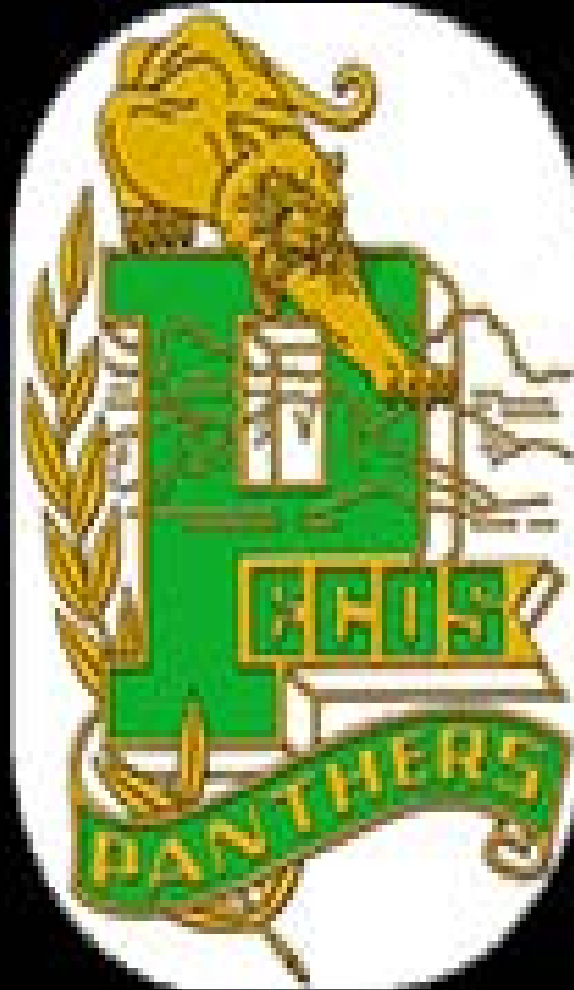


STATE OF NEW MEXICO
PECOS INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2019



INTRODUCTORY SECTION

STATE OF NEW MEXICO
PECOS INDEPENDENT SCHOOL DISTRICT
FOR THE YEAR ENDED JUNE 30, 2019
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STATE OF NEW MEXICO
PECOS INDEPENDENT SCHOOL DISTRICT
FOR THE YEAR ENDED JUNE 30, 2019
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STATE OF NEW MEXICO
PECOS INDEPENDENT SCHOOL DISTRICT
OFFICIAL ROSTER
JUNE 30, 2019

<u>Name</u>		<u>Title</u>
	<u>Board of Education</u>	
Harold Garcia		President
Victor Ortiz		Vice-President
Michael Flores Sr.		Secretary
Paul C de Baca		Member
David Ortiz		Member
	<u>Administrative</u> <u>Officials</u>	
Fred Trujillo		Superintendent
Brenda Gallegos		Business Manager

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Brian C. Colón, Esq.
New Mexico State Auditor
The Office of Management and Budget
To the Board of Education
Pecos Independent School District
Pecos, New Mexico

Report on Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 these financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is the 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 risk 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, and the budgetary comparisons for the general funds and major special revenue funds of Pecos Independent School District, New Mexico, as of June 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America also require that the Schedule of Proportionate Share of the Net Pension Liability and Schedule of Contributions on page 46 and the Net OPEB Liability and Schedule of Contributions on page 47 be represented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standard Board* who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. Our opinion on the basic financial statements is not affected by this missing information.

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

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the Pecos Independent School District's basic financial statements. Our audit was conducted for the purpose of forming opinions on the basic financial statements and the combining and individual fund financial statements and budgetary comparisons. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code Federal regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the financial statements. The additional schedules listed as "Other Supplemental Information" in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2019 on our consideration of Pecos Independent School District, New Mexico's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

McCabe CPA Group, LLC

McCabe CPA Group, LLC

Albuquerque, New Mexico
November 11, 2019

BASIC
FINANCIAL STATEMENTS

STATE OF NEW MEXICO
PECOS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2019

Exhibit A-1
(Page 1 of 2)

		<u>Governmental Activities</u>
ASSETS		
Cash and cash equivalents	\$	1,416,180
Receivables (net of allowance for uncollectibles)		924,944
Inventory		6,296
Capital assets (net of accumulated depreciation):		
Land and land improvements		228,257
Buildings and building improvements		21,385,514
Furniture, fixtures and equipment		3,145,442
Less: accumulated depreciation		<u>(13,369,914)</u>
Total assets		<u>13,736,719</u>
Deferred Outflows of Resources		
Related to pension		3,783,355
Related to OPEB		87,607

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
PECOS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2019

Exhibit A-1
(Page 2 of 2)

		<u>Governmental Activities</u>
LIABILITIES		
Accounts payable	\$	15,099
Accrued expenses		-
Accrued interest		57,173
Noncurrent liabilities:		
Due within one year - compensated absences		45,621
Net pension liability		17,865,536
OPEB liability		4,275,737
Due within one year - bonds payable		230,000
Due in more than one year - bonds payable		4,145,000
Total liabilities		<u>26,634,166</u>
Deferred Inflows of Resources		
Related to property taxes		170,760
Related to pension		447,803
Related to OPEB		1,139,660
NET POSITION		
Net investment in capital assets		4,750,369
Restricted for:		
Debt service		390,533
Capital projects		353,793
Special revenue funds		304,491
Unrestricted		<u>(16,583,894)</u>
Total net position		<u>(10,784,708)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
PECOS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>
Primary Government		Charges for Service
Governmental activities:		
Instruction	\$ 5,627,050	\$ 24,950
Support services:		
Students	1,021,642	30,986
Instruction	214,404	-
General Administration	409,955	-
School Administration	449,999	-
Other Support Services	566	-
Central Services	221,662	-
Operation & Maintenance of Plant	2,163,907	39,365
Student Transportation	372,285	-
Food Services Operation	473,474	20,722
Community Services	49,168	-
Interest on long-term debt	180,438	-
Total Primary Government	\$ 11,184,550	\$ 116,023

The accompanying notes are an integral part of these financial statements

Program Revenues		Net (Expenses) Revenues and Changes in Net Position
Operating Grants and Contributions	Capital Grants and Contributions	
\$ 1,385,609	\$ -	\$ (4,216,491)
-	-	(990,656)
12,442	-	(201,962)
-	-	(409,955)
128,774	-	(321,225)
-	-	(566)
-	-	(221,662)
26,000	35,301	(2,063,241)
346,891	-	(25,394)
408,443	-	(44,309)
-	-	(49,168)
-	-	(180,438)
<u>\$ 2,308,159</u>	<u>\$ 35,301</u>	(8,725,067)

General Revenues:

Property taxes:	
Levied for general purposes	\$ 7,525
Levied for debt service	202,086
Levied for capital projects	129,376
State Equalization Guarantee	5,693,426
Loss on asset disposal	-
Miscellaneous	<u>2,510</u>
 Total general revenues	 <u>6,034,923</u>
 Change in net assets	 (2,690,144)
 Net position - beginning	 (8,094,564)
Net position - ending	<u><u>\$ (10,784,708)</u></u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
PECOS INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019

	General Fund				Title I IASA 24101
	Operational 11000	Teacherage 12000	Transportation 13000	Instructional Materials 14000	
ASSETS					
<i>Current Assets</i>					
Cash and temporary investments	375,546	\$ 44,116	\$ -	\$ 23,021	\$ -
Accounts receivable					
Taxes	5,306	-	-	-	-
Due from other governments	-	-	-	-	134,972
Other receivables	18,245	-	-	-	-
Interfund receivables	665,975	-	-	-	-
Inventory	-	-	-	-	-
<i>Total assets</i>	<u>1,065,072</u>	<u>44,116</u>	<u>-</u>	<u>23,021</u>	<u>134,972</u>
LIABILITIES AND FUND BALANCES					
<i>Current Liabilities:</i>					
Accounts payable	14,621	-	-	-	-
Interfund payables	-	-	-	-	134,972
Deferred revenue - property taxes	4,844	-	-	-	-
Deferred revenue - other	-	-	-	-	-
<i>Total liabilities</i>	<u>19,465</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>134,972</u>
<i>Fund balances</i>					
Fund Balance:					
Nonspendable	-	-	-	-	-
Restricted	-	44,116	-	23,021	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	1,045,607	-	-	-	-
<i>Total fund balance</i>	<u>1,045,607</u>	<u>44,116</u>	<u>-</u>	<u>23,021</u>	<u>-</u>
<i>Total liabilities and fund balance</i>	<u>\$ 1,065,072</u>	<u>\$ 44,116</u>	<u>\$ -</u>	<u>\$ 23,021</u>	<u>\$ 134,972</u>

The accompanying notes are an integral part of these financial statements

Entitlement IDEA-B 24106	IDEA-B "Risk Pool" 24120	Capital Improvements SB-9 31700	Capital Improvements SB-9 31701	Debt Service 41000	Other Governmental Funds	Total Primary Government
\$ -	\$ -	\$ -	\$ 342,085	\$ 376,864	\$ 254,548	\$ 1,416,180
-	-	-	55,722	132,191	-	193,219
199,822	78,782	35,301	-	-	264,603	713,480
-	-	-	-	-	-	18,245
-	-	-	-	-	-	665,975
-	-	-	-	-	6,296	6,296
<u>199,822</u>	<u>78,782</u>	<u>35,301</u>	<u>397,807</u>	<u>509,055</u>	<u>525,447</u>	<u>3,013,395</u>
243	-	-	-	-	235	15,099
199,579	78,782	35,301	-	-	217,341	665,975
-	-	-	47,394	118,522	-	170,760
-	-	-	-	-	-	-
<u>199,822</u>	<u>78,782</u>	<u>35,301</u>	<u>47,394</u>	<u>118,522</u>	<u>217,576</u>	<u>851,834</u>
-	-	-	-	-	6,296	6,296
-	-	-	350,413	390,533	225,211	1,033,294
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	76,364	1,121,971
-	-	-	350,413	390,533	307,871	2,161,561
<u>\$ 199,822</u>	<u>\$ 78,782</u>	<u>\$ 35,301</u>	<u>\$ 397,807</u>	<u>\$ 509,055</u>	<u>\$ 525,447</u>	<u>\$ 3,013,395</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
PECOS INDEPENDENT SCHOOL DISTRICT
GOVERNMENTAL FUNDS

Exhibit B-1
2)

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2019

	Governmental Funds
Amounts reported for governmental activities in the statement of net assets are different because:	
Fund balances - total governmental funds	\$ 2,161,561
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	11,389,299
Deferred Outflow of Resources - pension	3,787,022
Deferred Outflow of Resources - OPEB	83,940
Deferred Inflow of Resources - pension	(565,451)
Deferred Inflow of Resources - OPEB	(1,022,012)
Pension Liability	(17,650,838)
OPEB Liability	(4,490,435)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:	
Accrued interest	(57,173)
Accrued compensated absences	(45,621)
General obligation bonds	(4,375,000)
Net Position-total Governmental Activities	\$ (10,784,708)

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
PECOS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund				Title I IASA 24101
	Operational 11000	Teacherage 12000	Transportation 13000	Instructional Materials 14000	
<i>Revenues:</i>					
Taxes	\$ 7,525	\$ -	\$ -	\$ -	\$ -
State grants	5,723,162	-	346,891	20,317	-
Federal grants	54,445	-	-	-	266,919
Charges for services	266	39,365	-	-	-
Miscellaneous	2,510	-	-	-	-
<i>Total revenues</i>	<u>5,787,908</u>	<u>39,365</u>	<u>346,891</u>	<u>20,317</u>	<u>266,919</u>
<i>Expenditures:</i>					
Current:					
Instruction	2,676,149	-	-	3,503	249,735
Support Services					
Students	619,534	-	-	-	-
Instruction	50,985	-	-	-	6,269
General Administration	376,710	-	-	-	10,915
School Administration	445,182	-	-	-	-
Central Services	221,662	-	-	-	-
Operation & Maintenance of Plant	1,170,215	13,174	-	-	-
Student Transportation	14,206	-	348,729	-	-
Other Support Services	566	-	-	-	-
Food Services Operations	-	-	-	-	-
Community Service	-	-	-	-	-
Capital outlay	78,788	-	-	-	-
Debt service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
<i>Total expenditures</i>	<u>5,653,997</u>	<u>13,174</u>	<u>348,729</u>	<u>3,503</u>	<u>266,919</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>133,911</u>	<u>26,191</u>	<u>(1,838)</u>	<u>16,814</u>	<u>-</u>
<i>Other financing sources (uses):</i>					
Operating transfers	-	-	-	-	-
Bond proceeds	-	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net changes in fund balances</i>	<u>133,911</u>	<u>26,191</u>	<u>(1,838)</u>	<u>16,814</u>	<u>-</u>
<i>Fund balances - beginning of year</i>	<u>911,696</u>	<u>17,925</u>	<u>1,838</u>	<u>6,207</u>	<u>-</u>
<i>Fund balances - end of year</i>	<u>\$ 1,045,607</u>	<u>\$ 44,116</u>	<u>\$ -</u>	<u>\$ 23,021</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

