

State of New Mexico

MOUNTAINAIR PUBLIC SCHOOLS



FOR YEAR ENDED JUNE 30, 2018
ANNUAL FINANCIAL REPORT

RICE & ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

STATE OF NEW MEXICO
MOUNTAINAIR PUBLIC SCHOOLS
AUDIT REPORT
For The Year Ended June 30, 2018
(with Auditor's Report Thereon)

STATE OF NEW MEXICO
MOUNTAINAIR PUBLIC SCHOOLS
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STATE OF NEW MEXICO
Mountainair Public Schools
Official Roster
Year Ended June 30, 2018

Board of Education

| <u>Name</u> | <u>Title</u> |
|----------------------|----------------|
| Mr. Darrell Roberts | President |
| Ms. Frances Gonzales | Vice-President |
| Ms. Mary Gustin | Secretary |
| Mr. Dustin Kayser | Member |
| Mr. Victor Romero | Member |

School Officials

| | |
|------------------|------------------------|
| Ms. Dawn Apodaca | Interim Superintendent |
| Ms. Tammy Zamora | Business Manager |

Rice and Associates, C.P.A.

AUDITING
BOOKKEEPING
(505) 292-8275

CERTIFIED PUBLIC ACCOUNTANTS
11805 Menaul NE
Albuquerque, NM 87112

TAX PLANNING
TAX PREPARATION
FAX (505) 294-8904

INDEPENDENT AUDITOR'S REPORT

Mr. Brian Colon
New Mexico State Auditor
and
Board of Education
Mountainair Public Schools
Mountainair, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, and the budgetary comparisons for the General, IDEA-B Entitlement, Medicaid, Title I, Read2Lead and Pre-K Initiative Funds of the Mountainair Public Schools, as of and for the year ended June 30, 2018, and the related notes to the financial statements which collectively comprise the Mountainair Public Schools basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Mountainair Public Schools non-major governmental funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2018 as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Mountainair Public Schools, as of June 30, 2018, and the respective changes in financial position and where applicable, cash flows thereof, and the respective budgetary comparisons for the General, IDEA-B Entitlement, Medicaid, Title I, Read2Lead and Pre-K Initiative Funds for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each non-major governmental funds of the Mountainair Public Schools, as of June 30, 2018, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Adoption of New Accounting Pronouncement

As discussed in Note 14 to the financial statements, effective July 1, 2017, the School District adopted Governmental Accounting Standards Board Statement (GASB) No 75 *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted the MD&A which is required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements is required by GASB 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. Our opinion on the basic financial statements is not affected by this missing information.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the Mountainair Public Schools financial statements, the combining and the individual fund financial statements, and the budgetary comparisons. The Schedule of Cash Receipts and Disbursements - All Funds by School District Classification is required by Section 2.2.2 NMAC and is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Cash Receipts and Disbursements - All Funds by School District Classification is the responsibility of management and was derived from and relates 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 basis financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the Untied States of America. In our opinion, the Schedule of Cash Receipts, Disbursements - All Funds by School District Classification is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 1, 2019 on our consideration of the Mountainair Public Schools internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Mountainair Public Schools internal control over financial reporting and compliance.



Albuquerque, New Mexico
July 1, 2019

FINANCIAL STATEMENTS

STATE OF NEW MEXICO
MOUNTAINAIR PUBLIC SCHOOLS
Statement of Net Position
June 30, 2018

Statement 1
Page 1 of 2

| | Governmental Activities |
|--|----------------------------|
| ASSETS | |
| Current assets | |
| Cash | \$ 1,416,524 |
| Accounts receivable | 6,551 |
| Due from grantor | 191,843 |
| Inventory | 2,279 |
| Total current assets | 1,617,197 |
| Non-current assets | |
| Land (non-depreciable) | 57,583 |
| Capital assets (depreciable) | 20,464,498 |
| Less accumulated depreciation | (10,052,973) |
| Total non-current assets | 10,469,108 |
| Total assets | 12,086,305 |
| Deferred outflows of resources | |
| Deferred outflows of resources related to pension | 2,333,068 |
| Deferred outflows of resources related to OPEB | 37,262 |
| Total deferred outflows of resources | 2,370,330 |
| Total assets and deferred outflows of resources | \$ 14,456,635 |

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

STATE OF NEW MEXICO
MOUNTAINAIR PUBLIC SCHOOLS
Statement of Net Position
June 30, 2018

Statement 1
Page 2 of 2

LIABILITIES

| | |
|--|-------------------|
| Current liabilities | |
| Accounts payable | \$ 70,439 |
| Grants received in advance of eligibility requirements | 3,491 |
| Accrued interest payable | 63,035 |
| Current portion of long-term liabilities | <u>238,325</u> |
| Total current liabilities | <u>375,290</u> |
| Long-term obligations: | |
| Compensated absences | 7,723 |
| Net pension liability | 7,061,498 |
| OPEB liability | 1,910,099 |
| Non-current portion of long-term liabilities | <u>2,895,511</u> |
| Total long-term liabilities | <u>11,874,831</u> |
| Total liabilities | <u>12,250,121</u> |

Deferred inflows of resources

| | |
|--|----------------|
| Deferred inflows of resources related to Net Pension Liability | 387,396 |
| Deferred inflows of resources related to OPEB Liability | <u>434,735</u> |
| Total deferred inflows of resources | <u>822,131</u> |

NET POSITION

| | |
|--|-----------------------------|
| Net investment in capital assets | 7,335,272 |
| Restricted for: | |
| Cafeteria fund (inventory) | 2,279 |
| Special grants | 289,245 |
| Capital outlay | 1,011,387 |
| Debt service | 291,485 |
| State mandated reserves | 4,616 |
| Unrestricted | <u>(7,549,901)</u> |
| Total net position | <u>1,384,383</u> |
| Total liabilities, deferred inflows of resources and net position | <u>\$ 14,456,635</u> |

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

STATE OF NEW MEXICO
MOUNTAINAIR PUBLIC SCHOOLS
Statement of Activities
Year Ended June 30, 2018

Statement 2

| <u>Functions/Programs</u> | Program Revenues | | | | Net (Expenses) Revenue and Changes Net Position |
|---|------------------|-------------------------|--|--|---|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | |
| EXPENSES: | | | | | |
| Governmental activities: | | | | | |
| Direct instruction | \$ 2,531,721 | \$ 21,224 | \$ 359,078 | \$ 3,282,390 | \$ 1,130,971 |
| Instructional support | 2,168,302 | - | 330,339 | - | (1,837,963) |
| Food services | 199,243 | 8,010 | 203,157 | - | 11,924 |
| Depreciation - unallocated | 269,144 | - | - | - | (269,144) |
| Interest on long-term obligations | 63,035 | - | 26,238 | - | (36,797) |
| Total governmental activities | <u>5,231,445</u> | <u>29,234</u> | <u>918,812</u> | <u>3,282,390</u> | <u>(1,001,009)</u> |
| General revenues: | | | | | |
| Taxes | | | | | |
| Property taxes, levied for general purposes | | | | | 31,609 |
| Property taxes, levied for capital projects | | | | | 133,814 |
| Property taxes, levied for debt service | | | | | 296,814 |
| Federal and State aid not restricted to specific purpose | | | | | |
| General - SEG | | | | | 2,769,978 |
| Federal - Forest Reserve | | | | | 6,900 |
| Interest and investment earnings | | | | | 5,924 |
| Miscellaneous | | | | | 16,933 |
| Sub-total, general revenues | | | | | <u>3,261,972</u> |
| Change in net position | | | | | <u>2,260,963</u> |
| Net position - beginning of year | | | | | (1,250,685) |
| Restatement | | | | | 374,105 |
| Net position - beginning of year - restated | | | | | <u>(876,580)</u> |
| Net position - end of year | | | | | <u>\$ 1,384,383</u> |

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

STATE OF NEW MEXICO
MOUNTAINAIR PUBLIC SCHOOLS
Balance Sheet - All Governmental Funds
June 30, 2018

Statement 3
Page 1 of 2

| | General | IDEA-B Entitlement | Medicaid | Title I | Read2Lead |
|------------------------------------|--------------------------|-------------------------|--------------------------|-------------------------|-------------------------|
| ASSETS | | | | | |
| Cash on deposit | \$ 27,384 | \$ - | \$ 187,821 | \$ - | \$ - |
| Accounts receivable, collectible | 1,524 | - | - | - | - |
| Due from grantor | - | 44,697 | - | 47,140 | 27,987 |
| Due from other funds | 191,843 | - | - | - | - |
| Inventory, at cost | - | - | - | - | - |
| Total assets | <u>\$ 220,751</u> | <u>\$ 44,697</u> | <u>\$ 187,821</u> | <u>\$ 47,140</u> | <u>\$ 27,987</u> |
| LIABILITIES | | | | | |
| Due to other funds | \$ - | \$ 44,697 | \$ - | \$ 47,140 | \$ 27,987 |
| Accounts payable | 70,439 | - | - | - | - |
| Grants received in advance | - | - | - | - | - |
| Cash overdraft | 191,843 | - | - | - | - |
| Total liabilities | <u>262,282</u> | <u>44,697</u> | <u>-</u> | <u>47,140</u> | <u>27,987</u> |
| FUND BALANCE | | | | | |
| Nonspendable | - | - | - | - | - |
| Restricted for: | | | | | |
| Special revenue grants | 9,598 | - | 187,821 | - | - |
| Capital outlay | - | - | - | - | - |
| Debt service | - | - | - | - | - |
| State mandated cash reserves | 4,616 | - | - | - | - |
| Committed | - | - | - | - | - |
| Assigned | - | - | - | - | - |
| Unassigned | (55,745) | - | - | - | - |
| Total fund balance | <u>(41,531)</u> | <u>-</u> | <u>187,821</u> | <u>-</u> | <u>-</u> |
| Total liabilities and fund balance | <u>\$ 220,751</u> | <u>\$ 44,697</u> | <u>\$ 187,821</u> | <u>\$ 47,140</u> | <u>\$ 27,987</u> |

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

STATE OF NEW MEXICO
MOUNTAINAIR PUBLIC SCHOOLS
Balance Sheet - All Governmental Funds
June 30, 2018

Statement 3
Page 2 of 2

| | Pre-K Initiative | Bond Building | Local Capital Improvements SB-9 | Debt Service | Other Governmental | Total |
|------------------------------------|-------------------------|--------------------------|--|--------------------------|--------------------------|----------------------------|
| ASSETS | | | | | | |
| Cash on deposit | \$ - | \$ 487,618 | \$ 522,184 | \$ 288,043 | \$ 95,317 | \$ 1,608,367 |
| Accounts receivable, collectible | - | - | 1,585 | 3,442 | - | 6,551 |
| Due from grantor | 27,114 | - | - | - | 44,905 | 191,843 |
| Due from other funds | - | - | - | - | - | 191,843 |
| Inventory, at cost | - | - | - | - | 2,279 | 2,279 |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,279</u> | <u>2,279</u> |
| Total assets | <u>\$ 27,114</u> | <u>\$ 487,618</u> | <u>\$ 523,769</u> | <u>\$ 291,485</u> | <u>\$ 142,501</u> | <u>\$ 2,000,883</u> |
| LIABILITIES | | | | | | |
| Due to other funds | \$ 27,114 | \$ - | \$ - | \$ - | \$ 44,905 | \$ 191,843 |
| Accounts payable | - | - | - | - | - | 70,439 |
| Grants received in advance | - | - | - | - | 3,491 | 3,491 |
| Cash overdraft | - | - | - | - | - | 191,843 |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>191,843</u> |
| Total liabilities | <u>27,114</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>48,396</u> | <u>457,616</u> |
| FUND BALANCE | | | | | | |
| Nonspendable | - | - | - | - | 2,279 | 2,279 |
| Restricted for: | | | | | | |
| Special revenue grants | - | - | - | - | 91,826 | 289,245 |
| Capital outlay | - | 487,618 | 523,769 | - | - | 1,011,387 |
| Debt service | - | - | - | 291,485 | - | 291,485 |
| State mandated cash reserves | - | - | - | - | - | 4,616 |
| Committed | - | - | - | - | - | - |
| Assigned | - | - | - | - | - | - |
| Unassigned | - | - | - | - | - | (55,745) |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(55,745)</u> |
| Total fund balance | <u>-</u> | <u>487,618</u> | <u>523,769</u> | <u>291,485</u> | <u>94,105</u> | <u>1,543,267</u> |
| Total liabilities and fund balance | <u>\$ 27,114</u> | <u>\$ 487,618</u> | <u>\$ 523,769</u> | <u>\$ 291,485</u> | <u>\$ 142,501</u> | <u>\$ 2,000,883</u> |

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

STATE OF NEW MEXICO
MOUNTAINAIR PUBLIC SCHOOLS
Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Position
June 30, 2018

Statement 4

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

| | | |
|---|---------------------|---------------------|
| Total fund balances - governmental funds | | \$ 1,543,267 |
| Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds | | |
| The cost of capital assets | 20,522,081 | |
| Accumulated depreciation | <u>(10,052,973)</u> | |
| | | 10,469,108 |
| Deferred outflows and inflows or resources related to pensions are applicable to future periods and therefore, are not reported in the funds | | |
| Deferred outflows/inflows | | 1,548,199 |
| Long-term and certain other liabilities, including bonds payable and net pension liability, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term and other liabilities at year-end consist of: | | |
| Net pension liability | | (7,061,498) |
| Net OPEB liability | | (1,910,099) |
| Bonds Payable | | (3,133,836) |
| Interest Payable | | (63,035) |
| Compensated Absences | | <u>(7,723)</u> |
| Total net position - governmental funds | | <u>\$ 1,384,383</u> |

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

STATE OF NEW MEXICO
MOUNTAINAIR PUBLIC SCHOOLS
Statement of Revenues, Expenditures and Changes in
Fund Balances - All Governmental Funds
Year Ended June 30, 2018

Statement 5
Page 1 of 2

| | General | IDEA-B Entitlement | Medicaid | Title I | Read2Lead |
|--------------------------------|--------------------|-----------------------|-------------------|----------------|---------------|
| REVENUES | | | | | |
| Property taxes | \$ 31,609 | \$ - | \$ - | \$ - | \$ - |
| Charges for services | - | - | - | - | - |
| Local sources | 16,556 | - | - | - | - |
| State sources | 2,974,464 | - | - | - | 65,247 |
| Federal sources | 6,900 | 72,192 | 108,904 | 110,933 | - |
| Earnings from investments | 912 | - | - | - | - |
| | <u>3,030,441</u> | <u>72,192</u> | <u>108,904</u> | <u>110,933</u> | <u>65,247</u> |
| Total revenues | | | | | |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| Direct instruction | 1,442,175 | 52,726 | 4,653 | 110,812 | 65,247 |
| Instructional support | 1,889,600 | 19,466 | 68,838 | 121 | - |
| Food services | - | - | - | - | - |
| Capital outlay | - | - | - | - | - |
| Debt service: | | | | | |
| Bonds | - | - | - | - | - |
| Interest | - | - | - | - | - |
| | <u>3,331,775</u> | <u>72,192</u> | <u>73,491</u> | <u>110,933</u> | <u>65,247</u> |
| Total expenditures | | | | | |
| Net change in fund balances | (301,334) | - | 35,413 | - | - |
| Fund balance beginning of year | <u>259,803</u> | <u>-</u> | <u>152,408</u> | <u>-</u> | <u>-</u> |
| Fund balance end of year | <u>\$ (41,531)</u> | <u>\$ -</u> | <u>\$ 187,821</u> | <u>\$ -</u> | <u>\$ -</u> |

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

STATE OF NEW MEXICO
MOUNTAINAIR PUBLIC SCHOOLS
Statement of Revenues, Expenditures and Changes in
Fund Balances - All Governmental Funds
Year Ended June 30, 2018

Statement 5
Page 2 of 2

| | Pre-K Initiative | Bond Building | Local Capital Improvements SB-9 | Debt Service | Other Governmental | Total |
|--------------------------------|---------------------|-------------------|--|-------------------|-----------------------|---------------------|
| REVENUES | | | | | | |
| Property taxes | \$ - | \$ - | \$ 133,814 | \$ 296,814 | \$ - | \$ 462,237 |
| Charges for services | - | - | - | - | 29,234 | 29,234 |
| Local sources | - | - | - | - | 377 | 16,933 |
| State sources | 47,204 | 3,282,390 | - | 26,238 | 47,680 | 6,443,223 |
| Federal sources | - | - | - | - | 235,928 | 534,857 |
| Earnings from investments | - | 4,843 | - | 153 | 16 | 5,924 |
| | <u>47,204</u> | <u>3,287,233</u> | <u>133,814</u> | <u>323,205</u> | <u>313,235</u> | <u>7,492,408</u> |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| Direct instruction | 47,204 | - | - | - | 95,050 | 1,817,867 |
| Instructional support | - | 114,941 | 63,191 | 2,977 | 9,168 | 2,168,302 |
| Food services | - | - | - | - | 199,243 | 199,243 |
| Capital outlay | - | 4,387,274 | - | - | 19,719 | 4,406,993 |
| Debt service: | | | | | | |
| Bonds | - | - | - | 265,547 | - | 265,547 |
| Interest | - | - | - | 76,152 | - | 76,152 |
| | <u>47,204</u> | <u>4,502,215</u> | <u>63,191</u> | <u>344,676</u> | <u>323,180</u> | <u>8,934,104</u> |
| Net change in fund balances | - | (1,214,982) | 70,623 | (21,471) | (9,945) | (1,441,696) |
| Fund balance beginning of year | - | 1,702,600 | 453,146 | 312,956 | 104,050 | 2,984,963 |
| Fund balance end of year | <u>\$ -</u> | <u>\$ 487,618</u> | <u>\$ 523,769</u> | <u>\$ 291,485</u> | <u>\$ 94,105</u> | <u>\$ 1,543,267</u> |

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

STATE OF NEW MEXICO
MOUNTAINAIR PUBLIC SCHOOLS
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances - Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2018

Statement 6

Total net change in fund balances - governmental funds \$ (1,441,696)

