>282,544</b>
<b>Total liabilities, deferred inflows of resources, and fund balance</b>	<b>\$ 40,349</b>	<b>\$ 9,620</b>	<b>\$ -</b>	<b>\$ 8,894</b>	<b>\$ 282,626</b>

( cont'd; 3 of 6 )

STATE OF NEW MEXICO  
**MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8**

NON-MAJOR GOVERNMENTAL FUNDS  
**Combining Balance Sheet**  
**June 30, 2019**

	<b>Special Revenue Funds</b>				
	Wallace Foundation Fund #26125	Dual Credit Instructional Materials Fund #27103	Libraries GO Bond 2012 Fund #27107	Reads to Lead Fund #27114	Excellence in Teaching Fund #27125
<b>Assets</b>					
Cash and cash equivalents	\$ 227	\$ -	\$ -	\$ -	\$ -
Receivables:					
Property taxes	-	-	-	-	-
Grant	-	3,883	-	51,277	-
Due from other governments	-	-	-	-	-
Food inventory	-	-	-	-	-
<b>Total assets</b>	<b>\$ 227</b>	<b>\$ 3,883</b>	<b>\$ -</b>	<b>\$ 51,277</b>	<b>\$ -</b>
<b>Liabilities, deferred inflows and fund balance</b>					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	3,883	-	51,277	-
<b>Total liabilities</b>	<b>-</b>	<b>3,883</b>	<b>-</b>	<b>51,277</b>	<b>-</b>
Deferred inflows of resources:					
Delinquent property taxes	-	-	-	-	-
Fund balance:					
Non-spendable:					
Inventories	-	-	-	-	-
Restricted for:					
Special revenue funds	227	-	-	-	-
Capital projects funds	-	-	-	-	-
Unassigned	-	-	-	-	-
<b>Total fund balance</b>	<b>227</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total liabilities, deferred inflows of resources, and fund balance</b>	<b>\$ 227</b>	<b>\$ 3,883</b>	<b>\$ -</b>	<b>\$ 51,277</b>	<b>\$ -</b>

( cont'd; 4 of 6 )

STATE OF NEW MEXICO  
**MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8**

NON-MAJOR GOVERNMENTAL FUNDS  
**Combining Balance Sheet**  
**June 30, 2019**

	<b>Special Revenue Funds</b>				Total Non-Major Special Revenue Funds
	Recruitment Support Fund #27128	Pre-K Initiative Fund #27149	New Mexico Grown Fund #27183	Dairy Max Fund #29102	Funds
<b>Assets</b>					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 8,855	\$ 770,721
Receivables:					
Property taxes	-	-	-	-	-
Grant	-	119,430	-	-	885,304
Due from other governments	-	-	-	-	-
Food inventory	-	-	-	-	39,395
<b>Total assets</b>	\$ -	\$ 119,430	\$ -	\$ 8,855	\$ 1,695,420
 <b>Liabilities, deferred inflows and fund balance</b>					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 15,323
Due to other funds	-	119,430	-	-	808,513
<b>Total liabilities</b>	-	119,430	-	-	823,836
Deferred inflows of resources:					
Delinquent property taxes	-	-	-	-	-
Fund balance:					
Non-spendable:					
Inventories	-	-	-	-	39,395
Restricted for:					
Special revenue funds	-	-	-	8,855	832,189
Capital projects funds	-	-	-	-	-
Unassigned	-	-	-	-	-
<b>Total fund balance</b>	-	-	-	8,855	871,584
<b>Total liabilities, deferred inflows of resources, and fund balance</b>	\$ -	\$ 119,430	\$ -	\$ 8,855	\$ 1,695,420

( cont'd; 5 of 6 )

STATE OF NEW MEXICO  
**MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8**