Entitlement IDEA-B 24106	IDEA-B "Risk Pool" 24120	Capital Improvements SB-9 31700	Capital Improvements SB-9 31701	Debt Service 41000	Other Governmental Funds	Total Primary Government
\$ -	\$ -	\$ -	\$ 129,376	\$ 202,086	\$ -	\$ 338,987
-	-	35,301	-	-	354,276	6,479,947
226,007	78,782	-	-	-	930,786	1,556,939
-	-	-	-	-	76,392	116,023
-	-	-	-	-	-	2,510
<u>226,007</u>	<u>78,782</u>	<u>35,301</u>	<u>129,376</u>	<u>202,086</u>	<u>1,361,454</u>	<u>8,494,406</u>
87,287	18,481	-	-	-	430,922	3,466,077
138,720	60,301	-	-	-	203,087	1,021,642
-	-	-	-	-	157,150	214,404
-	-	-	2,773	4,336	15,221	409,955
-	-	-	-	-	4,817	449,999
-	-	-	-	-	-	221,662
-	-	-	-	-	639	1,184,028
-	-	-	-	-	9,350	372,285
-	-	-	-	-	-	566
-	-	-	-	-	473,474	473,474
-	-	-	-	-	49,168	49,168
-	-	35,301	150,942	-	44,750	309,781
-	-	-	-	225,000	-	225,000
-	-	-	-	180,438	-	180,438
<u>226,007</u>	<u>78,782</u>	<u>35,301</u>	<u>153,715</u>	<u>409,774</u>	<u>1,388,578</u>	<u>8,578,479</u>
-	-	-	(24,339)	(207,688)	(27,124)	(84,073)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	(24,339)	(207,688)	(27,124)	(84,073)
-	-	-	374,752	598,221	334,995	2,245,634
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 350,413</u>	<u>\$ 390,533</u>	<u>\$ 307,871</u>	<u>2,161,561</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
PECOS INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Exhibit B-2
(Page 2 of 2)

	Governmental Funds
Amounts reported for governmental activities in the statement of activities are different because:	
Net change in fund balances - total governmental funds	\$ (84,073)
<p>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 depreciation exceeds capital outlays for the period.</p>	
Depreciation expense	(816,006)
Capital Outlays	142,728
Capital Dispositions	-
<p>The issuance of long-term debt (e.g., bonds, notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities:</p>	
Decrease in accrued interest payable	3,180
Decrease in accrued compensated absences	2,240
Principal payments on bonds	225,000
Change in OPEB liability and expense	
Change in Deferred Outflows - OPEB	3,667
Change in Deferred Inflows - OPEB	(117,648)
Change in Liability - OPEB	214,698
Change in pension liability and expense	
Change in Deferred Outflows - Pension	(1,093,018)
Change in Deferred Inflows - Pension	92,214
Change in Liability - Pension	(1,263,126)
Change in Net Position-total Governmental Activities	\$ (2,690,144)

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
PECOS INDEPENDENT SCHOOL DISTRICT
OPERATIONAL FUND (11000)

Exhibit C-1

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDING JUNE 30, 2019**

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
<i>Revenues:</i>				
Property taxes	\$ 15,850	\$ 15,850	\$ 16,262	\$ 412
State grants	5,703,040	5,703,040	5,704,917	1,877
Federal grants	20,000	20,000	54,445	34,445
Miscellaneous	2,000	2,000	2,776	776
Interest	-	-	-	-
<i>Total revenues</i>	<u>5,740,890</u>	<u>5,740,890</u>	<u>5,778,400</u>	<u>37,510</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	3,083,942	3,083,942	2,676,149	407,793
Support Services				
Students	614,791	663,784	619,534	44,250
Instruction	106,077	66,808	50,985	15,823
General Administration	426,492	404,928	376,710	28,218
School Administration	424,670	449,922	445,182	4,740
Central Services	227,163	227,163	221,662	5,501
Operation & Maintenance of Plant	1,281,656	1,268,244	1,170,048	98,196
Student Transportation	17,708	17,708	14,206	3,502
Other Support Services	110,586	110,586	566	110,020
Food Services Operations	-	-	-	-
Community Services	-	-	-	-
Capital outlay	80,000	80,000	78,788	1,212
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>6,373,085</u>	<u>6,373,085</u>	<u>5,653,830</u>	<u>719,255</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(632,195)</u>	<u>(632,195)</u>	<u>124,570</u>	<u>756,765</u>
<i>Other financing sources (uses):</i>				
Designated cash	632,195	632,195	-	(632,195)
Operating transfers	-	-	-	-
Proceeds from bond issues	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>632,195</u>	<u>632,195</u>	<u>-</u>	<u>(632,195)</u>
<i>Net changes in fund balances</i>	<u>-</u>	<u>-</u>	<u>124,570</u>	<u>124,570</u>
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>916,951</u>	<u>916,951</u>
<i>Fund balance restatement</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances - beginning of year - restated</i>			<u>916,951</u>	
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,041,521</u>	<u>\$ 1,041,521</u>
<i>Reconciliation to GAAP Basis:</i>				
Adjustments to revenues			9,508	
Adjustments to expenditures			(167)	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>\$ 133,911</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
PECOS INDEPENDENT SCHOOL DISTRICT
TEACHERAGE FUND (12000)

Exhibit C-2

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDING JUNE 30, 2019**

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
<i>Revenues:</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	-	-	-	-
Federal grants	-	-	-	-
Miscellaneous	34,068	34,068	39,365	5,297
Interest	-	-	-	-
<i>Total revenues</i>	<u>34,068</u>	<u>34,068</u>	<u>39,365</u>	<u>5,297</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	-	-	-	-
Support Services				
Students	-	-	-	-
Instruction	-	-	-	-
General Administration	-	-	-	-
School Administration	-	-	-	-
Central Services	-	-	-	-
Operation & Maintenance of Plant	40,539	40,539	13,174	27,365
Student Transportation	-	-	-	-
Other Support Services	-	-	-	-
Food Services Operations	-	-	-	-
Community Services	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>40,539</u>	<u>40,539</u>	<u>13,174</u>	<u>27,365</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(6,471)</u>	<u>(6,471)</u>	<u>26,191</u>	<u>32,662</u>
<i>Other financing sources (uses):</i>				
Designated cash	6,471	6,471	-	(6,471)
Operating transfers	-	-	-	-
Proceeds from bond issues	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>6,471</u>	<u>6,471</u>	<u>-</u>	<u>(6,471)</u>
<i>Net changes in fund balances</i>	<u>-</u>	<u>-</u>	<u>26,191</u>	<u>26,191</u>
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>17,925</u>	<u>17,925</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,116</u>	<u>\$ 44,116</u>
<i>Reconciliation to GAAP Basis:</i>				
Adjustments to revenues			-	
Adjustments to expenditures			-	
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)</i>			<u>\$ 26,191</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
PECOS INDEPENDENT SCHOOL DISTRICT
TRANSPORTATION FUND (13000)

Exhibit C-3

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDING JUNE 30, 2019**

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
<i>Revenues:</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	347,810	347,810	347,810	-
Federal grants	-	-	-	-
Miscellaneous	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>347,810</u>	<u>347,810</u>	<u>347,810</u>	<u>-</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	-	-	-	-
Support Services				
Students	-	-	-	-
Instruction	-	-	-	-
General Administration	-	-	-	-
School Administration	-	-	-	-
Central Services	-	-	-	-
Operation & Maintenance of Plant	-	-	-	-
Student Transportation	347,810	348,729	348,729	-
Other Support Services	-	-	-	-
Food Services Operations	-	-	-	-
Community Services	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>347,810</u>	<u>348,729</u>	<u>348,729</u>	<u>-</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>(919)</u>	<u>(919)</u>	<u>-</u>
<i>Other financing sources (uses):</i>				
Designated cash	-	919	-	(919)
Operating transfers	-	-	-	-
Proceeds from bond issues	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>919</u>	<u>-</u>	<u>(919)</u>
<i>Net changes in fund balances</i>	<u>-</u>	<u>-</u>	<u>(919)</u>	<u>(919)</u>
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>919</u>	<u>919</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<i>Reconciliation to GAAP Basis:</i>				
Adjustments to revenues			(919)	
Adjustments to expenditures			-	
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)</i>			<u>\$ (1,838)</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
PECOS INDEPENDENT SCHOOL DISTRICT
INSTRUCTIONAL MATERIALS FUND (14000)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDING JUNE 30, 2019

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
<i>Revenues:</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	20,317	20,317	20,317	-
Federal grants	-	-	-	-
Miscellaneous	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>20,317</u>	<u>20,317</u>	<u>20,317</u>	<u>-</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	27,420	27,420	3,503	23,917
Support Services				
Students	-	-	-	-
Instruction	-	-	-	-
General Administration	-	-	-	-
School Administration	-	-	-	-
Central Services	-	-	-	-
Operation & Maintenance of Plant	-	-	-	-
Student Transportation	-	-	-	-
Other Support Services	-	-	-	-
Food Services Operations	-	-	-	-
Community Services	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>27,420</u>	<u>27,420</u>	<u>3,503</u>	<u>23,917</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(7,103)</u>	<u>(7,103)</u>	<u>16,814</u>	<u>23,917</u>
<i>Other financing sources (uses):</i>				
Designated cash	7,103	7,103	-	(7,103)
Operating transfers	-	-	-	-
Proceeds from bond issues	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>7,103</u>	<u>7,103</u>	<u>-</u>	<u>(7,103)</u>
<i>Net changes in fund balances</i>	<u>-</u>	<u>-</u>	<u>16,814</u>	<u>16,814</u>
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>6,207</u>	<u>6,207</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,021</u>	<u>\$ 23,021</u>
<i>Reconciliation to GAAP Basis:</i>				
Adjustments to revenues			-	
Adjustments to expenditures			-	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>\$ 16,814</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
PECOS INDEPENDENT SCHOOL DISTRICT
TITLE I - IASA SPECIAL REVENUE FUND (24101)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDING JUNE 30, 2019

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
<i>Revenues:</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	-	-	-	-
Federal grants	263,583	276,208	211,761	(64,447)
Miscellaneous	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>263,583</u>	<u>276,208</u>	<u>211,761</u>	<u>(64,447)</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	246,355	258,980	249,735	9,245
Support Services				
Students	-	-	-	-
Instruction	6,313	6,313	6,269	44
General Administration	10,915	10,915	10,915	-
School Administration	-	-	-	-
Central Services	-	-	-	-
Operation & Maintenance of Plant	-	-	-	-
Student Transportation	-	-	-	-
Other Support Services	-	-	-	-
Food Services Operations	-	-	-	-
Community Services	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>263,583</u>	<u>276,208</u>	<u>266,919</u>	<u>9,289</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>-</u>	<u>(55,158)</u>	<u>(55,158)</u>
<i>Other financing sources (uses):</i>				
Designated cash	-	-	-	-
Operating transfers	-	-	-	-
Proceeds from bond issues	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net changes in fund balances</i>	<u>-</u>	<u>-</u>	<u>(55,158)</u>	<u>(55,158)</u>
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>(79,814)</u>	<u>(79,814)</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (134,972)</u>	<u>\$ (134,972)</u>
<i>Reconciliation to GAAP Basis:</i>				
Adjustments to revenues			55,158	
Adjustments to expenditures			-	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>\$ -</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
PECOS INDEPENDENT SCHOOL DISTRICT
ENTITLEMENT IDEA-B SPECIAL REVENUE FUND (24106)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDING JUNE 30, 2019

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
<i>Revenues:</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	-	-	-	-
Federal grants	-	250,101	97,233	(152,868)
Miscellaneous	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>250,101</u>	<u>97,233</u>	<u>(152,868)</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	-	94,087	87,287	6,800
Support Services				
Students	-	156,014	138,477	17,537
Instruction	-	-	-	-
General Administration	-	-	-	-
School Administration	-	-	-	-
Central Services	-	-	-	-
Operation & Maintenance of Plant	-	-	-	-
Student Transportation	-	-	-	-
Other Support Services	-	-	-	-
Food Services Operations	-	-	-	-
Community Services	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>250,101</u>	<u>225,764</u>	<u>24,337</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>-</u>	<u>(128,531)</u>	<u>(128,531)</u>
<i>Other financing sources (uses):</i>				
Designated cash	-	-	-	-
Operating transfers	-	-	-	-
Proceeds from bond issues	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net changes in fund balances</i>	<u>-</u>	<u>-</u>	<u>(128,531)</u>	<u>(128,531)</u>
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>(71,048)</u>	<u>(71,048)</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (199,579)</u>	<u>\$ (199,579)</u>
<i>Reconciliation to GAAP Basis:</i>				
Adjustments to revenues			128,774	
Adjustments to expenditures			(243)	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>\$ -</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
PECOS INDEPENDENT SCHOOL DISTRICT
IDEA-B "Risk Pool" SPECIAL REVENUE FUND (24120)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDING JUNE 30, 2019

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
<i>Revenues:</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	-	-	-	-
Federal grants	-	90,551	-	(90,551)
Miscellaneous	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>90,551</u>	<u>-</u>	<u>(90,551)</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	-	18,481	18,481	-
Support Services				
Students	-	72,070	60,301	11,769
Instruction	-	-	-	-
General Administration	-	-	-	-
School Administration	-	-	-	-
Central Services	-	-	-	-
Operation & Maintenance of Plant	-	-	-	-
Student Transportation	-	-	-	-
Other Support Services	-	-	-	-
Food Services Operations	-	-	-	-
Community Services	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>90,551</u>	<u>78,782</u>	<u>11,769</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>-</u>	<u>(78,782)</u>	<u>(78,782)</u>
<i>Other financing sources (uses):</i>				
Designated cash	-	-	-	-
Operating transfers	-	-	-	-
Proceeds from bond issues	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net changes in fund balances</i>	<u>-</u>	<u>-</u>	<u>(78,782)</u>	<u>(78,782)</u>
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (78,782)</u>	<u>\$ (78,782)</u>
<i>Reconciliation to GAAP Basis:</i>				
Adjustments to revenues			78,782	
Adjustments to expenditures			-	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>\$ -</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
PECOS INDEPENDENT SCHOOL DISTRICT
AGENCY FUNDS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2019

Exhibit D-1

	<u>Agency Funds</u>
ASSETS	
<i>Current Assets</i>	
Cash	<u>\$ 114,876</u>
<i>Total assets</i>	<u><u>114,876</u></u>
 LIABILITIES	
<i>Current Liabilities</i>	
Deposits held in trust for others	<u>114,876</u>
<i>Total liabilities</i>	<u><u>\$ 114,876</u></u>

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

STATE OF NEW MEXICO
PECOS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1. Summary of Significant Accounting Policies

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

This summary of significant accounting policies of the District is presented to assist in the understanding of the District’s financial statements. The financial statements and notes are the representation of Pecos Independent Public School’s management that is responsible for the financial statements. The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting financial reporting principles.

