

STATE OF NEW MEXICO
SPRINGER MUNICIPAL SCHOOLS



ANNUAL FINANCIAL REPORT

JUNE 30, 2019



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INTRODUCTORY SECTION

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SPRINGER MUNICIPAL SCHOOLS
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SPRINGER MUNICIPAL SCHOOLS
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STATE OF NEW MEXICO
SPRINGER MUNICIPAL SCHOOLS
OFFICIAL ROSTER
FOR THE YEAR ENDED JUNE 30, 2019

<u>Name</u>		<u>Title</u>
	<u>School Board</u>	
Robert Tafoya		President
Monica Burton		Vice President
Ronnie Gurule		Secretary
Zita Rae Lopez		Member
Joe Apodaca		Member
	<u>District Officials</u>	
Gary Salazar		Interim Superintendent
R. Danae Rigoni		Business Manager/CPO

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Brian Colón, New Mexico State Auditor
The Office of Management and Budget
And the Board of Education of
Springer Municipal Schools
Springer, New Mexico

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of Springer Municipal Schools, (the "District") 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 financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to 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, and accordingly, no such opinion is expressed.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2019, and the respective changes in financial position and where applicable, cash flows thereof and the respective budgetary comparisons for the general fund and the major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America requires the Schedules I through IV and the notes to the Required Supplementary Information on pages 50 through 55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

Schedules V through VIII on pages 74 through 79 required by 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, Schedules V through VIII required by 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section on pages 1 through 3 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2019 on our consideration of the District'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.

Manning Accounting and Consulting Services, LLC

Manning Accounting and Consulting Services, LLC
Kirtland, New Mexico
October 22, 2019

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BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
SPRINGER MUNICIPAL SCHOOLS
STATEMENT OF NET POSITION
JUNE 30, 2019

Exhibit A-1

	Governmental Activities
ASSETS	
<i>Current assets:</i>	
Cash and temporary investments	\$ 357,335
Receivables (net of allowance for uncollectibles)	122,538
Inventory	978
<i>Total current assets</i>	480,851
<i>Noncurrent assets:</i>	
Restricted cash	44,402
Capital assets (net of accumulated depreciation):	
Land and land improvements	8,126
Buildings and building improvements	10,332,533
Furniture, fixtures and equipment	1,806,219
Less: accumulated depreciation	(8,707,069)
<i>Total noncurrent assets</i>	3,484,211
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows - pensions	1,470,378
Deferred outflows - other post-employment benefits	58,006
<i>Total deferred outflows</i>	1,528,384
<i>Total assets and deferred outflows of resources</i>	\$ 5,493,446
LIABILITIES	
<i>Current liabilities:</i>	
Accounts payable	\$ 6,274
Accrued payroll liabilities	32,233
Accrued interest payable	1,785
Current maturities of:	
Bonds payable	219,500
Compensated absences	10,154
<i>Total current liabilities</i>	269,946
<i>Noncurrent liabilities:</i>	
Bonds payable	69,500
Net pension liability	5,707,839
Net other post-employment benefits liability	1,366,253
<i>Total noncurrent liabilities</i>	7,143,592
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows - pensions	337,092
Deferred inflows - other post-employment benefits	353,014
<i>Total deferred inflows</i>	690,106
NET POSITION	
Invested in capital assets	3,150,809
Restricted for:	
Debt service	80,742
Capital projects	106,873
Other purposes - special revenue	104,343
Unrestricted	(6,052,965)
<i>Total net position</i>	(2,610,198)
<i>Total liabilities, deferred inflows of resources, and net position</i>	\$ 5,493,446

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

STATE OF NEW MEXICO
SPRINGER MUNICIPAL SCHOOLS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Exhibit A-2

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>
	<u>Expenses</u>	<u>Charges for Service</u>	<u>Operating Grants and Contributions</u>	
Primary Government				
Governmental activities:				
Instruction	\$ 2,018,910	\$ 32,550	\$ 214,845	\$ -
Support services:				
Students	328,394	-	28,147	-
Instruction	-	-	-	-
General administration	217,066	-	-	-
School administration	163,054	-	-	-
Other	-	-	-	-
Central services	171,806	2,609	-	-
Operation & maintenance of plant	404,445	-	-	-
Student transportation	135,199	-	120,336	-
Food services operations	135,670	3,079	90,019	-
Community services	-	-	-	-
Interest on long-term debt	14,106	-	-	-
Facilities materials, supplies, & other services	297,722	-	112,194	5,601
Total Primary Government	<u>\$ 3,886,372</u>	<u>\$ 38,238</u>	<u>\$ 565,541</u>	<u>\$ 5,601</u>

General Revenues:

Property taxes:	
Levied for general purposes	15,840
Levied for debt service	273,114
Levied for capital projects	83,199
State Equalization Guarantee	2,004,158
Unrestricted investment earnings	2,475
Gain on disposal of fixed assets	517
Miscellaneous	2,538
	<u>2,381,841</u>
Total general revenues	<u>2,381,841</u>
Change in net position	(895,151)
Net position - beginning of year	<u>(1,715,047)</u>
Net position - end of year	<u>\$ (2,610,198)</u>

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

STATE OF NEW MEXICO
 SPRINGER MUNICIPAL SCHOOLS
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 JUNE 30, 2019

Exhibit B-1

	General Fund			Special Revenue	
	Operational 11000	Transportation 13000	Instructional Materials 14000	Title I IASA 24101	IDEA-B Entitlement 24106
ASSETS					
<i>Current assets:</i>					
Cash and temporary investments	\$ 156,308	\$ 2,332	\$ 3,228	\$ -	\$ -
Accounts receivable					
Taxes	1,603	-	-	-	-
Due from other governments	-	-	-	32,213	16,663
Interfund receivables	63,551	-	-	-	-
Other	-	-	-	-	-
Inventory	-	-	-	-	-
<i>Total assets</i>	<u>221,462</u>	<u>2,332</u>	<u>3,228</u>	<u>32,213</u>	<u>16,663</u>
LIABILITIES					
<i>Current liabilities:</i>					
Accounts payable	6,274	-	-	-	-
Accrued payroll liabilities	24,916	2,332	-	2,942	1,972
Interfund payables	-	-	-	29,271	14,691
<i>Total liabilities</i>	<u>31,190</u>	<u>2,332</u>	<u>-</u>	<u>32,213</u>	<u>16,663</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues - property taxes	1,295	-	-	-	-
<i>Total deferred inflows of resources</i>	<u>1,295</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Nonspendable	-	-	-	-	-
Restricted for:					
Transportation	-	-	-	-	-
Instructional materials	-	-	3,228	-	-
Grant mandates	-	-	-	-	-
Capital projects	-	-	-	-	-
Debt service	-	-	-	-	-
Assigned	172,018	-	-	-	-
Unassigned	16,959	-	-	-	-
<i>Total fund balances</i>	<u>188,977</u>	<u>-</u>	<u>3,228</u>	<u>-</u>	<u>-</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 221,462</u>	<u>\$ 2,332</u>	<u>\$ 3,228</u>	<u>\$ 32,213</u>	<u>\$ 16,663</u>

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

STATE OF NEW MEXICO
 SPRINGER MUNICIPAL SCHOOLS
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 JUNE 30, 2019

Exhibit B-1

	<u>Capital Projects</u>			
	Educational Technology Equipment Act 31900	Debt Service 41000	Other Governmental Funds	Total Primary Government
ASSETS				
<i>Current assets:</i>				
Cash and temporary investments	\$ 76,629	\$ 33,021	\$ 130,219	\$ 401,737
Accounts receivable				
Taxes	-	27,913	19,300	48,816
Due from other governments	-	-	24,846	73,722
Interfund receivables	-	-	-	63,551
Other	-	-	-	-
Inventory	-	-	978	978
<i>Total assets</i>	<u>76,629</u>	<u>60,934</u>	<u>175,343</u>	<u>588,804</u>
LIABILITIES				
<i>Current liabilities:</i>				
Accounts payable	-	-	-	6,274
Accrued payroll liabilities	-	-	71	32,233
Interfund payables	-	-	19,589	63,551
<i>Total liabilities</i>	<u>-</u>	<u>-</u>	<u>19,660</u>	<u>102,058</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues - property taxes	-	22,030	14,737	38,062
<i>Total deferred inflows of resources</i>	<u>-</u>	<u>22,030</u>	<u>14,737</u>	<u>38,062</u>
FUND BALANCES				
Nonspendable	-	-	978	978
Restricted for:				
Transportation	-	-		-
Instructional materials	-	-		3,228
Grant mandates	-	-	6,849	6,849
Capital projects	5,907	-	21,741	27,648
Debt service	-	8,333	5,270	13,603
Assigned	70,722	30,571	106,422	379,733
Unassigned	-	-	(314)	16,645
<i>Total fund balances</i>	<u>76,629</u>	<u>38,904</u>	<u>140,946</u>	<u>448,684</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 76,629</u>	<u>\$ 60,934</u>	<u>\$ 175,343</u>	<u>\$ 588,804</u>

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

STATE OF NEW MEXICO
SPRINGER MUNICIPAL SCHOOLS
GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2019

Exhibit B-2

	Governmental Funds
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Total fund balances - governmental funds	\$ 448,684
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
The cost of capital assets is	12,146,878
Accumulated depreciation is	(8,707,069)
Revenues not collected within sixty days after year-end are considered "available" revenues and are shown as deferred revenues on the balance sheet.	
Delinquent property taxes	38,062
Deferred outflows and inflows of resources related to pensions are applicable to future periods and therefore, are not reported in governmental funds.	
Deferred outflows of resources - pensions	1,470,378
Deferred outflows of resources - other post-employment benefits	58,006.00
Deferred inflows of resources - pensions	(337,092)
Deferred inflows of resources - other post-employment benefits	(353,014)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in governmental funds. Long-term and other liabilities at year-end consist of:	
Accrued interest payable	(1,785)
Bonds payable	(289,000)
Accrued compensated absences	(10,154)
Net pension liability	(5,707,839)
Net other post-employment benefits liability	(1,366,253)
Total net position - governmental activities	\$ (2,610,198)

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

STATE OF NEW MEXICO
 SPRINGER MUNICIPAL SCHOOLS
 STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2019

	General Fund			Special Revenue	
	Operational 11000	Transportation 13000	Instructional Materials 14000	Title I IASA 24101	IDEA-B Entitlement 24106
<i>Revenues:</i>					
Property taxes	\$ 15,755	\$ -	\$ -	\$ -	\$ -
State grants	2,004,158	116,228	4,537	-	-
Federal grants	2,538	-	-	80,645	61,201
Miscellaneous	517	-	-	-	-
Charges for services	13,829	-	-	-	-
Investment income	-	-	-	-	-
<i>Total revenues</i>	<u>2,036,797</u>	<u>116,228</u>	<u>4,537</u>	<u>80,645</u>	<u>61,201</u>
<i>Expenditures:</i>					
<i>Current:</i>					
Instruction	1,123,613	-	1,782	79,512	31,414
Support services					
Students	247,290	-	-	-	4,988
Instruction	-	-	-	-	-
General administration	175,354	-	-	1,133	1,476
School administration	103,423	-	-	-	14,645
Central services	126,582	-	-	-	-
Operation & maintenance of plant	363,774	-	-	-	-
Student transportation	-	116,228	-	-	-
Other support services	-	-	-	-	-
Food services operations	28,353	-	-	-	1,887
Community services	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
<i>Total expenditures</i>	<u>2,168,389</u>	<u>116,228</u>	<u>1,782</u>	<u>80,645</u>	<u>54,410</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(131,592)</u>	<u>-</u>	<u>2,755</u>	<u>-</u>	<u>6,791</u>
<i>Net changes in fund balances</i>	(131,592)	-	2,755	-	6,791
<i>Fund balances - beginning of year</i>	<u>320,569</u>	<u>-</u>	<u>473</u>	<u>-</u>	<u>(6,791)</u>
<i>Fund balances - end of year</i>	<u>\$ 188,977</u>	<u>\$ -</u>	<u>\$ 3,228</u>	<u>\$ -</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO
 SPRINGER MUNICIPAL SCHOOLS
 STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2019