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which capital outlays exceed depreciation in the period

| | |
|----------------------|------------------|
| Capital outlays | 4,406,993 |
| Depreciation expense | <u>(269,144)</u> |

Excess of depreciation expense over capital outlay 4,137,849

In the Statement of Activities, certain operating expenses are measured by the amounts incurred during the year. In the fund financial statements, however, expenditures are measured by the amount of financial resources used (essentially the amounts actually paid). The (increases) decreases in the liabilities for the year were:

| | |
|------------------------------|---------|
| Compensated absences payable | (3,774) |
|------------------------------|---------|

Governmental funds report School district pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense

| | |
|-----------------------|-----------|
| Pension contributions | 259,099 |
| Pension expense | (927,734) |
| OPEB Contributions | (75,939) |
| OPEB expense | 37,262 |

The issuance of long-term debt (e.g. bonds) provides current financial resources to government funds while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds

| | |
|-----------------------------|---------------|
| Proceeds of bond issue | - |
| Repayment of long-term debt | 262,779 |
| Interest | <u>13,117</u> |

Change in net position of governmental activities **\$ 2,260,963**

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

STATE OF NEW MEXICO
MOUNTAINAIR PUBLIC SCHOOLS
Statement of Revenues and Expenditures -
Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
Year Ended June 30, 2018

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|------------------------------|---------------------|---------------------|---------------------|--|
| REVENUES | | | | |
| Taxes | \$ 30,485 | \$ 30,485 | \$ 31,696 | \$ 1,211 |
| Charges for services | - | - | - | - |
| Local sources | - | - | 15,382 | 15,382 |
| State sources | 2,880,758 | 2,903,709 | 2,974,464 | 70,755 |
| Federal sources | - | 6,900 | 6,900 | - |
| Earnings from investments | 1,000 | 1,000 | 912 | (88) |
| Total revenues | <u>\$ 2,912,243</u> | <u>\$ 2,942,094</u> | <u>\$ 3,029,354</u> | <u>\$ 87,260</u> |
| EXPENDITURES | | | | |
| Direct instruction | \$ 1,501,466 | \$ 1,522,641 | \$ 1,442,175 | \$ 80,466 |
| Instructional support | 1,819,059 | 1,903,979 | 1,831,428 | 72,551 |
| Food services | - | - | - | - |
| Total expenditures | <u>\$ 3,320,525</u> | <u>\$ 3,426,620</u> | <u>\$ 3,273,603</u> | <u>\$ 153,017</u> |
| BUDGETED CASH BALANCE | <u>\$ 408,282</u> | <u>\$ 484,526</u> | | |

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

STATE OF NEW MEXICO
MOUNTAINAIR PUBLIC SCHOOLS
Statement of Revenues and Expenditures -
Budget and Actual (Non-GAAP Budgetary Basis)
IDEA-B Entitlement
Year Ended June 30, 2018

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|-----------------------|-------------------------|-------------------------|-------------------------|--|
| REVENUES | | | | |
| Federal sources | \$ 70,146 | \$ 92,420 | \$ 70,740 | \$ (21,680) |
| Total revenues | <u>\$ 70,146</u> | <u>\$ 92,420</u> | <u>\$ 70,740</u> | <u>\$ (21,680)</u> |
| EXPENDITURES | | | | |
| Direct instruction | \$ 45,745 | \$ 68,019 | \$ 52,726 | \$ 15,293 |
| Instructional support | <u>24,401</u> | <u>24,401</u> | <u>19,466</u> | <u>4,935</u> |
| Total expenditures | <u>\$ 70,146</u> | <u>\$ 92,420</u> | <u>\$ 72,192</u> | <u>\$ 20,228</u> |

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

STATE OF NEW MEXICO
MOUNTAINAIR PUBLIC SCHOOLS
Statement of Revenues and Expenditures -
Budget and Actual (Non-GAAP Budgetary Basis)
Medicaid
Year Ended June 30, 2018

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|-----------------------|--------------------------|--------------------------|--------------------------|--|
| REVENUES | | | | |
| Federal sources | \$ 20,000 | \$ 20,000 | \$ 108,904 | \$ 88,904 |
| Total revenues | <u>\$ 20,000</u> | <u>\$ 20,000</u> | <u>\$ 108,904</u> | <u>\$ 88,904</u> |
| EXPENDITURES | | | | |
| Direct instruction | \$ 52,000 | \$ 52,000 | \$ 4,653 | \$ 47,347 |
| Instructional support | 98,498 | 98,498 | 68,838 | 29,660 |
| Total expenditures | <u>\$ 150,498</u> | <u>\$ 150,498</u> | <u>\$ 73,491</u> | <u>\$ 77,007</u> |
| BUDGETED CASH BALANCE | <u>\$ 130,498</u> | <u>\$ 130,498</u> | | |

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

STATE OF NEW MEXICO
MOUNTAINAIR PUBLIC SCHOOLS
Statement of Revenues and Expenditures -
Budget and Actual (Non-GAAP Budgetary Basis)
Title 1
Year Ended June 30, 2018

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|-----------------------|--------------------------|--------------------------|--------------------------|--|
| REVENUES | | | | |
| Federal sources | \$ 224,508 | \$ 220,694 | \$ 150,734 | \$ (69,960) |
| Total revenues | <u>\$ 224,508</u> | <u>\$ 220,694</u> | <u>\$ 150,734</u> | <u>\$ (69,960)</u> |
| EXPENDITURES | | | | |
| Direct instruction | \$ 214,508 | \$ 210,694 | \$ 110,812 | \$ 99,882 |
| Instructional support | <u>10,000</u> | <u>10,000</u> | <u>121</u> | <u>9,879</u> |
| Total expenditures | <u>\$ 224,508</u> | <u>\$ 220,694</u> | <u>\$ 110,933</u> | <u>\$ 109,761</u> |

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

STATE OF NEW MEXICO
MOUNTAINAIR PUBLIC SCHOOLS
Statement of Revenues and Expenditures -
Budget and Actual (Non-GAAP Budgetary Basis)
Read2Lead
Year Ended June 30, 2018

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|-----------------------|-------------------------|-------------------------|-------------------------|--|
| REVENUES | | | | |
| State sources | <u>\$ 70,000</u> | <u>\$ 70,000</u> | <u>\$ 62,838</u> | <u>\$ (7,162)</u> |
| Total revenues | <u>\$ 70,000</u> | <u>\$ 70,000</u> | <u>\$ 62,838</u> | <u>\$ (7,162)</u> |
| EXPENDITURES | | | | |
| Direct Instruction | <u>\$ 70,000</u> | <u>\$ 70,000</u> | <u>\$ 65,247</u> | <u>\$ 4,753</u> |
| Total expenditures | <u>\$ 70,000</u> | <u>\$ 70,000</u> | <u>\$ 65,247</u> | <u>\$ 4,753</u> |
| BUDGETED CASH BALANCE | <u>\$ -</u> | <u>\$ -</u> | | |

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

STATE OF NEW MEXICO
MOUNTAINAIR PUBLIC SCHOOLS
Statement of Revenues and Expenditures -
Budget and Actual (Non-GAAP Budgetary Basis)
Pre-K Initiative
Year Ended June 30, 2018

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|--------------------|--------------------|------------------|------------------|--|
| REVENUES | | | | |
| State sources | \$ - | \$ 48,093 | \$ 50,592 | \$ 2,499 |
| Total revenues | <u>\$ -</u> | <u>\$ 48,093</u> | <u>\$ 50,592</u> | <u>\$ 2,499</u> |
| EXPENDITURES | | | | |
| Direct instruction | \$ - | \$ 48,093 | \$ 47,204 | \$ 889 |
| Total expenditures | <u>\$ -</u> | <u>\$ 48,093</u> | <u>\$ 47,204</u> | <u>\$ 889</u> |

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

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

| | |
|--------------------------|-----------------------------|
| ASSETS | |
| Cash | \$ 74,983 |
| | <u> </u> |
| Total Assets | <u>\$ 74,983</u> |
| LIABILITIES | |
| Deposits held for others | \$ 74,983 |
| | <u> </u> |
| Total Liabilities | <u>\$ 74,983</u> |

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

STATE OF NEW MEXICO
MOUNTAINAIR PUBLIC SCHOOLS
Notes to Financial Statements
Year Ended June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Mountainair Public Schools (District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standard Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of the District's accounting policies are described below.

A. Reporting Entity

Mountainair Public Schools provides Kindergarten, elementary, middle and secondary educational services to school age residents of the School District.

The Mountainair Public Schools School Board was created under the provision of Chapter 22, Article 5, Paragraph 4, New Mexico Statutes 1978 to provide public education for the children within the District. The School Board is authorized to establish policies and regulations for its own government consistent with the laws of the State of New Mexico and the regulations of the State Board of Education and the Legislative Finance Committee. The School Board is comprised of five members who are elected for terms of four years.

GASB Statement No. 14 established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the District is considered a *primary government*, since it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the District may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt. The District also has no *component units* as defined by GASB Statement No. 14 as there are no other legally separate organizations for which the elected School Board members are financially accountable. There are no other primary governments with which the School Board Members are financially accountable. There are no other primary governments with which the District has a significant relationship.

Notes to Financial Statements (continued)

B. Basis of Presentation

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

The funds of the District are classified into two categories: governmental and fiduciary. In turn, each category is divided into separate fund types.

Governmental Funds

Under the requirements of GASB 34, the District is required to present certain of its governmental funds as major funds based upon certain criteria. The major funds presented in the fund financial statements include the following (in addition to the General Fund):

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

Special Revenue Fund - IDEA-B Entitlement - To account for resources for the operation and maintenance of meeting special education needs of children with disabilities. Financing and authority is the Individual With Disabilities Act, Part B, Sec. 611, as amended; Public Law 105-17.

Special Revenue Fund - Medicaid - To account for a program providing school-based screening, diagnostic services and other related health services and administrative activities in conformance with the approved Medicaid State Plan in order to improve health and developmental outcomes for children.

Special Revenue Fund - Title I ESEA Fund - The Title I project provides remedial instruction in language arts for educationally deprived students in low income areas. The project is funded by the Federal Government through the New Mexico State Department of Education, under the Elementary and Secondary Education Act of 1965, Title I, Chapter 1, Part A, 20 U.S.C. 2701 et seq.

Read2Lead - To account for resources received to provide funds to support a reading K-3 Formative Assessment System providing regional and district reading coaches, supports for intervention, and professional administrators. Financing and authority is a special legislative appropriation, Laws of 2014, Chapter 63, Section 4, Item 1 (other Education), Early Reading Initiative.

Notes to Financial Statements (continued)

Pre-K Initiative - To account for legislative appropriations for the purpose of providing high quality Pre-K services that align to NM Pre-K standards to underserved 4-year-olds in the District. To expand early childhood educational capacity so that all families of 4-year-olds in the District who want to enroll their child in a high quality Pre-K program can do so, regardless of income or ethnicity.

Capital Projects Fund - Bond Building - To account for resources received from the sale of general obligation bonds for the purpose of constructing and renovating school buildings.

Capital Projects Fund - Local Capital Improvements SB-9 - To account for resources received through local tax levies obtained for the purpose of building, remodeling, and equipping classroom facilities.

Debt Service Fund - To account for resources for the purpose of paying general obligation bonds and interest coupons. Funds are received from property taxes levied against property located within the school district and levied specifically for this purpose.

Agency Funds - account for assets that the government holds for others in an agency capacity. These agency funds are as follows:

School Activity Fund - accounts for assets held by the District as an agent for the individual schools and school organizations.

The District also reports additional Governmental funds as non-major. They include:

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

C. Measurement Focus and Basis of Accounting

Government-Wide Financial Statements (GWFS)

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

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

Program Revenues

Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the District's taxpayer or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the District's general revenues.

Allocation of Indirect Expenses

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. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

Fund Financial Statements (FFS)

Governmental Funds

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured principal and interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. Any effect of interfund activity has been eliminated from the district-wide financial statements.

With this measurement focus, only current assets and current liabilities are generally included on the balance sheet.

Operating statements of these funds present increases and decreases in net current assets. The governmental funds use the following practices in recording revenues and expenditures:

REVENUES

Ad valorem taxes (property taxes) are susceptible to full accrual on the government wide financial statements. Property tax revenues recognize revenues net of estimated refunds and uncollectible accounts in the period for which the taxes are levied. Total delinquent property taxes are not available from the County Treasurers for the current year.

Notes to Financial Statements (continued)

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

Sales and use taxes are classified as derived tax revenues and are recognized as revenue when the underlying exchange takes place and the revenues are measurable and available.

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

EXPENDITURES

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

OTHER FINANCING SOURCES (USES)

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

Fiduciary Funds

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

D. Budgets and Budgetary Accounting

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

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

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

1. Prior to April 15, (unless a later date is fixed by the Superintendent of Public Instruction) the local school board submits to the School Budget Planning Unit (SBPU) of the New Mexico Department of Education an estimated budget for the school district for the ensuing fiscal year beginning July 1.

Notes to Financial Statements (continued)

The operating budget includes proposed expenditures and the means of financing them. All budgets submitted to the State Department of Education (SDE) by the school district shall contain headings and details as prescribed by law.

2. Prior to June 20, of each year, the proposed "operating" budget will be reviewed and approved by the SBPU and certified and approved by the local school board at a public hearing of which notice has been published by the local school board which fixes the estimated budget for the school district for the ensuing fiscal year.
3. The "operating" budget will be used by the District until they have been notified that the budget has been approved by the SBPU and the local school board. The budget shall be integrated formally into the accounting system. Encumbrances shall be used as an element of control and shall be integrated into the budget system.
4. The District shall make corrections, revisions and amendments to the estimated budgets fixed by the local school board to recognize actual cash balances and carryover funds, if any. These adjustments shall be reviewed and approved by the SBPU.
5. No school board or officer or employee of a school district shall make any expenditures or incur any obligation for the expenditure of public funds unless such expenditure or contractual obligation is made in accordance with an operating budget approved by the division, but this does not prohibit the transfer of funds between line items within a series of a budget.
6. Budget change requests are processed in accordance with Supplement 1 (Budget Preparation and Maintenance) of the Manual of Procedures Public School Accounting and Budgeting. Such changes are initiated by the school district and approved by the SBPU.
7. Legal budget control for expenditures is by function.
8. Appropriations lapse at fiscal year end. Funds unused during the fiscal year may be carried over into the next fiscal year by budgeting those in the subsequent fiscal year's budget. The budget of Mountainair Public Schools has been amended during the current fiscal year in accordance with these procedures. The budget schedules included in the accompanying financial statements reflects the approved budget and amendments thereto.

E. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is utilized in the governmental funds. Encumbrances lapse at the fiscal year end and are therefore not included as a reservation of fund balance. Authorization for the eventual expenditure will be included in the following years budget appropriations.

Notes to Financial Statements (continued)

F. Assets, Liabilities and Fund Equity

1. **Cash & Cash Equivalents**

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

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

2. **Investments**

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

(a) Bonds or negotiable securities of the United States, the state or any county, municipality or school district which has a taxable valuation of real property for the last preceding year of at least one million dollars (\$1,000,000) and has not defaulted in the payment of any interest or sinking fund obligation or failed to meet any bonds at maturity at any time within the last five years preceding; or

(b) Securities that are issued by the United States government or by its agencies or instrumentalities and that are either direct obligations of the United States or are backed by the full faith and credit of the United States government or agencies guaranteed by the United States government.

(c) In contracts with banks, savings and loan associations or credit unions for the present purchase and resale at a specified time in the future of specific securities at specified prices at a price differential representing the interest income to be earned by the investor. The contract shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with the investment. The contract shall be fully secured by obligations of the United States having a market value of at least one hundred two percent of the contract. The collateral required for investment in the contracts provided for in this subsection shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with investments.

If the District is unable to receive payment on public money at the rate of interest set forth by the State Board of Finance (which is no less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of the deposit) from financial institutions within the geographic boundaries of the governmental unit, the District may invest its money with the New Mexico State Treasurer's short-term investment pool.

Notes to Financial Statements (continued)

3. Accounts Receivable

Accounts receivable are recorded in the various governmental funds. They consist of amounts receivable from local governments relating to various grant agreements and property taxes receivable. The information required to report property taxes at full accrual was not available during the year.

Accounts receivable consist of the following:

| | <u>General</u> | <u>Other Major</u> | <u>Other Governmental</u> | <u>Total</u> |
|-------------------|-----------------|------------------------|-------------------------------|-------------------|
| Property taxes | \$ 350 | \$ 5,027 | \$ - | \$ 5,377 |
| Intergovernmental | - | 146,938 | 44,905 | 191,843 |
| Other | <u>1,174</u> | <u>-</u> | <u>-</u> | <u>1,174</u> |
| | <u>\$ 1,524</u> | <u>\$ 151,965</u> | <u>\$ 44,905</u> | <u>\$ 198,394</u> |

4. Accounts Payable and Accrued Expenses

Accounts payable are recorded in the various funds. There was \$16,293 payable to suppliers at the end of the year. The Operational Fund also reflects an Amount payable of \$54,147 for penalties and interest due to the IRS and Workforce Solutions.

5. Inventories

Inventory in the Cafeteria Fund consists of purchased food and non-food items and United States Department of Agriculture (USDA) commodities. Commodities are shown at the USDA procurement cost. Costs are recorded as expenditures at the time individual inventory items are used (consumption method). Reported inventories are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. The Commodities shown in the Cafeteria Fund total \$10,746.

6. Capital Assets

Capital assets are recorded at historical cost and depreciated over their estimated useful lives (with no salvage value). Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. This is an increase from the \$1,000 threshold reported in prior years. This is a change in accounting estimate. All previously reported Capital Assets that do not meet the updated amount will be depreciated currently and in future periods until they are fully depreciated. Donated capital assets are recorded at their estimated fair value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The District does not capitalize interest in regards to its capital assets.

Notes to Financial Statements (continued)

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

| | |
|-----------------------------------|----------|
| Land improvements | 20 years |
| Buildings & building improvements | 30 years |
| Furniture & equipment | 5 years |
| Auto/Vehicle | 5 years |

GASB Statement 34 requires the recording and depreciation of infrastructure assets, which include roads, bridges, traffic signals, etc. The District did not own any infrastructure assets.