During the year ended June 30, 2018, the District adopted GASB Statements No. 72, *Fair Value Measurement and Application*, No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, No. 79, *Certain External Investment Pools and Pool Participants*, and a portion of No 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. GASB Statements Nos. 72, 76, and 79, as well as the implemented portion of Statement No. 73, are required to be implemented for the fiscal year ending June 30, 2018.

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government’s financial position.

GASB Statement No. 73 establishes accounting and financial reporting standards for defined benefit pensions and defined contribution pensions that are not provided to employees of state and local government employers and are not within the scope of Statement 68. A portion of this pronouncement is effective for June 30, 2018 year end and a portion is effective for June 30, 2019 year end. Effective for June 30, 2018 are the amendments for Statement No.s 67 and 68 and assets accumulated for pensions not administered as trusts. The amendments of this pronouncement clarifies application of certain provisions of GASB 67 and 68 with regards to the following issues: (1) Information that is required to be presented as notes to the 10-year schedules of RSI about investment-related factors that significantly affect trends in reported amounts; (2) Accounting and financial reporting for separately financed specific liabilities of individual employers and nonemployer contributing entities for defined benefit pensions; and (3) Timing of employer recognition of revenue for the support of nonemployer contributing entities not in a special funding situation.

In addition, effective for June 30, 2018 year ends, the requirements of this Statement extend the approach to accounting and financial reporting established in Statement 68 to all pensions, with modifications as necessary to reflect that, for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities.

STATE OF NEW MEXICO
PECOS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1. Summary of Significant Accounting Policies - (Continued)

The objective of GASB Statement No. 77 is to provide financial statement users with essential information about the nature and magnitude of the reduction in tax revenues through tax abatement programs in order to better assess (a) whether current year revenues were sufficient to pay for current year services, (b) compliance with financial-related legal or contractual requirements, (c) where a government's financial resources come from and how it uses them and (d) financial position and economic condition and how they have changed over time. The pronouncement is effective as of June 30, 2018. The District is a recipient of property tax revenues assessed, calculated and collected by San Miguel County. The County is responsible and makes the determination of all individual tax abatements, if any; therefore, the District's current and future revenues that may be affected by any such abatement agreements entered by the County. The District has made sufficient attempts to obtain abatement information required by GASB 77 entered by the County. As of June 30, 2019, the District is not aware of tax abatement entered by the County which would have a financial effect on the property tax revenue received and due the District.

GASB Statement No. 82 objective is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information; (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and; (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

During the year ended June 30, 2019, the District adopted GASB Statements No. 87, *Leases*, and No 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. GASB Statements Nos. 87 and 88 are required to be implemented for the fiscal year ending June 30, 2019.

GASB Statement No. 87 *Leases*, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2018. Earlier application is encouraged. The District has not entered lease agreements which would require implementation of this pronouncement however, will continue to evaluate if lease agreements are entered.

In April 2019, GASB Statement No. 88 *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2018. Earlier application is encouraged. The District has not entered direct borrowings or direct placement agreements which would require implementation of this pronouncement however, the District will continue to evaluate if these type of agreements are entered.

A. Financial Reporting Entity

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statements No. 14 and No. 39. Blended component unites, although legally separate entities, are in substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

STATE OF NEW MEXICO
PECOS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1. Summary of Significant Accounting Policies - (Continued)

The basis, but not the only criterion for including a potential component unit within the reporting entity, is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criteria used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Given the criteria, there are no component units to the primary government recognized.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities and changes in net position) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

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

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

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

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

GASB No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB No. 65, *Items Previously Reported as Assets and Liabilities*, amend GASB No. 34, *Basic Financial Statements – and Management's Discussion and Analysis for State and Local Governments*, to incorporate deferred outflows of resources and deferred inflows of resources in the financial reporting model.

STATE OF NEW MEXICO
PECOS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1. Summary of Significant Accounting Policies - (Continued)

Deferred outflows of resources – a consumption of net assets by the government that is applicable to a future reporting period. It has a positive effect on net position, similar to assets.

Deferred inflows of resources – an acquisition of net assets by the government that is applicable to a future reporting period. It has a negative effect on net position, similar to liabilities.

Net position – the residual of the net effects of assets, deferred outflows of resources, liabilities, and deferred inflows of resources.

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

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

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

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

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

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

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

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

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

STATE OF NEW MEXICO
PECOS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1. Summary of Significant Accounting Policies - (Continued)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

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), which may include funds that were not required to be presented as major but were at the discretion of management:

The *Teacherage Fund* accounts for revenues and expenditures associated with district owned multi-bedroom housing units rented to District employed teachers or other employees. Funding authorized by NMAC 6.20.2 of the New Mexico Department of Education. This fund is considered by PED to be a sub-fund of the General Fund.

The *Transportation Fund* accounts for State Equalization – Transportation funds authorized by Section 22-8-26, NMSA, 1978 designated for the costs of transporting school-age children who are students within the District. This fund is considered by PED to be a sub-fund of the General Fund.

The *Instructional Materials Fund* accounts for Funding designated for instructional materials purchases as authorized by Sections 22-15-1 through 22-15-14, NMSA, 1978 for the purposes of purchasing instructional materials (books, manuals, periodicals, etc.) used in the education of students. This is considered by PED to be a sub-fund of the General Fund.

The *Title I Federal Stimulus Fund* is used to provide supplemental education opportunity for academically disadvantaged children. Authority for creation of this fund is Part A of Chapter I of Title I of Elementary and Secondary Education Act (ESEA) of 1965. As amended, Public Law 103-383.

The *Entitlement IDEA-B Fund* is used to account for a program funded by a Federal grant to assist the District in providing free appropriate public education to all handicapped children. Funding authorized by Individuals with Disabilities Education Act, Part B, Section 611-620, as amended, Public Laws 91-230, 93-380, 94-142, 98-199, 99-457, 100,639, and 101-476, 20 U.S.C. 1411-1420.

IDEA-B Risk Pool is to account for funding for students with disabilities who are parentally placed in private elementary and secondary schools (“equitable participation services”) located in the school district.

Capital Improvements SB-9 (31700 and 30701) is to account for erecting, remodeling, making additions to and furnishing of school buildings, or purchasing or improving school grounds or any combination thereof as identified by the local school board. Financing is provided by the State of New Mexico’s State Equalization Matching and a special tax levy as authorized by the Public School District Capital Improvements Act (22-25-1 to 22-25-10 NMSA 1978).

The *Debt Service Fund* is used to account for the accumulation of resources for the payment of General Long-Term Debt principal and interest.

Additionally, the government reports the following fund types:

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

STATE OF NEW MEXICO
PECOS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1. Summary of Significant Accounting Policies - (Continued)

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

D. Assets, Liabilities and Net Position or Equity

Cash and Temporary Investments: 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.

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

Restricted Assets: The Debt Service Fund is used to report resources set aside as restricted to make up potential future deficiencies in the revenue bond current debt service account.

Receivables and Payables: Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

The District receives monthly income from a tax levy in San Miguel County. The funds are collected by the County Treasurer and are remitted to the School District the following month. Under the modified accrual method of accounting, the amount remitted by the San Miguel County Treasurer in July and August 2018 is considered 'measurable and available' and, accordingly, is recorded as revenue during the year ended June 30, 2019.

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

Prepaid Items: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Inventory: The District accounts for its inventories under the consumption method, reporting inventories purchased as an asset. The recognition of the expenditures is deferred until the period in which the inventories are actually consumed. Inventory in the Cafeteria Fund consists of U.S.D.A. commodities and other purchased food and non-food supplies. The cost of purchased food is recorded as an expenditure at the time individual inventory items are consumed.

STATE OF NEW MEXICO
PECOS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1. Summary of Significant Accounting Policies - (Continued)

D. Assets, Liabilities and Net Position or Equity (continued)

Capital Assets: Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Information Technology Equipment, including software, is being capitalized and included in furniture and equipment in accordance with NMAC 2.20.1.9 C (5). Capital expenditures made by the NM Public Schools Facilities Authority are appropriately included in the District's capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. The District expenses the cost of library books when purchased because their estimated useful life is less than one year.

Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest was included as part of the cost of capital assets under construction during the year ended June 30, 2019.

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

Buildings/building improvements	20-50 years
Furniture and equipment	3-15 years

Deferred Revenues: There are two types of deferred revenue. Under both the accrual and modified accrual basis of accounting, revenue may be recognized only when it is earned. If assets are recognized in connection with a transaction before the earnings process is complete, those assets must be offset by a corresponding liability for deferred revenue (commonly referred to as unearned revenue). The other type of deferred revenue is "unavailable revenue." Under the modified accrual basis of accounting, it is not enough that revenue has been earned if it is to be recognized as revenue of the current period. It must also be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period). 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 off-set by a corresponding liability for deferred revenue.

Compensated Absences: After a non-certified employee has been with the District for a period of at least six months, the employee is entitled to a one-week paid vacation; when employed twelve months, the employee is entitled to a two week paid vacation accumulative to no more than 20 contract days. Vacation is to be scheduled at an appropriate time and approved by the supervisor. If an employee is discharged because of lack of work, and through no fault of the employee, the employee shall receive commensurate vacation pay.

The District's recognition and measurement criteria for compensated absences follow:

GASB Statement No.16 which provides that vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees both the following conditions are met:

1. The employees' right to receive compensation is attributable to services already rendered.
2. It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement

The entire compensated absence liability is reported on the government-wide financial statements.

STATE OF NEW MEXICO
PECOS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1. Summary of Significant Accounting Policies - (Continued)

D. Assets, Liabilities and Net Position or Equity - (continued)

For the governmental fund financial statements the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts, if any, are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

Long-term Obligations: In the government-wide fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. For fund financial reporting, bond premiums and discounts, as well as issuance costs, are recognized in the period the bonds are issued.

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

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expenses, information about the Fiduciary Net Position of the New Mexico Educational Retirement Board (ERB) and additions to/ deductions from ERB's Fiduciary Net Position have been determined 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.

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

Net Position or Fund Equity: Governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The detail of the District's fund balances is presented in Note 15.

In the government-wide financial statements, fund equity is classified as net position and is displayed in three components:

Net investment in capital assets: Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position: Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation. Descriptions for the related restrictions for net position is restricted for "debt service or capital projects."

Unrestricted Net Position: All other net position that does not meet the definition of "restricted" or "invested in capital assets, net of related debt."

The Government-Wide Statement of Net Position reports \$1,048,817 of restricted net position of which \$353,793 is restricted by enabling legislation.

STATE OF NEW MEXICO
PECOS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1. Summary of Significant Accounting Policies - (Continued)

E. Revenues

Reclassifications: Certain amounts included in the financial statements have been reclassified to conform to the current year presentation.

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 nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

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

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

A school district's program costs are determined through the use of various formulas using 'program units' which take into consideration 1) early childhood education; 2) basic education; 3) special education; 4) bilingual-multicultural education; 5) size, etc. Payment is made from the public school fund under the authority of the Director of Public School Finance. The District received \$5,693,426 in state equalization guarantee distributions during the year ended June 30, 2019.

Tax Revenues: The District receives mill levy and ad-valorem tax revenues primarily for debt service and capital outlay purposes. Property taxes are assessed on January 1 of each year and are payable in two equal installments, on November 10th of the year in which the tax bill is prepared and April 10th of the following year with the levies becoming delinquent 30 days (one month) thereafter. In the government-wide financial statements, the District recognizes property tax revenues in the period for which they are levied, net of estimated refunds and uncollectible amounts. The District records only the portion of the taxes considered to be 'measurable' and 'available' in the government fund financial statements. Descriptions of the individual debt service and capital outlay funds contained in these financial statements include information regarding the authority for the collection and use of these taxes. In the financial statements, the mill levy and ad-valorem taxes are broken out into two types: property taxes – residential and commercial and property taxes – oil and gas. Amounts collected from residential and commercial property taxes at June 30, 2019 were \$325,048.