	<u>Capital Projects</u>			
	Educational Technology Equipment Act 31900	Debt Service 41000	Other Governmental Funds	Total Primary Government
<i>Revenues:</i>				
Property taxes	\$ -	\$ 196,219	\$ 157,486	\$ 369,460
State grants	-	-	51,174	2,176,097
Federal grants	-	-	151,954	296,338
Miscellaneous	-	-	117,987	118,504
Charges for services	-	-	18,616	32,445
Investment income	2,475	-	-	2,475
<i>Total revenues</i>	<u>2,475</u>	<u>196,219</u>	<u>497,217</u>	<u>2,995,319</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	-	-	76,795	1,313,116
Support services				
Students	-	-	19,422	271,700
Instruction	-	-	-	-
General administration	-	1,934	1,553	181,450
School administration	-	-	-	118,068
Central services	-	-	-	126,582
Operation & maintenance of plant	-	-	-	363,774
Student transportation	-	-	-	116,228
Other support services	-	-	-	-
Food services operations	-	-	104,142	134,382
Community services	-	-	-	-
Capital outlay	46,345	-	253,368	299,713
Debt service				
Principal	-	175,000	68,500	243,500
Interest	-	12,510	1,596	14,106
<i>Total expenditures</i>	<u>46,345</u>	<u>189,444</u>	<u>525,376</u>	<u>3,182,619</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(43,870)</u>	<u>6,775</u>	<u>(28,159)</u>	<u>(187,300)</u>
<i>Net changes in fund balances</i>	(43,870)	6,775	(28,159)	(187,300)
<i>Fund balances - beginning of year</i>	<u>120,499</u>	<u>32,129</u>	<u>169,105</u>	<u>635,984</u>
<i>Fund balances - end of year</i>	<u>\$ 76,629</u>	<u>\$ 38,904</u>	<u>\$ 140,946</u>	<u>\$ 448,684</u>

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

STATE OF NEW MEXICO

Exhibit B-4

SPRINGER MUNICIPAL SCHOOLS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	Governmental Funds
Amounts reported for governmental activities in the Statement of Activities are different because:	
Net change in fund balances - total governmental funds	\$ (187,300)
<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 Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities. This is the amount by which depreciation exceeds capital outlays for the period.</p>	
Depreciation expense	(484,398)
Capital outlays	192,529
<p>Revenues not collected within 60 days after the fiscal year-end are not considered available revenues in the governmental funds. They are considered revenues in the Statement of Activities. The increase (decrease) in revenues receivable for the year end were:</p>	
Unavailable revenue related to the property taxes receivable	2,693
Other unavailable revenues	(6,791)
<p>In the Statement of Activities, certain operating expenses - compensated absences and interest expense - are measured by the amounts incurred during the year. In the fund financial statements, however, expenditures are measured by the amount of financial resources used (essentially the amounts actually paid). The (increases) decreases in the liabilities for the year were:</p>	
Accrued interest payable	1,991
Accrued compensated absences	9,847
<p>Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.</p>	
Bond principle payments	243,500
<p>Governmental funds report district pension contributions as expenditures. However, in the Statement of Activities, the pension benefits earned net of employee contributions is reported as pension expense.</p>	
Difference between prior year pension contributions per entity and amount reported in the pension report	179,808
Pension contributions - current year	(867,912)
Pension expense	25,873
Other post-employment benefits contributions - current year	(4,991)
Other post-employment benefits expense	(4,991)
Change in net position - total governmental activities	\$ (895,151)

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

STATE OF NEW MEXICO
SPRINGER MUNICIPAL SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
OPERATIONAL FUND (11000)
FOR THE YEAR ENDING JUNE 30, 2019

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
<i>Revenues:</i>				
Property taxes	\$ 14,848	\$ 14,848	\$ 15,652	\$ 804
State grants	1,992,977	2,008,212	2,004,158	(4,054)
Federal grants	-	-	2,538	2,538
Miscellaneous	-	-	517	517
Charges for services	16,000	16,000	18,829	2,829
Interest	-	-	-	-
<i>Total revenues</i>	<u>2,023,825</u>	<u>2,039,060</u>	<u>2,041,694</u>	<u>2,634</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	1,209,313	1,191,493	1,121,536	69,957
Support services				
Students	289,738	313,436	247,290	66,146
Instruction	-	-	-	-
General administration	159,287	192,789	177,146	15,643
School administration	104,883	104,589	103,423	1,166
Central services	132,315	131,508	126,582	4,926
Operation & maintenance of plant	381,789	396,355	362,454	33,901
Student transportation	-	-	-	-
Other support services	2,595	2,595	-	2,595
Food services operations	18,905	28,405	28,353	52
Community services	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>2,298,825</u>	<u>2,361,170</u>	<u>2,166,784</u>	<u>194,386</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(275,000)</u>	<u>(322,110)</u>	<u>(125,090)</u>	<u>197,020</u>
<i>Other financing sources (uses):</i>				
Designated cash	275,000	322,110	-	(322,110)
Operating transfers	-	-	-	-
Proceeds from bond issues	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>275,000</u>	<u>322,110</u>	<u>-</u>	<u>(322,110)</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>(125,090)</u>	<u>(125,090)</u>
<i>Cash or fund balance - beginning of year</i>	-	-	344,949	344,949
Prior period adjustments	-	-	-	-
<i>Adjusted cash or fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>344,949</u>	<u>344,949</u>
<i>Cash or fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 219,859</u>	<u>\$ 219,859</u>
<i>Reconciliation to GAAP basis:</i>				
Net change in fund balance (cash basis)			\$ (125,090)	
Adjustments to revenues			(4,897)	
Adjustments to expenditures			(1,605)	
Net change in fund balance (GAAP basis)			<u>\$ (131,592)</u>	

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

STATE OF NEW MEXICO
SPRINGER MUNICIPAL SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
TRANSPORTATION FUND (13000)
FOR THE YEAR ENDING JUNE 30, 2019

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
<i>Revenues:</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	116,228	116,228	116,228	-
Federal grants	-	-	-	-
Miscellaneous	-	-	-	-
Charges for services	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>116,228</u>	<u>116,228</u>	<u>116,228</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	116,228	116,228	117,746	(1,518)
Other support services	-	-	-	-
Food services operations	-	-	-	-
Community services	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>116,228</u>	<u>116,228</u>	<u>117,746</u>	<u>(1,518)</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>-</u>	<u>(1,518)</u>	<u>(1,518)</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 change in fund balance</i>	<u>-</u>	<u>-</u>	<u>(1,518)</u>	<u>(1,518)</u>
<i>Cash or fund balance - beginning of year</i>	-	-	3,850	3,850
Prior period adjustments	-	-	-	-
<i>Adjusted cash or fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>3,850</u>	<u>3,850</u>
<i>Cash or fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,332</u>	<u>\$ 2,332</u>
<i>Reconciliation to GAAP basis:</i>				
Net change in fund balance (cash basis)			\$ (1,518)	
Adjustments to revenues			-	
Adjustments to expenditures			1,518	
Net change in fund balance (GAAP basis)			<u>\$ -</u>	

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

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

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
<i>Revenues:</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	4,358	4,482	4,537	55
Federal grants	-	-	-	-
Miscellaneous	-	-	-	-
Charges for services	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>4,358</u>	<u>4,482</u>	<u>4,537</u>	<u>55</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	4,358	4,955	1,782	3,173
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>4,358</u>	<u>4,955</u>	<u>1,782</u>	<u>3,173</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>(473)</u>	<u>2,755</u>	<u>3,228</u>
<i>Other financing sources (uses):</i>				
Designated cash	-	473	-	(473)
Operating transfers	-	-	-	-
Proceeds from bond issues	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>473</u>	<u>-</u>	<u>(473)</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>2,755</u>	<u>2,755</u>
<i>Cash or fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>473</u>	<u>473</u>
Prior period adjustments	-	-	-	-
<i>Adjusted cash or fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>473</u>	<u>473</u>
<i>Cash or fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,228</u>	<u>\$ 3,228</u>
<i>Reconciliation to GAAP basis:</i>				
Net change in fund balance (cash basis)			\$ 2,755	
Adjustments to revenues			-	
Adjustments to expenditures			-	
Net change in fund balance (GAAP basis)			<u>\$ 2,755</u>	

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

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

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
<i>Revenues:</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	-	-	-	-
Federal grants	84,619	81,081	79,445	(1,636)
Miscellaneous	-	-	-	-
Charges for services	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>84,619</u>	<u>81,081</u>	<u>79,445</u>	<u>(1,636)</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	83,486	79,948	77,857	2,091
Support services				
Students	-	-	-	-
Instruction	-	-	-	-
General administration	1,133	1,133	1,133	-
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>84,619</u>	<u>81,081</u>	<u>78,990</u>	<u>2,091</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>-</u>	<u>455</u>	<u>455</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 change in fund balance</i>	<u>-</u>	<u>-</u>	<u>455</u>	<u>455</u>
<i>Cash or fund balance - beginning of year</i>	-	-	(29,726)	(29,726)
Prior period adjustments	-	-	-	-
<i>Adjusted cash or fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>(29,726)</u>	<u>(29,726)</u>
<i>Cash or fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (29,271)</u>	<u>\$ (29,271)</u>
<i>Reconciliation to GAAP basis:</i>				
Net change in fund balance (cash basis)			\$ 455	
Adjustments to revenues			1,200	
Adjustments to expenditures			(1,655)	
Net change in fund balance (GAAP basis)			<u>\$ -</u>	

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

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

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
<i>Revenues:</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	-	-	-	-
Federal grants	54,410	88,482	44,538	(43,944)
Miscellaneous	-	-	-	-
Charges for services	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>54,410</u>	<u>88,482</u>	<u>44,538</u>	<u>(43,944)</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	32,668	49,668	30,423	19,245
Support services				
Students	2,000	12,411	4,988	7,423
Instruction	-	-	-	-
General administration	2,759	2,759	1,476	1,283
School administration	16,983	13,644	14,645	(1,001)
Central services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other support services	-	-	-	-
Food services operations	-	10,000	1,887	8,113
Community services	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>54,410</u>	<u>88,482</u>	<u>53,419</u>	<u>35,063</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>-</u>	<u>(8,881)</u>	<u>(8,881)</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 change in fund balance</i>	<u>-</u>	<u>-</u>	<u>(8,881)</u>	<u>(8,881)</u>
<i>Cash or fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>(5,810)</u>	<u>(5,810)</u>
Prior period adjustments	-	-	-	-
<i>Adjusted cash or fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>(5,810)</u>	<u>(5,810)</u>
<i>Cash or fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (14,691)</u>	<u>\$ (14,691)</u>
<i>Reconciliation to GAAP basis:</i>				
Net change in fund balance (cash basis)			\$ (8,881)	
Adjustments to revenues			16,663	
Adjustments to expenditures			(991)	
Net change in fund balance (GAAP basis)			<u>\$ 6,791</u>	

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

STATE OF NEW MEXICO
SPRINGER MUNICIPAL SCHOOLS
AGENCY FUNDS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2019

Exhibit D-1

	Agency Funds
ASSETS	
<i>Current Assets:</i>	
Cash	\$ 57,255
Investments	213,682
<i>Total assets</i>	\$ 270,937
 LIABILITIES	
<i>Current Liabilities:</i>	
Deposits held in trust for others	\$ 270,937
<i>Total liabilities</i>	\$ 270,937

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

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STATE OF NEW MEXICO
SPRINGER MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 Summary of Significant Accounting Policies

Springer Municipal Schools (the “District”) is a public school District governed by an elected five-member Board of Education created under the provision of Chapter 22 Article 5, Paragraph 4, New Mexico Statutes 1978 to provide public education for the children within the District boundaries. 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 the District’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. The financial statements have incorporated all applicable GASB pronouncements.

During the year ended June 30, 2019, the District adopted the following GASB Statements.

- GASB Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement will enhance comparability of financial statements among governments by establishing uniform criteria for governments to recognize and measure certain AROs, including obligations that may not have been previously reported. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring disclosures related to those AROs. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The District will not be affected by this Statement as it has been determined it has no assets which meet the criteria.

- GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018 and have been implement by the District.

The more significant of the government’s accounting policies are described below.

A. *Financial Reporting Entity*

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statements No. 14 and No. 39. GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. Blended component units, although legally separate entities, are in substance part of the government’s operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

STATE OF NEW MEXICO
SPRINGER MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 Summary of Significant Accounting Policies (Continued)

A. *Financial Reporting Entity (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. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity. Based upon the application of these criteria, the District does not have a component unit and is not a component unit of another government agency.

B. *Government-wide and Fund Financial Statements*

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

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

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.

STATE OF NEW MEXICO
SPRINGER MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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.

Deferred Outflows of Resources – a consumption of net position by the government that is applicable to a future reporting period. It has a positive effect on net position, similar to assets; therefore, it is not recognized as an outflow of resources (expense) until then.

Deferred Inflows of Resources – an acquisition of net position by the government that is applicable to a future reporting period. It has a negative effect on net position, similar to liabilities; therefore, it is not recognized as an inflow of resources (revenue) until that time.

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.