The District does not capitalize computer software or software developed for internal use (if applicable) unless they exceed the \$5,000 threshold. Also, the District does not capitalize library books unless they exceed the \$5,000 threshold.

7. Compensated Absences

The Superintendent may accumulate up to 30 days of vacation leave. Twelve-month employees may accumulate up to twenty days of vacation leave. Any leave beyond these limits must be used by June 30 of the current contract year or within eighteen months after the granting of a special provision to extend the limits. Upon cancellation of the employment contract, no payment shall be made for more than ten days of unused vacation leave for twelve-month employees and thirty days for the Superintendent. A liability for compensated absences is not reported in the governmental fund balance sheet unless it was actually due and payable at year end for payments due to retired or terminated employees.

8. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance category includes amounts that cannot be spent because they are 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. It also includes the long-term amount of interfund loans.

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

Notes to Financial Statements (continued)

Enabling legislation authorizes the School District 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. Legal enforceability means that the School District can be compelled by an external party - such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of the School District Board. Those committed amounts cannot be used for any other purpose unless the School District Board removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the School District Board, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the School District Board or a School District official delegated that authority by the School District Board or ordinance.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts have been restricted, committed, or assigned.

The School District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

9. Restricted Net Position

The governmental activities financial statements utilize a net assets presentation. Net positions are categorized as follows:

Net Investment in Capital Assets - This category reflects the portion of net position that are associated with capital assets less outstanding capital asset related debt.

Restricted net position - This category reflects the portion of net position that have third party limitations on their use.

Unrestricted net position - This category reflects net position of the District not restricted for any project or other purposes.

The School District's policy is to apply restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

10. Deferred Inflows of Resources

In addition to liabilities, the balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Revenue must be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period) to be recognized. If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding deferred inflow of resources. The School District has two types of items, which arise due to the implementation of GASB 68 and the related net pension liability. Accordingly, the items, net difference between expected and actual earnings and change in assumptions, are reported on the Statement of Net Position. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

11. Deferred Outflows of Resources

In addition to assets, the balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a use of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until that time. The School District has two types of items that qualify for reporting in this

Notes to Financial Statements (continued)

category. Accordingly, the items, change in proportion and employer contributions subsequent to measurement date, are reported in the Statement of Net Position. These amounts are deferred and recognized as outflows of resources the next period.

12. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund from expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

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 the reported amounts of assets and liabilities and disclosure of contingent assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

14. Pensions

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

Notes to Financial Statements (continued)

15. Post Employment Benefits Other Than Pensions (OPEB)

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

2. DEPOSITORY COLLATERAL

The following is the Cash on Deposit at each financial institution.

| | | |
|--------------------------------|--------------------------|----------------------------|
| My Bank | Operational (Investment) | \$ 66,641 |
| My Bank | General | 584,301 |
| My Bank | High School Activities | 67,501 |
| My Bank | Elementary Activities | 7,878 |
| My Bank | Debt Service | 10,589 |
| My Bank | Payroll Clearing | 296,556 |
| My Bank | Food Service | 48,876 |
| My Bank | High School Athletics | 1,411 |
| My Bank | | <u>708,869</u> |
| Total | | <u>\$ 1,792,622</u> |
| New Mexico Finance Authority | | <u>\$ 4,654</u> |
| Total amount on deposit | | \$ 1,797,276 |
| Outstanding checks | | (305,781) |
| Deposits in transit | | <u>12</u> |
| Total per financial statements | | <u>\$ 1,491,507</u> |

At June 30, 2018, the carrying amount of the School Districts deposits was \$1,486,853 and the bank balance was \$1,792,622. Of this balance \$250,000 was covered by federal depository insurance and \$1,304,283 was covered by collateral. The remaining \$771,311 is comprised of amounts in excess of those required to be collateralized under State law.

| | |
|------------------------------|--------------------------|
| Cash on deposit at June 30 | \$ 1,792,622 |
| Less F.D.I.C. | <u>(250,000)</u> |
| Uninsured Funds | 1,542,622 |
| 50% Collateral Requirement | 771,311 |
| Pledged Collateral | <u>1,304,283</u> |
| Excess of Pledged Collateral | <u>\$ 532,972</u> |

Notes to Financial Statements (continued)

Custodial Credit Risk - Deposits - Custodial Credit Risk is the risk that in the event of bank failure, the School's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). As of June 30, \$1,542,622 of the School's bank balance of \$1,792,622 was exposed to custodial credit risk as follows:

| | |
|--|---------------------------|
| A. Uninsured and uncollateralized | \$ 238,339 |
| B. Uninsured and collateralized with Securities held by the pledging banks trust department, not in the Schools name | <u>1,304,283</u> |
| Total | <u>\$1,542,622</u> |

The remaining \$238,339 is comprised of amounts in excess of those required to be collateralized under State law.

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.

NM 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 School District for at least one half of the amount on deposit with the institution.

The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district, or political subdivision of the State of New Mexico. The collateral pledged is shown as follows:

| <u>Independent Bankers Bank Dallas, TX</u> | <u>Maturity Date</u> | <u>Fair Market Value</u> |
|--|----------------------|---------------------------|
| Clovis MUNI SD #189414KU8 | 8-01-24 | \$ 452,156 |
| Santa Rosa SD #802751DR5 | 5-15-19 | 250,302 |
| Hobbs SD#16 #433866EEO | 7-15-20 | 501,810 |
| Los Lunas SD #545562QS2 | 7-15-18 | <u>100,015</u> |
| | | <u>\$1,304,283</u> |

As of June 30, the School District had the following cash and investments:

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Maturities</u> |
|------------------------|---------------------------|-------------------|
| Checking accounts | <u>\$1,792,622</u> | Less than 6 month |

Notes to Financial Statements (continued)

Interest Rate Risk - As a means of limiting its exposure to fair value losses arising from rising interest rates, the School District's investment policy limits the School District's investment portfolio to maturities of less than one year.

The amount held at the New Mexico Finance authority totaling \$4,654 is collateralized within the NMFA guidelines. This information is not available by the individual Agency but the financials statements for the NMFA are available by writing to New Mexico Finance Authority, 207 Shelby Street, Santa Fe, New Mexico 87501.

3. CAPITAL ASSETS

Capital assets balances and activity for the year ended June 30, are as follows:

| | Balance July 1, 2017 | Additions | Deletions | Adjustments | Balance June 30, 2018 |
|--|-------------------------|--------------------|-------------|---------------------|--------------------------|
| Governmental activities: | | | | | |
| Land | \$ 57,583 | \$ - | \$ - | \$ - | \$ 57,583 |
| Total not being depreciated | <u>57,583</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>57,583</u> |
| Land improvements | 936,117 | - | - | - | 936,117 |
| Buildings and improvements | 14,493,925 | 4,384,979 | - | - | 18,878,904 |
| Vehicles | 417,354 | - | - | - | 417,354 |
| Machinery and equipment | 192,434 | 22,014 | - | - | 214,448 |
| Software | 17,675 | - | - | - | 17,675 |
| Total | <u>16,057,505</u> | <u>4,406,993</u> | <u>-</u> | <u>-</u> | <u>20,464,498</u> |
| Less accumulated depreciation for: | | | | | |
| Land improvements | (494,730) | (52,544) | - | - | (547,274) |
| Buildings and improvements | (11,455,170) | (155,927) | - | 2,643,000 | (8,968,097) |
| Vehicles | (317,181) | (41,330) | - | - | (358,511) |
| Machinery and equipment | (142,073) | (19,343) | - | - | (161,416) |
| Software | (17,675) | - | - | - | (17,675) |
| Total accumulated depreciation | <u>(12,426,829)</u> | <u>(269,144)</u> | <u>-</u> | <u>2,643,000</u> | <u>(10,052,973)</u> |
| Total capital assets being depreciated | <u>3,630,676</u> | <u>4,137,849</u> | <u>-</u> | <u>2,643,000</u> | <u>10,411,525</u> |
| Net capital assets | <u>\$ 3,688,259</u> | <u>\$4,137,849</u> | <u>\$ -</u> | <u>\$ 2,643,000</u> | <u>\$ 10,469,108</u> |

The School District has no infrastructure as of June 30. Depreciation expense was charged to governmental activities as follows:

| | |
|--------------------|-------------------|
| Unallocated | \$ 269,144 |
| Total depreciation | <u>\$ 269,144</u> |

The School District received \$4,151,790 in Capital Asset Improvements from the Public School Finance Authority.

Notes to Financial Statements (continued)

4. LONG-TERM LIABILITIES

A. Changes in Long-Term Liabilities

During the year ended June 30, the following changes occurred in the liabilities reported in the District-Wide Statement of Net Assets:

| | Balance June 30, 2017 | Additions | Deletions | Balance June 30, 2018 | Due Within One Year |
|-------------------------|--------------------------|-----------------|---------------------|--------------------------|------------------------|
| Compensated absences | \$ 3,949 | \$ 3,774 | \$ - | \$ 7,723 | \$ - |
| 2008 GO Bonds | 135,000 | - | (135,000) | - | - |
| 2012 GO Bonds | 261,615 | - | (22,779) | 238,836 | 23,325 |
| 2014 GO Bonds | 1,500,000 | - | (105,000) | 1,395,000 | 180,000 |
| 2016 GO Bonds | 1,500,000 | - | - | 1,500,000 | 35,000 |
| Total | \$ 3,400,564 | \$ 3,774 | \$ (262,779) | \$ 3,141,559 | \$ 238,325 |

Payments on the general obligation bonds are made by the debt service funds.

B. General Obligation Bonds

The general obligation bonds will be paid from taxes levied against property owners living within the School District boundaries. The School District has pledged future property taxes to repay the outstanding. Total annual principal and interest payments for all General Obligation Bonds are expected to require 100% of gross revenue in the Debt Service Fund. The annual requirements to retire general obligation bonds as of June 30, are as follows:

Date of issue - November 1, 2016

Original amount - \$1,500,000

Interest rate - 0.787% to 2.880%

| Due in Year Ending | Principal | Interest | Total |
|-----------------------|---------------------|-------------------|---------------------|
| 2019 | \$ 35,000 | \$ 25,313 | \$ 60,313 |
| 2020 | 35,000 | 24,859 | 59,859 |
| 2021 | 5,000 | 24,583 | 29,583 |
| 2022 | 5,000 | 24,506 | 29,506 |
| 2023 | 5,000 | 24,424 | 29,424 |
| 2024-2028 | 360,000 | 109,388 | 469,388 |
| 2029-2033 | 625,000 | 37,029 | 662,029 |
| 2034-2037 | 430,000 | 885 | 430,885 |
| Total | \$ 1,500,000 | \$ 270,987 | \$ 1,770,987 |

Date of issue - October 27, 2014

Original amount - \$1,500,000

Interest rate - 2.20% to 3.00%

| Due in Year Ending | Principal | Interest | Total |
|-----------------------|---------------------|-------------------|---------------------|
| 2019 | \$ 180,000 | \$ 34,510 | \$ 214,510 |
| 2020 | 190,000 | 28,960 | 218,960 |
| 2021 | 195,000 | 23,965 | 218,965 |
| 2022 | 200,000 | 19,420 | 219,420 |
| 2023 | 205,000 | 14,355 | 219,355 |
| 2024-2028 | 425,000 | 11,865 | 436,865 |
| Total | \$ 1,395,000 | \$ 133,075 | \$ 1,528,075 |

Notes to Financial Statements (continued)

Date of issue - January 13, 2012

Original amount - \$363,668

Interest rate - 1.274%

| <u>Due in Year Ending</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------------------------|--------------------------|-------------------------|--------------------------|
| 2019 | \$ 23,325 | \$ 3,211 | \$ 26,536 |
| 2020 | 23,944 | 2,992 | 26,936 |
| 2021 | 24,639 | 2,741 | 27,380 |
| 2022 | 25,402 | 2,461 | 27,863 |
| 2023 | 26,277 | 2,130 | 28,407 |
| 2024-2028 | <u>115,249</u> | <u>4,587</u> | <u>119,836</u> |
| Total | <u>\$ 238,836</u> | <u>\$ 18,122</u> | <u>\$ 256,958</u> |

C. Operating Leases

The District did not have any capital or operating leases during the fiscal year.

D. Short-Term Liabilities

The District did not have any short-term liabilities during the fiscal year.

5. REVENUES

A. Property Tax Levies

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

B. State Equalization Guarantee

Each school district in the State of New Mexico receives a "state equalization guarantee distribution" which is defined as "that amount of money distributed to each school district to insure that the school district's operating revenue, including its local and federal revenues as defined" (in Chapter 22, Section 8-25, 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-multi cultural education; (5) size, etc. Payment is made from the public school fund under the authority of the chief (director of public school finance). The District received \$2,769,978 state equalization guarantee distributions during the year ended June 30.

Notes to Financial Statements (continued)

C. Transportation Distribution

Money in the transportation distribution of the public school fund 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 the grades K through twelve attending public school within the school district. Except in unusual circumstances as determined by the local school board and confirmed by the state transportation director, midday bus routes for early childhood education students shall not be approved for funding in excess of twenty miles one way.

Money in the vocational education transportation distribution of the public school fund is used for the purpose of making payments to school districts for transportation of students to and from their regular attendance centers and the place where vocation education programs are being offered, pursuant to Section 22-16-4.1 (NMSA 1978) of the Act. The transportation distribution is allocated to each school district according to an objective formula developed by the state transportation director and the director of public school finance.

In the event the sum of the proposed transportation allocations to each school district exceeds the amounts in the transportation distribution, each school district to receive an allocation shares in a reduction in the proportion that each school district's forty-day average daily membership bears to the forty-day average daily membership of all school districts to receive allocations.

Local school boards shall negotiate school bus contracts in accordance with regulations promulgated by the state transportation director with the approval of the State Board of Education.

Local school boards, with the approval of the state transportation director, may provide additional transportation services pursuant to Section 22-16-2 NMSA 1978 to meet established program needs.

The District received \$197,333 in transportation distribution during the year ended June 30.

D. SB-9 State Match

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

The District received \$0 in state SB-9 matching during the year ended June 30.

E. Public School Capital Outlay

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

Notes to Financial Statements (continued)

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

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

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

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

During the year ended June 30, the District received \$- in special capital outlay funds.

F. Instructional Materials

The New Mexico State Department of Education (Department) received federal mineral leasing funds from which it makes annual allocations to the various school districts for the purchase of educational materials. Of each allocation, seventy percent is restricted to the requisition of materials listed in the State Board of Education "State Adopted Instructional Material" list, while thirty percent of each allocation is available for purchases directly from vendors. Beginning with the fiscal year ended June 30, 2011, Districts received their total allocation at the beginning of the fiscal year, instead of being reimbursed for purchases as was done in the prior year. During the year ended June 30, the District received \$7,153 in instructional materials allocation.

G. Federal Grants

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

The District also receives reimbursement under the National School Lunch and Breakfast Programs for its food service operations, and distributions of commodities through the New Mexico Human Services Department.

6. CASH OVERDRAFTS

The cash overdrafts shown in some federal, state and local projects in the special revenue fund represent expenditures made by the District which will be reimbursed by the grantor. Receivables from the grantor are presented to off-set these overdrafts.

7. CENTRAL REGION EDUCATIONAL COOPERATIVE

Mountainair Public Schools is a member of Central Region Educational Cooperative, which was established by the New Mexico State Board of Education. This REC operates as an agency for school districts and provides cooperative services as its primary service. The REC administers several federal award programs for municipal schools. Central Region Educational Cooperative issues a separate, publicly available audited financial report that includes expenditures of federal awards and supplementary information. That report may be obtained by writing Central Region Educational Cooperative, P.O. Box 37440, Albuquerque, New Mexico 87176.

8. RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS STATEMENTS

| | <u>General</u> | IDEA-B <u>Entitlement</u> | <u>Medicaid</u> |
|---|---------------------|------------------------------|-------------------------|
| Revenues per modified accrual basis | \$ 3,030,441 | \$ 72,192 | \$ 108,904 |
| Receivables | (1,087) | - | - |
| Due from grantor | <u>-</u> | <u>(1,452)</u> | <u>-</u> |
| Revenues per budgetary basis | <u>\$ 3,029,354</u> | <u>\$ 70,740</u> | <u>\$ 108,904</u> |
| Expenditures per modified accrual basis | \$ 3,331,775 | \$ 72,192 | \$ 73,491 |
| Accounts payable | (58,172) | - | - |
| Inventory | <u>-</u> | <u>-</u> | <u>-</u> |
| Expenditures per budgetary basis | <u>\$ 3,273,603</u> | <u>\$ 72,192</u> | <u>\$ 73,491</u> |
| | <u>Title I</u> | <u>Read2Lead</u> | <u>Pre-K Initiative</u> |
| Revenues per modified accrual basis | \$ 110,933 | \$ 65,247 | \$ 47,204 |
| Receivables | - | - | - |
| Due from grantor | <u>39,801</u> | <u>(2,409)</u> | <u>3,388</u> |
| Revenues per budgetary basis | <u>\$ 150,734</u> | <u>\$ 62,838</u> | <u>\$ 50,592</u> |
| Expenditures per modified accrual basis | \$ 110,933 | \$ 65,247 | \$ 47,204 |
| Accounts payable | - | - | - |
| Inventory | <u>-</u> | <u>-</u> | <u>-</u> |
| Expenditures per budgetary basis | <u>\$ 110,933</u> | <u>\$ 65,247</u> | <u>\$ 47,204</u> |

9. BUDGETED ACTIVITY FUNDS

The Student Activity Funds, while budgeted under Non-Instructional Support in the financial statements, are considered for reporting purposes as Agency Funds. These monies are retained by the District in a fiduciary capacity. Monies are received from student groups and are expended for purposes determined by the students within guidelines established by the School District. The changes in those balances follow:

| | <u>Balance</u> <u>July 1, 2017</u> | <u>Additions</u> | <u>Retirements</u> | <u>Balance</u> <u>June 30, 2018</u> |
|-------------------|---------------------------------------|-------------------|---------------------|--|
| ASSETS | | | | |
| Cash | \$ 64,232 | \$ 167,195 | \$ (156,444) | \$ 74,983 |
| Total assets | <u>\$ 64,232</u> | <u>\$ 167,195</u> | <u>\$ (156,444)</u> | <u>\$ 74,983</u> |
| LIABILITIES | | | | |
| Elementary School | \$ 10,154 | \$ 17,713 | \$ (20,183) | \$ 7,684 |
| High School | <u>54,078</u> | <u>149,482</u> | <u>(136,261)</u> | <u>67,299</u> |
| Total liabilities | <u>\$ 64,232</u> | <u>\$ 167,195</u> | <u>\$ (156,444)</u> | <u>\$ 74,983</u> |

10. INSURANCE COVERAGE

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

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

11. SURETY BOND

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

12. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The school carries insurance for all risks listed above.