NON-MAJOR GOVERNMENTAL FUNDS  
**Combining Balance Sheet**  
**June 30, 2019**

	<b>Capital Projects Funds</b>			
	State SB-9 Match <u>Fund #31700</u>	Capital Improvements SB-9 <u>Fund #31701</u>	Total Non-Major Capital Projects <u>Funds</u>	Total Nonmajor Governmental <u>Funds</u>
<b>Assets</b>				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 770,721
Receivables:				
Property taxes	-	187,319	187,319	187,319
Grant	109,637	-	109,637	994,941
Due from other governments	-	20,043	20,043	20,043
Food inventory	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,395</u>
<b>Total assets</b>	<u>\$ 109,637</u>	<u>\$ 207,362</u>	<u>\$ 316,999</u>	<u>\$ 2,012,419</u>
 <b>Liabilities, deferred inflows and fund balance</b>				
Liabilities:				
Accounts payable	\$ -	\$ 18,421	\$ 18,421	\$ 33,744
Due to other funds	<u>109,637</u>	<u>78,280</u>	<u>187,917</u>	<u>996,430</u>
Total liabilities	<u>109,637</u>	<u>96,701</u>	<u>206,338</u>	<u>1,030,174</u>
 Deferred inflows of resources:				
Delinquent property taxes	<u>-</u>	<u>174,098</u>	<u>174,098</u>	<u>174,098</u>
 Fund balance:				
Non-spendable:				
Inventories	-	-	-	39,395
Restricted for:				
Special revenue funds	-	-	-	832,189
Capital projects funds	-	-	-	-
Unassigned	<u>-</u>	<u>(63,437)</u>	<u>(63,437)</u>	<u>(63,437)</u>
Total fund balance	<u>-</u>	<u>(63,437)</u>	<u>(63,437)</u>	<u>808,147</u>
<b>Total liabilities, deferred inflows of resources, and fund balance</b>	<u>\$ 109,637</u>	<u>\$ 207,362</u>	<u>\$ 316,999</u>	<u>\$ 2,012,419</u>

( 6 of 6 )

STATE OF NEW MEXICO  
**MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8**

NON-MAJOR GOVERNMENTAL FUNDS  
**Combining Statement of Revenues, Expenditures, and  
 Changes in Fund Balance  
 Year Ended June 30, 2019**

	<b>Special Revenue Funds</b>				
	<u>Food Service</u>	<u>Athletics</u>	<u>Title I</u>	<u>Entitlement</u>	<u>Preschool</u>
	<u>Fund #21000</u>	<u>Fund #22000</u>	<u>Fund #24101</u>	<u>IDEA-B</u>	<u>IDEA-B</u>
				<u>Fund #24106</u>	<u>Fund #24109</u>
<b>Revenues:</b>					
Taxes:					
Property	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental - federal grants	934,493	-	463,197	741,126	35,371
Intergovernmental - state grants	56,644	-	-	-	-
Contributions - private grants	-	-	-	-	-
Charges for services	<u>191,032</u>	<u>253,770</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total revenues</b>	<u>1,182,169</u>	<u>253,770</u>	<u>463,197</u>	<u>741,126</u>	<u>35,371</u>
<b>Expenditures:</b>					
Current:					
Instruction	-	246,989	232,906	202,666	2,339
Support services:					
Students	-	-	131,761	287,569	18,001
General Administration	-	-	98,530	22,003	1,080
School Administration	-	-	-	-	-
Central Services	-	-	-	169,611	13,951
Operation & Maintenance of Plant	-	-	-	-	-
Student transportation	-	-	-	52,584	-
Food services operations	1,094,093	-	-	-	-
Community services	-	-	-	6,693	-
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total expenditures</b>	<u>1,094,093</u>	<u>246,989</u>	<u>463,197</u>	<u>741,126</u>	<u>35,371</u>
<i>Excess (deficiency) of revenues over expenditures</i>	88,076	6,781	-	-	-
<b>Fund balance at beginning of the year</b>	<u>233,906</u>	<u>251,195</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance (deficit) at end of the year</b>	<u>\$ 321,982</u>	<u>\$ 257,976</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

( cont'd; 1 of 6 )

STATE OF NEW MEXICO  
**MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8**

NON-MAJOR GOVERNMENTAL FUNDS  
**Combining Statement of Revenues, Expenditures, and  
 Changes in Fund Balance  
 Year Ended June 30, 2019**

	<b>Special Revenue Funds</b>				
	IDEA-B CEIS Fund #24112	Education of Homeless Fund #24113	Fresh Fruits and Vegetables Fund #24118	IDEA-B Student Success Fund #24132	Title III English Language Fund #24153
<b>Revenues:</b>					
Taxes:					
Property	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental - federal grants	65,040	20,000	19,964	41,899	6,468
Intergovernmental - state grants	-	-	-	-	-
Contributions - private grants	-	-	-	-	-
Charges for services	-	-	-	-	-
<b>Total revenues</b>	<u>65,040</u>	<u>20,000</u>	<u>19,964</u>	<u>41,899</u>	<u>6,468</u>
<b>Expenditures:</b>					
Current:					
Instruction	24	8,081	-	41,899	6,280
Support services:					
Students	63,128	11,820	-	-	-
General Administration	1,888	-	-	-	188
School Administration	-	-	-	-	-
Central Services	-	-	-	-	-
Operation & Maintenance of Plant	-	-	-	-	-
Student transportation	-	99	-	-	-
Food services operations	-	-	19,964	-	-
Community services	-	-	-	-	-
Capital outlay	-	-	-	-	-
<b>Total expenditures</b>	<u>65,040</u>	<u>20,000</u>	<u>19,964</u>	<u>41,899</u>	<u>6,468</u>
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	-	-	-
<b>Fund balance at beginning of the year</b>	-	-	-	-	-
<b>Fund balance (deficit) at end of the year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