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:

**STATE OF NEW MEXICO
SPRINGER MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

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

Under the requirements of GASB Statement No. 34, the District is required to present some of its governmental funds as major funds based upon certain criteria. The major funds presented in the fund financial statements include the following:

The *Operational Fund* (11000) accounts for the primary revenues and expenditures of the District, including, but not limited to, student instruction, student support, instructional support, general administration, school administration, central services, and operations and maintenance of plant. Revenues come from district tax levy, state equalization, and other local, state, and federal sources. This fund is considered by PED to be a sub-fund of the General Fund.

The *Transportation Fund* (13000) accounts for state equalization 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* (14000) 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 IASA Fund* (24101) accounts for funding to provide supplemental educational opportunity for academically disadvantaged children in the area residing. Campuses are identified for program participation by the percentage of students on free or reduced-price lunches. Any school with a free and reduced-price lunch percentage that is equal to or greater than the total district percentage becomes eligible for program participation. Any student whose test scores fall below District established criteria and who is attending a Title I campus is eligible to receive Title I services. Poverty is the criteria that identify a campus; educational need determines the students to be served. Federal revenues accounted for in this fund are allocated to the District through the New Mexico Public Education Department. 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.

IDEA-B Entitlement (24106) accounts for a program funded by a Federal grant to assist the District in providing free appropriate public education to all handicapped children. Funding authorized by Individuals with Disabilities 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.

**STATE OF NEW MEXICO
SPRINGER MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 Summary of Significant Accounting Policies (Continued)

C. Measurement focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Educational Technology Equipment Act (31900) Accounts for State funding to promote the comprehensive integration of advanced technologies in education settings, through the conduct of technical assistance, professional development, information and resource dissemination, and collaboration activities.

The *Debt Service Fund (41000)* 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.

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, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, 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. Investments for the District are reported at fair value. The State Treasurer's Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

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

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.

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.

STATE OF NEW MEXICO
SPRINGER MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 Summary of Significant Accounting Policies (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (Continued)

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 Colfax County. The funds are collected by the County Treasurer and are remitted to the District the following month. Under the modified accrual method of accounting, the amount remitted by the Colfax County Treasurer in July and August 2019 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 Food Services 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.

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. 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 New Mexico 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 vehicles and equipment	3-15 years

Deferred Outflows of Resources – Pensions: The government-wide financial statements report pension related expenses and liabilities for the cost-sharing plan one year in arrears, i.e. expenses and liabilities as of June 30, 2018. Contributions of \$179,808 made by the District in the current fiscal year are thus applicable to a future reporting period where they will then be expensed. As such, they are presented in the Statement of Net Position as a deferred outflow of resources in the current period. The District may also have four other deferred outflows which arise due to the implementation of GASB 68; change in proportion \$97,409; change in assumptions \$1,176,359; investment experience \$12,636; and actuarial experience \$4,166.

STATE OF NEW MEXICO
SPRINGER MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 Summary of Significant Accounting Policies (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (Continued)

Deferred Outflows of Resources – OPEB: The government-wide financial statements report other post-employment benefits related expenses and liabilities for the cost-sharing plan one year in arrears, i.e. expenses and liabilities as of June 30, 2018. Contributions of \$58,006 made by the District in the current fiscal year are thus applicable to a future reporting period where they will then be expensed. As such, they are presented in the Statement of Net Position as a deferred outflow of resources in the current period. The District may also have four other deferred outflows which arise due to the implementation of GASB 75; change in proportion \$32,133; and change in assumptions, investment experience, and actuarial experiences which have no balances in the current year.

Unearned Revenues: The District recognizes grant revenue at the time the related expense is made if the expenditure of funds is the prime factor for determining eligibility for reimbursement; therefore, amounts received and not expended in the Special Revenue Funds are shown as unearned revenues. At June 30, 2019, the District had no unearned revenues.

Compensated Absences: All full-time employees working on a 12 month basis will be granted annual leave at the rate of one and one-third days per month for a total of sixteen days per year. These employees shall be permitted to accumulate and carry forward from one calendar year to the next not more than sixteen days of annual leave. Upon termination, resignation, or retirement of a full-time employee, accumulated annual leave will be paid up to a maximum of sixteen days at the employee’s daily rate at the time of separation. Total compensated absences at June 30, 2019 were \$10,154.

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 bonds issued after the fiscal year ended June 30, 2004, bond premiums and discounts, will be deferred and amortized over the life of the bonds using the effective interest method. Bonds payable of \$289,000 as of June 30, 2019 are reported net of the applicable bond premium or discount. Bond insurance issuance costs will be reported as deferred charges and amortized over the term of the related debt. 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 expense, information about the fiduciary net position of the Educational Retirement Plan (ERP) and additions to/deductions from ERP’s fiduciary net position have been determined on the same basis as they are reported by ERP. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Pension Liability: The District records its proportionate share of the difference between the value of total pension liabilities and plan assets for the State of New Mexico’s Employee Retirement Board pension plan. For the year ended June 30, 2019, the net pension liability totaled \$5,707,839.

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.

**STATE OF NEW MEXICO
SPRINGER MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 Summary of Significant Accounting Policies (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (Continued)

Net Other Post-Employment Benefits Liability: The District records its proportionate share of the difference between the value of total other post-employment benefits (OPEB) and plan assets for the State of New Mexico's Retiree Health Care plan. For the year ended June 30, 2019, the net OPEB liability totaled \$1,366,253.

Deferred Inflows of Resources – Unavailable Revenues: Governmental funds report unavailable revenues in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Revenues not received within sixty (60) days of year-end are not considered available; therefore, a receivable is recorded for the amount due and a corresponding deferred revenue, is recorded as well. Total unavailable revenues of \$38,062 for property taxes were recorded at June 30, 2019.

Deferred Inflows of Resources - Pensions: Changes in actuarial experience \$108,629 and change in proportion \$228,463 for the District are applicable to a future reporting period and will be expensed over an established period beginning in the next fiscal year. As such, these amounts are presented in the Statement of Net Position as deferred inflows of resources in the current period.

Deferred Inflows of Resources – OPEB: Changes in actuarial experience \$80,891; change in assumptions \$255,073; and change in investment experience \$17,050 for the District are applicable to a future reporting period and will be expensed over a five-year period beginning in the next fiscal year. As such, these amounts are presented in the Statement of Net Position as deferred inflows of resources in the current period.

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. 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, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position

Restricted Net Position: Consists of net position with constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (b) law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. The restricted component consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

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

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:

STATE OF NEW MEXICO
SPRINGER MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 Summary of Significant Accounting Policies (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (Continued)

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. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts.

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.

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 non-routine 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 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 \$2,004,158 in state equalization guarantee distributions during the year ended June 30, 2019.

STATE OF NEW MEXICO
SPRINGER MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 Summary of Significant Accounting Policies (Continued)

E. Revenues (Continued)

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, which is within 60 days of year-end. 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 \$369,460. No oil and gas taxes were collected.

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 \$116,228 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 \$4,537.

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 \$5,601 in state SB-9 matching funds 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(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.

STATE OF NEW MEXICO
SPRINGER MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2 Stewardship, Compliance and Accountability

F. Revenues (Continued)

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. 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.

Budgetary Information

Budgets for the General, Special Revenue, Capital Projects, and Debt Service Funds are prepared by management and are approved by the local Board of Education and the School Budget and Planning Unit of the Public Education Department. Auxiliary student activity accounts are not budgeted. 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, the level of budgetary control for districts. 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 (PED) (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 are submitted to the State of New Mexico PED.
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.

**STATE OF NEW MEXICO
SPRINGER MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 2 Stewardship, Compliance and Accountability (Continued)

Budgetary Information (Continued)

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 Funds and Capital Projects Funds.

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 Temporary Investments

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.

Deposits

New Mexico state statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the District for at least one half of the amount on deposit with the institution 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.

**STATE OF NEW MEXICO
 SPRINGER MUNICIPAL SCHOOLS
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2019**

NOTE 3 Cash and Temporary Investments (Continued)

	International Bank	Wells Fargo Bank	Total
Total amounts of deposits	\$ 447,968	\$ 14,302	\$ 462,270
FDIC coverage	250,000	14,302	\$ 264,302
Total uninsured public funds	<u>197,968</u>	<u>-</u>	<u>197,968</u>
Collateral requirement (50% of uninsured public funds)	98,984	-	98,984
Pledged security	<u>272,596</u>	-	<u>\$ 272,596</u>
Total over (under) collateralized	<u>\$ 173,612</u>	<u>\$ -</u>	<u>\$ 173,612</u>

The funds are maintained in an interest-bearing certificate of deposit in Wells Fargo Bank and in a non-interest-bearing checking account in International Bank.

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).

Deposits – The risk exists when a portion of the District’s deposits are not covered by depository insurance and are:

1. Uncollateralized;
2. Collateralized with securities held by the pledging financial institution; or
3. Collateralized with securities held by the pledging financial institution’s trust department or agent but not in the depositor’s (District’s) name.

At June 30, 2019, \$197,968 of the District’s bank balance of \$462,270 was exposed to custodial credit risk as it was uninsured and the collateral was not held in the District’s name.

Reconciliation of Cash and Temporary Investments to the Financial Statements

The carrying amount of deposits and investments shown above are included in the District’s Statement of Net Position as follows:

Reconciliation to Statement of Net Position

Governmental Funds - Balance Sheet

Cash and cash equivalents per Exhibit A-1	\$ 401,737
Statement of Fiduciary Net Position - cash per Exhibit D-1	270,937
Total per financial statements	<u>672,674</u>
Add outstanding checks and other reconciling items	91,063
Less investments in state fund	(213,682)
Less investments with bond fund	<u>(87,785)</u>
Bank balance of deposits	<u>\$ 462,270</u>

The District utilized pooled accounts for their programs and funds. Negative cash balances in individual funds that were part of the pooled accounts should be reclassified as due to/due from accounts in the combining balance sheets at June 30, 2019. Funds 24000 through 25000 are federal funds, 27000 through 29000 funds are non-federal funds.

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 SPRINGER MUNICIPAL SCHOOLS
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NOTE 3 Cash and Temporary Investments (Continued)

The funds listed in interfund payables in Note 5 are the funds which had negative cash balances as of June 30, 2019:

Temporary Investments

At June 30, 2019, the District had \$87,785 held in trust by the Bank of Albuquerque. Those funds are held in a U.S. Treasury Money Market Fund. The District does not have the legal authority to move these funds from the trust institution. Information regarding the fund is as follows:

Fund	CUSIP	WAM	Ratings		Net Assets
			S&P	Moody's	
Premier U.S. Government Money Portfolio	00142W843	8 days	AAAm	Aaa-mf	\$8.33 Billion

Interest Rate Risk for Investments. The District does not have a written policy for limiting interest rate risk. However, the average maturity of certificates of deposit is twelve months or less, which is an effective limit of interest rate risk.

Credit Risk. State law limits investments to bonds or negotiable securities of the U.S. Government, the State, municipalities, or school district securities issued by the U.S. Government (or its agencies, either direct obligations or backed and guaranteed by the U.S. Government) and repurchase agreements with banks, savings and loan associations or credit unions. The District has no investment policy that would further limit its investment choices.

Concentration of Credit. The District places no limit on the amount the District may invest in any one issuer. Investments which are over 5% of total investments are the amounts invested in the Lipper Institutional U.S. Treasury Money Market Funds which are invested by the trust institution Bank of Albuquerque.

NOTE 4 Receivables

Receivables as of June 30, 2019 are as follows:

	Major Funds				Other Governmental Funds	Total Governmental Funds
	Operational 11000	Title I IASA 24101	IDEA-B Entitlement 24106	Debt Service 41000		
Property taxes	\$ 1,603	\$ -	\$ -	\$ 27,913	\$ 19,300	\$ 48,816
Due from other governments	-	32,213	16,663	-	24,846	73,722
Total receivables	\$ 1,603	\$ 32,213	\$ 16,663	\$ 27,913	\$ 44,146	\$ 122,538

The above receivables are deemed 100% collectible. In accordance with GASB No. 33, property tax revenues in the amount of \$38,062 were not collected within the period of availability.