13. PENSION-PLAN - EDUCATIONAL RETIREMENT BOARD

General Information about the Pension Plan

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

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

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

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

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

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

- the member's age and earned service credit add up to the sum 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 and before July 1, 2013. The eligibility for a member who either becomes a new member on or after July 1, 2010 and before July 1, 2013, or at any time prior to July 1, 2010 refunded all member contributions and then becomes re-employed after July 1, 2010 is as follows:

- The member's age and earned service credit add up to the sum of 80 or more,

- The member is at least sixty-seven years of age and has five or more years of earned service credit; or
- The member has service credit totaling 30 years or more.

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

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

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

Benefit Options - The Plan has three benefit options available.

- **Option A - Straight Life Benefit** - The single life annuity option has no reductions to the monthly benefit, and there is no continuing benefit due to a beneficiary or estate, except the balance, if any, of member contributions plus interest less benefits paid prior to the member's death.
- **Option B - Joint 100% Survivor Benefit** - The single life annuity monthly benefit is reduced to provide for a 100% survivor's benefit. The reduced benefit is payable during the life of the member, with the provision that, upon death, the same benefit is paid to the beneficiary for his or her lifetime. If the beneficiary predeceases the member, the member's monthly benefit is increased to the amount the member would have received under Option A Straight Life benefit. The member's increased monthly benefit commences in the month following the beneficiary's death.
- **Option C - Joint 50% Survivor Benefit** - The single life annuity monthly benefit is reduced to provide for a 50% survivor's benefit. The reduced benefit is payable during the life of the member, with the provision that, upon death, the reduced 50% benefit is paid to the beneficiary for his or her lifetime. If the beneficiary predeceases the member, the member's monthly

benefit is increased to the amount the member would have received under Option A Straight Life benefit. The member's increased monthly benefit commences in the month following the beneficiary's death.

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

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

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

As of July 1, 2013, for current and future retirees the COLA is immediately reduced until the plan is 100% funded. The COLA reduction is based on the median retirement benefit of all retirees excluding disability retirements. Retirees with benefits at or below the median and with 25 or more years of service credit will have a 10% COLA reduction; their average COLA will be 1.8%. 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 1.9%.

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

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

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

| Fiscal Year | Date Range | Wage Category | Member Rate | Employer Rate | Combined Rate | Increase Over Prior Year |
|--------------------|-------------------|----------------------|--------------------|----------------------|----------------------|---------------------------------|
| 2018 | 7-1-17 to 6-30-18 | Over \$20K | 10.70% | 13.90% | 24.60% | 0.00% |
| 2018 | 7-1-17 to 6-30-18 | \$20K or less | 7.90% | 13.90% | 21.80% | 0.00% |
| 2017 | 7-1-16 to 6-30-17 | Over \$20K | 10.70% | 13.90% | 24.60% | 0.00% |
| 2017 | 7-1-16 to 6-30-17 | \$20K or less | 7.90% | 13.90% | 21.80% | 0.00% |

The contribution requirements are established in statute under chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the New Mexico Legislature. For the fiscal years ended June 30, 2018 and 2017, the School District paid employee and employer contributions of \$452,114 and \$439,624 which equal the amount of the required contributions for each fiscal year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At June 30, 2018, the School District reported a liability of \$7,061,498 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2017 using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2017. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2017. The School District's proportion of the net pension liability was based on a projection of the School District's long-term share of contributions to the pension plan relative to the projected contributions of all participating education institutions, actuarially determined. At June 30, 2017, the School District's proportion was 0.06354% which was a decrease of 0.04137% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the School District recognized pension expense of \$927,734. At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Notes to Financial Statements (continued)

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Differences between expected and actual experience | \$ 12,676 | \$ 108,789 |
| Changes of assumptions | 2,061,390 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 969 |
| Changes in proportion and differences between contributions and proportionate share of contributions | - | 277,638 |
| Employer contributions subsequent to the measurement date | <u>259,002</u> | <u>-</u> |
| Total | <u>\$2,333,068</u> | <u>\$ 387,396</u> |

\$259,002 reported as deferred outflows of resources related to pensions resulting from School District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

| | |
|------------|------------|
| 2018 | \$ 633,788 |
| 2019 | 691,671 |
| 2020 | 419,358 |
| 2021 | (58,146) |
| 2022 | 0 |
| Thereafter | 0 |

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

| | |
|---------------------------|---|
| Inflation | 3.00% |
| Salary Increases | Composed of: 3.0% inflation, plus a 0.75% productivity increase rate, plus a step-rate promotional increase for members with less than 10 years of service |
| Investment Rate of Return | 7.75% compounded annually, net of expenses. This is made up of a 3.00% inflation rate and a 4.75% real 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.) developed for each major asset class.

Average of Expected Remaining Service Lives

| Fiscal year | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|-----------------------|-------------|-------------|-------------|-------------|
| Service life in years | 3.35 | 3.77 | 3.92 | 3.881 |

Mortality

Healthy males: Based on the RP-2000 Combined Mortality Table with White Collar adjustments, generational mortality improvements with Scale BB.

Healthy females: Based on GRS Southwest Region Teacher Mortality Table, set back one year, generational mortality improvements in accordance with Scale BB from the table's base year of 2012

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

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

Active members: RP-2000 Employee Mortality Tables, with males set back two years and scaled at 80%, and females set back five years and scaled at 70%. Static mortality improvement from the table's base year of 2000 to the year 2016 in accordance with Scale BB. No future improvement was assumed for preretirement mortality.

Retirement Age

Experience-based table rates based on age and service, adopted by the Board on June 12, 2015 in conjunction with the six-year experience study for the period ending June 30, 2014.

Cost-of-living increases

2% per year, compounded annually.

Payroll growth

3.5% per year (with no allowance for membership growth).

Notes to Financial Statements (continued)

| | |
|---------------------------|--|
| Contribution accumulation | 5.5% increase per year for all years prior to the valuation date. (Contributions are credited with 4.0% interest, compounded annually, applicable to the account balance in the past as well as the future). |
| Disability Incidence | Approved rates applied to eligible members with at least 10 years of service. |

The actuarial assumptions and methods are set by the Plan's Board of Trustees, based upon recommendations made by the Plan's actuary. The Board adopted new assumptions on April 21, 2017 in conjunction with the six-year actuarial experience study period ending June 30, 2016. At that time, the Board adopted several assumption changes, which included a decrease in the annual wage inflation rate from 4.25% to 3.75%, and changes to the mortality rates, disability rates, and retirement rates for members who joined the plan after June 30, 2010. In addition, the board lowered the population growth rate assumption to zero.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges 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 and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Rate of Return</u> |
|--------------------|--------------------------|--|
| Equities | 35% | |
| Fixed income | 28% | |
| Alternatives | 36% | |
| Cash | <u>1%</u> | |
| Total | <u>100%</u> | <u>7.75%</u> |

Discount rate - A single discount rate of 7.75% was used to measure the total pension liability as of June 30, 2016. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.75%, compounded annually, net of expense. Based on the stated assumptions and the projection of cash flows, the Plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

Notes to Financial Statements (continued)

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

Sensitivity of the School District's proportionate share of the net pension liability to changes in the discount rate. The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75%) or one percentage point higher (8.75%) than the current rate:

| | <u>1%</u> <u>Decrease</u> <u>(6.75%)</u> | <u>Current Discount</u> <u>Rate</u> <u>(7.75%)</u> | <u>1%</u> <u>Increase</u> <u>(8.75%)</u> |
|--|--|--|--|
| Dora Consolidated School District's proportionate share of the net pension liability | \$ 9,192,314 | \$ 7,061,498 | \$ 5,319,729 |

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

14. POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN

General Information about the OPEB

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

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

Notes to Financial Statements (continued)

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

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

| | |
|--|-----------------------|
| Plan membership | |
| Current retirees and surviving spouses | 51,208 |
| Inactive and eligible for deferred benefit | 11,478 |
| Current active members | <u>97,349</u> |
| | <u>160,035</u> |

| | |
|------------------------------|----------------------|
| Active membership | |
| State general | 19,593 |
| State police and corrections | 1,886 |
| Municipal general | 21,004 |
| Municipal police | 3,820 |
| Municipal FTRE | 2,290 |
| Educational Retirement Board | <u>48,756</u> |
| | <u>97,349</u> |

Contributions - Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee's salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer's participation in the Fund. Contributions to the Fund from the School District were \$36,509 for the year ended June 30, 2018.

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

At June 30, 2018, the Mountainair Public School District reported a liability of \$1,910,100 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2017. At June 30, 2017, the School District's proportion was 0.04215%.

Notes to Financial Statements (continued)

For the year ended June 30, 2018, the School District recognized OPEB expense of \$75,939. At June 30, 2018 the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|--|---|
| Differences between expected and actual experience | \$ - | \$ 73,300 |
| Changes of assumptions | - | 333,957 |
| Differences between actual and projected earnings on OPEB plan investments | - | 27,478 |
| Contributions made after the measurement date | <u>37,262</u> | <u>-</u> |
| Total | <u>\$ 37,262</u> | <u>\$ 434,735</u> |

Deferred outflows of resources totaling \$37,262 represent School District's contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ended June 30:

| | |
|-------|----------------------------|
| 2019 | \$ (92,428) |
| 2020 | (92,428) |
| 2021 | (92,428) |
| 2022 | (92,428) |
| 2023 | <u>(65,023)</u> |
| Total | <u>\$ (434,735)</u> |

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

| | |
|------------------------|---|
| Valuation date | June 30, 2017 |
| Actuarial cost method | Entry age normal, level percent of pay, calculated on individual employee basis |
| Asset valuation method | Market value of assets |

Notes to Financial Statements (continued)

Actuarial assumptions:

| | |
|-----------------------------|---|
| Inflation | 2.50% for ERB; 2.25% for PERA |
| Projected payroll increases | 3.50% |
| Investment rate of return | 7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation |
| Health care cost trend rate | 8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 for Medicare medical plan costs |

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

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

| <u>Asset Class</u> | <u>Long-Term Rate of Return</u> |
|-------------------------------|---------------------------------|
| US core fixed income | 4.1% |
| US equity - large cap | 9.1 |
| Non US - emerging markets | 12.2 |
| Non US - developed equities | 9.8 |
| Private equity | 13.8 |
| Credit and structured finance | 7.3 |
| Real estate | 6.9 |
| Absolute return | 6.1 |
| US equity - small/mid cap | 9.1 |

Discount rate. The discount rate used to measure the Fund's total OPEB liability is 3.81% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2028. Thus, the 7.25% discount rate was used to calculate the net OPEB

Notes to Financial Statements (continued)

liability through 2029. Beyond 2029, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Thus, 3.81% is the blended discount rate.

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

| <u>1% Decrease</u> (2.81%) | <u>Current Discount</u> (3.81%) | <u>1% Increase</u> (4.81%) |
|-------------------------------|------------------------------------|-------------------------------|
| \$ 2,316,922 | \$ 1,910,100 | \$ 1,590,912 |

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

| <u>1% Decrease</u> | <u>Current Trend</u> <u>Rates</u> | <u>1% Increase</u> |
|--------------------|--------------------------------------|--------------------|
| \$ 1,624,672 | \$ 1,910,100 | \$ 2,132,664 |

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is available in NMRHCA's audited financial statements for the year ended June 30, 2017.

Payable Changes in the Net OPEB Liability. At June 30, 2018, the School District reported a payable of \$0 for outstanding contributions due to NMRHCA for the year ended June 30, 2018.

15. CONCENTRATIONS

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

16. SUBSEQUENT EVENTS

A review of subsequent events through July 1, 2019, the date the financial statements were available to be issued, indicated nothing of audit significance.

17. NET POSITION RESTATEMENT

The School District had a prior period adjustment of \$2,643,000 in accumulated depreciation. Also, the School District had a prior period adjustment of \$2,305,084 of which was required for the implementation of GASB Statement No. 75. The adjustment reflects a beginning net OPEB liability of \$2,268,895 and a beginning deferred outflow of resources of \$36,189.

18. RELATED PARTIES

Due to the size of the District and surrounding community, in the ordinary course of business, the District has and expects to continue to have transactions with its employees and elected officials. In the opinion of management, such transactions were on substantially the same terms, including interest rates, and collateral, as those prevailing at the time of comparable transactions with other persons and did not involve more than a normal risk of collectability or present any other unfavorable features to the District.

The District has entered into a contract for providing bus services with a company owned and operated by a member of the Board of Education. The contract is for one year ending June 30, and is not to exceed \$24,816. No amounts were due or remaining on the contract as of June 30.

19. TAX ABATEMENT

The District has evaluated GASB 77 with regard to tax abatements and has determined that the District is not a party to any agreement that abate taxes.

20. FUND BALANCE CLASSIFIED

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned upon the use of the resources in the governmental funds. The constraints placed on fund balances for the major governmental funds and all other governmental funds are presented here.

| Fund Balances | Local | | | | Non-Major Governmental Fund | Totals |
|-----------------------------|-----------------|------------|------------------|---------------------------------|-----------------------------------|--------------|
| | General Fund | Medicaid | Bond Building | Capital Improvements SB-9 | | |
| \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Interfund loans | - | - | - | - | - | - |
| Inventory | - | - | - | - | 2,279 | 2,279 |
| Total nonspendable | - | - | - | - | 2,279 | 2,279 |
| Restricted for: | | | | | | |
| Transportation services | - | - | - | - | - | - |
| Instructional materials | 9,598 | - | - | - | - | 9,598 |
| Capital improvements | - | - | 487,613 | 523,769 | - | 1,011,387 |
| Debt service payments | - | - | - | - | 291,485 | 291,485 |
| Athletic services | - | - | - | - | 1,411 | 1,411 |
| Special grants | - | 187,821 | - | - | 26,283 | 214,104 |
| Cafeteria services | - | - | - | - | 64,132 | 64,132 |
| State mandated cash reserve | 4,616 | - | - | - | - | 4,616 |
| Total restricted | 14,214 | 187,821 | 487,618 | 523,769 | 291,485 | 1,596,733 |
| Committed to: | | | | | | |
| Other purposes | - | - | - | - | - | - |
| Total committed | - | - | - | - | - | - |
| Unassigned: | | | | | | |
| (55,745) | - | - | - | - | - | (55,745) |
| Total Fund Balances | \$ (41,531) | \$ 187,821 | \$ 487,618 | \$ 523,769 | \$ 291,485 | \$ 1,543,267 |

**SUPPLEMENTARY INFORMATION
NON-MAJOR GOVERNMENTAL FUNDS**

STATE OF NEW MEXICO
MOUNTAINAIR PUBLIC SCHOOLS
Non-Major Governmental Funds
Combining Balance Sheet - By Fund Type
June 30, 2018

Statement A-1

| | Special Revenue Funds | Capital Project Funds | Total |
|---------------------------------------|-----------------------------|-----------------------------|-------------------|
| ASSETS | | | |
| Cash on deposit | \$ 95,317 | \$ - | \$ 95,317 |
| Due from grantor | 36,466 | 8,439 | 44,905 |
| Inventory | 2,279 | - | 2,279 |
| Total assets | \$ 134,062 | \$ 8,439 | \$ 142,501 |
| LIABILITIES | | | |
| Cash overdraft | \$ 36,466 | \$ 8,439 | \$ 44,905 |
| Grants received in advance | 3,491 | - | 3,491 |
| Total liabilities | 39,957 | 8,439 | 48,396 |
| FUND BALANCE | | | |
| Nonspendable | 2,279 | - | 2,279 |
| Restricted | 91,826 | - | 91,826 |
| Total fund balance | 94,105 | - | 94,105 |
| Total liabilities and fund balance | \$ 134,062 | \$ 8,439 | \$ 142,501 |

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

STATE OF NEW MEXICO
MOUNTAINAIR PUBLIC SCHOOLS
Non-Major Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in
Fund Balances - By Fund Type
Year Ended June 30, 2018

| | Special Revenue Funds | Capital Project Funds | Total |
|--------------------------------|-----------------------------|-----------------------------|-------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| REVENUES | | | |
| Taxes | \$ - | \$ - | \$ - |
| Charges for services | 29,234 | - | 29,234 |
| Local sources | 377 | - | 377 |
| State sources | 39,241 | 8,439 | 47,680 |
| Federal sources | 235,928 | - | 235,928 |
| Earnings from investments | 16 | - | 16 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total revenues | 304,796 | 8,439 | 313,235 |
| | <u> </u> | <u> </u> | <u> </u> |
| EXPENDITURES | | | |
| Current: | | | |
| Direct instruction | 95,050 | - | 95,050 |
| Instructional support | 729 | 8,439 | 9,168 |
| Food services | 218,962 | - | 218,962 |
| Capital outlay | - | - | - |
| | <u> </u> | <u> </u> | <u> </u> |
| Total expenditures | 314,741 | 8,439 | 323,180 |
| | <u> </u> | <u> </u> | <u> </u> |
| Net change in fund balances | (9,945) | - | (9,945) |
| Fund balance beginning of year | 104,050 | - | 104,050 |
| | <u> </u> | <u> </u> | <u> </u> |
| Fund balance end of year | <u>\$ 94,105</u> | <u>\$ -</u> | <u>\$ 94,105</u> |

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

NON-MAJOR SPECIAL REVENUE FUNDS

ALL FUNDS - All funds were created by the State Department of Education.