Transportation Distribution: School districts in the State of New Mexico receive student transportation distributions. The transportation distribution is allocated to each school district in accordance with formulas developed by the State Transportation Director and the Director of Public School Finance. The funds shall be used only for the purpose of making payments to each school district for the to-and-from school transportation costs of students in grades K through twelve attending public school within the school district. The District received \$346,891 in transportation distributions during the year ended June 30, 2019.

Instructional Materials: The New Mexico Public Education Department (PED) receives federal material leasing funds from which it makes annual allocations to the various school districts for the purchase of educational materials. Of each allocation, fifty percent is restricted to the requisition of materials listed in the State Board of Education "State Adopted Instructional Material" list, while fifty percent of each allocation is available for purchases directly from vendors. Allocations received from the State for the year ended June 30, 2019 totaled \$20,317.

STATE OF NEW MEXICO
PECOS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1. Summary of Significant Accounting Policies - (Continued)

E. Revenues - (continued)

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 \$35,301 in state SB-9 matching during the year ended June 30, 2019.

Public School Capital Outlay: Under the provisions of Chapter 22, Article 24, NMSA 1978. 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 per Section 22-24-4.

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

1. A critical need exists requiring action;
2. The residents of the school districts have provided all available resources to the district to meet its capital outlay requirements;
3. The school district has used its resources in a prudent manner;
4. The 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.(B); core administrative functions of the public school facilities authority and for project management expenses upon approval of the council per Section 22-24-4(G); and for the purpose of demolishing abandoned school district facilities, upon application by a school district to the council, per Section 22-24-4(L).

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, 2019, the District received no special capital outlay funds.

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 flowthrough agency (usually the New Mexico Public Education Department). The various budgets are approved by the Local School Board and the New Mexico Public Education Department.

STATE OF NEW MEXICO
PECOS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 2. Stewardship, Compliance and Accountability

Budgetary Information

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

Budgets for the General, Special Revenue, Capital Projects, and Debt Service Funds are prepared by management and are approved by the local Board of Education and the School Budget and Planning Unit of the Public Education Department. Auxiliary student activity accounts are not budgeted. Public School Capital Outlay Council expenditures in the Public School Capital Outlay fund are not budgeted at the District level, so there is no budgetary comparison presented.

These budgets are prepared on the Non-GAAP cash basis, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year. The budget process in the State of New Mexico requires that the ending cash balance be appropriated in the budget of the subsequent fiscal year.

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

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

1. In April or May, the local school board submits to the District Budget Planning Unit (DBPU) of the New Mexico Public Education Department (100%) a proposed operating budget for the ensuing fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them. All budgets submitted to the State of New Mexico Public Education Department.
2. In May or June of each year, the proposed "operating" budget will be reviewed and approved by the DBPU 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 school board meeting, while not intended for the general public, is open for the general public unless a closed meeting has been called.
4. The "operating" budget will be used by the District until they have been notified that the budget has been approved by the DBPU and the local school board. The budget shall be integrated formally into the accounting system. Encumbrances shall be used as an element of control and shall be integrated into the budget system.
5. The District shall make corrections, revisions and amendments to the estimated budgets fixed by the local school board to recognize actual cash balances and carryover funds, if any. These adjustments shall be reviewed and approved by the DBPU.
6. The superintendent is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the school board and the State of New Mexico Public Education Department.
7. Budget change requests are processed in accordance with Supplement 1 (Budget Preparation and Maintenance) of the Manual of Procedures Public School Accounting and Budgeting. Such changes are initiated by the school district and approved by the DBPU.
8. Legal budget control for expenditures is by function.
9. Appropriations lapse at fiscal year end. Funds unused during the fiscal year may be carried over into the next fiscal year by budgeting those in the subsequent fiscal year's budget. The budget schedules included in the accompanying financial statements reflect the approved budget and amendments thereto.
10. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds.

STATE OF NEW MEXICO
PECOS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 2. Stewardship, Compliance and Accountability - (Continued)

Budgetary Information (Continued)

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

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

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of resultant basis, perspective, equity, and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2019, is presented on each funds' Statement of Revenue, Expenditures and Changes in Fund Balance – Budget (non-GAAP Budgetary Basis) and Actual.

NOTE 3. Cash and Cash Equivalents

State statutes authorize the investment of District funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the District properly followed State investment requirements as of June 30, 2019.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the District. Deposits may be made to the extent that they are insured by an agency of the United States or by collateralized as required by the statute.

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

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

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

According to the Federal Deposit Insurance Corporation, public unit deposits are funds owned by the public unit. Time deposits, savings deposits and interest bearing NOW accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution. Additionally, until December 31, 2019, all deposits in non-interest bearing transaction accounts (such as non-interest bearing checking accounts) at participating institutions are fully guaranteed, regardless of dollar amount.

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 District for a least one half of the amount on deposit with the institution in excess of federal deposit insurance. The schedule listed below will meet the State of New Mexico, Office of the State Auditor's requirements in reporting the insured portion of the deposits.

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 PECOS INDEPENDENT SCHOOL DISTRICT
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 FOR THE YEAR ENDED JUNE 30, 2019

NOTE 3. Cash and Cash Equivalents - (Continued)

	Southwest Capital Bank
Total amounts of deposits	\$ 1,849,010
FDIC coverage	250,000
Total uninsured public funds	1,599,010
Collateral requirement (50% of uninsured public funds)	\$ 799,505
Pledged security	1,200,000
Total under (over) collateralized	\$ (400,950)

The types of collateral allowed are limited by the section 6-10-16, NMSA 1978.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk, other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). At June 30, 2019, \$1,599,010 of the District’s bank balance of \$1,849,010 was exposed to custodial credit risk. \$799,505 was uninsured and collateralized by collateral held by the pledging bank’s trust department, not in the District’s name.

NOTE 4. Receivables

Receivables as of June 30, 2019 are as follows:

	Operational	Title I	Entitlement IDEA-B	IDEA-B “Risk Pool”
Property taxes	\$ 5,306	\$ —	\$ —	\$ —
Intergovernmental grants	—	134,972	199,822	78,782
Other	18,245	—	—	—
Totals by fund	\$ 22,551	\$ 134,972	\$ 199,822	\$ 78,782
	Capital Improvements SB-9	Debt Service	Other Governmental Funds	Total
Property taxes	\$ 55,722	\$ 132,191	\$ —	\$ 193,219
Intergovernmental grants	35,301	—	264,603	713,480
Other	—	—	—	18,245
Totals by fund	\$ 91,023	\$ 132,191	\$ 264,603	\$ 1,233,155

The above receivables are deemed 100% collectible. In accordance with GASB No. 33, property tax receivables are presented net of deferred revenues in the governmental balance sheet. The District recorded deferred revenue for property taxes in the amount of \$170,760.

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 PECOS INDEPENDENT SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2019

NOTE 5. Interfund Receivables, Payables, and Transfers

“Interfund balances” have primarily been recorded when funds overdraw their share of pooled cash when the District is waiting for grant reimbursements. Interfund balances due to overdrawn cash balances by fund are equal to the amounts of funds with negative cash. The composition of interfund balances at June 30, 2019 is as follows:

Governmental Activities:	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Funds:		
Operational	\$ 665,975	\$ —
Title I - IASA	—	134,972
Entitlement IDEA-B	—	199,579
Pre-K Initiative	—	78,782
Capital Outlay - State	—	35,301
Debt Service	—	—
Nonmajor Funds:		
Nonmajor Funds	<u>—</u>	<u>217,341</u>
 Total Governmental Activities	 <u>\$ 665,975</u>	 <u>\$ 665,975</u>

All interfund balances are expected to be repaid within one year.

NOTE 6. Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2019 follows. Land is not subject to depreciation.

	<u>Balance June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	<u>Balance June 30, 2019</u>
Capital assets not being depreciated:					
Land	\$ 228,257	\$ —	\$ —	\$ —	\$ 228,257
Buildings and building improvements	21,334,532	50,982	—	—	21,385,514
Furniture, fixtures & equipment	<u>3,053,696</u>	<u>91,746</u>	<u>—</u>	<u>—</u>	<u>3,145,442</u>
Total assets being depreciated	<u>24,388,228</u>	<u>142,728</u>	<u>—</u>	<u>—</u>	<u>24,530,956</u>
Total assets	<u>\$ 24,616,485</u>	<u>\$ 142,728</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 24,759,213</u>
Less Accumulated Depreciation:					
Buildings / building improvements	(10,106,092)	(672,083)	—	—	(10,778,175)
Furniture, fixtures & equipment	<u>(2,447,816)</u>	<u>(143,923)</u>	<u>—</u>	<u>—</u>	<u>(2,591,739)</u>
Total accumulated depreciation	<u>\$ (12,553,908)</u>	<u>\$ (816,006)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (13,369,914)</u>
Net Capital Assets	<u>\$ 12,062,577</u>	<u>\$ (673,278)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 11,389,299</u>

Depreciation expense for the year ended June 30, 2019 was charged to governmental activities as follows:

Instruction	\$ 663,412
Support Services: Instruction	21,216
Support Services: Administration	12,240
Central Services	1,632
Operations & Maintenance of Plant	44,880
Transportation	67,728
Food Service	4,898
Total	<u>\$ 816,006</u>

STATE OF NEW MEXICO
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 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2019

NOTE 7. Long-term Debt

During the year ended June 30, 2019 the following changes occurred in the liabilities reported in the government-wide statement of net position:

	Balance <u>June 30, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	Balance <u>June 30, 2019</u>	Due within <u>One Year</u>
General Obligation Bonds \$	4,600,000	\$ —	\$ 225,000	—	\$ 4,375,000	\$ 230,000
Compensated Absences	<u>47,861</u>	<u>41,078</u>	<u>43,318</u>	<u>—</u>	<u>45,621</u>	<u>45,621</u>
Total	<u>\$ 4,647,861</u>	<u>\$ 41,078</u>	<u>\$ 268,318</u>	<u>\$ —</u>	<u>\$ 4,420,621</u>	<u>\$ 275,621</u>

General Obligations Bonds

The general obligation bond is a direct obligation and pledges the full faith and credit of the District. The bond was issued with varying terms (.3-.5%) for \$5,400,000 with principal maturing each year. The general obligation bond as of June 30, 2019 is for governmental activities.

The annual requirements to amortize the General Obligation Bonds as of June 30, 2019, including interest payments are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2020	\$ 230,000	\$ 165,769	\$ 395,769
2021	245,000	155,119	400,119
2022	255,000	143,844	398,844
2023	265,000	130,844	395,844
2024	280,000	117,219	397,219
2025-29	1,610,000	385,628	1,995,628
2030-34	1,490,000	101,694	1,591,694
Totals	<u>\$ 4,375,000</u>	<u>\$ 1,200,116</u>	<u>\$ 5,575,116</u>

Compensated Absences – Administrative employees of the District are able to accrue a limited amount of vacation and other compensatory time during the year. During fiscal year June 30, 2019, compensated absences increased \$2,240 over the prior year accrual. See Note 1 for more details.

Operating Leases – The District leases office equipment, including copy machines and postage meter machines, under short-term cancelable operating leases.

NOTE 8. Deferred Revenue

In accordance with the terms of the various grant agreements within the Special Revenue Funds, revenues received in excess of expenditures carry over to the subsequent years, unless such excess revenues are requested to be returned to the grantor.

NOTE 9. Risk Management

The District is a member of the New Mexico Public Schools Insurance Authority (NMPSIA). The Authority was created to provide comprehensive core insurance programs by expanding the pool of subscribers to maximize cost containment opportunities for required insurance coverage. The District pays an annual premium to the NMPSIA based on claim experience and the status of the pool. The Risk Management Program includes Workers Compensation, General and Automobile Liability, Automobile Physical Damage, and Property and Crime coverage. Also included under the risk management program are Boiler, Machinery and Student Accident Insurance.

STATE OF NEW MEXICO
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 9. Risk Management – (Continued)

The NMPSIA provides coverage for up to a maximum of \$500,000,000 for each property damage claim with a \$750 deductible to each building. General liability coverage is afforded to all employees, volunteers and school board members and the limit is subject to the NMSA Tort Claims Act on a per occurrence basis. The automobile and property liability limit is subject to the provisions of the Tort Claims Act. The crime limit is \$250,000 per occurrence for Faithful Performance. A limit of \$250,000 applies to Depositor's Forgery, Credit Card Forgery and Money Orders. A limit of \$100,000 applies to Money and Security, which includes a \$750 deductible.

In case the NMPSIA's assets are not sufficient to meet its liability claims, the agreement provides that subscribers, including the District, cannot be assessed additional premiums to cover the shortfall. As of June 30, 2019, there have been no claims that have exceeded insurance coverage.

NOTE 10. Other Required Individual Fund Disclosures

Generally accepted accounting principles require disclosures as part of the Combined Statements of certain information concerning individual funds including:

- A. Deficit fund balance of individual funds. There were no funds with a deficit fund balance at June 30, 2019:
- B. Excess of expenditures over appropriations. There were no funds which exceeded approved budgetary authority for the year ended June 30, 2019.