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 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. The composition of interfund balances at June 30, 2019 is as follows:

Governmental Activities	Interfund Receivables	Interfund Payables
Major Funds:		
Operational (11000)	\$ 63,551	\$ -
Title I IASA (24101)	-	29,271
IDEA-B Entitlement (24106)	-	14,691
Non-major Funds:		
Food Services (21000)	-	2,357
IDEA-B Results Plan (24132)	-	7,459
Teacher/Principal Training & Recruiting (24154)	-	1,180
Title XIX Medicaid 3/21 Years (25153)	-	2,992
Capital Improvements SB-9 (31700)	-	5,601
Totals	\$ 63,551	\$ 63,551

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

NOTE 6 Capital Assets

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

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019
Capital assets used in governmental activities:				
Capital assets not being depreciated:				
Land	\$ 8,126	\$ -	\$ -	\$ 8,126
Total capital assets not being depreciated	8,126	-	-	8,126
Capital assets being depreciated:				
Buildings and building improvements	10,332,533	-	-	10,332,533
Vehicles and equipment	1,613,690	192,529	-	1,806,219
Total capital assets being depreciated	11,946,223	192,529	-	12,138,752
Less accumulated depreciation:				
Buildings and building improvements	6,810,115	409,691	-	7,219,806
Vehicles and equipment	1,412,556	74,707	-	1,487,263
Total accumulated depreciation	8,222,671	484,398	-	8,707,069
Total capital assets, net of depreciation	\$ 3,731,678	\$ (291,869)	\$ -	\$ 3,439,809

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NOTE 6 Capital Assets (Continued)

Depreciation was allocated for the year as follows:

Governmental activities:	
Instruction	\$ 484,398
Total depreciation	\$ 484,398

At June 30, 2019, the District had no construction agreements in place.

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

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 at 06/30/18	Additions	Deletions	Balance at 06/30/19	Due Within One Year
General Obligation Bonds	\$ 532,500	\$ -	\$ 243,500	\$ 289,000	\$ 219,500
Compensated Absences	20,001	12,079	21,926	10,154	10,154
Total	\$ 552,501	\$ 12,079	\$ 265,426	\$ 299,154	\$ 229,654

General Obligation Bonds: Are direct obligations and pledge the full faith and credit of the District. The District has one outstanding general obligation bond as of June 30, 2019. All general obligation bonds are for governmental activities.

Issue Date	2010 GO Bond <u>3/15/2010</u>	2016 GO Ed Tech Note <u>7/22/2016</u>
Original Issue	\$500,000	\$275,000
Maturity Date	3/15/2020	5/1/2021
Principal	15-Mar	1-May
Interest Rate	3.75 - 4.00%	.10 - 1.3794%
Principal/Interest	15-Sep	1-Nov
Interest	15-Mar	1-May

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 SPRINGER MUNICIPAL SCHOOLS
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NOTE 7 Long-Term Debt (Continued)

The annual requirements to amortize the general obligation bonds as of June 30, 2019, including interest payments are as follows:

Fiscal Year Ending June 30,	Total General Obligation Bonds		Total Debt Service
	Principal	Interest	
2020	\$ 219,500	\$ 6,548	\$ 226,048
2021	69,500	479	69,979
Totals	<u>\$ 289,000</u>	<u>\$ 7,027</u>	<u>\$ 296,027</u>

In prior years, the general fund was typically used to liquidate long-term liabilities other than debt.

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 decreased \$9,847 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 Unearned Revenues

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. The District had no unearned revenues at June 30, 2019.

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.

The NMPSIA provides coverage for up to a maximum of \$500,000,000 for each property damage claim with a \$750 deductible for 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 coverages.

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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. The following funds reported a deficit fund balance at June 30, 2019:

Fund #	Fund Description	Amount
25153	Title XIX Medicaid 3/21 Years	\$ 314

B. Excess of expenditures over appropriations. For the year ended June 30, 2019, the District had the following funds with expenditures in excess of appropriations.

Fund #	Fund and Function	Amount
Major Funds:		
41000	Debt Service - General Administration	\$ 25
Non-major Funds:		
43000	Education Technology - General Administration	<u>27</u>
	Total	<u><u>\$ 52</u></u>

C. Cash appropriations in excess of available cash balance. For the year ended June 30, 2019, the District had two funds with cash appropriations in excess of cash balance.

		Original	Actual	
Non-major Funds:	Cash Budget	Cash Budget	Cash	Difference
26163	Golden Apple Foundation	\$ 1,391	\$ 386	\$ (1,005)
29134	Solar Pilot	<u>87,241</u>	<u>75,988</u>	<u>(11,253)</u>
	Total	<u><u>\$ 88,632</u></u>	<u><u>\$ 76,374</u></u>	<u><u>\$ (12,258)</u></u>

NOTE 11 General Information on the Pension Plan – Educational Retirement Plan

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

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NOTE 11 General Information on the Pension Plan – Educational Retirement Plan (Continued)

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 employments, as defined Section 22-11-2, NMSA 1978. Employees of public schools, universities, colleges, junior colleges, technical-vocational institutions, state special schools, charter schools, and state agencies providing an educational program, who are employed more than 25% of a full-time equivalency, are required to be members of the Plan, unless specifically excluded.

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

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

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

Chapter 288, Laws of 2009 changed the eligibility requirements for new members first employed on, or after, July 1, 2010 and before July 1, 2013. The eligibility for a member who either becomes a new member on or after July 1, 2010 and before July 1, 2013, or at any time prior to July 1, 2010 refunded all member contributions and then becomes re-employed after that 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 ERB employer on or after July 1, 2013. These members must meet one of the following requirements.

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

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

Benefit Options. The Plan has three benefit options available.

- **Option A – Straight Life Benefit** – The single life annuity option has no reductions to the monthly benefit, and there is not 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

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NOTE 11 General Information on the Pension Plan – Educational Retirement Plan (Continued)

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

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

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

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

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

As of July 1, 2013, for current and future retirees the COLA was 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:

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NOTE 11 General Information on the Pension Plan – Educational Retirement Plan (Continued)

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	7-1-17 to 6-30-18	Over \$20K	10.70%	13.90%	24.60%	0.00%
2018	7-1-17 to 6-30-18	\$20K or less	7.90%	13.90%	21.80%	0.00%

The contribution requirements of defined benefit plan members and the District are established in state 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 District paid employee and employer contributions of \$313,518 and \$324,333 which equal the amount of the required contributions for each fiscal year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At June 30, 2019, the District reported a liability of \$5,707,839 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, actuarially determined. At June 30, 2018, the District's proportion was 0.04800%, which was an increase of 0.00169% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the District recognized pension expense of \$688,104. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net (Inflows) Outflows
Differences between expected and actual experience	\$ 4,166	\$ (108,629)	\$ (104,463)
Changes of assumptions	1,176,359	-	1,176,359
Net difference between projected and actual earnings on pension plan investments	12,636	-	12,636
Changes in proportion and differences between the District's contributions and proportionate share of contributions	97,409	(228,463)	(131,054)
District's contributions subsequent to the measurement date	179,808	-	179,808
Total	<u>\$ 1,470,378</u>	<u>\$ (337,092)</u>	<u>\$ 1,133,286</u>

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NOTE 11 General Information on the Pension Plan – Educational Retirement Plan (Continued)

\$179,808 reported as deferred outflows of resources related to pensions resulting in from the District’s contributions subsequent to the measurement date of June 30, 2018 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:

Year ended June 30,

2020		\$	559,375
2021			380,471
2022			13,466
2023			166
2024			-
Thereafter			-
Total			\$ 953,478

Actuarial assumptions. The total pension liability in the June 30, 2018 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%										
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 style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 15%;">Fiscal Year</td> <td style="width: 15%; text-align: center;"><u>2017</u></td> <td style="width: 15%; text-align: center;"><u>2016</u></td> <td style="width: 15%; text-align: center;"><u>2015</u></td> <td style="width: 15%; text-align: center;"><u>2014</u></td> </tr> <tr> <td>Service life in years</td> <td style="text-align: center;">3.335</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	3.335	3.77	3.92	3.88
Fiscal Year	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>							
Service life in years	3.335	3.77	3.92	3.88							
Mortality	<p>Healthy males: Based on the RP-2000 Combined Mortality Table with White Collar adjustments, not set back. Generational mortality improvements with Scale BB from the table’s base year of 2000.</p> <p>Healthy females: Based on GRS Southwest Region Teacher Mortality Table, set back one year, generational mortality improvements in accordance with Scale BB from the table’s base year of 2012.</p> <p>Disabled males: RP-2000 Disabled Mortality Table for males, set back three years, projected to 2016 with Scale BB.</p> <p>Disabled females: RP-2000 Disabled Mortality Table for females, no set back, projected to 2016 with Scale BB.</p> <p>Active members: RP-2000 Employee Mortality Tables, with males set back two years and scaled at 80%, and females set back five years and scaled at 70%. Static mortality improvement from the table’s base year of 2000 to the year 2016 in accordance with Scale BB. No future improvement was assumed for preretirement mortality.</p>										
Retirement Age	Experience-based table rates based on age and service, adopted by the Board on April 21, 2017 in conjunction with the six-year experience study for the period ending June 30, 2016.										

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NOTE 11 General Information on the Pension Plan – Educational Retirement Plan (Continued)

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 balance in the past as well as future.
Disability Incidence	Approved rates applied to eligible members with at least 10 years of service.

The actuarial assumptions and methods are set by the Plan’s Board of Trustees, based upon recommendations made by the Plan’s actuary. The Board adopted new assumptions on April 21, 2017 in conjunction with the six-year actuarial experience study period ending June 30, 2016. At that time, the Board adopted several 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 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.

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NOTE 11 General Information on the Pension Plan – Educational Retirement Plan (Continued)

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

	1% Decrease (4.69%)	Current Discount Rate (5.69%)	1% Increase (6.69%)
District’s proportionate share of the net pension liability	\$ 7,418,004	\$ 5,707,839	\$ 4,312,450

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

Payables to the pension plan. The District remits the legally required employer and employee contributions on a monthly basis to ERB. The ERB requires that the contributions be remitted by the 15th day of the month following the month for which contributions are withheld. At June 30, 2019 the District had no contributions which were outstanding.

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

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

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

Employees covered by benefit terms – At June 30, 2018, the Fund’s measurement date, the following employees were covered by the benefit terms:

STATE OF NEW MEXICO
SPRINGER MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

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

Plan membership	
Current retirees and surviving spouses	51,205
Inactive and eligible for deferred benefit	11,471
Current active members	<u>93,349</u>
Total	<u><u>156,025</u></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>
Total	<u><u>93,349</u></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 \$38,807 and \$40,247 for the years ended June 30, 2019 and 2018, respectively.

At June 30, 2019, the District reported a liability of \$1,366,253 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2018, the District's proportion was 0.03142% which was an increase of 0.00070% from its proportion measured at June 30, 2017.

For the year ended June 30, 2019, the District recognized OPEB expense of \$20,882. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net (Inflows) Outflows
Differences between expected and actual experience	\$ -	\$ (80,891)	\$ (80,891)
Changes of assumptions	-	(255,073)	(255,073)
Net difference between projected and actual earnings on pension plan investments	-	(17,050)	(17,050)
Changes in proportion	32,133	-	32,133
District's contributions subsequent to the measurement date	<u>25,873</u>	-	<u>25,873</u>
Total	<u><u>\$ 58,006</u></u>	<u><u>\$ (353,014)</u></u>	<u><u>\$ (295,008)</u></u>

**STATE OF NEW MEXICO
 SPRINGER MUNICIPAL SCHOOLS
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2019**

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

Deferred outflows of resources totaling \$58,006 represent the District’s contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ended June 30,	
2020	\$ (82,885)
2021	(82,885)
2022	(82,885)
2023	(62,458)
2024	(9,768)
Thereafter	-
Total	<u><u>\$ (320,881)</u></u>

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

Valuation Date	June 30, 2017
Actuarial cost method	Entry age normal, level percent of pay, calculated on individual employee basis.
Asset valuation method	Market value of assets
Actuarial assumptions:	
Inflation	2.50% for ERB, 2.25% for PERA
Projected payroll increases	3.25% to 12.5% 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 future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumptions.

**STATE OF NEW MEXICO
 SPRINGER MUNICIPAL SCHOOLS
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2019**

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

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

<u>Asset Class</u>	<u>Long-Term Rate of Return</u>
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 plan members and their beneficiaries are not included. Based on those assumptions, the Fund’s fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 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 School, as well as what the District’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.08%) or 1-percentage-point higher (5.08%) than the current discount rate:

<u>1% Decrease (3.08%)</u>	<u>Current Discount Rate (4.08%)</u>	<u>1% Increase (5.08%)</u>
\$ 1,653,488	\$ 1,366,253	\$ 1,139,848

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

<u>1% Decrease</u>	<u>Current Trend Rates</u>	<u>1% Increase</u>
\$ 1,154,963	\$ 1,366,253	\$ 1,531,909

**STATE OF NEW MEXICO
SPRINGER MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

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

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. The reports and other relevant information can be found on NMERB’s web site at <https://www.nmrhca.org>.

Payable changes in the net OPEB liability: At June 30, 2019, the District reported \$5,962 outstanding contributions due to NMRHCA for the year ended June 30, 2019 which were paid on July 16, 2019.