NON-INSTRUCTIONAL SUPPORT - To account for the interest earned on public monies and used to buy Turkeys at Thanksgiving and a Scholarship Banquet. There is no Authority for the creation of this fund.

IDEA-B - PRESCHOOL - To account for monies received for the operation and maintenance of meeting the special education needs of children with disabilities. Financing and authority is the Individuals With Disabilities Act, Part B, Sec. 611, as amended; Public Law 105-17.

FRESH FRUIT & VEGETABLES - To account for resources to purchase New Mexico grown fresh fruits and vegetables for use in school nutrition programs. Authority is from the Public Education Department.

IDEA-B RESULTS PLAN - The objective of the Assistance to States for the Education of Handicapped Children Program is to assist in providing free, appropriate public education to all handicapped children from ages three to five. Authorized by the Individuals with Disabilities Education Act of 2004, Title I, Part B (Public Law 108-446).

IMPROVING TEACHER QUALITY - To account for grant funds to increase student academic achievement through strategies such as improving teacher and principal quality. Financing and authority is Elementary and Secondary Education Act of 1965 as amended, Title II, Part A, Public Law 107-110.

EQUIPMENT ASSISTANCE PROGRAM - To account for resources received to provide funds for equipment purchases that cost over \$5,000. Funding and Authority provided by Federal Regulations at 2 C.F.R. § 200.331(a).

REAP (RURAL EDUCATIONAL ACHIEVEMENT PROGRAM) - To account for monies received to provide financial assistance to rural districts to carry out activities to help improve the quality of teaching and learning. Authority for this program is contained in Title VI, Part B of the Elementary and Secondary Education Act of 1965 (ESEA), as amended by Public Law 107-110.

DUAL CREDIT INSTRUCTIONAL MATERIALS - To account for resources received from House Bill 2, 2009, to be used for dual credit instructional materials through a course approved by Higher Education Department and through a college/university for which the district has an approved agreement.

NON-MAJOR SPECIAL REVENUE FUNDS - CONTINUED

STUDENT LIBRARY FUND - To account for funds provided to be used for library resource acquisitions, including library books for public school libraries. Authority for the creation of this fund is the New Mexico Public Education Department.

TEACHER RECRUITMENT FUND - To account for monies received from the Public Education Department for teacher recruitment efforts such as signing bonuses for new teachers or covering the costs of travel to a recruiting/hiring event. Authority is from the Public Education Department.

BREAKFAST FOR ELEMENTARY STUDENTS - To account for grant funds received to fund the Elementary Breakfast Program. Financing and authority are 6.12.9 fo the New Mexico Administrative Code (NMAC).

SUMMER LUNCH - To account for resources received to buy summer lunches for school age children in the School District area. Authority is the State of New Mexico, Public Education Department.

NM ARTS GRANT - To account for funds used for art given by the State of New Mexico. Authority is the State of New Mexico, Public Education Department.

ATHLETICS FUND - This fund provides financing for school athletic activities. Fund is provided by fees from patrons. Fund is authorized by 6-20-2 NMAC.

SPECIAL REVENUE FUND - CAFETERIA FUND - This program provides financing for the School Hot 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 2-12, 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 stat. 886, 889, 42 U.S.C. 1773, 1779; Public Law 99-591, 100 stat. 3341; Public Law 100-71, 101 stat. 430.

STATE OF NEW MEXICO
MOUNTAINAIR PUBLIC SCHOOLS
Non-Major Special Revenue Funds
Combining Balance Sheet
June 30, 2018

Statement B-1
Page 1 of 3

| | Non- Instructional Support Fund | IDEA-B Preschool Fund | Fresh Fruits & Vegetables Fund | IDEA-B Results Plan Fund | Improving Teacher Quality Fund |
|--|--|-----------------------------|--------------------------------------|--------------------------------|---|
| ASSETS | | | | | |
| Cash on deposit | \$ 1,991 | \$ - | \$ - | \$ - | \$ - |
| Due from grantor | - | 4,153 | 4,142 | 93 | 7,571 |
| Inventory | - | - | - | - | - |
| Total assets | <u>\$ 1,991</u> | <u>\$ 4,153</u> | <u>\$ 4,142</u> | <u>\$ 93</u> | <u>\$ 7,571</u> |
| LIABILITIES | | | | | |
| Cash overdraft | \$ - | \$ 4,153 | \$ 4,142 | \$ 93 | \$ 7,571 |
| Grants received in advance | - | - | - | - | - |
| Total liabilities | - | 4,153 | 4,142 | 93 | 7,571 |
| FUND BALANCES | | | | | |
| Nonspendable | - | - | - | - | - |
| Restricted | 1,991 | - | - | - | - |
| Total fund balance | 1,991 | - | - | - | - |
| Total liabilities and fund balances | <u>\$ 1,991</u> | <u>\$ 4,153</u> | <u>\$ 4,142</u> | <u>\$ 93</u> | <u>\$ 7,571</u> |

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

STATE OF NEW MEXICO
MOUNTAINAIR PUBLIC SCHOOLS
Non-Major Special Revenue Funds
Combining Balance Sheet
June 30, 2018

Statement B-1
Page 2 of 3

| | USDA Equipment Assistance Fund | REAP Fund | Dual Credit Fund | Student Library Fund | Teacher Recruitment Fund |
|--|---|------------------------|---------------------|----------------------------|--------------------------------|
| ASSETS | | | | | |
| Cash on deposit | \$ - | \$ 3,491 | \$ - | \$ - | \$ - |
| Due from grantor | 19,719 | - | 59 | - | 729 |
| Inventory | - | - | - | - | - |
| Total assets | <u>\$ 19,719</u> | <u>\$ 3,491</u> | <u>\$ 59</u> | <u>\$ -</u> | <u>\$ 729</u> |
| LIABILITIES | | | | | |
| Cash overdraft | \$ 19,719 | \$ - | \$ 59 | \$ - | \$ 729 |
| Grants received in advance | - | 3,491 | - | - | - |
| Total liabilities | 19,719 | 3,491 | 59 | - | 729 |
| FUND BALANCES | | | | | |
| Nonspendable | - | - | - | - | - |
| Restricted | - | - | - | - | - |
| Total fund balance | - | - | - | - | - |
| Total liabilities and fund balances | <u>\$ 19,719</u> | <u>\$ 3,491</u> | <u>\$ 59</u> | <u>\$ -</u> | <u>\$ 729</u> |

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

STATE OF NEW MEXICO
MOUNTAINAIR PUBLIC SCHOOLS
Non-Major Special Revenue Funds
Combining Balance Sheet
June 30, 2018

Statement B-1
Page 3 of 3

| | Breakfast Program Fund | Summer Lunch Fund | NM Arts Fund | Athletics Fund | Cafeteria Fund | Totals |
|--|------------------------------|-------------------------|--------------------|------------------------|-------------------------|--------------------------|
| ASSETS | | | | | | |
| Cash on deposit | \$ - | \$ 24,292 | \$ - | \$ 1,411 | \$ 64,132 | \$ 95,317 |
| Due from grantor | - | - | - | - | - | 36,466 |
| Inventory | - | - | - | - | 2,279 | 2,279 |
| Total assets | <u>\$ -</u> | <u>\$ 24,292</u> | <u>\$ -</u> | <u>\$ 1,411</u> | <u>\$ 66,411</u> | <u>\$ 134,062</u> |
| LIABILITIES | | | | | | |
| Cash overdraft | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 36,466 |
| Grants received in advance | - | - | - | - | - | 3,491 |
| Total liabilities | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>39,957</u> |
| FUND BALANCES | | | | | | |
| Nonspendable | - | - | - | - | 2,279 | 2,279 |
| Restricted | - | 24,292 | - | 1,411 | 64,132 | 91,826 |
| Total fund balance | <u>-</u> | <u>24,292</u> | <u>-</u> | <u>1,411</u> | <u>64,132</u> | <u>94,105</u> |
| Total liabilities and fund balances | <u>\$ -</u> | <u>\$ 24,292</u> | <u>\$ -</u> | <u>\$ 1,411</u> | <u>\$ 66,411</u> | <u>\$ 134,062</u> |

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

STATE OF NEW MEXICO
MOUNTAINAIR PUBLIC SCHOOLS
Non-Major Special Revenue Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Year Ended June 30, 2018

Statement B-2
Page 1 of 3

| | Non- Instructional Support Fund | IDEA-B Preschool Fund | Fresh Fruits & Vegetables Fund | IDEA-B Results Plan Fund | Improving Teacher Quality Fund |
|--------------------------------|--|-----------------------------|--------------------------------------|--------------------------------|---|
| REVENUES | | | | | |
| Charges for services | \$ - | \$ - | \$ - | \$ - | \$ - |
| Local sources | 377 | - | - | - | - |
| State sources | - | - | - | - | - |
| Federal sources | - | 6,761 | 6,809 | 27,652 | 18,923 |
| Earnings from investments | - | - | - | - | - |
| Total revenues | <u>377</u> | <u>6,761</u> | <u>6,809</u> | <u>27,652</u> | <u>18,923</u> |
| EXPENDITURES | | | | | |
| Direct instruction | 3,397 | 6,761 | - | 27,652 | 18,923 |
| Instructional support | - | - | - | - | - |
| Food services | - | - | 6,809 | - | - |
| Total expenditures | <u>3,397</u> | <u>6,761</u> | <u>6,809</u> | <u>27,652</u> | <u>18,923</u> |
| Net change in fund balance | (3,020) | - | - | - | - |
| Fund balance beginning of year | <u>5,011</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balance at end of year | <u><u>\$ 1,991</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> |

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

STATE OF NEW MEXICO
MOUNTAINAIR PUBLIC SCHOOLS
Non-Major Special Revenue Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Year Ended June 30, 2018

Statement B-2
Page 2 of 3

| | USDA Equipment Assistance Fund | REAP Fund | Dual Credit Fund | Student Library Fund | Teacher Recruitment Fund |
|--------------------------------|---|---------------|------------------------|----------------------------|--------------------------------|
| REVENUES | | | | | |
| Charges for services | \$ - | \$ - | \$ - | \$ - | \$ - |
| Local sources | - | - | - | - | - |
| State sources | - | - | 391 | 3,982 | 729 |
| Federal sources | 19,719 | 10,589 | - | - | - |
| Earnings from investments | - | - | - | - | - |
| Total revenues | <u>19,719</u> | <u>10,589</u> | <u>391</u> | <u>3,982</u> | <u>729</u> |
| EXPENDITURES | | | | | |
| Direct instruction | - | 10,589 | 391 | 3,982 | - |
| Instructional support | - | - | - | - | 729 |
| Food services | 19,719 | - | - | - | - |
| Total expenditures | <u>19,719</u> | <u>10,589</u> | <u>391</u> | <u>3,982</u> | <u>729</u> |
| Net change in fund balance | - | - | - | - | - |
| Fund balance beginning of year | - | - | - | - | - |
| Fund balance at end of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

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

STATE OF NEW MEXICO
MOUNTAINAIR PUBLIC SCHOOLS
Non-Major Special Revenue Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Year Ended June 30, 2018

Statement B-2
Page 3 of 3

| | Breakfast Program Fund | Summer Lunch Fund | NM Arts Fund | Athletics Fund | Cafeteria Fund | Totals |
|------------------------------------|------------------------------|-------------------------|--------------------|------------------------|-------------------------|-------------------------|
| REVENUES | | | | | | |
| Charges for services | \$ - | \$ - | \$ - | \$ 21,224 | \$ 8,010 | \$ 29,234 |
| Local sources | - | - | - | - | - | 377 |
| State sources | - | 31,154 | 2,985 | - | - | 39,241 |
| Federal sources | - | - | - | - | 145,475 | 235,928 |
| Earnings from investments | - | - | - | - | 16 | 16 |
| Total revenues | <u>-</u> | <u>31,154</u> | <u>2,985</u> | <u>21,224</u> | <u>153,501</u> | <u>304,796</u> |
| EXPENDITURES | | | | | | |
| Direct instruction | - | - | 2,985 | 20,370 | - | 95,050 |
| Instructional support | - | - | - | - | - | 729 |
| Food services | - | 33,358 | - | - | 159,076 | 218,962 |
| Total expenditures | <u>-</u> | <u>33,358</u> | <u>2,985</u> | <u>20,370</u> | <u>159,076</u> | <u>314,741</u> |
| Net change in fund balance | - | (2,204) | - | 854 | (5,575) | (9,945) |
| Fund balance beginning of year | - | 26,496 | - | 557 | 71,986 | 104,050 |
| Fund balance at end of year | <u><u>\$ -</u></u> | <u><u>\$ 24,292</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 1,411</u></u> | <u><u>\$ 66,411</u></u> | <u><u>\$ 94,105</u></u> |

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

NON-MAJOR CAPITAL PROJECTS FUNDS

CAPITAL IMPROVEMENTS - SB-9 - To account for monies received under NMSA 1978 22-25-9, a State match distribution that was imposed as a tax under the Public School Capital Improvements Act for the purpose of building, remodeling and equipping classroom facilities.

STATE OF NEW MEXICO
MOUNTAINAIR PUBLIC SCHOOLS
Non-Major Capital Projects Fund
Balance Sheet
June 30, 2018

Statement C-1

| | Capital Improvements SB-9 |
|---------------------------------------|---------------------------------|
| ASSETS | |
| Cash on deposit | \$ - |
| Due from grantor | 8,439 |
| Total assets | \$ 8,439 |
| LIABILITIES | |
| Cash overdraft | \$ 8,439 |
| Total liabilities | 8,439 |
| FUND BALANCE | |
| Restricted | - |
| Total fund balance | - |
| Total liabilities and fund balance | \$ 8,439 |

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

STATE OF NEW MEXICO
MOUNTAINAIR PUBLIC SCHOOLS
Non-Major Capital Projects Funds
Statement of Revenues, Expenditures
and Changes in Fund Balances
Year Ended June 30, 2018

Statement C-2

| | Capital Improvements <u>SB-9</u> |
|-----------------------------------|--|
| REVENUES | |
| Taxes | \$ - |
| State sources | 8,439 |
| Earnings from investments | <u>-</u> |
| Total revenues | <u>8,439</u> |
| EXPENDITURES | |
| Instructional support | 8,439 |
| Capital outlay | <u>-</u> |
| Total expenditures | <u>8,439</u> |
| Net change in fund balance | - |
| Fund balance at beginning of year | <u>-</u> |
| Fund balance at end of year | <u><u>\$ -</u></u> |

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

GENERAL FUND

OPERATIONAL FUND - This fund is the chief operating fund of the School District. It is used to account for all financial resources of the School District except for those required to be accounted for in another fund.

TRANSPORTATION FUND - To account for resources received from the Public Education Department to be used only for eligible to and from school transportation costs.

INSTRUCTIONAL MATERIALS FUND - to account for resources received from the Public Education Department to be used to purchase materials used as the basis for instruction.

STATE OF NEW MEXICO
MOUNTAINAIR PUBLIC SCHOOLS
Combining Balance Sheet
General Fund
June 30, 2018

Statement D-1

| | Operational | Transporation | Instructional Materials | Total |
|---------------------------------------|------------------|---------------|----------------------------|------------------|
| ASSETS | | | | |
| Cash on deposit | \$ 17,786 | \$ - | \$ 9,598 | \$ 27,384 |
| Accounts receivable, collectible | 1,524 | - | - | 1,524 |
| Total assets | \$ 19,310 | \$ - | \$ 9,598 | \$ 28,908 |
| LIABILITIES | | | | |
| Accounts payable | \$ 70,439 | \$ - | \$ - | \$ 70,439 |
| Total liabilities | 70,439 | - | - | 70,439 |
| FUND BALANCES | | | | |
| Nonspendable | - | - | - | - |
| Restricted | 4,616 | - | 9,598 | 14,214 |
| Unassigned | (55,745) | - | - | (55,745) |
| Total fund balance | (51,129) | - | 9,598 | (41,531) |
| Total liabilities and fund balance | \$ 19,310 | \$ - | \$ 9,598 | \$ 28,908 |

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

STATE OF NEW MEXICO
MOUNTAINAIR PUBLIC SCHOOLS
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
General Fund
Year Ended June 30, 2018

Statement D-2

| | Operational | Transportation | Instructional Materials | Total |
|-----------------------------------|--------------------|----------------|----------------------------|--------------------|
| REVENUES | | | | |
| Property taxes | \$ 31,609 | \$ - | \$ - | \$ 31,609 |
| Charges for services | - | - | - | - |
| Local sources | 16,556 | - | - | 16,556 |
| State sources | 2,769,978 | 197,333 | 7,153 | 2,974,464 |
| Federal sources | 6,900 | - | - | 6,900 |
| Earnings from investments | 912 | - | - | 912 |
| Total revenues | 2,825,955 | 197,333 | 7,153 | 3,030,441 |
| EXPENDITURES | | | | |
| Direct instruction | 1,441,066 | - | 1,109 | 1,442,175 |
| Instructional support | 1,692,267 | 197,333 | - | 1,889,600 |
| Food service | - | - | - | - |
| Capital outlay | - | - | - | - |
| Total expenditures | 3,133,333 | 197,333 | 1,109 | 3,331,775 |
| Net change in fund balance | (307,378) | - | 6,044 | (301,334) |
| Fund balance at beginning of year | 256,249 | - | 3,554 | 259,803 |
| Fund balance at end of year | \$ (51,129) | \$ - | \$ 9,598 | \$ (41,531) |

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

STATE OF NEW MEXICO
MOUNTAINAIR PUBLIC SCHOOLS
General Fund - Operational Fund
Statement of Revenues and Expenditures -
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2018