( cont'd; 2 of 6 )

STATE OF NEW MEXICO  
**MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8**

NON-MAJOR GOVERNMENTAL FUNDS  
**Combining Statement of Revenues, Expenditures, and  
 Changes in Fund Balance  
 Year Ended June 30, 2019**

	<b>Special Revenue Funds</b>				
	Title II Teacher Quality Fund #24154	Carl D Perkins - JAG Fund #24171	Carl D Perkins Secondary Redistribution Fund #24176	Academic Achievement Title IV Fund #24189	Title XIX Medicaid Fund #25153
<b>Revenues:</b>					
Taxes:					
Property	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental - federal grants	134,868	9,620	6,806	18,085	271,308
Intergovernmental - state grants	-	-	-	-	-
Contributions - private grants	-	-	-	-	-
Charges for services	-	-	-	-	-
<b>Total revenues</b>	134,868	9,620	6,806	18,085	271,308
<b>Expenditures:</b>					
Current:					
Instruction	39,381	9,620	6,806	-	10,662
Support services:					
Students	43,524	-	-	18,085	214,523
General Administration	51,963	-	-	-	23,259
School Administration	-	-	-	-	-
Central Services	-	-	-	-	-
Operation & Maintenance of Plant	-	-	-	-	-
Student transportation	-	-	-	-	-
Food services operations	-	-	-	-	-
Community services	-	-	-	-	-
Capital outlay	-	-	-	-	-
<b>Total expenditures</b>	134,868	9,620	6,806	18,085	248,444
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	-	-	22,864
<b>Fund balance at beginning of the year</b>	-	-	-	-	259,680
<b>Fund balance (deficit) at end of the year</b>	\$ -	\$ -	\$ -	\$ -	\$ 282,544

( cont'd; 3 of 6 )



STATE OF NEW MEXICO  
**MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8**

NON-MAJOR GOVERNMENTAL FUNDS  
**Combining Statement of Revenues, Expenditures, and  
 Changes in Fund Balance  
 Year Ended June 30, 2019**

	<b>Special Revenue Funds</b>				
	Wallace Foundation Fund #26125	Dual Credit Instructional Materials Fund #27103	Libraries GO Bond 2012 Fund #27107	Reads to Lead Fund #27114	Excellence in Teaching Fund #27125
<b>Revenues:</b>					
Taxes:					
Property	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental - federal grants	-	-	-	-	-
Intergovernmental - state grants	-	11,586	-	199,626	5,383
Contributions - private grants	-	-	-	-	-
Charges for services	-	-	-	-	-
<b>Total revenues</b>	<u>-</u>	<u>11,586</u>	<u>-</u>	<u>199,626</u>	<u>5,383</u>
<b>Expenditures:</b>					
Current:					
Instruction	-	11,586	-	147,745	5,383
Support services:					
Students	-	-	-	47,443	-
General Administration	-	-	-	4,438	-
School Administration	-	-	-	-	-
Central Services	-	-	-	-	-
Operation & Maintenance of Plant	-	-	-	-	-
Student transportation	-	-	-	-	-
Food services operations	-	-	-	-	-
Community services	-	-	-	-	-
Capital outlay	-	-	-	-	-
<b>Total expenditures</b>	<u>-</u>	<u>11,586</u>	<u>-</u>	<u>199,626</u>	<u>5,383</u>
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	-	-	-
<b>Fund balance at beginning of the year</b>	<u>227</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance (deficit) at end of the year</b>	<u>\$ 227</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

( cont'd; 4 of 6 )

STATE OF NEW MEXICO  
**MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8**

NON-MAJOR GOVERNMENTAL FUNDS  
**Combining Statement of Revenues, Expenditures, and  
 Changes in Fund Balance  
 Year Ended June 30, 2019**

	<u>Special Revenue Funds</u>				Total Nonmajor Special Revenue Funds
	Recruitment Support <u>Fund #27128</u>	Pre-K Initiative <u>Fund #27149</u>	New Mexico Grown <u>Fund #27183</u>	Dairy Max <u>Fund #29102</u>	
<b>Revenues:</b>					
Taxes:					
Property	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental - federal grants	-	-	-	-	2,768,245
Intergovernmental - state grants	-	287,463	4,846	-	565,548
Contributions - private grants	-	-	-	5,000	5,000
Charges for services	-	-	-	-	444,802
<b>Total revenues</b>	<u>-</u>	<u>287,463</u>	<u>4,846</u>	<u>5,000</u>	<u>3,783,595</u>
<b>Expenditures:</b>					
Current:					
Instruction	-	208,684	-	12,113	1,193,164
Support services:					
Students	-	31,956	-	-	867,810
General Administration	-	2,565	-	-	205,914
School Administration	-	16,141	-	-	16,141
Central Services	-	-	-	-	183,562
Operation & Maintenance of Plant	-	-	-	-	-
Student transportation	-	28,117	-	-	80,800
Food services operations	-	-	4,846	-	1,118,903
Community services	-	-	-	-	6,693
Capital outlay	-	-	-	-	-
<b>Total expenditures</b>	<u>-</u>	<u>287,463</u>	<u>4,846</u>	<u>12,113</u>	<u>3,672,987</u>
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	-	(7,113)	110,608
<b>Fund balance at beginning of the year</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,968</u>	<u>760,976</u>
<b>Fund balance (deficit) at end of the year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,855</u>	<u>\$ 871,584</u>