NOTE 11. Pension Plan – Educational Retirement Board

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

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

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

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

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.

STATE OF NEW MEXICO
PECOS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 11. ERB Pension Plan (Continued)

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

- The member's age and earned service credit add up to the sum of 75 or more,
- The member is at least sixty-five years of age and has five or more years of earned service credit, or
- The member has service credit totaling 25 years or more.

Chapter 288, Laws of 2009 changed the eligibility requirements for new members first employed on, or after, July 1, 2010 and before July 1, 2013. The eligibility for a member who either becomes a new member on or after July 1, 2010 and before July 1, 2013, or at any time prior to July 1, 2010 was 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.

Form 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.

STATE OF NEW MEXICO
 PECOS INDEPENDENT SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2019

NOTE 11. ERB Pension Plan (Continued)

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

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

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

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

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

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

Contributions. For the fiscal years ended June 30, 2019 and 2018 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
2019	7-1-18 to 6-30-19	Over \$20K	10.70%	13.90%	24.60%	0.00%
2019	7-1-18 to 6-30-19	\$20K or less	7.90%	13.90%	21.80%	0.00%
2018	7-1-17to 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%

The contribution requirements are established in statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the New Mexico Legislature. For the fiscal years ended June 30, 2019 and 2018, the employer’s name paid employee and employer contributions of \$594,707 and \$583, , which equal the amount of the required contributions for each fiscal year.

STATE OF NEW MEXICO
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 FOR THE YEAR ENDED JUNE 30, 2019

NOTE 11. ERB Pension Plan (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At June 30, 2019, the District reported a liability of \$17,865,536 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2018 using generally accepted actuarial principles. The roll-forward incorporates the impact of the new assumptions adopted by the Board on April 21, 2017. There were no other significant events of changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2018. Therefore, the employer's portion was established as of the measurement date of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating educational institutions at June 30, 2018, actuarially determined. At June 30, 2018, the District's proportion was 0.15024%, which was an increase of 0.00085% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the District recognized pension expense of \$2,847,575. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$ 13,039	\$ 340,010
Changes of assumptions	3,682,002	—
Net difference between projected and actual Earnings on pension plan investments	39,550	—
Changes in proportion and differences between the County's contributions and proportionate Share of contributions	48,764	107,793
County's contributions subsequent to the measurement date	<u>—</u>	<u>—</u>
Total	<u>\$ 3,783,355</u>	<u>\$ 447,803</u>

\$3,783,355 reported as deferred outflows of resources related to pensions resulting from District's contributions subsequent to the measurement date—will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year</u>	
<u>Ending June 30,</u>	
2019	\$ 2,000,174
2020	1,348,734
2021	(13,877)
2022	521
2023	—

STATE OF NEW MEXICO
 PECOS INDEPENDENT SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2019

NOTE 11. ERB Pension Plan (Continued)

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

Inflation	2.50%										
Salary increases	3.25% composed of 2.50% inflation, plus a 0.75% productivity increase rate, plus a step-rate promotional increase for members with less than 10 years of service.										
Investment rate of return	7.25% compounded annually, net of expenses. This is made up of a 2.50% inflation rate and a 4.75 real rate of return.										
Average of Expected Remaining Service Lives	<table border="0" style="margin-left: 40px;"> <tr> <td style="text-align: right;">Fiscal year</td> <td style="text-align: center;"><u>2017</u></td> <td style="text-align: center;"><u>2016</u></td> <td style="text-align: center;"><u>2015</u></td> <td style="text-align: center;"><u>2014</u></td> </tr> <tr> <td style="text-align: right;">Service life in years</td> <td style="text-align: center;">3.35</td> <td style="text-align: center;">3.77</td> <td style="text-align: center;">3.92</td> <td style="text-align: center;">3.88</td> </tr> </table>	Fiscal year	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	Service life in years	3.35	3.77	3.92	3.88
Fiscal year	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>							
Service life in years	3.35	3.77	3.92	3.88							
Mortality	<p>Healthy males: Based on the RP-2000 Combined Mortality Table with White Collar adjustments, no set back, generational mortality improvements with Scale BB from the table's base year of 2000</p> <p>Healthy females: Based on GRS Southwest Region Teacher Mortality Table, set back one year, generational mortality improvements in accordance with Scale BB from the table's base year of 2012.</p> <p>Disabled males: Based on RP-2000 Disabled Mortality Table for males, set back three years, projected to 2016 with Scale BB.</p> <p>Disabled females: Based on RP-2000 Disabled Mortality Table for females, no set back, projected to 2016 with Scale BB.</p> <p>Active members: Based on RP-2000 Employee Mortality Tables, with males set back two years and scaled at 80%, and females set back five years and scaled at 70%. Static mortality improvement from the table's base year of 2000 to the year 2016 in accordance with Scale BB. No future improvement was assumed for preretirement mortality.</p>										
Retirement Age	Experience-based table rates based on age and service, adopted by the NMERB Board on April 21, 2017 in conjunction with the six-year experience study for the period ending June 30, 2016.										
Cost-of-living increases	1.90% per year, compounded annually; increases deferred until July 1 following the year a member retires, or the year in which a member attains the age of 65 (67 for Tier 3), whichever is later or, for disabled retirees, until July 1 of the third year following retirement.										
Payroll growth	3.00% per year (with no allowance for membership growth).										
Contribution accumulation	The accumulated member account balance with interest is estimated at the valuation date by assuming that member contributions increased 5.50% per year for all years prior to the valuation date. Contributions are credited with 4.00% interest, compounded annually, applicable to the account balances in the past as well as the future.										
Disability incidence	Approved rates are applied to eligible members with at least 10 years of service.										

STATE OF NEW MEXICO
 PECOS INDEPENDENT SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2019

NOTE 11. ERB Pension Plan (Continued)

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

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

- Rate of return projections that are the sum of current yield plus projected changes in price (valuations, defaults, etc.)
- Application of key economic projections (inflation, real growth, dividends, etc.)

Structural themes (supply and demand imbalances, capital flows, etc.) developed for each major asset class.

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Equities	33%	
Fixed income	26	
Alternatives	40	
Cash	1	
Total	100%	7.25%

Discount rate: A single discount rate of 5.69% was used to measure the total pension liability as of June 30, 2018. This rate is .21% less than the 5.90% discount rate used for June 30, 2017.

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

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

Sensitivity of the employer name’s proportionate share of the net pension liability to changes in the discount rate. The following presents the employer name’s proportionate share of the net pension liability calculated using the discount rate of 5.69 percent, as well as what the employer name’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.69 percent) or 1-percentage-point higher (6.69 percent) than the current rate:

Fiscal Year Ending June 30,	1% Decrease (4.69%)	Current Discount Rate (5.69%)	1% Increase (6.69%)
District’s proportionate share of the net pension liability	\$ 23,218,354	\$ 17,865,536	\$ 13,497,970

STATE OF NEW MEXICO
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 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2019

NOTE 11. ERB Pension Plan (Continued)

Pension plan fiduciary net position. Detailed information about the ERB's fiduciary net position is available in the separately issued audited financial statements as of and for June 30, 2016, 2015 and 2014 which are publicly available at www.nmerb.org.

Payables to the pension plan. At June 30, 2019 the District had no outstanding amount of contributions to the pension plan and therefore, had no payables to report as of June 30, 2019.

NOTE 12. Post-Employment Benefits – State Retiree Health Care Plan

Plan description. Employees of the District are provided with OPEB through the Retiree Health Care Fund (the Fund) – a cost-sharing multiple-employer defined benefit OPEB plan administered by the New Mexico Retiree Health Care Authority (NMHRCA). NMHRCA 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.

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

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

Employees covered by benefit terms – At June 30, 2019, the Fund's measurement date, the following employees were covered by the benefit terms:

Plans membership	
Current retirees and surviving spouses	51,205
Inactive and eligible for deferred benefit	11,471
Current active members	<u>93,349</u>
	<u>156,025</u>
Active membership	
State general	19,593
State police and corrections	1,886
Municipal general	17,004
Municipal police	3,820
Municipal FTRE	2,290
Educational Retirement Board	<u>48,756</u>
	<u>93,349</u>

Contributions – Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee's salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer's participation in the Fund. Contributions to the Fund from the District were \$87,607 for the year ended June 30, 2019.

STATE OF NEW MEXICO
 PECOS INDEPENDENT SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2019

NOTE 12. Post-Employment Benefits – State Retiree Health Care Plan (continued)

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

At June 30, 2019, the District reported a liability of \$4,275,737 for its production share of net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. The District’s proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2017. At June 30, 2017, the District’s proportion was 0.09833 percent.

For the year ended June 30, 2019, the District recognized OPEB income of \$13,074. At June 30, 2019 the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$ —	\$ 253,151
Changes of assumptions	—	798,261
Net difference between projected and actual Earnings on pension plan investments	—	53,360
Changes in proportion and differences between the District’s contributions and proportionate Share of contributions	—	34,888
District’s contributions subsequent to the measurement date	<u>87,607</u>	<u>—</u>
Total	<u>\$ 87,607</u>	<u>\$ 1,139,660</u>

Deferred outflows of resources totaling \$87,607 represent District contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

<u>Fiscal Year Ending June 30,</u>	
2019	\$ (288,091)
2020	(288,091)
2021	(288,091)
2022	(224,162)
2023	<u>(51,225)</u>
Total	\$ (1,139,660)

STATE OF NEW MEXICO
 PECOS INDEPENDENT SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2019

NOTE 12. Post-Employment Benefits – State Retiree Health Care Plan (continued)

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, lever percent of pay, calculated on individual employee basis
Asset valuation method	Market value of assets
Actuarial assumptions:	
Inflation	2.50% for ERB, 2.25% for PERA
Projected payroll increases	3.25% to 12.50% based on years of service, including inflation
Investment rate of return	7.25% net of OPEB plan investment expense and margin for adverse deviation including inflation
Health care cost trend rate	8% graded down to 4.5% over 14 years for non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 for Medicare medical plan costs
Mortality	ERB members: RP-2000 Combined Healthy Mortality Table with White Collar Adjustment (males) and GRS Southwest Region Teacher Mortality Table (females) PERA members: RP-2000 Combined Healthy Mortality

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

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

Asset Class	Long-term Real Rate of Return
U.S. core fixed income	2.1%
U.S. equity – large cap	7.1%
Non U.S. emerging markets	10.2%
Non U.S. developed equities	7.8%
Private equity	11.8%
Credit and structured finance	5.3%
Real estate	4.9%
Absolute return	4.1%
U.S. equity – small/mid cap	7.1%

Discount Rate. The discount rate used to measure the Fund’s total OPEB liability is 4.08% as of June 30, 2018. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plans members and their beneficiaries are not included. Based on those assumptions, the Fund’s fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2029. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2029. Beyond 2029, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Thus, 4.08% is the blended discount rate.

Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates. The following presents the net OPEB liability of the District, as well as what the District’s net OPEB liability would be it were calculated using a discount rate that is 1-percentage-point lower (3.08 percent) or 1-percentage-point higher (5.08 percent) than the current discount rate:

STATE OF NEW MEXICO
 PECOS INDEPENDENT SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2019

NOTE 12. Post-Employment Benefits – State Retiree Health Care Plan (continued)

Fiscal Year <u>Ending June 30,</u>	<u>1% Decrease (3.08%)</u>	<u>Current Discount Rate (4.08%)</u>	<u>1% Increase (5.08%)</u>
District’s proportionate share of the net pension liability	\$ 5,174,649	\$ 4,275,737	\$ 3,567,195

The following presents the net OPEB liability of the School, as well as what the School’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 Rates</u>	<u>1% Increase</u>
\$ 3,614,497	\$ 4,275,737	\$ 4,794,164

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

Payable Changes in the Net OPEB Liability. At June 30, 2019, the District reported a payable of \$0 for outstanding contributions due to NMRHCA for the year ended June 30, 2019.

NOTE 13. Contingent Liabilities

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

The District is involved in various claims and lawsuits arising in the normal course of business. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the District’s legal counsel that resolution of these matters will not have a material adverse effect on the financial condition of the District.

NOTE 14. Subsequent Accounting Standard Pronouncements

In June 2018, GASB Statement No. 89 *Accounting for Interest Cost Incurred before the End of a Construction Period*, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2019. Earlier application is encouraged. The District is still evaluating how this pronouncement will affect the financial statements.

In August 2018, GASB Statement No. 90 *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2019. Earlier application is encouraged. The District is still evaluating how this pronouncement will affect the financial statements.

STATE OF NEW MEXICO
PECOS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 14. Subsequent Accounting Standard Pronouncements (Continued)

In May 2019, GASB Statement No. 91 *Conduit Debt Obligations*, The primary objective of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2020. Earlier application is encouraged. The District is still evaluating how this pronouncement will affect the financial statements.

NOTE 15. Governmental Fund Balance

Fund Balance: In the fund financial statements, governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Some governments may not have policies or procedures that are comparable to those policies that underlie the classifications and therefore would not report amounts in all possible fund balance classifications.

In the governmental financial statements, fund balance is classified and is displayed in five components:

Nonspendable: Consists of amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted: Consists of amounts that are restricted to specific purposes as a result of a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

Committed: Consist of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action (for example, legislation, resolution, ordinance) it employed to previously commit those amounts.