NOTE 13 Unavailable Revenues

The District had \$35,369 in taxes which were unavailable at June 30, 2019. These funds were not received within 60 days after year-end. As such, the amount is recorded as a receivable and a deferred inflow of resources in the funds statement; however, for the government-wide statement the amounts are recorded as a receivable and a revenue.

NOTE 14 Concentrations

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

NOTE 15 Contingent Liabilities

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

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 16 Tax Abatement Disclosures

Colfax County entered into an agreement with a solar farm to abate property taxes effecting the District under the authority of the County Industrial Revenue Bond Act, Ch. 4, Art. 59 NMSA 1978 (the “Act”). A payment in lieu of taxes, (PILOT), was negotiated on by the District. For the year ended June 30, 2019, \$112,194 was received for the PILOT by the District. Other required information required for the GASB 77 disclosure was not provided to the District.

NOTE 17 Joint Power Agreements

A joint powers agreement was entered into with the High Plains Regional Education Cooperative No. 3 (REC). The purpose of the agreement is to allow the submission of a consolidated application to the State Department of Education for certain funds granted to the State of New Mexico by the United States Department of Education under the Education of the Handicapped Act, Part B, PL 94-142 among others.

The agreement became effective on July 1, 1995 and is to remain in effect until the end of any fiscal year during which the school gives notice of intent to terminate. The High Plains Regional Education Cooperative No. 3 issues a separate, publicly available financial report that includes financial statements and required supplementary information. A copy of that audit report can be obtained by writing to the High Plains Regional Education Cooperative No. 3, 144 South First Street, Raton, New Mexico, 87740.

STATE OF NEW MEXICO
SPRINGER MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 18 Subsequent Accounting Standard Pronouncements

In January 2017, GASB Statement No. 84 *Fiduciary Activities*, was issued. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The District is still evaluating how this standard will affect the District.

In June 2017, GASB Statement No. 87 *Leases*, was issued. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The District is still evaluating how this standard will affect the District.

In June 2018, GASB Statement No. 89 *Accounting for Interest Cost Incurred Before the End of a Construction Period*, was issued. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The District is still evaluating how this standard will affect the District.

In August 2018, GASB Statement No. 90 *Majority Equity Interests – An Amendment of GASB Statement No. 14 and No. 61*, was issued. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The District is still evaluating how this standard will affect the District.

**STATE OF NEW MEXICO
SPRINGER MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 18 Subsequent Accounting Standard Pronouncements (Continued)

In May 2019, GASB Statement No. 91 *Conduit Debt Obligations*, was issued. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement will improve financial reporting by eliminating the existing option for issuers to report conduit debt obligations as their own liabilities, thereby ending significant diversity in practice. The clarified definition will resolve stakeholders' uncertainty as to whether a given financing is, in fact, a conduit debt obligation. Requiring issuers to recognize liabilities associated with additional commitments extended by issuers and to recognize assets and deferred inflows of resources related to certain arrangements associated with conduit debt obligations also will eliminate diversity, thereby improving comparability in reporting by issuers. Revised disclosure requirements will provide financial statement users with better information regarding the commitments issuers extend and the likelihood that they will fulfill those commitments. That information will inform users of the potential impact of such commitments on the financial resources of issuers and help users assess issuers' roles in conduit debt obligations. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged.

NOTE 19 Subsequent Events

A review of subsequent events through October 22, 2019, which is the date the financial statements were available to be issued, indicated nothing of audit significance.

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REQUIRED SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
SPRINGER MUNICIPAL SCHOOLS
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
EDUCATIONAL RETIREMENT BOARD (ERB) PLAN
LAST 10 FISCAL YEARS*
JUNE 30, 2019

Fiscal Year Ended June 30,	Measurement Date - Year Ended June 30,	District's Proportion of the Net Pension Liability (NPL)	District's Proportionate Share of the NPL	District's Covered-Employee Payroll	District's Proportionate Share of the NPL as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2019	2018	0.04800%	\$ 5,707,839	\$ 1,341,563	425.46%	52.17%
2018	2017	0.04631%	\$ 5,146,647	\$ 1,318,747	390.27%	52.95%
2017	2016	0.05341%	\$ 3,843,615	\$ 1,525,416	251.97%	61.58%
2016	2015	0.05455%	\$ 3,532,701	\$ 1,550,914	227.78%	63.97%
2015	2014	0.05324%	\$ 3,037,722	\$ 1,465,852	207.23%	66.54%

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

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

STATE OF NEW MEXICO
SPRINGER MUNICIPAL SCHOOLS
SCHEDULE OF PENSION CONTRIBUTIONS
EDUCATIONAL RETIREMENT BOARD (ERB) PLAN
LAST 10 FISCAL YEARS*
JUNE 30, 2019

Schedule II

Fiscal Year Ended June 30,	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	District's Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2019	\$ 179,808	\$ 179,808	\$ -	\$ 1,293,119	13.90%
2018	\$ 186,461	\$ 186,461	\$ -	\$ 1,341,563	13.90%
2017	\$ 183,306	\$ 183,306	\$ -	\$ 1,318,747	13.90%
2016	\$ 212,033	\$ 212,033	\$ -	\$ 1,525,416	13.90%
2015	\$ 215,577	\$ 215,577	\$ -	\$ 1,550,914	13.90%

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

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

STATE OF NEW MEXICO
SPRINGER MUNICIPAL SCHOOLS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
EDUCATIONAL RETIREMENT BOARD (ERB) PLAN
JUNE 30, 2019

Changes in benefit provisions. There were no modifications to the benefit provisions that were reflected in the actuarial valuation as of June 30, 2018.

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

See also Note 11 *General Information on the Pension Plan - Educational Retirement Act* in the financial statement note disclosure on

STATE OF NEW MEXICO
 SPRINGER MUNICIPAL SCHOOLS
 SCHEDULE OF PROPORTIONATE SHARE OF THE
 NET OTHER POST-EMPLOYMENT BENEFITS (OPEB)
 RETIREE HEALTH CARE AUTHORITY (RHCA)
 LAST 10 FISCAL YEARS*
 JUNE 30, 2019

Schedule III

Fiscal Year Ended June 30,	Measurement Date - Year Ended June 30,	District's Proportion of the Net OPEB Liability	District's Proportionate Share of the Net OPEB Liability	District's Covered- Employee Payroll	District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered- Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2019	2018	0.03142%	\$ 1,366,253	\$ 1,341,563	101.84%	13.14%
2018	2017	0.03072%	1,392,130	\$ 1,318,747	105.56%	11.34%

* Governmental Accounting Standards Board Statement No. 75 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the District is not available prior to fiscal year 2018, the year the statement's requirements became effective.

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

STATE OF NEW MEXICO
SPRINGER MUNICIPAL SCHOOLS
SCHEDULE OF OTHER POST-EMPLOYMENT BENEFITS (OPEB) CONTRIBUTIONS
RETIREE HEALTH CARE AUTHORITY (RHCA)
LAST 10 FISCAL YEARS*
JUNE 30, 2019

Schedule IV

Fiscal Year Ended June 30,	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	District's covered- employee payroll	Contributions as a percentage of covered-employee payroll
2019	25,873	\$ 25,873	\$ -	\$ 1,293,560	2.00%
2018	26,833	\$ 26,833	\$ -	\$ 1,341,563	2.00%

* Governmental Accounting Standards Board Statement No. 75 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the District is not available prior to fiscal year 2018, the year the statement's requirements became effective.

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

STATE OF NEW MEXICO
SPRINGER MUNICIPAL SCHOOLS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
EDUCATIONAL RETIREMENT BOARD (ERB) PLAN
JUNE 30, 2019

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

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

- 1) Fiscal year 2018 valuation assumptions that changed based on this study:
 - a. Minor changes to demographic assumptions
- 2) Assumptions that were not changed:
 - a. Investment return 7.25%
 - b. Inflation rate 2.50% for ERB and 2.25% for PERA
 - c. Population growth per year at 0.00%
 - d. Health care cost trend rate 8% graded down to 1.5% over 14 years for Non-Medicare medical plan costs and 7.5%

See also Note 12 *Other Post-Employment Benefits (OPEB) - State Retiree Health Care Act (RHCA)* in the financial statement note disclosure on the OPEB plan.

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SUPPLEMENTARY INFORMATION

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NONMAJOR GOVERNMENTAL FUNDS

STATE OF NEW MEXICO
SPRINGER MUNICIPAL SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019

Statement A-1

	<u>SPECIAL REVENUE</u>	<u>CAPITAL PROJECTS</u>	<u>DEBT SERVICE</u>	<u>TOTAL</u>
ASSETS				
<i>Current assets:</i>				
Cash and temporary investments	\$ 99,467	\$ 19,371	\$ 11,381	\$ 130,219
Accounts receivable				
Taxes	-	10,873	8,427	19,300
Due from other governments	19,245	5,601	-	24,846
Interfund receivables	-	-	-	-
Other	-	-	-	-
Inventory	978	-	-	978
	<u>119,690</u>	<u>35,845</u>	<u>19,808</u>	<u>175,343</u>
<i>Total assets</i>				
LIABILITIES				
<i>Current liabilities:</i>				
Accounts payable	-	-	-	-
Accrued payroll liabilities	71	-	-	71
Interfund payables	13,988	5,601	-	19,589
<i>Total liabilities</i>	<u>14,059</u>	<u>5,601</u>	<u>-</u>	<u>19,660</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues - property taxes	-	8,503	6,234	14,737
Unavailable revenues - other	-	-	-	-
<i>Total deferred inflows of resources</i>	<u>-</u>	<u>8,503</u>	<u>6,234</u>	<u>14,737</u>
FUND BALANCES				
Nonspendable	978	-	-	978
Restricted for:				
Grant mandates	6,849	-	-	6,849
Capital projects	-	21,741	-	21,741
Debt service	-	-	5,270	5,270
Assigned	98,118	-	8,304	106,422
Unassigned	(314)	-	-	(314)
<i>Total fund balances</i>	<u>105,631</u>	<u>21,741</u>	<u>13,574</u>	<u>140,946</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 119,690</u>	<u>\$ 35,845</u>	<u>\$ 19,808</u>	<u>\$ 175,343</u>

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

STATE OF NEW MEXICO
SPRINGER MUNICIPAL SCHOOLS
COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

STATEMENT A-2

	SPECIAL REVENUE	CAPITAL PROJECTS	DEBT SERVICE	TOTAL
<i>Revenues:</i>				
Property taxes	\$ -	\$ 82,492	\$ 74,994	\$ 157,486
State grants	45,573	5,601	-	51,174
Federal grants	151,954	-	-	151,954
Miscellaneous	117,987	-	-	117,987
Charges for services	18,616	-	-	18,616
Investment income	-	-	-	-
<i>Total revenues</i>	<u>334,130</u>	<u>88,093</u>	<u>74,994</u>	<u>497,217</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	76,795	-	-	76,795
Support services				
Students	19,422	-	-	19,422
Instruction	-	-	-	-
General administration	-	814	739	1,553
School administration	-	-	-	-
Central services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other support services	-	-	-	-
Food services operations	104,142	-	-	104,142
Community services	-	-	-	-
Capital outlay	132,000	121,368	-	253,368
Debt service				
Principal	-	-	68,500	68,500
Interest	-	-	1,596	1,596
<i>Total expenditures</i>	<u>332,359</u>	<u>122,182</u>	<u>70,835</u>	<u>525,376</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>1,771</u>	<u>(34,089)</u>	<u>4,159</u>	<u>(28,159)</u>
<i>Net changes in fund balances</i>	1,771	(34,089)	4,159	(28,159)
<i>Fund balances - beginning of year</i>	<u>103,860</u>	<u>55,830</u>	<u>9,415</u>	<u>169,105</u>
<i>Fund balances - end of year</i>	<u>\$ 105,631</u>	<u>\$ 21,741</u>	<u>\$ 13,574</u>	<u>\$ 140,946</u>

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

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SPECIAL REVENUE FUNDS

STATE OF NEW MEXICO
SPRINGER MUNICIPAL SCHOOLS
SPECIAL REVENUE FUNDS DESCRIPTIONS
JUNE 30, 2019

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. No minimum balance required according to legislation.

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. No minimum balance required according to legislation.

Fresh Fruits and Vegetables (24118) – To assist States, through cash grants, in providing free fresh fruits and vegetables to school children in designated participating schools beginning in school year 2004/2005. Authorized by National School Lunch Act, as amended, 42 U.S.C. 1769. No minimum balance required according to legislation.