( cont'd; 5 of 6 )

STATE OF NEW MEXICO  
**MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8**

NON-MAJOR GOVERNMENTAL FUNDS  
**Combining Statement of Revenues, Expenditures, and  
 Changes in Fund Balance  
 Year Ended June 30, 2019**

	<b>Capital Projects Funds</b>			
	State SB-9 Match Fund #31700	Capital Improvements SB-9 Fund #31701	Total Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
<b>Revenues:</b>				
Taxes:				
Property	\$ -	\$ 939,674	\$ 939,674	\$ 939,674
Intergovernmental - federal grants	-	-	-	2,768,245
Intergovernmental - state grants	109,637	-	109,637	675,185
Contributions - private grants	-	-	-	5,000
Charges for services	-	-	-	444,802
<b>Total revenues</b>	<u>109,637</u>	<u>939,674</u>	<u>1,049,311</u>	<u>4,832,906</u>
<b>Expenditures:</b>				
Current:				
Instruction	-	-	-	1,193,164
Support services:				
Students	-	-	-	867,810
General Administration	-	9,348	9,348	215,262
School Administration	-	-	-	16,141
Central Services	-	-	-	183,562
Operation & Maintenance of Plant	-	1,069,605	1,069,605	1,069,605
Student transportation	-	-	-	80,800
Food services operations	-	-	-	1,118,903
Community services	-	-	-	6,693
Capital outlay	<u>109,637</u>	<u>103,355</u>	<u>212,992</u>	<u>212,992</u>
<b>Total expenditures</b>	<u>109,637</u>	<u>1,182,308</u>	<u>1,291,945</u>	<u>4,964,932</u>
<i>Excess (deficiency) of revenues over expenditures</i>	-	(242,634)	(242,634)	(132,026)
<b>Fund balance at beginning of the year</b>	<u>-</u>	<u>179,197</u>	<u>179,197</u>	<u>940,173</u>
<b>Fund balance (deficit) at end of the year</b>	<u>\$ -</u>	<u>\$ (63,437)</u>	<u>\$ (63,437)</u>	<u>\$ 808,147</u>

( 6 of 6 )

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**STATE REQUIRED DISCLOSURES**  
*(OTHER SUPPLEMENTAL INFORMATION)*

Supplemental schedules required by the State of  
New Mexico to provide additional analysis.

STATE OF NEW MEXICO  
**MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8**

FIDUCIARY FUNDS  
**Schedule of Changes in Assets and Liabilities - All Agency Funds**  
**Year Ended June 30, 2019**

<u>ASSETS</u>	Balance <u>June 30, 2018</u>	<u>Receipts</u>	<u>Disbursements</u>	Balance <u>June 30, 2019</u>
Cash and cash equivalents:				
Central Office	\$ 11,461	\$ 20,499	\$ 17,011	\$ 14,949
Moriarty High School	96,064	190,635	185,917	100,782
Moriarty Middle School	9,344	6,494	9,549	6,289
Edgewood Middle School	34,084	31,250	36,049	29,285
Moriarty Elementary School	16,330	11,270	13,498	14,102
Montain View Elementary School	315	789	760	344
South Montain Elementary School	5,837	7,794	9,795	3,836
Route 66 Elementary School	<u>15,107</u>	<u>22,879</u>	<u>29,456</u>	<u>8,530</u>
	<u>\$ 188,542</u>	<u>\$ 291,610</u>	<u>\$ 302,035</u>	<u>\$ 178,117</u>
<u>LIABILITIES</u>				
Deposits held for others	<u>\$ 188,542</u>	<u>\$ 291,610</u>	<u>\$ 302,035</u>	<u>\$ 178,117</u>

STATE OF NEW MEXICO  
**MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8**