Assigned: Consist of amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed by (a) the governing body itself or (b) a body (a budget or finance committee, for example) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.

Unassigned: Represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

STATE OF NEW MEXICO
 PECOS INDEPENDENT SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2019

	General Fund					
	Operational	Teacherage	Transportation	Instructional Materials	Title I IASA	
<i>Fund balance:</i>	11000	12000	13000	14000	24101	
Nonspendable	-	-	-	-	-	
Restricted:						
Instruction	-	44,116	-	23,021	-	
Special Revenue	-	-	-	-	-	
Capital Projects	-	-	-	-	-	
Debt Service	-	-	-	-	-	
Assigned	-	-	-	-	-	
Unassigned	1,045,607	-	-	-	-	
<i>Total fund balance</i>	<u>1,045,607</u>	<u>44,116</u>	<u>-</u>	<u>23,021</u>	<u>-</u>	
			Capital			
	Entitlement	IDEA-B	Improvements	Debt	Other	Total
	IDEA-B	"Risk Pool"	SB-9	Service	Governmental	Primary
<i>Fund balance:</i>	24106	27149	31700	41000	Funds	Government
Nonspendable	-	-	-	-	6,296	6,296
Restricted						
Instruction	-	-	-	-	-	67,137
Special Revenue	-	-	-	-	225,211	225,211
Capital Projects	-	-	350,413	-	-	350,413
Debt Service	-	-	-	390,533	-	390,533
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	76,364	1,121,971
<i>Total fund balance</i>	<u>-</u>	<u>-</u>	<u>350,413</u>	<u>390,533</u>	<u>307,871</u>	<u>\$ 2,161,561</u>

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
PECOS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
OF ERB
Educational Retirement Board (ERB) Plan
Last 10 Fiscal Years*
JUNE 30, 2019

	2019	2018	2017	2016	2015
Proportion of the net pension liability	0.15024%	0.14939%	0.14935%	0.16000%	0.16000%
Proportionate share of the net pension liability	17,865,536	16,602,410	10,784,575	10,171,000	9,129,000
Covered-employee payroll	4,413,671	4,403,158	4,428,915	4,287,000	4,410,000
Proportionate share of the net pension liability (asset) as a percentage of it's covered-employee payroll	444%	377%	244%	237%	207%
Plan fiduciary net position as a percentage of the total pension liability	52.17%	52.95%	63.97%	63.97%	66.54%

*These schedules are intended to present 10 years of trending history. However, until a full 10-year trend is compiled, the District present information for those years for which information is available.

SCHEDULE OF DISTRICT'S CONTRIBUTIONS
Educational Retirement Board (ERB) Plan

Last 10 Fiscal Years**

Contractually required contribution	2,847,575	2,477,130	591,342	620,000	474,000
Contributions in relation to the contractually required contribution	583,645	583,385	591,342	620,000	474,000
Contribution deficiency (excess)	2,263,930	1,893,745	-	-	-
District's covered-employee payroll	4,413,671	4,403,158	4,428,915	4,287,000	4,410,000
Contributions as a percentage of covered-employee payroll	64.52%	56.26%	13.35%	14.46%	10.75%

** These schedules are intended to present 10 years of trending history. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

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

Changes of Assumptions. ERB conducts an actuarial experience study for the Plan on a biennial basis. Based on the six-year actuarial experience study presented to the Board of Trustees on June 12, 2015, ERB impemented the following changes in assumption for fiscal years 2016. 1) valuation assumptions that changed based on this study: a) Lower wage inflation from 3.75% to 3.00%, b) Investment return will change from 7.75% to 7.25%, c) Minor changes to demographic assumptions, d) Discount rate changed to 5.90% with lower and hier sensitivity rates established at 4.90% and 6.90%, e) members hired after 6/30/2013 will have reduced retirement benefit if they retire befor age 55 and their COLA deferred until age 67, f) COLAs for most retirees reduced until NMERB attains 100% funded status, g) assumed full COLA paid in future years, h) rate of return on pension plan investments to be determined annually

2) Assumptions that were not changed: a) Inflation will remain at 3.00%

See also the Note IV (B) Actuarial Assumptions of the financial statement disclosure on the Pension Plan

STATE OF NEW MEXICO
PECOS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
OF RHCA
Retiree Health Care (RHCA) Plan
Last 10 Fiscal Years*
JUNE 30, 2019

	2019	2018
Proportion of the net pension liability	0.098330%	0.009909%
Proportionate share of the net pension liability	4,275,737	4,490,435
Covered-employee payroll	4,218,963	4,127,740
Proportionate share of the net pension liability (asset) as a percentage of it's covered-employee payroll	101.35%	108.79%
Plan fiduciary net position as a percentage of the total pension liability	13.14%	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 District will present information for available years.

SCHEDULE OF DISTRICT'S CONTRIBUTIONS
Retiree Health Care (RHCA) Plan

Last 10 Fiscal Years**

Contractually required contribution	153,657	314,657
Contributions in relation to the contractually required contribution	151,781	157,923
Contribution deficiency (excess)	1,876	156,734
County's covered-employee payroll	4,218,963	4,127,740
Contributions as a percentage of covered-employee payroll	3.6%	3.83%

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

Changes of benefit terms. In the June 30, 2018 actuarial valuation, there was a change of benefit terms as 2018 was the initial valuation.

Changes of Assumptions. In the June 30, 2018 actuarial valuation, the expectation of life after disability was adjusted to more closely reflect actual experience. Additional changes of assumptions may occur after the initial 2018 valuation.

NONMAJOR GOVERNMENTAL FUNDS

NONMAJOR FUNDS

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

Food Services (21000) - This fund is utilized to account for Federal and Local sources of income relating to the food service programs. The Food Service Fund is segregated into two categories, one being the Federal funds and the other being Non-Federal funds. Federal funds consist of National School Lunch Program, which is administered by the State of New Mexico for the purpose of making breakfast and lunch available to all school children and to encourage the domestic consumption of agricultural commodities and other food components. Authority for the creation of this fund is NMSA 22-13-13.

Athletics (22000) – This fund is used to account for fees generated at athletic activities throughout the School District. The gate receipts are obtained from the general public and are expended in this fund. The authority for creation of this fund is 6.20.2 NMAC.

IDEA-B Preschool (24109) – 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. Federal revenues accounted for in this fund are allocated to the District through the New Mexico Department of Children, Youth and Families. Authority for creation of this fund is Public Law 105-17.

Title I 1003g Grant (Includes Funds 24124) – The objective of this grant is to provide in conjunction with Title I funds for school improvement reserved under section 1003(a) of the ESEA. School Improvement Grants under section 1003(g) of the ESEA are used to improve student achievement in Title I schools identified for improvement, corrective action, or restructuring so as to enable these schools to make adequate yearly progress (AYP) and exit improvement status. Funding is by the Elementary and Secondary Education Act of 1965, as amended, Title I, Part B, Subpart 1.

Teacher/Principal Training and Recruiting (24154) – To improve the skills of teachers and the quality of instruction in mathematics and science and also to increase the accessibility of such instruction to all students. Authority for creation of the fund is the Rehabilitation Act of 1973, as amended, Title III, Section 303 (b)-(d). 20 U.S.C. 777a and 797a.

Academic Enrichment Program (24189) – To account for a federal grant to provide student support and provide an academic enrichment program. The grant was created by the authority of federal grant provisions.

Title I Comprehensive Support and Improvement (24190) – To increase academic output of low income students.

Impact Aid Special Education (25145) – To provide funding for instructions of Indian children of all grades who require special instruction in addition to basic programs. Authorization is Public Law 81-874.

Title XIX Medicaid (25153) – To provide 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. (P.L. 105-33)

Gear Up NM State Initiatives (25205) – Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP) New Mexico is a seven-year initiative funded by the U.S. Department of Education and is a division of the New Mexico Higher Education Department.

Rural Education Achievement (25233) – To account for monies granted to help rural districts that may lack the personnel and resources to compete effectively for Federal competitive grants.

LANL Foundation (26113) – To account for monies received from Los Alamos National Labs Foundation responding to the urgent needs in Northern New Mexico by assisting with small requests for community, cultural or educational projects. Authorization is the creation of the fund by PED and Authorization by the Foundation.

Dual Credit Instructional Materials (27103) – To provide instructional materials to be used for the dual credit course approved by Higher Education Department and through a college/university for which the District has an approved agreement.

2012 GO Bond Public School Acquisition (27107) – This award allows schools to acquire library resources, including library books for public school libraries. The funding was made available through Senate Bill 66, Laws of 2012, 2nd Session, Chapter 54, Section 10. Paragraph B(3).

NONMAJOR FUNDS

NM Reads to Lead (27114) – Provides an aligned approach for districts and schools to ensure that children read by the end of the third grade – giving them essential skills for future career and college success. It also provides regional and district reading coaches, support for intervention and professional development for parents, teachers, reading coaches and administrators.

Recruitment Support (27128) – Provides support for the District to recruit and maintain teachers in the District.

Truancy Initiative PED (27141) – To provide early intervention for students K-12 to reduce chronic school truancy. To provide access to an academic tutor and other learning/academic resources to students to improve the basic reading, writing, math and study skills.

The Pre-K Initiative Fund (27149) - is used to provide 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 regardless of income or ethnicity.

Breakfast for Elementary Students (27155) - The 2005 Legislative General Appropriations Act allocated \$475,000 to implement Breakfast in the Classroom for elementary schools in need of improvement based on 2004-2005 AYP designation.

NM Arts Division (27166) - To account for the grant activity from the New Mexico Arts, a division of the Office of cultural Affairs. Special Revenue Fund established by the local school board.

After School Enrichment Program (27168) – This fund is to be used to implement the District’s After School and Summer Enrichment Programs. Authority for the creation of this fund is the New Mexico Public Education Department. The After School and Summer Enrichment Programs are used to create learning centers that will provide students a broad range of exceptional, school-linked learning and development opportunities, designed to complement the students’ regular academic program. Authority for the creation of this fund is the New Mexico Public Education Department.

2013 School Buses (27178) – To provide for the purchase of school buses.

STEM Teacher Initiative (27181) - The purpose of this fund is to provide a \$5,000 stipend per year to 15 highly effective STEM teachers to teach science, technology engineering or mathematics (grades 7-12) for two year to shelve in hard to staff schools.

Teacher and School Leader Incentive Pay (27188) – This fund was created to provide funding for projects that develop and implement performance-based teacher and principal compensations systems in high-need schools. The teacher Incentive Fund is authorized I P.L. 109-149 –the Department of Labor, Health and Human Services, and Education and Related Agencies Appropriation Act 2006 Title V, Part D.

Social Workers for Middle Schools (27194) – The fund accounts for a state grant used to fund a social worker in middle school.

K3 Plus 4 & 5 Pilot (27198) – The fund accounts for a state grant used to extended hours of fourth and fifth grades.

NM Roads DOT (28120) – The purpose of the fund is to improved roads and parking lots within the district.

Youth Conservation Corp NMEMNR (28133) - The Youth Conservation Corps (YCC) is administratively attached to the Energy, Minerals and Natural Resources Department. YCC was created in 1992 to provide a process to employ the youth in public projects. Participants learn employment skills, work ethics, as well as self-discipline and self-esteem.

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

Capital Improvements SB-9 (31100) is used to account for erecting, remodeling, making additions to and furnishing of school buildings, or purchasing or improving school grounds or any combination thereof as identified by the local school board. Financing is provided by the State of New Mexico’s State Equalization Matching and a special tax levy as authorized by the Public School District Capital Improvements Act (22-25-1 to 22-25-10 NMSA 1978).

Capital Outlay State Fund (31400) – To account for special appropriations monies received from the State of New Mexico under Chapter 4, Laws of 1996.