IDEA-B Results Plan (24132) – This account is to support the individual school site’s Education Plan for Student Success, or areas in need of improvement as identified through an instructional audit. This is a pilot program for the New Mexico Real Results program required by US Dept. of Education of Special Education Programs. Authority for creation of this fund is the NMPEP. No minimum balance required according to legislation.

Teacher/Principal Training & 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. No minimum balance required according to legislation. No minimum balance required according to legislation.

Title XIX Medicaid 3/21 Years (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) No minimum balance required according to legislation.

Rural Education Achievement Program (REAP) (25233) – Part B of Title VI of the reauthorized ESEA contains Rural Education Achievement Program (REAP) initiatives that are designed to help rural districts that may lack the personnel and resources to compete effectively for Federal competitive grants and that often receive grant allocations in amounts that are too small to be effective in meeting their intended purposes. The fund was created by the authority of federal grant provisions. No minimum balance required according to legislation.

Golden Apple Foundation (26163) –To account for revenues and expenditure received from a private grant to provide for travel expenses for students to attend the National Museum. The fund was created by grant authority. No minimum balance required according to grant requirements.

Dual Credit Instructional Materials (27103) – To purchase college textbooks for students who dual enroll in college credited courses while still attending high school. No minimum balance required according to legislation.

Breakfast for Elementary Students (27155) – To account for funding provided by New Mexico Legislature through the New Mexico Public Education Department to provide breakfast for elementary students. No minimum balance required according to legislation.

NM Highways (Roads) (28120) – To provide local government road funds to the Public Entity for the plan design, construction management, construction reconstruction, pavement rehab, drainage improvements and miscellaneous construction to various parking lots and entity streets. The project is a joint and coordinated effort for which the Department and the Public Entity have authority or jurisdiction. Pursuant to NMSA 1978, Section 67-3-28 and 67-3-28.2 and the State Transportation Commission Policy No. 44-12.

STATE OF NEW MEXICO
SPRINGER MUNICIPAL SCHOOLS
SPECIAL REVENUE FUNDS DESCRIPTIONS
JUNE 30, 2019

Private Direct Grants (29102) – To account for local grants awarded to provide additional funding for specific projects. No minimum balance required according to legislation.

Solar Pilot (29134) – To account for revenue received to fund a solar pilot project. No minimum balance required according to legislation.

STATE OF NEW MEXICO
SPRINGER MUNICIPAL SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2019

Statement B-1

	Food Services 21000	Athletics 22000	Fresh Fruits & Vegetables 24118	IDEA-B Results Plan 24132
ASSETS				
<i>Current assets:</i>				
Cash and temporary investments	\$ -	\$ 8,272	\$ -	\$ -
Accounts receivable				
Taxes	-	-	-	-
Due from other governments	7,857	-	-	7,459
Interfund receivables	-	-	-	-
Other	-	-	-	-
Inventory	978	-	-	-
<i>Total assets</i>	<u>8,835</u>	<u>8,272</u>	<u>-</u>	<u>7,459</u>
LIABILITIES				
<i>Current liabilities:</i>				
Accounts payable	-	-	-	-
Accrued payroll liabilities	-	-	-	-
Interfund payables	2,357	-	-	7,459
Unearned revenue	-	-	-	-
<i>Total liabilities</i>	<u>2,357</u>	<u>-</u>	<u>-</u>	<u>7,459</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues - property taxes	-	-	-	-
<i>Total deferred inflows of resources</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable	978	-	-	-
Restricted for:				
Grant mandates	5,500	272	-	-
Capital projects	-	-	-	-
Debt service	-	-	-	-
Assigned	-	8,000	-	-
Unassigned	-	-	-	-
<i>Total fund balances</i>	<u>6,478</u>	<u>8,272</u>	<u>-</u>	<u>-</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 8,835</u>	<u>\$ 8,272</u>	<u>\$ -</u>	<u>\$ 7,459</u>

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

STATE OF NEW MEXICO
SPRINGER MUNICIPAL SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2019

Statement B-1

	Teacher/Principal Training & Recruiting 24154	Title XIX Medicaid 3/21 Years 25153	Rural Education Achievement Program 25233	Golden Apple Foundation 26163
ASSETS				
<i>Current assets:</i>				
Cash and temporary investments	\$ -	\$ -	\$ -	\$ 386
Accounts receivable				
Taxes	-	-	-	-
Due from other governments	1,180	2,749	-	-
Interfund receivables	-	-	-	-
Other	-	-	-	-
Inventory	-	-	-	-
<i>Total assets</i>	<u>1,180</u>	<u>2,749</u>	<u>-</u>	<u>386</u>
LIABILITIES				
<i>Current liabilities:</i>				
Accounts payable	-	-	-	-
Accrued payroll liabilities	-	71	-	-
Interfund payables	1,180	2,992	-	-
Unearned revenue	-	-	-	-
<i>Total liabilities</i>	<u>1,180</u>	<u>3,063</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues - property taxes	-	-	-	-
<i>Total deferred inflows of resources</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted for:				
Grant mandates	-	-	-	386
Capital projects	-	-	-	-
Debt service	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	(314)	-	-
<i>Total fund balances</i>	<u>-</u>	<u>(314)</u>	<u>-</u>	<u>386</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 1,180</u>	<u>\$ 2,749</u>	<u>\$ -</u>	<u>\$ 386</u>

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

STATE OF NEW MEXICO
SPRINGER MUNICIPAL SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2019

Statement B-1

	Dual Credit Instructional Materials 27103	Breakfast for Elementary Students 27155	NM Highway Dept 28120	Private Direct Grants 29102
ASSETS				
<i>Current assets:</i>				
Cash and temporary investments	\$ -	\$ -	\$ 40,686	\$ 247
Accounts receivable				
Taxes	-	-	-	-
Due from other governments	-	-	-	-
Interfund receivables	-	-	-	-
Other	-	-	-	-
Inventory	-	-	-	-
<i>Total assets</i>	<u>-</u>	<u>-</u>	<u>40,686</u>	<u>247</u>
LIABILITIES				
<i>Current liabilities:</i>				
Accounts payable	-	-	-	-
Accrued payroll liabilities	-	-	-	-
Interfund payables	-	-	-	-
Unearned revenue	-	-	-	-
<i>Total liabilities</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues - property taxes	-	-	-	-
<i>Total deferred inflows of resources</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted for:				
Grant mandates	-	-	-	247
Capital projects	-	-	-	-
Debt service	-	-	-	-
Assigned	-	-	40,686	-
Unassigned	-	-	-	-
<i>Total fund balances</i>	<u>-</u>	<u>-</u>	<u>40,686</u>	<u>247</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,686</u>	<u>\$ 247</u>

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

STATE OF NEW MEXICO
SPRINGER MUNICIPAL SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2019

Statement B-1

	Solar Pilot 29134		Total
ASSETS			
<i>Current assets:</i>			
Cash and temporary investments	\$ 49,876	\$	99,467
Accounts receivable	-		-
Taxes	-		-
Due from other governments	-		19,245
Interfund receivables	-		-
Other	-		-
Inventory	-		978
<i>Total assets</i>	<u>49,876</u>		<u>119,690</u>
LIABILITIES			
<i>Current liabilities:</i>			
Accounts payable	-		-
Accrued payroll liabilities	-		71
Interfund payables	-		13,988
Unearned revenue	-		-
<i>Total liabilities</i>	<u>-</u>		<u>14,059</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues - property taxes	-		-
<i>Total deferred inflows of resources</i>	<u>-</u>		<u>-</u>
FUND BALANCES			
Nonspendable	-		978
Restricted for:			
Grant mandates	444		6,849
Capital projects	-		-
Debt service	-		-
Assigned	49,432		98,118
Unassigned	-		(314)
<i>Total fund balances</i>	<u>49,876</u>		<u>105,631</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 49,876</u>	<u>\$</u>	<u>119,690</u>

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

STATE OF NEW MEXICO
SPRINGER MUNICIPAL SCHOOLS
COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

Statement B-2

	Food Services 21000	Athletics 22000	Fresh Fruits & Vegetables 24118	IDEA-B Results Plan 24132
<i>Revenues:</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	-	-	-	-
Federal grants	88,723	-	1,296	16,184
Miscellaneous	-	5,793	-	-
Charges for services	3,079	15,537	-	-
Investment income	-	-	-	-
<i>Total revenues</i>	<u>91,802</u>	<u>21,330</u>	<u>1,296</u>	<u>16,184</u>
<i>Expenditures:</i>				
Current:				
Instruction	-	22,515	-	16,184
Support services				
Students	-	-	-	-
Instruction	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Central services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other support services	-	-	-	-
Food services operations	98,738	-	1,296	-
Community services	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>98,738</u>	<u>22,515</u>	<u>1,296</u>	<u>16,184</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(6,936)</u>	<u>(1,185)</u>	<u>-</u>	<u>-</u>
<i>Net changes in fund balances</i>	(6,936)	(1,185)	-	-
<i>Fund balances - beginning of year</i>	<u>13,414</u>	<u>9,457</u>	<u>-</u>	<u>-</u>
<i>Fund balances - end of year</i>	<u>\$ 6,478</u>	<u>\$ 8,272</u>	<u>\$ -</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO
SPRINGER MUNICIPAL SCHOOLS
COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

Statement B-2

	Teacher/Principal Training & Recruiting 24154	Title XIX Medicaid 3/21 Years 25153	Rural Education Achievement Program 25233	Golden Apple Foundation 26163
<i>Revenues:</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	-	-	-	-
Federal grants	1,180	28,147	16,424	-
Miscellaneous	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
<i>Total revenues</i>	<u>1,180</u>	<u>28,147</u>	<u>16,424</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
Instruction	1,180	8,725	21,106	-
Support services				
Students	-	19,422	-	-
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>1,180</u>	<u>28,147</u>	<u>21,106</u>	<u>-</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>-</u>	<u>(4,682)</u>	<u>-</u>
<i>Net changes in fund balances</i>	-	-	(4,682)	-
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>(314)</u>	<u>4,682</u>	<u>386</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ (314)</u>	<u>\$ -</u>	<u>\$ 386</u>

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

STATE OF NEW MEXICO
SPRINGER MUNICIPAL SCHOOLS
COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

Statement B-2

	Dual Credit Instructional Materials 27103	Breakfast for Elementary Students 27155	NM Highway Dept 28120	Private Direct Grants 29102
<i>Revenues:</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	779	4,108	40,686	-
Federal grants	-	-	-	-
Miscellaneous	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
<i>Total revenues</i>	<u>779</u>	<u>4,108</u>	<u>40,686</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
Instruction	779	-	-	-
Support services				
Students	-	-	-	-
Instruction	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Central services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other support services	-	-	-	-
Food services operations	-	4,108	-	-
Community services	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>779</u>	<u>4,108</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>-</u>	<u>40,686</u>	<u>-</u>
<i>Net changes in fund balances</i>	-	-	40,686	-
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>247</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,686</u>	<u>\$ 247</u>

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

STATE OF NEW MEXICO
SPRINGER MUNICIPAL SCHOOLS
COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Solar Pilot 29134	Total
<i>Revenues:</i>	<hr/>	<hr/>
Property taxes	\$ -	\$ -
State grants	-	45,573
Federal grants	-	151,954
Miscellaneous	112,194	117,987
Charges for services	-	18,616
Investment income	-	-
<i>Total revenues</i>	<hr/> <u>112,194</u>	<hr/> <u>334,130</u>
 <i>Expenditures:</i>		
Current:		
Instruction	6,306	76,795
Support services		
Students	-	19,422
Instruction	-	-
General administration	-	-
School administration	-	-
Central services	-	-
Operation & maintenance of plant	-	-
Student transportation	-	-
Other support services	-	-
Food services operations	-	104,142
Community services	-	-
Capital outlay	132,000	132,000
Debt service		
Principal	-	-
Interest	-	-
<i>Total expenditures</i>	<hr/> <u>138,306</u>	<hr/> <u>332,359</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<hr/> <u>(26,112)</u>	<hr/> <u>1,771</u>
 <i>Net changes in fund balances</i>	 (26,112)	 1,771
 <i>Fund balances - beginning of year</i>	 <hr/> <u>75,988</u>	 <hr/> <u>103,860</u>
 <i>Fund balances - end of year</i>	 <hr/> <u>\$ 49,876</u>	 <hr/> <u>\$ 105,631</u>

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

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CAPITAL PROJECTS FUNDS

STATE OF NEW MEXICO
SPRINGER MUNICIPAL SCHOOLS
CAPITAL PROJECTS FUNDS DESCRIPTIONS
JUNE 30, 2019

The 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 (State Match) (31700) – 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. (22-25-1 to 22-25-10 NMSA 1978).