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|---------------------------|---------------------|---------------------|---------------------|--|
| REVENUES | | | | |
| Taxes | \$ 30,485 | \$ 30,485 | \$ 31,696 | \$ 1,211 |
| Charges for services | - | - | - | - |
| Local sources | - | - | 15,382 | 15,382 |
| State sources | 2,677,447 | 2,699,223 | 2,769,978 | 70,755 |
| Federal sources | - | 6,900 | 6,900 | - |
| Earnings from investments | 1,000 | 1,000 | 912 | (88) |
| Total revenues | <u>\$ 2,708,932</u> | <u>\$ 2,737,608</u> | <u>\$ 2,824,868</u> | <u>\$ 87,260</u> |
| EXPENDITURES | | | | |
| Direct instruction | \$ 1,495,417 | \$ 1,515,417 | \$ 1,441,066 | \$ 74,351 |
| Instructional support | 1,621,726 | 1,706,646 | 1,634,095 | 72,551 |
| Food services | - | - | - | - |
| Total expenditures | <u>\$ 3,117,143</u> | <u>\$ 3,222,063</u> | <u>\$ 3,075,161</u> | <u>\$ 146,902</u> |
| BUDGETED CASH BALANCE | <u>\$ 408,211</u> | <u>\$ 484,455</u> | | |

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

STATE OF NEW MEXICO
MOUNTAINAIR PUBLIC SCHOOLS
General Fund - Transportation Fund
Statement of Revenues and Expenditures -
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2018

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|---------------------------|--------------------------|--------------------------|--------------------------|--|
| REVENUES | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - |
| Charges for services | - | - | - | - |
| Local sources | - | - | - | - |
| State sources | 197,333 | 197,333 | 197,333 | - |
| Federal sources | - | - | - | - |
| Earnings from investments | - | - | - | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total revenues | <u>\$ 197,333</u> | <u>\$ 197,333</u> | <u>\$ 197,333</u> | <u>\$ -</u> |
| EXPENDITURES | | | | |
| Direct instruction | \$ - | \$ - | \$ - | \$ - |
| Instructional support | 197,333 | 197,333 | 197,333 | - |
| Food services | - | - | - | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total expenditures | <u>\$ 197,333</u> | <u>\$ 197,333</u> | <u>\$ 197,333</u> | <u>\$ -</u> |
| BUDGETED CASH BALANCE | <u>\$ -</u> | <u>\$ -</u> | | |

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

STATE OF NEW MEXICO
MOUNTAINAIR PUBLIC SCHOOLS
General Fund - Instructional Materials Fund
Statement of Revenues and Expenditures -
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2018

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|---------------------------|--------------------|-------------------|-------------------|--|
| REVENUES | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - |
| Charges for services | - | - | - | - |
| Local sources | - | - | - | - |
| State sources | 5,978 | 7,153 | 7,153 | - |
| Federal sources | - | - | - | - |
| Earnings from investments | - | - | - | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total revenues | <u>\$ 5,978</u> | <u>\$ 7,153</u> | <u>\$ 7,153</u> | <u>\$ -</u> |
| EXPENDITURES | | | | |
| Direct instruction | \$ 6,049 | \$ 7,224 | \$ 1,109 | \$ 6,115 |
| Instructional support | - | - | - | - |
| Food services | - | - | - | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total expenditures | <u>\$ 6,049</u> | <u>\$ 7,224</u> | <u>\$ 1,109</u> | <u>\$ 6,115</u> |
| BUDGETED CASH BALANCE | <u>\$ 71</u> | <u>\$ 71</u> | | |

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

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
MOUNTAINAIR PUBLIC SCHOOLS
Schedule of Proportionate Share of the Net Pension Liability
Educational Retirement Board (ERB) Pension Plan
Last 10 Fiscal Years*

| Measurement Date Fiscal year | 2017 2018 | 2016 2017 | 2015 2016 | 2014 2015 |
|--|--------------|--------------|--------------|--------------|
| Mountainair Public School District's proportion of net pension liability (asset) | 0.06354% | 0.06862% | 0.06951% | 0.06987% |
| Mountainair Public School District's proportionate share of the net pension liability (asset) | \$ 7,061,498 | \$ 4,938,193 | \$ 4,502,348 | \$ 3,986,585 |
| Mountainair Public School District's covered-employee payroll | \$ 1,863,772 | \$ 1,817,758 | \$ 1,897,846 | \$ 1,983,187 |
| Mountainair Public School District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 407.33% | 262.59% | 237.23% | 201.02% |
| Plan fiduciary net position as a percentage of the total pension liability | 52.95% | 61.58% | 63.97% | 66.54% |

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

See Independent Auditor's Report
See notes to required supplementary information

STATE OF NEW MEXICO
MOUNTAINAIR PUBLIC SCHOOLS
Schedule of Contributions
Educational Retirement Board (ERB) Pension Plan
Last 10 Fiscal Years*

| | 2018 | 2017 | 2016 | 2015 |
|--|----------------|----------------|------------------|----------------|
| Contractually required contributions | \$ 259,002 | \$ 251,413 | \$ 313,456 | \$ 275,663 |
| Contributions in relation to the contractually required contribution | <u>259,002</u> | <u>251,413</u> | <u>273,305</u> | <u>275,663</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 40,151</u> | <u>\$ -</u> |
| Mountainair Public School District's covered-employee payroll | \$ 1,863,772 | \$ 1,817,758 | \$ 1,897,846 | \$ 1,983,187 |
| Contribution as a percentage of covered-employee payroll | 13.90% | 13.90% | 13.90% | 13.90% |

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

See Independent Auditor's Report
See notes to required supplementary information

STATE OF NEW MEXICO
MOUNTAINAIR PUBLIC SCHOOLS
Notes to Required Supplementary Information
Year Ended June 30, 2018

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

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

See Independent Auditor's Report
See notes to required supplementary information

STATE OF NEW MEXICO
MOUNTAINAIR PUBLIC SCHOOLS
Schedule of Proportionate Share of the Net OPEB Liability
Retiree Health Care Authority (RHCA) OPEB Plan
Last 10 Fiscal Years*

| | <u>2018*</u> |
|--|--------------|
| Mountainair Public School District's proportion of net OPEB liability (asset) | 0.04215% |
| Mountainair Public School District's proportionate share of the net OPEB liability (asset) | \$ 1,910,100 |
| Mountainair Public School District's covered-employee payroll | \$ 1,863,085 |
| Mountainair Public School District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll | 102.52% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 11.34% |

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the School will present information for available years.

See Independent Auditor's Report

STATE OF NEW MEXICO
MOUNTAINAIR PUBLIC SCHOOLS
Schedule of Contributions
Retiree Health Care Authority (RHCA) OPEB Plan
Last 10 Fiscal Years*

| | 2018* |
|--|--------------|
| Contractually required contributions | \$ 37,262 |
| Contributions in relation to the contractually required contribution | 37,262 |
| Contribution deficiency (excess) | \$ - |
| Mountainair Public School District's covered-employee payroll | \$ 1,863,085 |
| Contribution as a percentage of covered-employee payroll | 2.00% |

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the School will present information for available years.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2018

Changes of assumptions: RHCA conducts an actuarial experience study for the Plan 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 2017 and 2016.

- 1) Fiscal year 2017 valuation assumptions that changed based on this study:
 - a. Lower Investment return from 7.75% to 7.25%
 - b. Lower Inflation rate from 3.00% to 2.50%
 - c. Minor changes to demographic assumptions
- 2) Assumptions that were not changed:
 - a. Population growth per year at 0.00%
 - b. 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.

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

See Independent Auditor's Report

OTHER SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
MOUNTAINAIR PUBLIC SCHOOLS
Schedule of Cash Receipts and
Disbursements - All Funds by
School District Classification
Year Ended June 30, 2018

| | <u>Operational</u> | <u>Transportation</u> | <u>Instructional Materials</u> | <u>Food Services</u> | <u>Athletics</u> | <u>Non- Instructional</u> | <u>Budgeted Non- Instructional</u> |
|-------------------------------|-------------------------|---------------------------|------------------------------------|--------------------------|---|---|--|
| Cash Balance, June 30, 2017 | \$ 268,079 | \$ - | \$ 3,554 | \$ 67,643 | \$ 557 | \$ 64,232 | \$ 5,011 |
| Cash Receipts, 2017-2018 | 2,824,868 | 197,333 | 7,153 | 144,084 | 21,224 | 167,195 | 377 |
| Cash Disbursements, 2017-2018 | <u>(3,075,161)</u> | <u>(197,333)</u> | <u>(1,109)</u> | <u>(147,595)</u> | <u>(20,370)</u> | <u>(156,444)</u> | <u>(3,397)</u> |
| Cash Balance, June 30, 2018 | <u>\$ 17,786</u> | <u>\$ -</u> | <u>\$ 9,598</u> | <u>\$ 64,132</u> | <u>\$ 1,411</u> | <u>\$ 74,983</u> | <u>\$ 1,991</u> |
| | | | | | | Local Capital Improvement SB-9 | Debt Service |
| | <u>Local</u> | <u>State</u> | <u>Federal Projects</u> | <u>Bond Building</u> | <u>Capital Improvement SB-9</u> | <u>Local Capital Improvement SB-9</u> | <u>Debt Service</u> |
| Cash Balance, June 30, 2017 | \$ - | \$ (34,773) | \$ (18,022) | \$ 1,702,600 | \$ - | \$ 447,977 | \$ 308,581 |
| Cash Receipts, 2017-2018 | - | 157,073 | 428,887 | 4,843 | - | 137,398 | 324,138 |
| Cash Disbursements, 2017-2018 | <u>-</u> | <u>(153,896)</u> | <u>(347,069)</u> | <u>(1,219,825)</u> | <u>(8,439)</u> | <u>(63,191)</u> | <u>(344,676)</u> |
| Cash Balance, June 30, 2018 | <u>\$ -</u> | <u>\$ (31,596)</u> | <u>\$ 63,796</u> | <u>\$ 487,618</u> | <u>\$ (8,439)</u> | <u>\$ 522,184</u> | <u>\$ 288,043</u> |

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

INDEPENDENT AUDITOR'S REPORT

Mr. Brian Colon
New Mexico State Auditor
and
Board of Education
Mountainair Public Schools
Mountainair, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, the budgetary comparisons of the General, IDEA-B Entitlement, Medicaid, Title I, Read2Lead and Pre-K Initiative Funds of the Mountainair Public Schools, as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the Mountainair Public Schools basic financial statements, and the combining and individual funds and have issued our report thereon dated July 1, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Mountainair Public Schools internal control over financial reporting as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Mountainair Public Schools internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Mountainair Public Schools internal control over financial reporting.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses listed as Penalties and Interest Charges (2018-009), Prior Year Cash Balances (2018-013) and Operational Cash Balance (2018-015) to be Material Weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of findings and Responses listed as Transactions Made by Third Parties not Recorded on Books of Record or Public Education Department Quarterly Report (2017-007), Imprest Bank Account (2017-011), Long-Term Debt not Recorded on Books of Record or on PED Quarterly Reports (2017-015), Violations of the Anti-Donation Clause in the Non-Budgeted Fund (2017-020), Expenditure Issues (2018-010) Activity Fund Expenditures (2018-011) and Expenditure to Superintendent (018-012) to be significant deficiencies.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Mountainair Public Schools financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under Government Auditing Standards which are described in the accompanying Schedule of Comments and Responses as Monthly Activity Reports Prepared Late (2017-001), Quickbooks Software Used for Activity Accounts (2017-002), Knowledge and Review of Audit Report (2017-006), High School Activity Bank Reconciliation (2017-008), Reconciled Bank Balances not Agreeing to Financial Statements (2017-010), Public Education Quarterly Report Incorrect (2017-012), No Depreciation Policy (2017-013), Receipt Issues (2017-016), Charges at the Concession Stand (2017-017), Contract Services (2017-019), Money for Meals (2017-021), Payment Before Services are Rendered (2017-022), Annual Leave Policy (2017-023), State Withholding (CRS-1) Reports (2017-024), IRS Form 1096 (2017-025), Drug Test Listing (2017-026), Late Audit Report (2017-027), Variances on Bank Reconciliations (2018-001), Checks Written out of Sequence (2018-002), ERA and RHCA issues (2018-003), Accrued Leave Carryforwards (2018-004), Refund from Vendor (2018-005), Petty Cash Amounts (2018-006), Payments Made Out of Wrong Fund (2018-007), Real Estate Taxes Received Reported Net of Costs (2018-008) and Debt Service Fund Budget Overrun (2018-014).

Responses to Findings

Mountainair Public Schools responses to the findings identified in our audit are described in the accompanying Status of Findings and Responses. The District's responses were not subject 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Mountainair Public Schools internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

R. J. [Signature]

Albuquerque, New Mexico
July 1, 2019

STATUS OF COMMENTS AND RESPONSES

Prior Year Audit Findings:

1. Monthly Activity Reports Prepared Late (2017-001) - Repeated
2. QuickBooks Software Used for Activity Accounts (2017-002) - Repeated
3. Deficit Activity Fund Balances (2017-003) - Resolved
4. Athletics Fund Transactions Never Reported (2017-004) - Resolved
5. Athletic Fund Budget Overrun (2017-005) - Resolved
6. Knowledge and Review of Audit Report (2017-006) - Repeated
7. Transactions Made by Third Parties Not Recorded on Books of Record or Public Education Department Quarterly Report (2017-007) - Repeated
8. High School Activity Bank Reconciliation (2017-008) - Repeated
9. Incomplete Bank Reconciliations (2017-009) - Resolved
10. Reconciled Bank Balances Not Agreeing to Financial Statements (2017-010) - Repeated
11. Imprest Bank Account (2017-011) - Repeated
12. Public Education Quarterly Report Incorrect (2017-012) - Repeated
13. No Depreciation Policy (2017-013) - Repeated
14. Capital Asset Listing (2017-014) - Resolved
15. Long-Term Debt Not Recorded on Books of Record or Public Education Department Quarterly Reports (2017-015) - Repeated
16. Receipt Issues (2017-016) - Repeated
17. Charges at the Concession Stand (2017-017) - Repeated
18. Expenditures Reported to the Public Education Department (2017-018) - Resolved
19. Contract Services (2017-019) - Repeated
20. Violations of the Anti-Donation Clause of the Non-budgeted Fund (2017-020) - Repeated
21. Money for Meals (2017-021) - Repeated
22. Payment Before Services are Rendered (2017-022) - Repeated
23. Annual Leave Policy (2017-023) - Repeated
24. State Withholding Reports (CRS-1's) (2017-024) - Repeated
25. IRS Form 1099 and 1096 (2017-025) - Repeated
26. Drug Test Listing (2017-026) - Repeated
27. Late Audit Report (2017-027) - Repeated

Current Year Audit Findings:

1. Variances on Bank Reconciliations (2018-001)
2. Checks written out of Sequence (2018-002)
3. ERA and RHCA Issues (2018-003)
4. Accrued Leave Carryforwards (2018-004)
5. Refund from Vendor (2018-005)
6. Petty Cash Amounts (2018-006)
7. Payments Made Out of the Wrong Fund (2018-007)
8. Real Estate Taxes Received Reported Net of Costs (2018-008)
9. Penalties and Interest Charges (2018-009)
10. Expenditure Issues (2018-010)
11. Activity Funds Expenditures (2018-011)
12. Expenditure to Superintendent (2018-012)

STATUS OF COMMENTS AND RESPONSES - Continued

13. Prior Year Cash Balances (2018-013)
14. Debt Service Fund Budget Overrun (2018-014)
15. Operational Cash Balance (2018-015)

Monthly Activity Reports Prepared Late - Did not Rise to the
Level of a Significant Deficiency
(2017-001)

CONDITION The monthly bank reconciliations and financial reports for the Elementary Activities were not being prepared on a timely basis.

 Also, these reports are not being reviewed by anyone in the business office.

 There has been no progress in this area.

CRITERIA PSAB 7 Cash Controls states "All bank accounts shall be reconciled on a monthly basis. Reconciled bank statements are to be reviewed by the business manager and/or assistant superintendent for business administration. The bank statement, deposit slips and cancelled checks shall be made available to the school districts auditor during the annual audit."

 Also, PSAB 18 Student Activity states "It is the duty of every public official or agency of this state that receives or disburses public money to maintain a cash record in which is entered daily, in detail, all items of receipts and disbursements of public money. The cash record shall be balanced daily so as to show the balance of public money on hand at the close of each days business."

 Also, PSAB 2 Internal Control Structure and NMAC 6.20.2.11 states "Transactions shall be properly recorded on a timely basis in order to permit preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP). In addition , school districts shall establish any other criteria applicable to such statements to maintain accountability for assets."

CAUSE No one in management is reviewing these.

EFFECT Reports are not being prepared timely.

RECOMMENDATION

Someone in the business office needs to be assigned to reviewing these reports on a monthly basis.

RESPONSE

District Office will make sure to review the Elementary School reconciliations and financial reports on a monthly basis and will make sure they are balanced and prepared timely. Activity Accounts have been moved to Visions and are being reconciled at the administration office.

QuickBooks Software Used for Activity Accounts - Did not Rise to
the Level of a Significant Deficiency
(2017-002)

CONDITION

The Elementary and the High School are using QuickBooks to prepare financial information for the School Activity accounts. By using QuickBooks the accounts are not being tracked or reconciled correctly.

This situation is due to:

A) The employee using QuickBooks has not been adequately trained and because of this QuickBooks "plugs" misposted items.

This is usually due to checks being posted to the wrong activity account.

B) The QuickBooks balances are not being reconciled to the monthly reports provided to the activity sponsors.

C) No one including anyone in the Business Office is reviewing these financial reports to ensure they are correct or that any errors or mispostings are corrected.

D) The beginning balances on the monthly reports (July 1, 2017) did not reconcile to the QuickBooks general ledger at the beginning of the year.

There has been no progress in this area.

CRITERIA

The Public Education Department Manual of Procedures specifically PSAB Supplement 7 - cash controls states "School Districts must establish internal controls over cash to ensure that assets are protected and are accounted for in a professional and timely manner".

CAUSE

Business Office staff were not aware of the missing step in internal control procedures ensuring activity fund resources were adequately accounted for and reconciled.

EFFECT Fraud, waste or abuse can occur if proper internal controls do not exist. In this case, proper oversight of the Activity account monthly reports.

RECOMMENDATION A Business Office employee should be tasked with reviewing and reconciling these reports monthly.

Also, both the Elementary and the High Schools should be trained and required to use the Visions Software.