STATE OF NEW MEXICO
PECOS INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR FUNDS
JUNE 30, 2019

	Food Services 21000	Athletics 22000	Preschool IDEA-B 24109
ASSETS			
<i>Current Assets</i>			
Cash and temporary investments	\$ 65,394	\$ 76,364	\$ -
Accounts receivable			
Taxes	-	-	-
Due from other governments	36,047	-	4,966
Interfund receivables	-	-	-
Inventory	6,296	-	-
	<u>107,737</u>	<u>76,364</u>	<u>4,966</u>
<i>Total assets</i>	<u>107,737</u>	<u>76,364</u>	<u>4,966</u>
LIABILITIES AND FUND BALANCES			
<i>Current Liabilities:</i>			
Accounts payable	-	-	-
Accrued expenses	-	-	-
Interfund payables	-	-	4,966
<i>Total liabilities</i>	<u>-</u>	<u>-</u>	<u>4,966</u>
<i>Fund Balance:</i>			
Fund Balance:			
Nonspendable	6,296	-	-
Restricted	101,441	-	-
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	76,364	-
	<u>107,737</u>	<u>76,364</u>	<u>-</u>
<i>Total fund balance</i>	<u>107,737</u>	<u>76,364</u>	<u>-</u>
<i>Total liabilities and fund balance</i>	<u>\$ 107,737</u>	<u>\$ 76,364</u>	<u>\$ 4,966</u>

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

Title I Sec. 1003G 24124	Improving Teacher Quality 24154	Academic Enrichment Program 24189	Title I Comprehensive Support 24190	Impact Aid Special Education 25145	Title XIX Medicaid 3/21 Years 25153
\$ -	\$ -	\$ -	\$ -	\$ 2,373	\$ 107,037
-	-	-	-	-	-
4,876	9,654	-	23,529	-	11,212
-	-	-	-	-	-
-	-	-	-	-	-
<u>4,876</u>	<u>9,654</u>	<u>-</u>	<u>23,529</u>	<u>2,373</u>	<u>118,249</u>
-	-	-	-	-	235
-	-	-	-	-	-
4,876	9,654	-	23,529	-	-
<u>4,876</u>	<u>9,654</u>	<u>-</u>	<u>23,529</u>	<u>-</u>	<u>235</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,373</u>	<u>118,014</u>
<u>\$ 4,876</u>	<u>\$ 9,654</u>	<u>\$ -</u>	<u>\$ 23,529</u>	<u>\$ 2,373</u>	<u>\$ 118,249</u>

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

STATE OF NEW MEXICO
PECOS INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR FUNDS
JUNE 30, 2019

	Gear Up 25205	Rural Ed Achievement 25233	LANL Foundation 26113	Dual Credit Instructional Materials 27103
ASSETS				
<i>Current Assets</i>				
Cash and temporary investments	\$ -	\$ -	\$ -	\$ -
Accounts receivable				
Taxes	-	-	-	-
Due from other governments	70,613	-	-	1,083
Interfund receivables	-	-	-	-
Inventory	-	-	-	-
<i>Total assets</i>	<u>70,613</u>	<u>-</u>	<u>-</u>	<u>1,083</u>
LIABILITIES AND FUND BALANCES				
<i>Current Liabilities:</i>				
Accounts payable	-	-	-	-
Accrued expenses	-	-	-	-
Interfund payables	70,610	-	-	1,083
<i>Total liabilities</i>	<u>70,610</u>	<u>-</u>	<u>-</u>	<u>1,083</u>
<i>Fund Balance:</i>				
Fund Balance:				
Nonspendable	-	-	-	-
Restricted	3	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
<i>Total fund balance</i>	<u>3</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total liabilities and fund balance</i>	<u>\$ 70,613</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,083</u>

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

2012 GO Bonds - Student Library Fund (SB66) 27107	Pre-K Initiative 27149	Breakfast for Elementary Students 27155	Kindergarten Three Plus 27166	After School Enrichment 27168	2013 School Buses 27178
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
3,898	46,755	-	27,315	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>3,898</u>	<u>46,755</u>	<u>-</u>	<u>27,315</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
3,898	46,755	-	27,315	-	-
<u>3,898</u>	<u>46,755</u>	<u>-</u>	<u>27,315</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 3,898</u>	<u>\$ 46,755</u>	<u>\$ -</u>	<u>\$ 27,315</u>	<u>\$ -</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO
PECOS INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR FUNDS
JUNE 30, 2019

	STEM Teacher Initiative 27181	NM Grown Fresh Fruit and Vegetables 27183	Teacher and School Leader Incentive Pay 27188	K3 Plus 4 & 5 Pilot 27198
ASSETS				
<i>Current Assets</i>				
Cash and temporary investments	\$ -	\$ -	\$ -	\$ -
Accounts receivable				
Taxes	-	-	-	-
Due from other governments	-	-	-	9,155
Interfund receivables	-	-	-	-
Inventory	-	-	-	-
<i>Total assets</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,155</u>
LIABILITIES AND FUND BALANCES				
<i>Current Liabilities:</i>				
Accounts payable	-	-	-	-
Accrued expenses	-	-	-	-
Interfund payables	-	-	-	9,155
<i>Total liabilities</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,155</u>
<i>Fund Balance:</i>				
Fund Balance:				
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
<i>Total fund balance</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total liabilities and fund balance</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,155</u>

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

NM Roads 28120	Youth Conservative Corp 28133	Bond Building 31100	Capital Outlay State 31400	Total Non-major Funds
\$ -	\$ -	\$ 3,380	\$ -	\$ 254,548
-	-	-	-	-
-	-	-	15,500	264,603
-	-	-	-	-
-	-	-	-	6,296
<u>-</u>	<u>-</u>	<u>3,380</u>	<u>15,500</u>	<u>525,447</u>
-	-	-	-	235
-	-	-	-	-
-	-	-	15,500	217,341
<u>-</u>	<u>-</u>	<u>-</u>	<u>15,500</u>	<u>217,576</u>
-	-	-	-	6,296
-	-	3,380	-	225,211
-	-	-	-	-
-	-	-	-	-
-	-	-	-	76,364
<u>-</u>	<u>-</u>	<u>3,380</u>	<u>-</u>	<u>307,871</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,380</u>	<u>\$ 15,500</u>	<u>\$ 525,447</u>

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

STATE OF NEW MEXICO
PECOS INDEPENDENT SCHOOL
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
FOR THE YEAR ENDING JUNE 30, 2019

	Food Services 21000	Athletics 22000	Preschool IDEA-B 24109
<i>Revenues:</i>			
Taxes	\$ -	\$ -	\$ -
State grants	-	-	-
Federal grants	408,443	-	10,853
Charges for services	20,722	55,670	-
Miscellaneous	-	-	-
Interest	-	-	-
<i>Total revenues</i>	<u>429,165</u>	<u>55,670</u>	<u>10,853</u>
<i>Expenditures:</i>			
Current:			
Instruction	-	58,710	5,345
Support Services			
Students	-	-	-
Instruction	-	-	5,508
General Administration	-	-	-
School Administration	-	-	-
Central Services	-	-	-
Operation & Maintenance of Plant	-	-	-
Student Transportation	-	-	-
Other Support Services	-	-	-
Food Services Operations	457,414	-	-
Community Service	-	-	-
Capital outlay	-	-	-
Debt service			
Principal	-	-	-
Interest	-	-	-
<i>Total expenditures</i>	<u>457,414</u>	<u>58,710</u>	<u>10,853</u>
<i>Excess (deficiency) of revenues</i>			
<i>over (under) expenditures</i>	<u>(28,249)</u>	<u>(3,040)</u>	<u>-</u>
<i>Other financing sources (uses):</i>			
Operating transfers	-	-	-
Proceeds from bond issues	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net changes in fund balances</i>	<u>(28,249)</u>	<u>(3,040)</u>	<u>-</u>
<i>Fund balances - beginning of year</i>	135,986	79,404	-
<i>Restatement</i>	-	-	-
<i>Fund balances - beginning of year - restated</i>	<u>135,986</u>	<u>79,404</u>	<u>-</u>
<i>Fund balances - end of year</i>	<u>\$ 107,737</u>	<u>\$ 76,364</u>	<u>\$ -</u>

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

Title I Section 1003g 24124	Improving Teacher Quality 24154	Academic Enrichment Program 24189	Title I Comprehensive Support 24190	Impact Aid Special Education 25145	Title XIX Medicaid 3/21 Years 25153
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
8,261	9,654	3,093	101,146	-	131,509
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>8,261</u>	<u>9,654</u>	<u>3,093</u>	<u>101,146</u>	<u>-</u>	<u>131,509</u>
7,185	9,654	3,093	28,423	3,831	-
538	-	-	67,895	-	123,513
-	-	-	-	-	-
-	-	-	4,189	-	-
538	-	-	-	-	-
-	-	-	-	-	-
-	-	-	639	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>8,261</u>	<u>9,654</u>	<u>3,093</u>	<u>101,146</u>	<u>3,831</u>	<u>123,513</u>
-	-	-	-	(3,831)	7,996
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	(3,831)	7,996
-	-	-	-	6,204	110,018
-	-	-	-	-	-
-	-	-	-	6,204	110,018
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,373</u>	<u>\$ 118,014</u>

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

STATE OF NEW MEXICO
PECOS INDEPENDENT SCHOOL
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
FOR THE YEAR ENDING JUNE 30, 2019

	Gear Up 25205	Rural Ed Achievement 25233	LANL Foundation 26113	Dual Credit Instructional Materials 27103
<i>Revenues:</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	-	-	-	5,260
Federal grants	257,827	-	-	-
Charges for services	-	-	-	-
Miscellaneous	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>257,827</u>	<u>-</u>	<u>-</u>	<u>5,260</u>
<i>Expenditures:</i>				
Current:				
Instruction	55,480	-	-	5,260
Support Services				
Students	11,141	-	-	-
Instruction	147,744	-	-	-
General Administration	9,048	-	-	-
School Administration	-	-	-	-
Central Services	-	-	-	-
Operation & Maintenance of Plant	-	-	-	-
Student Transportation	-	-	-	-
Other Support Services	-	-	-	-
Food Services Operations	-	-	-	-
Community Service	34,414	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>257,827</u>	<u>-</u>	<u>-</u>	<u>5,260</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses):</i>				
Operating transfers	-	-	-	-
Proceeds from bond issues	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net changes in fund balances</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances - beginning of year</i>	3	-	-	-
<i>Restatement</i>	-	-	-	-
<i>Fund balances - beginning of year - restated</i>	<u>3</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances - end of year</i>	<u>\$ 3</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

2012 GO Bonds - Student Library Fund (SB66) 27107	Pre-K Initiative 27149	Breakfast for Elementary Students 27155	Kindergarten Three Plus 27166	After School Enrichment 27168	2013 School Buses 27178
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3,898	182,475	11,060	68,346	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>3,898</u>	<u>182,475</u>	<u>11,060</u>	<u>68,346</u>	<u>-</u>	<u>-</u>
-	174,621	-	60,587	-	-
-	-	-	-	-	-
3,898	-	-	-	-	-
-	1,984	-	-	-	-
-	-	-	4,279	-	-
-	-	-	-	-	-
-	5,870	-	3,480	-	-
-	-	-	-	-	-
-	-	11,060	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>3,898</u>	<u>182,475</u>	<u>11,060</u>	<u>68,346</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
PECOS INDEPENDENT SCHOOL
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
FOR THE YEAR ENDING JUNE 30, 2019

	STEM Teacher Initiative 27181	NM Grown Fresh Fruit and Vegetables 27183	Teacher and School Leader Incentive Pay 27188	K3 Plus 4 & 5 Pilot 27198
<i>Revenues:</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	-	5,000	-	18,733
Federal grants	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>5,000</u>	<u>-</u>	<u>18,733</u>
<i>Expenditures:</i>				
Current:				
Instruction	-	-	-	18,733
Support Services				
Students	-	-	-	-
Instruction	-	-	-	-
General Administration	-	-	-	-
School Administration	-	-	-	-
Central Services	-	-	-	-
Operation & Maintenance of Plant	-	-	-	-
Student Transportation	-	-	-	-
Other Support Services	-	-	-	-
Food Services Operations	-	5,000	-	-
Community Service	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>5,000</u>	<u>-</u>	<u>18,733</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses):</i>				
Operating transfers	-	-	-	-
Proceeds from bond issues	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net changes in fund balances</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances - beginning of year</i>	-	-	-	-
<i>Restatement</i>	-	-	-	-
<i>Fund balances - beginning of year - restated</i>	-	-	-	-
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

NM Roads 28120	Youth Conservative Corp 28133	Bond Building 31100	Capital Outlay State 31400	Total Non-major Funds
\$ -	\$ -	\$ -	\$ -	\$ -
18,750	14,754	-	26,000	354,276
-	-	-	-	930,786
-	-	-	-	76,392
-	-	-	-	-
-	-	-	-	-
<u>18,750</u>	<u>14,754</u>	<u>-</u>	<u>26,000</u>	<u>1,361,454</u>
-	-	-	-	430,922
-	-	-	-	203,087
-	-	-	-	157,150
-	-	-	-	15,221
-	-	-	-	4,817
-	-	-	-	-
-	-	-	-	639
-	-	-	-	9,350
-	-	-	-	-
-	-	-	-	473,474
-	14,754	-	-	49,168
18,750	-	-	26,000	44,750
-	-	-	-	-
-	-	-	-	-
<u>18,750</u>	<u>14,754</u>	<u>-</u>	<u>26,000</u>	<u>1,388,578</u>
-	-	-	-	(27,124)
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	(27,124)
-	-	3,380	-	334,995
-	-	-	-	-
-	-	3,380	-	334,995
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,380</u>	<u>\$ -</u>	<u>\$ 307,871</u>

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

OTHER SUPPLEMENTAL INFORMATION

STATE OF NEW MEXICO
PECOS INDEPENDENT SCHOOL DISTRICT
AGENCY FUNDS
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2019