Capital Improvements SB-9 (Local) – (31701) – 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 a special tax levy as authorized by the Public School District Capital Improvements Act. (22-25-1 to 22-25-10 NMSA 1978).

STATE OF NEW MEXICO
SPRINGER MUNICIPAL SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2018

Statement C-1

	<u>Capital Improvements SB-9 (State) 31700</u>	<u>Capital Improvements SB-9 (Local) 31701</u>	<u>Total</u>
ASSETS			
<i>Current assets:</i>			
Cash and temporary investments	\$ -	\$ 19,371	\$ 19,371
Accounts receivable			
Taxes	-	10,873	10,873
Due from other governments	5,601	-	5,601
Interfund receivables	-	-	-
Other	-	-	-
Inventory	-	-	-
	<u>5,601</u>	<u>30,244</u>	<u>35,845</u>
<i>Total assets</i>			
LIABILITIES			
<i>Current liabilities:</i>			
Accounts payable	-	-	-
Accrued payroll liabilities	-	-	-
Interfund payables	5,601	-	5,601
<i>Total liabilities</i>	<u>5,601</u>	<u>-</u>	<u>5,601</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues - property taxes	-	8,503	8,503
<i>Total deferred inflows of resources</i>	<u>-</u>	<u>8,503</u>	<u>8,503</u>
FUND BALANCES			
Nonspendable	-	-	-
Restricted for:			
Grant mandates	-	-	-
Capital projects	-	21,741	21,741
Debt service	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
<i>Total fund balances</i>	<u>-</u>	<u>21,741</u>	<u>21,741</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 5,601</u>	<u>\$ 30,244</u>	<u>\$ 35,845</u>

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

STATE OF NEW MEXICO
SPRINGER MUNICIPAL SCHOOLS
COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECT FUNDS
FOR THE YEAR ENDING JUNE 30, 2019

Statement C-2

	Capital Improvements SB-9 (State) 31700	Capital Improvements SB-9 (Local) 31701	Total
<i>Revenues:</i>			
Property taxes	\$ -	\$ 82,492	\$ 82,492
State grants	5,601	-	5,601
Federal grants	-	-	-
Miscellaneous	-	-	-
Charges for services	-	-	-
Investment income	-	-	-
<i>Total revenues</i>	<u>5,601</u>	<u>82,492</u>	<u>88,093</u>
<i>Expenditures:</i>			
<i>Current:</i>			
Instruction	-	-	-
Support services	-	-	-
Students	-	-	-
Instruction	-	-	-
General administration	-	814	814
School administration	-	-	-
Central services	-	-	-
Operation & maintenance of plant	-	-	-
Student transportation	-	-	-
Other support services	-	-	-
Food services operations	-	-	-
Community services	-	-	-
Capital outlay	5,601	115,767	121,368
Debt service	-	-	-
Principal	-	-	-
Interest	-	-	-
<i>Total expenditures</i>	<u>5,601</u>	<u>116,581</u>	<u>122,182</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>(34,089)</u>	<u>(34,089)</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>	-	(34,089)	(34,089)
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>55,830</u>	<u>55,830</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ 21,741</u>	<u>\$ 21,741</u>

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

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DEBT SERVICE FUNDS

STATE OF NEW MEXICO
SPRINGER MUNICIPAL SCHOOLS
DEBT SERVICE FUNDS DESCRIPTIONS
JUNE 30, 2019

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

Education Technology Debt Service Fund (43000) – The fund is to account for the debt repayments of the debt incurred through the Education Technology Equipment Act (Capital Projects Fund) (Section 6-15A-1 to 6-15A-16 NMSA 1978). No minimum balance required according to legislation.

STATE OF NEW MEXICO
SPRINGER MUNICIPAL SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
JUNE 30, 2019

Statement D-1

	Education Technology Debt Service 43000
ASSETS	
<i>Current assets:</i>	
Cash and temporary investments	\$ 11,381
Accounts receivable	
Taxes	8,427
Due from other governments	-
Interfund receivables	-
Other	-
Inventory	-
	-
<i>Total assets</i>	19,808
LIABILITIES	
<i>Current Liabilities:</i>	
Accounts payable	-
Accrued payroll liabilities	-
Interfund payables	-
Unearned revenue	-
<i>Total liabilities</i>	-
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenues - property taxes	6,234
<i>Total deferred inflows of resources</i>	6,234
FUND BALANCES	
Nonspendable	-
Restricted for:	
Grant mandates	-
Capital projects	-
Debt service	5,270
Assigned	8,304
Unassigned	-
<i>Total fund balances</i>	13,574
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	\$ 19,808

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

STATE OF NEW MEXICO
SPRINGER MUNICIPAL SCHOOLS
COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

Statement D-2

	Education Technology Debt Service 43000
	43000
<i>Revenues:</i>	
Property taxes	\$ 74,994
State grants	-
Federal grants	-
Miscellaneous	-
Charges for services	-
Investment income	-
<i>Total revenues</i>	74,994
 <i>Expenditures:</i>	
Current:	
Instruction	-
Support services	
Students	-
Instruction	-
General administration	739
School administration	-
Central services	-
Operation & maintenance of plant	-
Student transportation	-
Other support services	-
Food services operations	-
Community services	-
Capital outlay	-
Debt service	
Principal	68,500
Interest	1,596
<i>Total expenditures</i>	70,835
<i>Excess (deficiency) of revenues over (under) expenditures</i>	4,159
 <i>Net changes in fund balances</i>	4,159
 <i>Fund balances - beginning of year</i>	9,415
 <i>Fund balances - end of year</i>	\$ 13,574

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

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OTHER SUPPLEMENTAL INFORMATION

STATE OF NEW MEXICO
SPRINGER MUNICIPAL SCHOOLS
AGENCY FUNDS
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
FOR THE YEAR ENDING JUNE 30, 2019

Schedule V

Description	Balance June 30, 2018	Additions	Deletions	Adjustments	Balance June 30, 2019
<i>Assets:</i>					
Sim Brown Scholarship	\$ 12,113	\$ 200	\$ 7,000	\$ -	\$ 5,313
SEECC Scholarship	1,014	-	-	-	1,014
Ortiz Scholarship	300	700	1,000	-	-
Jay Reece Scholarship	-	500	-	-	500
AC Arellano Scholarship	14,552	9	500	-	14,061
High School Library	32	-	-	-	32
Education Association Scholarship	1,627	-	250	-	1,377
Investment	207,769	6,340	427	-	213,682
Red Devil Booster Club	3,303	1,160	1,699	-	2,764
Class of 2019	3,696	15,871	19,567	-	-
Elementary Library	2,218	2,058	2,650	-	1,626
District 5A Administrator	2,706	6,699	9,405	-	-
Elementary Activity	776	757	373	-	1,160
Silk Screening	1,127	4,702	5,829	-	-
Class of 2021	70	285	10	-	345
Class of 2018	-	130	-	-	130
Elijah	(50)	50	-	-	-
Class of 2017	186	-	63	-	123
High School Activity	473	1,812	1,556	-	729
Yearbook	891	583	980	-	494
Class of 2020	1,390	5,080	1,158	-	5,312
Class of 2022	(36)	1,136	228	-	872
High School Honor Society	259	6,611	3,494	-	3,376
FFA	4,074	12,452	9,966	-	6,560
Sports Academy	492	-	492	-	-
Cowbelle Tournament	3,990	9,066	5,356	-	7,700
Class of 2023	-	832	10	-	822
Parent Advisory Committee	3,245	3,180	4,592	-	1,833
HS Science Department	-	100	-	-	100
Central Office	122	90	-	-	212
High School Mesa	140	-	-	-	140
Junior High Mesa	660	-	-	-	660
AR Program	320	-	320	-	-
<i>Total Assets</i>	<u>\$ 267,459</u>	<u>\$ 80,403</u>	<u>\$ 76,925</u>	<u>\$ -</u>	<u>\$ 270,937</u>
<i>Liabilities:</i>					
Accounts Payable	\$ 480.00	\$ -	\$ 480	\$ -	\$ -
Deposits held for Others	266,979	80,403	76,445	-	270,937
<i>Total Liabilities</i>	<u>\$ 267,459</u>	<u>\$ 80,403</u>	<u>\$ 76,925</u>	<u>\$ -</u>	<u>\$ 270,937</u>

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

STATE OF NEW MEXICO
SPRINGER MUNICIPAL SCHOOLS
SCHEDULE OF PLEDGED COLLATERAL
FOR THE YEAR ENDED JUNE 30, 2019

Schedule VI

<u>Name of Depository</u>	<u>Description of Pledged Collateral</u>	<u>Maturity Date</u>	<u>CUSIP Number</u>	<u>Fair Market Value June 30, 2019</u>
International Bank				
	FNMA Pool	10/1/2047	3140H2AP3	\$ 272,596
Total Wells Fargo Bank				<u>\$ 272,596</u>

The securities are held, not in the District's name, at:
 FLMAC Solutions, LLC
 Denver Technology Center
 Greenwood Village, Co 80111

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

STATE OF NEW MEXICO
SPRINGER MUNICIPAL SCHOOLS
SCHEDULE OF CASH AND TEMPORARY INVESTMENT ACCOUNTS
JUNE 30, 2019

Schedule VII

Bank Name/Account Type	Account Type	Bank Balance	Deposits in Transit	Outstanding Checks	Other Adjustments	Book Balance
International Bank						
Operational Account	Checking	\$ 447,968	\$ -	\$ (123,296)	\$ 32,233	\$ 356,905
Bank Name/Account Type	Account Type	Bank Balance	Deposits in Transit	Outstanding Checks	Other Adjustments	Book Balance
New Mexico Finance Authority						
HU	Trust	\$ 87,785	\$ -	\$ -	\$ -	\$ 87,785
Bank Name/Account Type	Account Type	Bank Balance	Deposits in Transit	Outstanding Checks	Other Adjustments	Book Balance
Wells Fargo Bank						
Certificate of Deposit	CD	\$ 14,302	\$ -	\$ -	\$ -	\$ 14,302
Bank Name/Account Type	Account Type	Bank Balance	Deposits in Transit	Outstanding Checks	Other Adjustments	Book Balance
State Investment Council						
Investment	Investment	\$ 213,682	\$ -	\$ -	\$ -	\$ 213,682
Total		<u>\$ 763,737</u>	<u>\$ -</u>	<u>\$ (123,296)</u>	<u>\$ 32,233</u>	<u>\$ 672,674</u>
Cash per financial statements						
Cash and cash equivalents - Government Activities Exhibit A-1						\$ 401,737
Fiduciary funds - Exhibit D-1						270,937
						<u>\$ 672,674</u>

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

STATE OF NEW MEXICO
SPRINGER MUNICIPAL SCHOOLS
SCHEDULE OF CASH RECONCILIATIONS
JUNE 30, 2019

Schedule VIII

Primary Government

	Operational 11000	Transportation 13000	Instructional Materials 14000	Food Services 21000	Athletics 22000
Cash, June 30, 2018	\$ 344,949	\$ 3,850	\$ 473	\$ 12,679	\$ 10,731
Add:					
Current year revenues	2,041,694	116,228	4,537	74,921	21,330
Permanent cash transfers	-	-	-	-	-
Prior period adjustment	-	-	-	-	-
Loans from other funds	-	-	-	2,357	-
Total cash available	2,386,643	120,078	5,010	89,957	32,061
Less:					
Current year expenditures	(2,166,784)	(117,746)	(1,782)	(89,957)	(23,789)
Permanent cash transfers	-	-	-	-	-
Prior period adjustment	-	-	-	-	-
Loans to other funds	(63,551)	-	-	-	-
Cash, June 30, 2019	<u>\$ 156,308</u>	<u>\$ 2,332</u>	<u>\$ 3,228</u>	<u>\$ -</u>	<u>\$ 8,272</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
SPRINGER MUNICIPAL SCHOOLS
SCHEDULE OF CASH RECONCILIATIONS
JUNE 30, 2019

Schedule VIII

Primary Government

	Federal Flowthrough 24000	Federal Direct 25000	Local Grants 26000	State Flowthrough 27000	Local / State 29000
Cash, June 30, 2018	\$ (50,074)	\$ (3,101)	\$ 386	\$ (16,219)	\$ 76,235
Add:					
Current year revenues	148,542	49,979	-	22,877	112,194
Permanent cash transfers	-	-	-	-	-
Prior period adjustment	-	-	-	-	-
Loans from other funds	52,601	2,992	-	-	-
Total cash available	151,069	49,870	386	6,658	188,429
Less:					
Current year expenditures	(151,069)	(49,870)	-	(6,658)	(138,306)
Permanent cash transfers	-	-	-	-	-
Prior period adjustment	-	-	-	-	-
Loans to other funds	-	-	-	-	-
Cash, June 30, 2019	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 386</u>	<u>\$ -</u>	<u>\$ 50,123</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
SPRINGER MUNICIPAL SCHOOLS
SCHEDULE OF CASH RECONCILIATIONS
JUNE 30, 2019