SCHEDULE OF PLEDGED COLLATERAL  
**June 30, 2019**

	Wells Fargo <u>Bank</u>	<u>US Bank</u>	New Mexico <u>Finance Authority</u>	<u>Total</u>
<b>Cash on deposit at June 30, 2019:</b>				
Checking and savings	\$ 2,578,275	\$ 4,253,035	\$ 11,127,918	\$ 17,959,228
Less: FDIC coverage	(250,000)	(250,000)	-	(500,000)
Uninsured funds	<u>\$ 2,328,275</u>	<u>\$ 4,003,035</u>	<u>\$ 11,127,918</u>	<u>\$ 17,459,228</u>
<b>Amount requiring pledged collateral:</b>				
50% collateral requirement	\$ 1,164,138	\$ 2,001,518	\$ 5,563,959	\$ 8,729,615
Pledged collateral	<u>1,972,988</u>	<u>5,000,000</u>	<u>11,127,918</u>	<u>18,100,906</u>
Excess (deficiency) of pledged collateral	<u>\$ 808,850</u>	<u>\$ 2,998,482</u>	<u>\$ 5,563,959</u>	<u>\$ 9,371,291</u>

Pledged collateral of financial institutions consists of the following at June 30, 2019

<u>Wells Fargo Bank:</u>	<u>Maturity</u>	<u>CUSIP #</u>	<u>Market Value</u>
FMAC	2/1/2042	31292LFE0	\$ 1,321,829
FNMA	12/1/2042	3138MPXR1	204,202
FNMA	9/1/2038	3140J8YG2	446,957
			<u>\$ 1,972,988</u>

The above securities are held at Bank of New York Mellon, New York, NY.

<u>US Bank:</u>	<u>Issue Date</u>	<u>Expiration</u>	<u>Credit Limit</u>
FHLB Letter of Credit	5/1/2019	5/1/2020	\$ 4,000,000
FHLB Letter of Credit	6/24/2019	9/3/2019	1,000,000
			<u>\$ 5,000,000</u>

The above letter of credit is held at US Bank in Cincinnati, OH, and will honored by the Federal Home Loan Bank of Cincinnati.

STATE OF NEW MEXICO  
**MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8**

CASH RECONCILIATION  
**Year Ended June 30, 2019**

	<u>Beginning Cash</u>	<u>Receipts</u>	<u>Distributions</u>	<u>Other</u>	<u>Net Cash End of Period</u>	<u>Adjustments to the report</u>	<u>Total Cash on Report</u>
Operations	\$ 140,785	\$ 18,477,009	\$ 18,149,427	\$ (324,958)	\$ 143,409	\$ 1,249,040	\$ 1,392,449
Transportation	1	1,064,700	1,064,701	-	-	-	-
Instructional Materials	25,991	88,298	94,901	-	19,388	-	19,388
Food Services	191,315	1,105,541	1,086,747	-	210,109	-	210,109
Athletics	251,195	253,771	236,062	-	268,904	-	268,904
Activity Funds	188,542	291,610	302,035	-	178,117	-	178,117
Federal Flowthrough Funds	-	1,434,452	1,562,283	127,831	-	-	-
Federal Direct Funds	259,680	271,308	248,337	(25)	282,626	-	282,626
Local Grants	227	-	-	-	227	-	227
State Flowthrough Funds	-	500,908	508,903	7,995	-	-	-
Local/State	15,968	5,000	12,113	-	8,855	-	8,855
Bond Building	6,117,272	114,929	3,036,927	7,997,972	11,193,246	-	11,193,246
State SB-9 Match	-	-	109,637	109,637	-	-	-
Capital Improvements SB-9	154,075	935,120	1,167,474	78,279	-	-	-
Debt Service	884,274	4,628,461	1,259,700	-	4,253,035	-	4,253,035
<b>Total</b>	<b>\$ 8,229,325</b>	<b>\$ 29,171,107</b>	<b>\$ 28,839,247</b>	<b>\$ 7,996,731</b>	<b>\$ 16,557,916</b>	<b>\$ 1,249,040</b>	<b>\$ 17,806,956</b>

<u>Account Name</u>	<u>Account Type</u>	<u>Bank Name</u>	<u>Bank Amount</u>	Adjustments to report:	
Operational	Checking - Interest	Wells Fargo	\$ 2,578,275	Written checks held at yearend	\$ 1,249,040
Debt Service	Checking - Interest	US Bank	4,253,035	Interfund loans - pooled cash	-
Payroll	Checking - Interest	Wells Fargo	-	Interfund loans - pooled cash	-
Capitall Projects	Escrow	NMFA	11,127,918	Clearing account	-
			<u>\$ 17,959,228</u>	Total adjustment to the report	<u>\$ 1,249,040</u>

Adjustments to cash:	
Bank Balance	\$ 17,959,228
Cash on hand	-
Outstanding deposits	-
Outstanding checks	(1,401,312)
Checks written and held at yearend	1,249,040
Total adjusted cash	<u>\$ 17,806,956</u>



# COMPLIANCE SECTION

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

§

Report on Compliance for Each Major Federal Program and  
Report on Internal Control Over Compliance  
Required By Uniform Guidance