Schedule I

Activity	Balance June 30, 2018	Additions	Adjustments	Deletions	Balance June 30, 2019
BAND	1,826	651	-	534	1,943
MR LEAL 1ST GRADE CLASS	51	-	-	-	51
PARTNERS IN EDUCATION-FANC	17	-	-	-	17
SECONDARY STAFF ACTIVITY	752	-	-	319	433
CLASS OF 2017	606	-	-	-	606
HS ALLIANCE ACCOUNT	500	-	-	-	500
CLASS OF 2021	112	1,084	-	225	971
LOWES SCIENCE FUND	3,605	-	-	-	3,605
UNUSED BALANCE	5,308	771	-	1,193	4,886
SURVEY FUND	500	500	-	-	1,000
BOARD OF EDUCATION	1,158	2,348	-	2,502	1,004
CLASS OF 2013	80	-	-	-	80
CLASS OF 2020	3,415	4,264	-	2,644	5,035
RED CROSS FUNDRAISER	-	-	-	-	-
HS STUDENT COUNCIL	855	247	-	1,034	68
PRE K	671	1,000	-	477	1,194
MS STUDENT ACTIVITY	92	1,651	-	1,318	425
HS LIBRARY	315	-	-	-	315
KIMBERLY MARTIN	85	-	-	-	85
HS DRAMA CLUB	248	322	-	181	389
NATL HONOR SOC	8	803	-	811	-
BPA	787	-	-	-	787
BACKGROUND CHECKS	14	-	-	-	14
NATURAL HELPERS	-	4,000	-	1,076	2,924
CLASS OF 2014	239	-	-	-	239
SPANISH CLUB	444	234	-	247	431
MS SPANISH CLUB	33	-	-	-	33
ELEMENTARY MATH	394	-	-	-	394
CHRISTINE LEAL 1ST GRADE	584	66	-	-	650
CLASS OF 2022	-	120	-	-	120
SANCHEZ SCHOLARSHIP	1,189	480	-	1,100	569
CLASS OF 2015	390	-	-	-	390
ELEM ACTIVITY	563	571	-	-	1,134
GEN ACTIVITY (ADM)	1,663	450	-	332	1,781
HIGH SCHOOL FUNDRAISER	-	-	-	-	-
SECONDARY STUDENT ACTIVIT'	3,098	1,350	-	1,628	2,820
HS MESA	565	-	-	-	565
CLASS OF 2016	540	-	-	-	540
ELEM GIRLS BASKETBALL	32	-	-	-	32
ELEM SKI CLUB	207	-	-	-	207
MARIACHI	838	2,619	-	2,558	899
MS STUDENT COUNCIL	4,073	4,677	-	3,840	4,910
CLASS OF 2018	689	-	-	-	689
CLASS OF 2019	300	1,733	-	1,770	263
MS NATIONAL HONOR SOCIETY	1,824	620	-	-	2,444
ELEM LIBRARY	6,187	3,189	-	3,527	5,849

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

KINDER/ ROGERS	790	646	-	655	781
MS FUNDRAISING	16	4,014	-	1,288	2,742
ELEM YEARBOOK	10,872	914	-	-	11,786
LITERACY NIGHT/ACCEL READE	788	-	-	-	788
HIGH SCHOOL YEARBOOK	-	1,732	-	799	933
ATHLETICS-GENERAL FUND	29,385	63,389	-	68,229	24,545
NMPSIA	1,181	7,173	-	7,220	1,134
CATHOLIC DAUGHTERS SCHOLA	200	-	-	-	200
DISTRICT AAA	184	4,315	-	4,380	119
PRINCIPAL'S INCENTIVE AWARD	20,385	21,098	-	21,332	20,151
MID SCHOOL YEARBOOK	192	213	-	-	405
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total All Schools	<u>\$ 108,851</u>	<u>\$ 137,244</u>	<u>\$ -</u>	<u>\$ 131,219</u>	<u>\$ 114,876</u>

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

STATE OF NEW MEXICO
PECOS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DEPOSITS
JUNE 30, 2019

Schedule III

Bank Account Type/Name	Bank Balance	Deposits in Transit	Outstanding Checks	Book Balance
Southwest Capital Bank				
Checking - Accounts Payable	\$ 1,849,010	\$ -	\$ 317,954	\$ 1,531,056
Total Southwest Capital Bank	<u>1,849,010</u>	<u>-</u>	<u>317,954</u>	<u>1,531,056</u>
Total cash in bank	<u>\$ 1,849,010</u>	<u>\$ -</u>	<u>\$ 317,954</u>	<u>\$ 1,531,056</u>
Cash per financial statements				
Cash and cash equivalents-Governmental Activities Exhibit A-1				1,416,180
Fiduciary funds - Exhibit D-1				<u>114,876</u>
Total cash and cash equivalents				<u>\$ 1,531,056</u>

SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY

Name of Depository	Description of Pledged Collateral	Cusip Number	Maturity	Fair Market Value June 30, 2019	Name and Location of Safekeeper
FHL Bank of Dallas	FHLB - Letter of Credit, 0%	31219000685	1/25/2020	1,200,000	TIB
				<u>1,200,000</u>	

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

STATE OF NEW MEXICO
PECOS INDEPENDENT SCHOOL DISTRICT
CASH RECONCILIATION
JUNE 30, 2019

	Operational Account 11000	Teachergage Account 12000	Transportation Account 13000	Instructional Materials 14000	Food Services Account 21000
Cash, June 30, 2018	916,951	17,925	1,838	6,207	129,690
Restatement	-	-	-	-	-
Add:					
2018-19 revenues	5,778,400	39,365	347,810	20,317	393,118
Permanent Cash Transfers	-	-	-	-	-
Loans from other funds	-	-	-	-	-
Total cash available	6,695,351	57,290	349,648	26,524	522,808
Less:					
2018-19 expenditures	(5,653,830)	(13,174)	(348,729)	(3,503)	(457,414)
Permanent Cash Transfers	-	-	(919)	-	-
Loans to other funds	-	-	-	-	-
Cash, June 30, 2019	<u>\$ 1,041,521</u>	<u>\$ 44,116</u>	<u>\$ -</u>	<u>\$ 23,021</u>	<u>\$ 65,394</u>

The accompanying notes are an integral part of these financial statements

Athletics Account 22000	Federal Flowthrough 24000	Federal Direct 25000	Local Grants 26000	State Flowthrough 27000
79,404	(161,687)	59,687	0	(172,878)
-	-	-	-	-
55,670	409,801	364,049	-	379,444
-	-	-	-	-
-	-	-	-	-
135,074	248,114	423,736	-	206,566
(58,710)	(704,472)	(384,936)	-	(294,772)
-	-	-	-	-
-	-	-	-	-
<u>\$ 76,364</u>	<u>\$ (456,358)</u>	<u>\$ 38,800</u>	<u>\$ -</u>	<u>\$ (88,206)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
PECOS INDEPENDENT SCHOOL DISTRICT
CASH RECONCILIATION
JUNE 30, 2019

	State Direct 28000	Local / State 29000	Bond Building Account 31100	Spec. Capital Outlay-State 31400	Federal Capital Outlay 31500
Cash, June 30, 2018	(11,982)	-	3,380	-	-
Restatement	-	-	-	-	-
Add:					
2018-19 revenues	45,486	-	-	10,500	-
Permanent Cash Transfers	-	-	-	-	-
Loans from other funds	-	-	-	-	-
Total cash available	33,504	-	3,380	10,500	-
Less:					
2018-19 expenditures	(33,504)	-	-	(26,000)	-
Permanent Cash Transfers	-	-	-	-	-
Loans to other funds	-	-	-	-	-
Cash, June 30, 2019	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,380</u>	<u>\$ (15,500)</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

Cap. Improv. SB 9 31700	Energy Efficiency 31800	Public School Capital Outlay - 20% 32100	Debt Service Fund 41000	Education Tech Debt Service Fund 43000	Total
0	-	-	353,045	-	\$ 1,221,580
-	-	-	-	-	-
-	-	-	433,593	-	8,277,553
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	786,638	-	9,499,133
(35,301)	-	-	(409,774)	-	(8,424,119)
-	-	-	-	-	(919)
-	-	-	-	-	-
<u>\$ (35,301)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 376,864</u>	<u>\$ -</u>	<u>\$ 1,074,095</u>
			Agency Fund		\$ 114,876
					<u>\$ 1,188,971</u>

The accompanying notes are an integral part of these financial statements

COMPLIANCE SECTION



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

INDEPENDENT AUDITOR'S REPORT

Brian C. Colón, Esq.
New Mexico State Auditor
The Office of Management and Budget
To the Board of Education
Pecos Independent School District
Pecos, New Mexico

We have audited, 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, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general funds and major special revenue funds of the Pecos Independent School District, New Mexico, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Pecos Independent School District's basic financial statements and have issued our report thereon dated November 11, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Responses to Findings

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

Purpose of the 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

McCabe CPA Group, LLC

McCabe CPA Group, LLC

Albuquerque, New Mexico

November 11, 2019

FEDERAL FINANCIAL ASSISTANCE



REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT MATERIAL EFFECT ON EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH UNIFORM GUIDANCE

Brian C. Colón, Esq.
New Mexico State Auditor
The Office of Management and Budget
To the Board of Education
Pecos Independent School District
Pecos, New Mexico

Report on Compliance for Each Major Federal Program

We have audited Pecos Independent School District (the District) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2019. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the requirements of Title 2 U.S. Code of federal regulations 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control over Compliance

Management of Pecos Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

McCabe CPA Group, LLC

McCabe CPA Group, LLC

Albuquerque, New Mexico

November 11, 2019

STATE OF NEW MEXICO
PECOS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2019

Schedule IV

Federal Grantor or Pass-Through Grantor / Program Title	Passthrough Number	Federal CFDA	Federal Expenditures
U.S. Department of Agriculture			
<i>Pass-through State of New Mexico Department of Education</i>			
Forest Reserve	11000	10.672	\$ 28,309
School Lunch Program (1)	21000	10.555	379,520
<i>Subtotal - Pass-through State of New Mexico Department of Education</i>			<u>407,829</u>
 <i>Pass-through State of New Mexico Department of Health and Human Services</i>			
Food Distribution (Commodities)	21000	10.550	28,923
<i>Subtotal - Pass-through State of New Mexico Department of Health and Human Services</i>			<u>28,923</u>
 Total U.S. Department of Agriculture			 <u>436,752</u>
 U.S. Department of Education			
Impact Aid Special Education	25145	84.041	3,831
 <i>Subtotal - U.S. Department of Education Direct</i>			 <u>3,831</u>
 <i>Passthrough State of New Mexico Department of Education</i>			
Title I - IASA	24101	84.010	266,919
Entitlement IDEA B	24106	84.027	226,007
Preschool IDEA-B	24109	84.173	10,853
IDEA-B Risk Pool	24120	84.173	78,782
Title I Section 1003g	24124	84.377	8,261
Teacher / Principal Training / Recruiting	24154	84.367A	9,654
Academic Enrichment Program	24189	84.424A	3,093
Title I Comprehensive Support and Improvement	24190	84.010A	101,146
 <i>Passthrough State of New Mexico Higher Education Department</i>			
GEAR UP	25205	84.334	257,827
 Total U.S. Department of Education			 <u>966,373</u>
 Total Federal Financial Assistance			 <u><u>\$ 1,403,125</u></u>

(1) Denotes Major Federal Financial Assistance Program

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

STATE OF NEW MEXICO
PECOS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2019

Schedule IV

Notes to Schedule of Expenditures of Federal Awards

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of the Pecos Independent School District and is presented on the modified accrual basis of accounting, which is the same basis as was used to prepare the fund financial statements. The information in this Schedule is presented in accordance with the requirements of OMB Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

2. Subrecipients

The District did not provide any federal awards to subrecipients during the year

3. Non-Cash Federal Assistance

The District received \$28,923 in non-cash federal assistance in the form of commodities assistance.

4. Indirect Cost Rate

The District has not elected to use the 10% de minimus indirect cost rate as allowed under the Uniform Guidance.

Reconciliation of Schedule of Expenditures of Federal Awards to Financial Statements:

Total federal awards expended per Schedule of Expenditures of Federal Awards	\$ 1,403,125
Total expenditures funded by other sources	<u>7,175,354</u>
Total expenditures	<u><u>\$ 8,578,479</u></u>

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

STATE OF NEW MEXICO
PECOS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

Section I – Summary of Audit Results*Financial Statements:*

- | | |
|--|------------|
| 1. Type of auditors' report issued | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weakness identified? | No |
| b. Significant deficiency identified not considered to be a material weaknesses? | No |
| c. Control deficiency identified not considered to be a significant deficiency? | No |
| d. Noncompliance material to financial statements noted? | No |

Federal Awards:

- | | |
|---|------------|
| 1. Internal control over major programs: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiency identified not considered to be material weaknesses? | No |
| c. Control deficiency identified not considered to be a significant deficiency? | No |
| 2. Type of auditors' report issued on compliance for major programs | Unmodified |
| 3. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? | No |
| 4. Identification of major programs: | |

CFDA Number	Federal Program
10.555	School Lunch Program

- | | |
|---|-----------|
| 5. Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| 6. Auditee qualified as low-risk auditee? | Yes |

STATE OF NEW MEXICO
PECOS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

Section II – Financial Statement Findings

None

Section III – Findings – Federal Awards

None

Section IV – Prior Year Audit Findings

FS 2018-001 — Pledged Collateral – Resolved

Section V – Other Disclosures

Auditor Prepared Financials

McCabe CPA Group, LLC assisted in the preparation of the financial statements presented in this report. The District's management has reviewed and approved the financial statements and related notes and they believe that their records adequately support the financial statements.

Exit Conference

The contents of this report were discussed on November 11, 2019. The following individuals were in attendance.

Pecos Independent School District
Fred Trujillo, Superintendent
Brenda Gallegos, Business Manager
Victor Ortiz, Board Member
Michael Flores, Board Member

McCabe CPA Group, LLC
JJ Griego, CPA