RESPONSE District Office will make sure internal controls are accounted for and reconciliations are done timely at both the Elementary and High School. Activity Accounts for both Elementary and High Schools have been moved to Visions and are being reconciled at the administration office.

Knowledge and Review of Audit Report - Did not Rise to the Level
of a Significant Deficiency
(2017-006)

| | |
|----------------|--|
| CONDITION | Neither management of the School District or those on the Board are reviewing the balances and financial statements reported in the audit report. This includes the cash balances reported on the PED quarterly report not matching the cash balances in the fiscal year 2017 audit report. There has been no progress in this area. |
| CRITERIA | SAS 122 implies that Management of the School District have sufficient expertise in selecting and applying accounting principles in conformity with generally accepted accounting principles. Which means that Management should be able to review the balances, financial statements and notes to the financial statements and answer questions that the Board might request. |
| CAUSE | Neither the Board or Management has made this knowledge and review of the audit report a priority. |
| EFFECT | Management has not been reviewing the audit report to ensure audited cash balances are used in the books of record or the PED quarterly reports. Also, management is not using the correct funds established by PED and used in the audit report. Management is not providing any of this information or lack there of to the Board. Also, the presentation to the Board was limited by the time allotted at the presentation. |
| RECOMMENDATION | Management and the Board should make the review of their audit report a priority. |
| RESPONSE | The District Office will make sure that the auditor comes and gives a complete overview of the audit to the Board of Education upon approval from NMSAO. The District had the auditor come and give the overview of the audit to the Board of Education. |

Transactions Made by Third Parties
Not Recorded on Books of Record or
Public Education Department
Quarterly Report - Significant Deficiency
(2017-007)

CONDITION Funds held at New Mexico Finance Authority were never recorded on the School District's books of record or Public Education Department quarterly reports. These included interest earned of \$141, Bond Principal of \$22,304, Bond Interest of \$3,399 and SEG revenues of \$26,238.

There has been no progress in this area.

CRITERIA PSAB 7 Cash Controls states "General ledger control must exist over all bank accounts. Each fund must be accounted for in a self-balancing set of accounts for assets, liabilities, equity, revenues, expenditures and transfers. It is imperative to good internal control that all financial transactions are recorded immediately."

Also, PSAB 7 Cash Controls states "Section 6-10-2 NMSA 1978 make it necessary to establish a Cash Control ledger for each fund."

PSAB 2 Internal Control Structure states "Upon completion of the final close for each fiscal year, the school district determines the actual cash balances for all funds and reports them to the Public Education Department by the designated deadline."

CAUSE Management did not ensure these transactions were booked.

EFFECT Revenues, expenditures and interest income were understated on the School District's books of record. Adjustments had to be made to adjust certain trial balances so these amounts were included.

RECOMMENDATION

Management should ensure all amounts/transactions are posted/recorded to the School District's books of record.

RESPONSE

The District Office will make sure to include information from all checking accounts that contain any monies for Mountainair Public Schools.

High School Activity Bank Reconciliation - Did not Rise to the
Level of a Significant Deficiency
(2017-008)

CONDITION The High School Activity Bank Reconciliation shows \$202 more than what is actually in the bank.

There has been no progress in this area.

CRITERIA PSAB 7 Cash Controls states "All bank accounts shall be reconciled on a monthly basis. Reconciled bank statements are to be reviewed by the business manager and/or assistant superintendent for business administration. The bank statement, deposit slips and cancelled checks shall be made available to the school districts auditor during the annual audit."

Also, PSAB 18 Student Activity states "It is the duty of every public official or agency of this state that receives or disburses public money to maintain a cash record in which is entered daily, in detail, all items of receipts and disbursements of public money. The cash record shall be balanced daily so as to show the balance of public money on hand at the close of each days business."

Also, PSAB 2 Internal Control Structure and NMAC 6.20.2.11 states "Transactions shall be properly recorded on a timely basis in order to permit preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP). In addition , school districts shall establish any other criteria applicable to such statements to maintain accountability for assets."

Reconciled Bank Balances Not Agreeing to Financial Statements -
Did not Rise to the Level of a Significant Deficiency
(2017-010)

| | |
|----------------|--|
| CONDITION | Bank balances upon being reconciled with outstanding check lists or deposits in transit are not then reconciled to the financial statements from the Visions Program. The Food Service Bank Account did not agree to the five funds (general ledger) cash balances. The bank account only held \$48,810 and the general ledger was reporting \$67,655. The Athletics (reconciled) bank account did not match the general ledger or the PED quarterly report. There has been no progress in this area. |
| CRITERIA | PSAB 7 Cash Controls states "All bank accounts shall be reconciled on a monthly basis." Also, PSAB 2 Internal Control Structure and NMAC 6.20.2.11 states "Transactions shall be properly recorded on a timely basis in order to permit preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP)." |
| CAUSE | Prior management was not adequately trained nor was it brought to their attention that these documents need to be reconciled to the bank statements monthly. |
| EFFECT | The difference was being reported in another bank account. |
| RECOMMENDATION | Management needs to be trained on how to ensure the bank statements are reconciled to the books of record. |
| RESPONSE | The business manager will be doing monthly reconciling and reporting to the PED. The business manager will get additional training from Tyler Technology on reconciling also. |

Imprest Bank Account - Significant Deficiency
(2017-011)

CONDITION

The Payroll imprest bank account is not being reconciled correctly. The monthly reconciled balance is not the same each month. Upon review of these bank reconciliations prior to the audit year it appears this situation existed in the prior year also. As of June 30, 2018 it appeared that the payroll clearing account had \$23,937 that could not be accounted for. These are monies that could be budgeted for and used.

There has been no progress in this area.

CRITERIA

All imprest accounts should be reconciled correctly monthly, resulting in a zero balance. This complies with good accounting practices. Also, NMSA 1978 Section 6-10-2 Public Money states "It is the duty of every public official or agency of this state that receives or disburses public money to maintain a cash record in which is entered daily, in detail, all items of receipts and disbursements of public money. The cash record shall be balanced daily so as to show the balance of public money on hand at the close of each day's business."

Also, PSAB 7 Cash Controls states "All bank accounts shall be reconciled on a monthly basis."

Also, PSAB 14 Payroll states "The payroll clearing account should reconcile to a zero balance after payroll checks and all applicable withholdings and school district matching payments are paid."

CAUSE

Management is not adequately trained on how to reconcile this account.

EFFECT The General Fund would have to cover any cash deficiencies that might occur. However, currently the bank account has \$23,937 too much.

RECOMMENDATION Management needs to adequately reconcile this bank account immediately.

RESPONSE District Office will be combining all bank accounts effective July 2018 to ensure that monies are deposited in the correct accounts when reimbursements are done. There will be less transferring between accounts making less room for error. Date has been extended to July 1, 2019. All deposits and checks now come out of the General Bank Account.

Public Education Quarterly Report Incorrect - Did not Rise to the
Level of a Significant Deficiency
(2017-012)

CONDITION The June 30, 2018 PED quarterly report was prepared incorrectly. The Cash report shows \$3,121 in payroll liabilities that could not be verified.

There has been no progress in this area.

CRITERIA PSAB 7 Cash Controls states "The School district shall submit the Cash Reports to the PED by the last working day of the month following the end of the reporting period." Also, PSAB 7 Cash Controls states "The Cash Report should flow directly from the General Ledger. The cash balance of the cash report should tie directly to the general ledger cash accounts total."

CAUSE Prior management was not adequately trained on how to report the transactions on the PED quarterly report.

EFFECT The PED quarterly report is not correct.

RECOMMENDATION New management needs to be trained on how to prepare these reports and have them reviewed before being submitted to the PED.

RESPONSE District Office will get additional training and make sure quarterly/monthly reports are overseen prior to submitting to PED. A Consultant was brought in to train the new Business Manager on quarterly/monthly reports to PED.

No Depreciation Policy - Did not Rise to the Level of a
Significant Deficiency
(2017-013)

| | |
|----------------|---|
| CONDITION | <p>The School District has not approved a depreciation policy so depreciation can be charged to capital assets according to Board approval.</p> <p>There has been no progress in this area.</p> |
| CRITERIA | <p>The School District needs a depreciation policy so capital assets can be depreciated according to Board policy. This is due to the implementation of GASB 34.</p> |
| CAUSE | <p>The School District has not approved a policy for management to follow.</p> |
| EFFECT | <p>Depreciation may be charged incorrectly because no set policy is in place.</p> |
| RECOMMENDATION | <p>The School District should approve a policy as soon as possible. Management should then implement that policy as soon as possible.</p> |
| RESPONSE | <p>District Office will work with the Board of Education on a depreciation policy and make sure it is implemented.</p> |

Long-Term Debt not Recorded on Books of Record
or on PED Quarterly Reports - Significant Deficiency
(2017-015)

| | |
|----------------|--|
| CONDITION | Management of the School District is not including the EE (Energy Efficiency) & RE (Renewable Energy) Bonds Fund anywhere in the Visions Books of Record or on the Public Education Department quarterly reports. Also, these transactions are being shown as a Special Revenue Fund in the prior years audit report when it should be in the Debt Service Fund. The budget analyst for the School District also did not require this amount to be included in the PED quarterly report. There has been no progress in this area. |
| CRITERIA | PSAB 7 Cash Controls states "Section 6-10-2 NMSA 1978 make it necessary to establish a Cash Control ledger for each fund." Also, PSAB 7 Cash Controls states "The school district shall submit the Cash Reports to the PED by the last working day of the month following the end of the reporting period." PSAB 7 Cash Controls states "The Cash Report should flow directly from the General Ledger." |
| CAUSE | Management was unaware of this requirement. |
| EFFECT | Debt Service cash, bonds paid, interest paid, interest income and SEG income are understated. (These transactions are reported in the Debt Service Fund in the audit report.) |
| RECOMMENDATION | Management should start posting these transactions to the books of record and the PED quarterly report immediately. |
| RESPONSE | District Office will make sure that all bank accounts with money for Mountainair Public Schools are accounted for and reconciled monthly. |

Receipt Issues - Did not Rise to the Level of a Significant
Deficiency
(2017-016)

CONDITION 1. One receipt totaling \$5 was not deposited for two months. 2. One receipt totaling \$28,369 was posted to Fund 25233 REAP when it actually belonged to Fund 25153 Medicaid. This is an example of revenues not being posted to the correct fund. 3. Two receipts out of two receipts tested (shown) as voided did not have all copies attached.

There has been no progress in this area.

CRITERIA PSAB 2 Internal Control structure states "Sequential numbering of receipts is required." "Each receipt has a description of payment and has sufficient documentation for review, these entries include the source, date, amount, fund, receipt number, and a description of the payment."

Also, PSAB 7 Cash Controls states "If a receipt is voided, all copies shall be marked VOID and retained in the receipt books."

CAUSE Management of the School District have not been adequately trained to ensure cash receipts, collections, cash postings and voided receipts are handled correctly.

EFFECT Revenues/cash receipts could be mishandled posted to the wrong fund or not reported correctly.

RECOMMENDATION Staff need to be trained on how to prepare a receipt, post it to the books of record and write them in sequence. Also, how to properly void a receipt.

RESPONSE Quickbooks has been removed from Elementary and High School. Secretaries were trained on how to receipt properly including new cash forms signed by two different people to verify its accuracy. Elementary and High School activity accounts were moved to Visions and are being reconciled at the district level.

Charges at the Concession Stand - Did not Rise to the Level of a Significant Deficiency
(2017-017)

| | |
|----------------|--|
| CONDITION | Various people have been allowed to "charge" items at the School District Concession stand. There is no list of these people, how much they charged or when it was paid back. There is no Public Education Department regulation that "allows" charges for anything. There has been no progress in this area. |
| CRITERIA | According to Public Education Department regulations "school districts must establish internal controls over cash to ensure assets are protected and accounted for in a professional and timely manner". Also, School Districts are on a cash basis which does not allow "charges." |
| CAUSE | Management and the Board were not aware that this practice cannot occur. |
| EFFECT | Monies could be lost. Items may never be paid for. |
| RECOMMENDATION | The School District should discontinue this practice immediately. |
| RESPONSE | District Office will make sure that Jr. Class sponsors operate on a cash basis within their concession stand. There will be no charging or tabs allowed. There will be a strict directive given to Jr. Class sponsors in August 2019 that no charging or tabs would be allowed at concession stands. |

Contract Services - Did not Rise to the Level of a
Significant Deficiency
(2017-019)

| | |
|----------------|--|
| CONDITION | Two individuals were paid to perform services for the New Mexico Arts Grant Fund. One was paid \$1,159, the other was paid \$1,582. There was no contract for either specifying the number of hours to be completed or the agreed upon rate for the performance of those services. There has been no progress in this area. |
| CRITERIA | All services should have some sort of agreement as to 1. The services to be performed, 2. The hourly rate (or total contract amount) 3. An agreement as to where and when these services will be performed and 4. Not to exceed (or cap) amount. |
| CAUSE | Management did not obtain this agreement (contract). |
| EFFECT | The Contractors may dispute the amount or what type of services are to be performed. Thus, creating a legal dispute with the School District. |
| RECOMMENDATION | Management should obtain contracts or agreements for all services to ensure payments, what type of services, etc are agreed to before those services are obtained. |
| RESPONSE | The superintendent, business manager and secretary will make sure they secure contracts from the director of the NM Arts Grant showing a specified amount prior to paying out any contract money. |

Violations of the Anti-Donation Clause in the Non-Budgeted Fund -
Significant Deficiency
(2017-020)

CONDITION The School District is using interest earned on public monies to purchase meals for certain students, Turkeys for Teachers and a Hotel room for the Superintendent. The total amount spent was \$2,807. The budget analyst did not review this fund or ask why this fund was in existence. This fund has been in existence for some time. These payments appear to violate the anti-donation clause and violate PED regulations concerning Activity Funds.

 There has been no progress in this area.

CRITERIA According to the Anti-donation clause of New Mexico (Article IX, Section 14) "a school district shall not directly or indirectly lend or pledge its credit or make any donation to or in aid of any person."

 According to the Public Education Department "Student activity accounts represent monies raised or collected by and/or for school sponsored student activities." "The activity accounts are typically used to account for monies raised by the students for the students."

CAUSE The School district used public monies to pay for non-student purchases which appear to violate the anti-donation clause and the PED regulations concerning student activity accounts.

EFFECT The School District used public monies to pay for non-student purchases which appear to violate the anti-donation clause and the PED regulations concerning student activity accounts.

RECOMMENDATION The School District needs to discontinue using this fund immediately.

RESPONSE District Office will move Board Activity Account to activity accounts reconciliations and no public monies will be deposited in this account. No monies have been deposited into this account.

Money for Meals - Did not Rise to the Level of a Significant
Deficiency
(2017-021)

| | |
|----------------|---|
| CONDITION | The High School Activities account is providing extra money to individuals to pay for meals for Athletics kids when on the road. However, this extra money does not appear to be needed nor does it appear to be "paid back" if it was not needed. There has been no progress in this area. |
| CRITERIA | PSAB 7 Cash Controls states "A form for permission to travel and another to <u>reconcile expenses, after the trip,</u> is required. All payments need to be properly supported by invoices. If these payments are not made then the amount should be re-deposited to replenish the account. |
| CAUSE | Management is not ensuring clear concise records are being maintained to ensure all cash transactions can be properly accounted for, tracked, approved and reviewed. |
| EFFECT | Payments could be made for goods/services not received. |
| RECOMMENDATION | The practice of providing extra money should cease immediately. |
| RESPONSE | Starting in July 2019, District Office will begin giving the sponsor cash for each student in the amount that is allowed (\$6.50). Students will be handed out a \$5 bill, \$1 bill and two quarters for their meal. They will return the receipt immediately to their sponsor. If the receipt is under the \$6.50, the student will hand back the change to the sponsor as well. All receipts, change and list of students will be given to District Office for reconciliation. Sponsor will be responsible for any discrepancies. |

Payment Before Services are Rendered -
Other Non-Compliance Matter
(2017-022)

| | |
|----------------|--|
| CONDITION | <p>Management of the School District are paying bus contractors in July before school starts and their services are required.</p> <p>One Bus Contractor was paid \$1,592 on July 10, 2018. School does not start until August. The contract was entered into on June 12, 2018.</p> <p>There has been no progress in this area.</p> |
| CRITERIA | <p>NMSA 1978 Section 13-1-158 states "No check shall be issued until the services have been received."</p> |
| CAUSE | <p>Management is not ensuring these payments be made until after the school services are obtained.</p> |
| EFFECT | <p>The School District has paid for services not yet rendered.</p> |
| RECOMMENDATION | <p>The practice of paying for bus services before the services are rendered needs to cease.</p> |
| RESPONSE | <p>District Office has begun to discuss contracts with Transportation providers and have not begun distributing contracts amounts prior to the start of school.</p> |

Annual Leave Policy - Other Non-Compliance Matter
(2017-023)

| | |
|----------------|---|
| CONDITION | <p>The contract for the Superintendent and the 9 hour employee contracts state different annual leave amounts that can be earned or accrued compared to the personnel policy. Example: Superintendents contract states 20 days can be used for any payout while the personnel policy states 30 days. The 9 hour contracts state that unused leave may not be accumulated while the personnel policy states that they may accumulate up to ten days of vacation.</p> <p>There has been no progress in this area.</p> |
| CRITERIA | <p>Good accounting policies require that all forms of policies, agreements, contracts and grants have the same restrictions, verbiage and policies so there is no confusion.</p> |
| CAUSE | <p>This situation has never been brought to the attention of management by anyone. This includes, the Board, employees, prior auditors, etc.</p> |
| EFFECT | <p>Employees could be paid incorrectly.</p> |
| RECOMMENDATION | <p>The contracts should be changed to reflect what is stated in the personnel policy since it was approved and has been used longer than the one year contracts.</p> |
| RESPONSE | <p>District Office has amended the superintendents contract to make sure it matches the leave policy that is included in the Board Policy.</p> |