§

Schedule of Findings and Questioned Costs:  
Summary of Auditor's Results  
Financial Statement Findings  
Federal Award Findings

§

Summary Schedule of Prior Year Audit Findings

§

Schedule of Expenditures of Federal Awards  
Notes to the Schedule of Expenditures of Federal Awards

§

Required Disclosure

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

INDEPENDENT AUDITORS' REPORT

Brian S. Colón, Esq., State Auditor and  
The Board of Education and Audit Committee of  
Moriarty-Edgewood School District No. 8

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 and major special revenue funds, of the Moriarty-Edgewood School District No. 8 as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Moriarty-Edgewood School District No. 8's basic financial statements, and the combining and individual funds and related budgetary comparisons of Moriarty-Edgewood School District No. 8, presented as supplemental information, and have issued our report thereon dated October 7, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit, of the financial statements, we considered Moriarty-Edgewood School District No. 8'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 Moriarty-Edgewood School District No. 8's internal control. Accordingly, we do not express an opinion on the effectiveness of Moriarty-Edgewood School District No. 8'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 Moriarty-Edgewood School District No. 8's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a *material weakness*, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Moriarty-Edgewood School District No. 8'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. We also noted certain other matters that are required to be reported pursuant to *Government Auditing Standards* and pursuant to Section 12-6-5, NMSA 1978, which are described in the accompanying schedule of findings and questioned costs as finding 2019-001 and 2019-002.

Brian S. Colón, Esq., State Auditor and  
The Board of Education and Audit Committee of  
Moriarty-Edgewood School District No. 8

### **Moriarty-Edgewood School District No. 8's Response to Findings**

Moriarty-Edgewood School District No. 8's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Moriarty-Edgewood School District No. 8's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Moriarty-Edgewood School District No. 8's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Accounting & Financial Solutions, LLC*  
Farmington, New Mexico  
October 7, 2019



REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
REQUIRED BY UNIFORM GUIDANCE

INDEPENDENT AUDITOR'S REPORT

Brian S. Colón, Esq., State Auditor and  
The Board of Education and Audit Committee of  
Moriarty-Edgewood School District No. 8

**Report on Compliance for Each Major Federal Program**

We have audited Moriarty-Edgewood School District No. 8's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Moriarty-Edgewood School District No. 8's major federal programs for the year ended June 30, 2019. Moriarty-Edgewood School District No. 8's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Moriarty-Edgewood School District No. 8's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Moriarty-Edgewood School District No. 8's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Moriarty-Edgewood School District No. 8's compliance.

***Opinion on Each Major Federal Program***

In our opinion, Moriarty-Edgewood School District No. 8 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Brian S. Colón, Esq., State Auditor and  
The Board of Education and Audit Committee of  
Moriarty-Edgewood School District No. 8

### **Report on Internal Control Over Compliance**

Management of Moriarty-Edgewood School District No. 8 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Moriarty-Edgewood School District No. 8's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Moriarty-Edgewood School District No. 8's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

*Accounting & Financial Solutions, LLC*  
Farmington, New Mexico  
October 7, 2019

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
OF  
**MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8**  
AS OF AND FOR THE YEAR ENDED  
JUNE 30, 2019

STATE OF NEW MEXICO  
**MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
**Year Ended June 30, 2019**

<u>Federal Grantor/Pass - Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Passed To Subrecipients</u>	<u>Cluster Programs</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Agriculture:</b>					
Direct Program:					
Forest Reserve	10.665	11000	\$ -		<u>\$ 76,183</u>
Pass-Through Program From:					
New Mexico Public Education Department:					
<u>Child Nutrition Cluster:</u>					
USDA National School Lunch Program	10.555	21000	-	\$ 622,981	
USDA School Breakfast Program	10.553	21000	-	<u>237,540</u>	
Total Child Nutrition Cluster					860,521
Fresh Fruits and Vegetables	10.582	24118	-		19,964
Pass-Through Program From:					
New Mexico Human Service Department:					
USDA Commodities Program	10.565	21000	-		<u>73,972</u>
<i>Subtotal Pass-Through Programs</i>					<u>954,457</u>
<i>Total U.S. Department of Agriculture</i>					<u>1,030,640</u>
<b>U.S. Department of Education:</b>					
Pass-Through Programs From:					
New Mexico Public Education Department:					
<u>Special Education (IDEA) Cluster:</u>					
Entitlement IDEA-B	84.027	24106	-	\$ 741,126	
Preschool IDEA-B	84.027A	24109	-	35,371	
IDEA-B CEIS	84.173A	24112	-	65,040	
IDEA-B Student Success	84.027	24132	-	<u>41,899</u>	
Total Special Education (IDEA) Cluster					883,436
Title I	84.010	24101	-		463,197
Education of Homeless	84.196	24113	-		20,000
Title III English Language	84.365	24153	-		6,468
Title II Teacher Quality	84.367	24154	-		134,868
Carl D Perkins - JAG	84.048	24171	-		9,620
Carl D Perkins Secondary Redistribution	84.048	24176	-		6,806
Academic Achievement Title IV	84.424A	24189	-		<u>18,085</u>
<i>Total U.S. Department of Education</i>					<u>1,542,480</u>
Total Expenditures of Federal Awards			<u>\$ -</u>		<u>\$ 2,573,120</u>

See the accompanying notes to the Schedule of Expenditures of Federal Awards.





**I. SCOPE OF AUDIT PURSUANT TO OMB UNIFORM GRANT GUIDANCE**

All federal grant operations of Moriarty-Edgewood School District No. 8 (the “District”) are included in the scope of the Office of Management and Budget (“OMB”) Uniform Grant Guidance audit (the “Single Audit”). The Single Audit was performed in accordance with the provisions of the OMB Circular Compliance Supplement (Revised July 2019 the “Compliance Supplement”). Compliance testing of all requirements are described in the Compliance Supplement, was performed for the grants programs noted below. These programs represent all federal award programs and other grants with fiscal year 2019 cash and non-cash expenditures to ensure coverage of at least 40% (HIGH risk auditee) of federally granted funds. Actual coverage is approximately 52% of total cash and non-cash federal award program expenditures. Total cash expenditures were in the amount of \$2,499,148 and all non-cash expenditures amounted to \$73,972.

MAJOR FEDERAL PROGRAM	CFDA	EXPENDITURE
<b>Cash Assistance:</b>		
Special Education (IDEA) Cluster	84.027 & 84.173	\$ 883,436
Title I	84.010	463,197
Title II Teacher Quality	84.367	<u>134,868</u>
<b>Total</b>		<u><u>\$ 1,481,501</u></u>

The District did not have any federal programs considered to be a High-Risk Type A program for the year ended June 30, 2019.

The U.S. Department of Education is the District’s oversight agency for single audit.

**Basis of presentation**

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal grant activity of the District under programs of the federal government for the year ended June 30, 2019. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Uniform Grant Guidance. Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position and changes in net position of the District. All federal programs considered active during the year ended June 30, 2019, are reflected on the Schedule. An active federal program is defined as a federal program for which there were receipts or disbursements of funds or accrued (deferred) grant revenue adjustments during the fiscal year or a federal program considered as not completed or closed out at the beginning of the fiscal year. The Schedule is prepared using the accrual basis of accounting. Grant revenues are recorded for financial reporting purposes when the District has met the qualifications for the respective grant. Grant revenues for the Food Donation Program are based upon commodities received, at amounts per standard price listing, published quarterly by the United States Department of Agriculture (the “USDA”). In addition, there is no federal insurance in effect during the year and loan or loan guarantee outstanding at year end.

**Accrued and deferred reimbursements**

Various reimbursement procedures are used for Federal awards received by the District. Consequently, timing differences between expenditures and program reimbursements can exist at the beginning and end of the year. Accrued balances at year end represent an excess of reimbursable expenditures over receipts to date. Deferred balance at year-end represent an excess of cash receipts over reimbursable expenditure to date. Generally, accrued or deferred balances covered by differences in the timing of cash receipts and expenditures will be reversed in the remaining grant period.

**II. RECONCILIATION OF FEDERAL AWARDS TO EXPENDITURE OF FEDERAL AWARDS**

The differences between the federal awards received (Intergovernmental sources – federal) during the year ended June 30, 2019 and the federal awards expended during the year are as follows:

	BALANCE
Federal Sources	\$ 2,886,436
Indirect costs from federal programs	(42,008)
Revenues received as vendor	<u>(271,308)</u>
Total Expenditures of Federal Awards	<u><u>\$ 2,573,120</u></u>

**III. INDIRECT COSTS**

There District has not elected to use the 10% de minimis indirect cost.



**I. SUMMARY OF AUDIT RESULTS**

	<u>Yes</u>	<u>No</u>	<u>Occurrences</u>
<b>FINANCIAL STATEMENTS:</b>			
Type of auditor's report issued: <u>Unmodified</u>			
Internal control over financial reporting:			
Material weakness(es) identified?	—	✓	—
Significant deficiency(ies) identified?	—	✓	—
Noncompliance material to financial statements noted?	—	✓	—
<b>FEDERAL AWARDS:</b>			
Internal control over major programs:			
Material weakness(es) identified?	—	✓	—
Significant deficiency(ies) identified?	—	✓	—
Type of auditor's report issued on compliance with major programs: <u>Unmodified</u>			
Any audit findings disclosed that are required to be reported in accordance with Section 200.516 of the Uniform Guidance?	—	✓	—
The programs treated as major programs include:			
<u>Name of Federal Program or Cluster</u>			<u>CFDA Number</u>
Special Education (IDEA-B) Cluster			84.027 & 84.173
Title I			84.010
Title II			84.367
The threshold for distinguishing types A and B programs: <u>\$750,000</u>			
Auditee qualified as low-risk auditee?	—	✓	
<b>NEW MEXICO STATE REQUIREMENTS:</b>			
Internal control over state requirements:			
Other non-compliance?	✓	—	2
Finding that does not rise to the level of significant deficiency?	—	✓	—



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## II. AUDIT FINDINGS – FINANCIAL STATEMENTS

There were not any findings to be reported.