State Withholding Reports (CRS-1's) - Did not Rise to the Level
of the Significant Deficiency
(2017-024)

| | |
|----------------|--|
| CONDITION | For the fiscal year ending 2018 the School District was charged \$596 in penalties and \$68 in interest for late filing of CRS-1 reports. There has been no progress in this area. |
| CRITERIA | According to NM Taxation and Revenue regulations 7-9-11 CRS-1 reports are due by the 25 th day of the next month. According to NMAC 3.2.2.15, taxpayers who are registered for gross receipts, or withheld income tax purposes must file a CRS-1 Combined Report Form for each reporting period whether or not any tax is due. Also, all CRS-1 reports should report the correct withholding each month and agree to the monthly payroll records. These monthly payroll records should then agree to the W-2's and W-3 sent to the IRS. |
| CAUSE | Management has not been properly trained on how to prepare these reports. It is unclear as to why the reports are not being sent in on time. |
| EFFECT | Management is not withholding or submitting the correct amounts to NM Taxation and Revenue. Also, management is paying penalties and interest that have not been budgeted for or allowed. |
| RECOMMENDATION | Management should be trained on how to prepare and submit these reports correctly and on a timely basis. |
| RESPONSE | District Office has begun making CRS-1 payments in a timely manner to reduce the penalty charges for late payments. |

IRS Form 1096 - Other Non-Compliance Matter
(2017-025)

| | |
|----------------|--|
| CONDITION | Management is not preparing the 1096 Form correctly. There has been no progress in this area. |
| CRITERIA | The IRS copy of the 1099 forms and the 1096 that accumulates all of the 1099 forms must be submitted to the IRS by January 31 of each year. According to Form 1096 instructions, any person or entity who files any 1099 form must file Form 1096 to transmit those forms to the IRS. |
| CAUSE | It is unclear as to why prior management was not submitting these reports correctly. |
| EFFECT | There may be penalties and interest assessed by the IRS. |
| RECOMMENDATION | New management should be trained on how to prepare and submit these forms by the deadline. |
| RESPONSE | District Office will make sure when 1099s are completed a copy with a 1096 is submitted to the IRS within the time frame offered. |

Drug Test Listing - Other Non-Compliance Matter
(2017-026)

| | |
|----------------|--|
| CONDITION | The School District is not ensuring that all (CDL) license carriers (bus drivers) are on a list so that a random drug test can be done. There has been no progress in this area. |
| CRITERIA | According to the Federal Motor Carrier Safety Administration employees with CDL duties must be tested upon their hiring and then be placed on a list to ensure a random drug test can be done. |
| CAUSE | Management was not aware of this requirement. |
| EFFECT | The School could be fined \$10,000 by the FMCSA. |
| RECOMMENDATION | The School needs to compile a drug-testing list immediately. |
| RESPONSE | District Office will begin a drug testing policy for transportation employees beginning in July 2019. All drivers that transport students either on a bus with a CDL or in a suburban are on a drug and alcohol random testing list and will be tested at least once a semester. |

Late Audit Report - Material Non-Compliance Matter
(2017-027)

| | |
|----------------|---|
| CONDITION | The audit report was submitted to the State Auditor after the required deadline of November 15, 2018. There has been no progress in this area. |
| CRITERIA | School District audits are required to be submitted to the State Auditor by November 15 as required by NMAC 2.2.2.9A(1) (d). |
| CAUSE | There have been many challenges obtaining documents, getting answers to the questions or receiving the required information management changed after the fiscal year end of 2018. |
| EFFECT | NMAC 2.2.2.9A(1) (d) was not followed. |
| RECOMMENDATION | Management needs to ensure all required audits are submitted to the State Auditor's Office by the required deadline. |
| RESPONSE | District Office will make sure that all required documents are submitted to the State Auditors Office by the required deadline. |

Variances on Bank Reconciliations - Findings that did not Rise
to the Level of a Significant Deficiency
(2018-001)

| | |
|----------------|--|
| CONDITION | The Visions Accounting Software shows a variance on the Operational Bank Reconciliation of \$871,844. The Farmers & Stockmans bank reconciliation shows a variance of \$275,454. This means the business office has not corrected the bank reconciliations so it matches the general ledger. |
| CRITERIA | The bank accounts need to be tied to a particular fund or funds in the Visions Accounting Software to ensure it can be reconciled to the general ledger correctly. |
| CAUSE | Management is using several bank accounts instead of just one. Also, these bank accounts have not been "linked" to the correct funds. |
| EFFECT | Management may not be able to ensure these bank accounts are correct if these variances continue. |
| RECOMMENDATION | The Business Office needs to obtain training and guidance from the software company on how to "link" these funds to each of the bank accounts. |
| RESPONSE | The Business Manager along with Management will obtain training from Tyler Technologies in the General Ledger Module on the Bank Reconciliations to ensure they reconcile to the General Ledger. |

Checks Written Out of Sequence-
Finding did not Rise to the Level of a Significant Deficiency
(2018-002)

| | |
|----------------|---|
| CONDITION | Checks for the School District were not written in sequence. |
| CRITERIA | Proper internal controls include processing documents in sequence to ensure none are missing or used fraudulently. |
| CAUSE | Prior management did not prepare or follow proper internal controls. |
| EFFECT | Management cannot ensure checks have been misused if not properly controlled. |
| RECOMMENDATION | Management should institute proper internal controls to ensure checks are pre-numbered, they are issued in sequence and that all new checks ordered follow the last check used. |
| RESPONSE | As of December 2018, the Business Manager along with Management has corrected this finding with purchasing pre-numbered check for all accounts, to ensure proper internal controls on check issuance. |

ERA and RHCA Issues -
Finding did not Rise to the Level of a Significant Deficiency
(2018-003)

| | |
|----------------|--|
| CONDITION | The total salaries for ERA does not match the total salaries for RHCA, thus, someone is not having RHCA withheld. Also, on another employee too much ERA was withheld. |
| CRITERIA | All full time employees are subject to ERA and RHCA. These benefits must comply with the percentages allowed by each. |
| CAUSE | The cause is unknown. |
| EFFECT | Employees benefits are not being withheld correctly. |
| RECOMMENDATION | Management should recalculate the pay, benefits, etc. for these employees and correct the withholdings. Then the ERA and RHCA reports should be corrected and resubmitted. |
| RESPONSE | As of January 2019, the New Business Manager along with Management has double checked all employees proper percentage of ERA and RHCA, to ensure we are deducting the correct amounts for all employees. |

Accrued Leave Carryforwards - Finding did not Rise to the
Level of a Significant Deficiency
(2018-004)

| | |
|----------------|--|
| CONDITION | The following situation with accrued leave occurred. 1. The employee leave records are not up to date. The balances at June 30 were not verified and carried forward correctly to the 2019 fiscal year. |
| CRITERIA | According to PSAB Supplement 14 for Payroll in the PED Manual of Procedures "Vacation personal and sick accruals are to be updated at least monthly". Also, "Carry forward totals are verified and properly recorded." |
| CAUSE | Prior management did not ensure this procedure was correctly reported or verified. |
| EFFECT | Employees could be paid for leave that was not available for payment. |
| RECOMMENDATION | Management should verify and correct all leave balances on the Leave Plan Summary. |
| RESPONSE | As of January 2019, the New Business Manager along with Management have reconciled all leave accrual for all employees to ensure that all leave is accurate and properly accounted for monthly. |

Refund from Vendor - Finding that did not Rise to the
Level of a Significant Deficiency
(2018-005)

| | |
|----------------|---|
| CONDITION | A refund of an overpayment for the purchase of goods for the Cafeteria Fund was not received for ten months. |
| CRITERIA | All revenue resources owed to the School District should be collected in a reasonable time frame. |
| CAUSE | The cause is unknown. |
| EFFECT | The School District could have lost \$1,174 worth of assets if never collected. |
| RECOMMENDATION | Management should assign the task of ensuring all overpayments/refunds are received within a timely manner. |
| RESPONSE | Starting in July 2019, the Business Manager along with Management will review all payments to vendors prior to payments being made, making sure that all payments and invoices match before checks have been made. This will help alleviate any possible over payments. |

Petty Cash Amounts - Finding that did not Rise to the
Level of a Significant Deficiency
(2018-006)

| | |
|----------------|---|
| CONDITION | An amount of \$100 was provided to the Library for cash. There is no receipt showing the cash being redeposited. |
| CRITERIA | The PSAB Supplement 7 - Cash Controls states "The school district should ensure that established amounts are maintained." Also, "All change funds should be deposited to the bank when not needed such as over school breaks or at the end of the school year." |
| CAUSE | Management of the School District are not ensuring these monies are safeguarded and redeposited at the end of the year. |
| EFFECT | Cash belonging to the School District is not being safeguarded. |
| RECOMMENDATION | Management should issue a check at the beginning of the School year then at the end of the fiscal year. This cash should be redeposited before end of school. |
| RESPONSE | Starting in July 2019, the Business Manager along with Management will create a form to monitor and review all monies issued for cash at the beginning of the year to make sure they are deposited before year end. |

Payments Made Out of Wrong Fund - Finding that did not
Rise to the Level of a Significant Deficiency
(2018-007)

| | |
|----------------|---|
| CONDITION | Management paid for \$1,589 worth of shirts with the Mountainair Logo out of the SB-9 Local Fund. |
| CRITERIA | According to the NMPED Chart of Accounts the SB-9 Local Fund "are used for acquisition or construction of major capital facilities." |
| CAUSE | Prior management did not ensure the correct fund was charged this expenditure. |
| EFFECT | SB-9 Local Fund resources are not being used for their intended purpose. |
| RECOMMENDATION | New management should ensure all expenditures are charged to the correct fund. |
| RESPONSE | Starting in January 2019, the New Business Manager along with Management will ensure that all accounts are on purchase orders prior to all payments being issued. |

Real Estate Taxes Received Reported Net of Costs -
Finding that did not Rise to the Level of a
Significant Deficiency
(2018-008)

| | |
|----------------|--|
| CONDITION | Management is not reporting the total real estate taxes received from the County or the corresponding administrative cost to collect those monies. The amounts posted are the "Net" amounts. |
| CRITERIA | All monies received and all monies paid must be recorded on the books of record. |
| CAUSE | Prior management was not aware of this requirement. |
| EFFECT | Revenues and expenditures could be understated. |
| RECOMMENDATION | All amounts received and expended must be recorded by management. |
| RESPONSE | Starting in January 2019, the New Business Manger along with Management will be making sure that the monthly taxes received are receipted and posted into Visions correctly. As well as all expenses to the monthly taxes. |

Penalties and Interest Charges - Material Weakness
(2018-009)

| | |
|----------------|---|
| CONDITION | The School District is being charged \$54,147 in penalties and interest for IRS Forms and Workforce Solutions Payroll reports that were either filed incorrectly or filed late. |
| CRITERIA | The IRS and Workforce Solutions clearly have deadlines and instructions on how to file these reports on their websites and forms. |
| CAUSE | The cause is unknown. |
| EFFECT | The School District does not have the resources to pay the \$54,147. |
| RECOMMENDATION | New management should take extra steps to ensure all Payroll reports are completed and submitted correctly and on time. |
| RESPONSE | Starting in January 2019, the New Business Manager along with Management has new written procedures to follow to ensure that all monthly payroll reports are correct and completed on time. |

Expenditure Issues - Significant Deficiency
(2018-010)

| | |
|----------------|--|
| CONDITION | <p>The following instances of Expenditure Issues were found:</p> <ol style="list-style-type: none">1. Purchase Orders were dated after the invoice.2. No purchase order was prepared.3. An e-mail, not an invoice was used to pay \$2,658 in goods.4. No invoice attached.5. Receipts do not match amount of the check. No receipt found for the balance.6. School District paid off a quote.7. Invoice amounts greater than purchase order.8. Payments made five months after original invoice received. |
| CRITERIA | <p>A Purchase Order is to be created first to ensure the School District has budget and cash to purchase the good/service. Then when the invoice is received it is attached and approved for payment. Once that is done a check is created and payment is made.</p> |
| CAUSE | <p>The cause is unknown.</p> |
| EFFECT | <p>Management is not ensuring these procedures are being followed.</p> |
| RECOMMENDATION | <p>Management should be trained on how these procedures should be done and continue the process.</p> |
| RESPONSE | <p>Starting in July 2019, the Business Manager along with Management has new written procedures for all purchases to ensure that all payments are made only after all goods have been received and from an original invoice. Ensuring that all 5 items are in place per Procurement Rules.</p> |

Activity Fund Expenditures - Significant Deficiency
(2018-011)

| | |
|----------------|---|
| CONDITION | <p>The following items were paid with Activity Fund monies.</p> <ol style="list-style-type: none">1. Samsung Computer Monitor and Arm Chair Covers2. A \$263 personal planner for a Principal3. Dish Towels4. Receipt Books5. Business Cards6. A \$938 Snow Cone Machine7. Fireworks in the amount of \$120 <p>These are not allowable under PSAB18 Student Activity.</p> |
| CRITERIA | <p>According to PSAB18 "These monies are not considered public money for the purposes of formal budgetary integration." Also, "Money collected for student fund raising whose expenditures are determined by the student/class sponsors."</p> |
| CAUSE | <p>Management is using the Student activity funds as their own personal bank account.</p> |
| EFFECT | <p>Class funds are not being used for the individual student activities. PSAB18 is not being followed.</p> |
| RECOMMENDATION | <p>This practice should stop immediately. All Activity Fund monies should be spent according to the students.</p> |
| RESPONSE | <p>Starting in July 2019, the Business Manager along with Management have started yearly training for all class sponsors along with all secretaries to ensure that activity monies are only spent per students and PSAB18.</p> |

Expenditure to Superintendent - Significant Deficiency
(2018-012)

CONDITION The Superintendent requested, approved and received \$3,000. It was stated to be used for prizes at the Ranch Rodeo. There is no supporting documentation verifying who received the prizes or how much each student got. If any student received a significant amount a 1099 should have been prepared.

CRITERIA All expenditures must have proper supporting documentation to ensure the purchase was allowable. Also, 1099 regulations require significant amounts of prizes to be included on line 3.

CAUSE The cause is unknown.

EFFECT A \$3,000 purchase cannot be supported by documentation.

RECOMMENDATION The Superintendent should not request, approve and receive monies. These duties should be segregated to ensure proper internal controls exist. Proper documentation should be attached to ensure the expenditure is supported properly.

RESPONSE Business Manager along with Management has set up procedures for all staff members requesting, approving and expending funds, must be at least two staff. All funds must be signed for and all recipients must sign acknowledging their receipt of any prize earnings. These must then accompany all documents in files.

Prior Year Cash Balances - Material Weakness
(2018-013)

| | |
|----------------|---|
| CONDITION | Prior Management did not use the audited cash balances in their Visions Software Accounting System or their PED quarterly reports. Because of this eleven out of twenty five funds had to be adjusted. The larger funds such as 24101 Title I was changed by \$6,870, 24109 IDEA-B Preschool was changed by \$1,132, 24118 Fresh Fruits and Vegetables was changed by \$839, 21000 Food Services was changed by \$6,920 and Operational Fund was adjusted by \$7,938. |
| CRITERIA | According to PSAB7 - Cash Controls "Each audit shall include a cash reconciliation reconciling the cash balance at the end of the previous fiscal year to the cash balance at the end of the current fiscal year." |
| CAUSE | The audit report was not used to change the beginning cash balances of eleven funds administered by the School District. |
| EFFECT | The cash balance for the Operational Fund is severely low. This may prompt a request from the Public Education Department to provide another Emergency Supplemental. |
| RECOMMENDATION | Management should adjust all books of record immediately when the audited cash balances become available. |
| RESPONSE | The Business Manager along with Management will be immediately adjusting PED Cash reports as well as Visions per audited cash balances, after audit has been approved. |

Debt Service Fund Budget Overrun - Other Non-Compliance Matter
(2018-014)

CONDITION The School District overspent the final approved budget of the Debt Service Fund by \$26,155.

CRITERIA NMSA 1978 Section 22-8-11 B requires all funds to be spent within established guidelines set for budgets.

CAUSE Management did not insure budget adjustment requests were obtained from PED by the required deadline.

EFFECT The School District had adequate cash (and revenues) to pay the overrun but not the required budget authority from PED.

RECOMMENDATION Management and the Board should review its budget quarterly and request all budget adjustments at that time to ensure budget overruns do not occur.

RESPONSE Starting in July 2019, the Business Manager along with Management will be reviewing All Budgets monthly for any over expended budgets and request the proper Budget Adjustments needed.

Operational Cash Balance - Material Weakness
(2018-015)

| | |
|----------------|--|
| CONDITION | The School District has a negative cash balance in the General Fund at the end of the year in the amount of \$191,843. |
| CRITERIA | According to NMSA 6.20.2.14 (E) The school district shall verify that there is sufficient cash and budget prior to the disbursement of cash. The General Fund is the Operating Fund of the School District. It is not permitted to create a loss. All remaining funds of the School District are required to have temporary transfers from the General Fund to cover all (other) fund deficits. However, when the General Fund creates a deficit there are no other funds that can legally "loan" monies to the General Fund as they are all restricted by their nature. Example: Debt Service cash can only be used to pay bond principal/interest. |
| CAUSE | Management is not ensuring that all cash owed/due to them is being received so as not to create this situation. |
| EFFECT | The General Fund had a deficit cash balance in the amount of \$191,843 at the end of the year. |
| RECOMMENDATION | The School District should work with the Public Education Department to ensure the General Fund does not have a negative cash balance at any given time. |
| RESPONSE | Starting in July 2019, the Business Manager along with Management will be working with PED to ensure that all funds do not have a negative cash balance. |

FINANCIAL STATEMENT PREPARATION

The combining and individual fund financial statements and notes to the financial statements for the year ended, June 30, 2018 were prepared by Rice & Associates, CPA, based on managements chart of accounts and trial balances including any adjusting, correcting or closing entries approved by management. These services are allowable under SAS 115.

EXIT CONFERENCE

An exit conference was held at the School District July 1, 2019, to discuss the current audit report. In attendance were Ms. Dawn A. Apodaca, Superintendent, Ms. Mary Gustin, Board Secretary, Mr. Peter Nieto, Business Manger and Ms. Pamela A. Rice, CPA, Contract Auditor.