## III. AUDIT FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

There were not any findings to be reported.

## IV. AUDIT FINDINGS – SECTION 12-6-5 NMSA 1978

### 2019 – 001 BACKGROUND CHECKS *Other Non-Compliance*

Condition: Twenty-eight personnel files were reviewed for the background check required for employment. One file did not have a background check available in the file.

Criteria: In accordance 1978 NMSA 22-10A-5, all employees who have unsupervised access to children are required to have a background check completed and approved.

Cause: The District is not maintaining adequate controls over employee hiring.

Effect of condition: The District is out of compliance with requirements for 1978 NMSA 22-10A-5.

Recommendation: The District should not employ any individual without prior receipt of the cleared background check.

Management's response: Fingerprints were completed and turned in with employees Para educator license application on August 29, 2018. Employee's contract start date was September 4, 2018. However, the district never obtained a copy. No employee will begin working until the background check has been completed and results obtained.

Responsible party(ies) for corrective action(s): Director of Personnel

Corrective action(s) timeline: November 1, 2019



**IV. AUDIT FINDINGS – SECTION 12-6-5 NMSA 1978 (cont'd)**

**2019 – 002 INTERNAL CONTROLS OVER BUDGETARY EXPENDITURES**  
*Other Non-Compliance*

Condition: There were unfavorable variances between actual and budgeted expenditures at the function level. The District had one over expenditure at the function level for the year ended June 30, 2019. The following is a list of the unfavorable function level variances:

<u>Fund</u>	<u>Function</u>	<u>Final Budget</u>	<u>Expenditure</u>	<u>Over Spent</u>
Debt Service	Support Services	\$ 43,828	\$ 46,274	\$ (2,446)

Criteria: According to NMSA 1978 Section 22-8-11 B, an expenditure shall not be made or any obligation incurred for the expenditure of public funds unless that expenditure or obligation is made in accordance with an operating budget approved by the department.

Cause: Budget authorizations (adjustments) were not in place at the function level prior to the expenditures being incurred resulted in unfavorable (negative) variances, overspending of line item budgets, to occur.

Effect of condition: Violation of NMSA 1978 Section 22-8-11 B, over spending of public monies. The condition could lead to expenditures being paid in excess of total budgeted amounts.

Recommendation: Management should implement immediate steps to provide adequate financial reports to allow for proper and timely monitoring of function level expenditures. Budget adjustment requests should be approved by the Board of Education and State Public Education Department (when required) to receive approval to make necessary changes to the records prior to being presented for audit.

Management’s response: On June 1, 2019, which was the deadline for any PED BARs, there was still sufficient money in this line item. However, the counties ended up collecting more delinquent taxes than anticipated. When creating the budget PED only allows 1% of the anticipated tax collections to be budgeted, so when the last tax payments came in on June 20, 2019 and more taxes were collected than anticipated it was too late to do a PED transfer BAR. In the future, a PED transfer BAR will be requested by the PED BAR transfer deadline in order to put extra money in that line just in case the counties collect delinquent taxes that are not included in the original budget amounts.

Responsible party(ies) for corrective action(s): Antoinette Young, Director of Finance

Corrective action(s) timeline: By November 1, 2019.



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**I. PRIOR FINDINGS – NOT RESOLVED**

There were not any findings to be reported from the prior year.

**II. PRIOR FINDINGS – RESOLVED**

2018 – 001 LATE DEPOSIT OF RECEIPTS

*Current Status:* Resolved. Not repeated in the current year.



The independent public accountants assisted in the preparation of the financial statements. The accompanying financial statements are the responsibility of the District and are based on information from the District's financial records.

An exit conference was held October 9, 2019 and was attended by the following individuals:

MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8

Selia Gomez	Member, Board of Education / Audit Committee
Robin Prudencio	Member, Audit Committee
Teresa Salazar	Superintendent; Member, Audit Committee
Antoinette Young	Director of Finance; Member, Audit Committee
Priscilla Ortiz	Comptroller

ACCOUNTING & FINANCIAL SOLUTIONS, LLC

Terry Ogle, CPA	Partner
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