Schedule VIII

Primary Government	Capital Improvements SB-9 (Local) 31701	Educational Tech Equip 31900	Debt Service 41000	Education Technology Debt Service 43000	Total
Cash, June 30, 2018	\$ 54,609	\$ 120,499	\$ 29,073	\$ 8,304	\$ 592,394
Add:					
Current year revenues	81,343	2,475	193,392	73,912	2,984,110
Permanent cash transfers	-	-	-	-	-
Prior period adjustment	-	-	-	-	-
Loans from other funds	-	-	-	-	63,551
Total cash available	135,952	122,974	222,465	82,216	3,640,055
Less:					
Current year expenditures	(116,581)	(46,345)	(189,444)	(70,835)	(3,174,767)
Permanent cash transfers	-	-	-	-	-
Prior period adjustment	-	-	-	-	-
Loans to other funds	-	-	-	-	(63,551)
Cash, June 30, 2019	<u>\$ 19,371</u>	<u>\$ 76,629</u>	<u>\$ 33,021</u>	<u>\$ 11,381</u>	<u>\$ 401,737</u>

The accompanying notes are an integral part of these financial statements

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COMPLIANCE SECTION



Manning Accounting and Consulting Services, LLC

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 Colón
New Mexico State Auditor
The Office of Management and Budget
And the Board of Education of
Springer Municipal Schools
Springer, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, the budgetary comparisons of the General Fund and major special revenue funds of the Springer Municipal Schools (the "District"), 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 and have issued our report thereon dated October 22, 2019.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist, that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness. (FS 2018-003)

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies. (FS 2016-004 and FS 2018-004)

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items, NM 2018-001, NM 2018-006, NM 2019-001, and NM 2019-002.

Response to Findings

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

Purpose of this Report

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

Manning Accounting and Consulting Services, LLC

Manning Accounting and Consulting Services, LLC

Kirtland, New Mexico

October 22, 2019

STATE OF NEW MEXICO
SPRINGER MUNICIPAL SCHOOLS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019

Schedule IX

Section I – Summary of Audit Results

Financial Statements:

- | | |
|--|------------|
| 1. Type of auditor's report issued | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weakness identified? | Yes |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes |
| c. Noncompliance material to the financial statements identified? | No |

STATE OF NEW MEXICO
SPRINGER MUNICIPAL SCHOOLS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019

Section II – Financial Statement Findings

FS 2016-004 – Purchase Orders and Payment Authorization (Significant Deficiencies) Repeated and Revised

Criteria: Per the New Mexico Manual of Procedures for Public School Accounting and Budgeting, Supplement 13 – Purchasing, “the preparation and execution of a duly authorized purchase order must precede the placement of any order for goods, services, or construction....For each individual purchase contract, a receiving document or other recording instrument (i.e., electronic) shall be present at the delivery site to record the delivery of items or service. Upon verifying and recording the receipt of all the items or services ordered, the receiving document or recording instrument shall be manually or electronically signed by authorized receiving personnel and processed for payment according to procedures established by school district or charter school boards’ of education local procedures.”

13-1-157 NMSA 1978 Receipt; inspection; acceptance or rejection of deliveries.

The using agency is responsible for inspecting and accepting or rejecting deliveries. **The using agency shall determine whether the quantity is as specified in the purchase order or contract and whether the quality conforms to the specifications referred to or included in the purchase order or contract.** If inspection reveals that the delivery does not conform to the quantity or quality specified in the purchase order or contract, the using agency shall immediately notify the central purchasing office. The central purchasing office shall notify the vendor that the delivery has been rejected and shall order the vendor to promptly make a satisfactory replacement or supplementary delivery. In case the vendor fails to comply, the central purchasing office shall have no obligation to pay for the nonconforming items of tangible personal property. If the delivery does conform to the quantity and quality specified in the purchase order or contract, the using agency shall certify to the central purchasing office that delivery has been completed and is satisfactory.

13-1-158 NMSA 1978 Payments for purchases:

“No warrant, check or other negotiable instrument shall be issued in payment for any purchase of services, construction or items of tangible personal property unless the central purchasing office or the using **agency certifies that the services, construction or items of tangible personal property have been received** and meet specifications or unless prepayment is permitted under [Section 13-1-98 NMSA 1978](#) by exclusion of the purchase from the Procurement Code [[13-1-28 NMSA 1978](#)].”

Additionally, the District has instituted more stringent purchasing guidelines for purchases greater than \$10,000 than the statute requires. The District requires three written quotes for purchases greater than \$10,000 and sealed bids for purchases greater than \$20,000.

Condition: During our review of individually significant disbursements we noted the following instances in which proper procedures were not followed:

- In 10 of 42 items tested there was no receiving documentation to verify goods and or services were received. The value of these purchases was between \$6,812.10 and \$15,700.68.

In the prior year’s audit, there were 16 instances in which there was no receiving documentation.

During our review of activity disbursements, we noted the following instances in which proper procedures were not followed.

- In 8 of 20 items tested there was no receiving documentation to verify good and or services were received. The value of these purchases was between \$42.11 and \$1,800.00.

In the prior year’s audit, there were 8 instances in which there was no receiving documentation.

STATE OF NEW MEXICO
SPRINGER MUNICIPAL SCHOOLS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019

Schedule IX

Section II – Financial Statement Findings (Continued)

FS 2016-004 – Purchase Orders and Payment Authorization (Significant Deficiencies) Repeated and Revised

During our review of credit card compliance, we noted the following instances in which proper procedures were not followed.

- In 2 of 4 credit card statements reviewed there were 3 receipts missing for purchases and no lost receipt voucher was filled out.
 - A charge for \$39.25 had no receipt
 - A charge for \$36.90 had no receipt
 - A charge for \$102.82 had no receipt

In the prior year's audit, we noted no instances of missing receipts for credit card fuel purchases.

Overall, the District has not made an improvement with regards to receiving signatures on source documents during the year and made a slight decline in missing receipts on credit card charges.

Cause: District personnel have not followed state guidelines or internal procedures in the purchase and receipt of goods and or services. Policy clearly states that the District must ensure that there is a receiving document to verify goods and services are received and that all purchases have a receipt for verification.

Effect: Internal control over expenditures and the ability of responsible parties to appropriately monitor budgets for which they bear responsibility may be compromised. Not being in compliance with these requirements places the District and the Board at risk for fraud or misuse of public funds

Auditor's Recommendation: We recommend that all personnel be reminded of, or trained in, District and state policy that a purchase order must be approved prior to the receipt of goods, that purchases greater than \$10,000 need three quotes, that all goods and services should be signed for indicating when items were received by whom and that the goods and services match the information in the purchase order, and that all purchases should have a valid receipt.

Responsible official's view:

- Specific corrective action plan for finding:

The accounts receivable office will begin verifying services provided by individuals and stamping the invoices that the services have actually been completed.

- Timeline for completion of corrective action plan:

This process has already begun and will be compliant by end of FY20.

- Employee position(s) responsible for meeting the timeline:

The accounts receivable office is responsible for this task.

STATE OF NEW MEXICO
SPRINGER MUNICIPAL SCHOOLS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019

Section II – Financial Statement Findings (Continued)

FS 2018-003 – Improper Cash Controls (Material Weakness) Repeated and Revised

***Criteria:* [6.20.2.14 NMAC 1978](#) CASH CONTROL STANDARDS:**

A. School districts shall establish and maintain a cash management program to safeguard cash and provide prompt and accurate reporting that adheres to cash management requirements of the office of management and budget (OMB) Circular A-102, and applicable state and federal laws and regulations.

F. The school district shall establish a cash control ledger for each fund/subfund. Inter-fund transfers of cash among separate and distinct funds are not receipts or expenditures. Permanent transfers of previously received cash require local board and SIDE approval prior to the transfer. All other types of cash transfers require only local board approval.

(1) Temporary transfers of cash are to be posted as "due from" and "due to" to indicate inter-fund receivables and payables.

(2) Posting errors are not to be erased, crossed out, or in any other manner eliminated from the ledger. A separate entry is required to incorporate necessary corrections. Cross-referencing of a correcting entry to the original error should be inserted under the "description" column of the ledger.

J. The school district shall maintain a cash control ledger for each fund/subfund where all transactions affecting cash are recorded. Cash balances reported to the department shall be the same as the district's cash control ledger and annual audit.

K. All bank accounts shall be reconciled on a monthly basis. Reconciled bank statements are to be reviewed by the business manager and/or assistant superintendent for business administration. The bank statement, deposit slips, and canceled checks shall be made available to the district's auditor during the annual audit.

Additionally, 6-5-2C NMSA 1978, "state agencies shall implement accounting controls designed to prevent accounting errors and violations of state and federal law and rules related to financial matters."

Condition: The District did not properly reconcile all of its cash accounts in its general ledger. The District attempted to put all cash accounts, including trust accounts held by the New Mexico Finance Authority (NMFA), on its books during the year. However, they were originally added incorrectly without their own object codes for cash. As such, cash accounts were out of balance by \$22,111 at year-end.

The District did not make an improvement in maintaining all cash accounts reconciled without variances during the year. The ending variance was larger in the current year than in the prior year.

Cause: In prior years, the District did not track, on its books of record, cash accounts held at the New Mexico Finance Authority, the New Mexico State Investment Council, and a certificate of deposit at Wells Fargo Bank. The District received a finding for this in last year's audit and tried to comply with the recommendation of the auditors. However, the separate accounts were not added with their own object codes to the financial software system which makes it impossible to properly reconcile each separate account, especially when funds were moved between accounts. The District had been recording reimbursements from NMFA to revenue accounts.

Additionally, with the way the reimbursement works from the NMFA, the District was also trying to do journal entries to move the reimbursement cash between cash accounts which were not always done correctly because checks are not written by the District from the NMFA account.

Effect: The cash balances between the accounts, particularly the Operational account and the NMFA account, have become misstated by \$22,111.

STATE OF NEW MEXICO
SPRINGER MUNICIPAL SCHOOLS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019

Schedule IX

Section II – Financial Statement Findings (Continued)

FS 2018-003 – Improper Cash Controls (Material Weakness) Repeated and Revised

Auditor’s Recommendation: We recommended that the District establish separate object codes for each of the various cash accounts in the Visions software. The District has already established the various object codes to track these cash accounts separately. We have also recommended that the District adjust the inflated cash account in the Operational account down to actual. The District has also agreed to do this. Finally, we recommend that the District verify each month that their cash balances walk and are reconciled without variances.

Responsible Official’s View:

- Specific corrective action plan for finding:

The auditor has provided the recommended Journal Entry to correct this problem.

- Timeline for completion of corrective action plan:

This will be completed when the audit is accepted by OSA.

- Employee position(s) responsible for meeting the timeline:

The Business Manager is responsible for this task.

Section II – Financial Statement Findings (Continued)

FS 2018-004 – Internal Control over Leave Tracking (Significant Deficiency) Repeated and Revised

Criteria: Per the Board of Education’s Policy Manual, management is responsible for tracking accrued leave and accrued time taken for all employees.

Condition: During our review of compensate absences we noted that the direct deposit stubs do not match the compensated absences report.

- For 1 of the 5 employees reviewed had variances in their beginning and ending balances when comparing the direct deposit stub to the visions report. The variance was 40 hours.

The District has made a significant improvement in this area as in the prior year five of five employees had variances in their beginning and ending balances for leave. Also, in the prior year all five employees had ending balances in excess of District policy and four of five employees were accruing more leave than District policy allows. These issues were corrected during the current year as no employees had leave balances in excess of the District policy, and no employees were accruing more leave than allowed by District policy.

Cause: Adequate controls and procedures were not in place to ensure proper tracking over accrued time taken and accrued leave.

Effect: The District was not in compliance with the Board of Education’s Policy Manual.

Auditor’s Recommendation: Establish and implement internal control procedures to ensure proper tracking over accrued time taken and accrued leave.

Responsible Official’s View:

- Specific corrective action plan for finding:

The business office with work with the financial system administrators to remedy why the amounts do not tie to both reports that are generated from the same information.

- Timeline for completion of corrective action plan:

This will be completed by end of FY20

- Employee position(s) responsible for meeting the timeline:

The payroll clerk is responsible for this action.

STATE OF NEW MEXICO
SPRINGER MUNICIPAL SCHOOLS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019

Schedule IX

Section III – Section 12-6-5 NMSA 1978 Findings (Continued)

NM 2018-001 – Improper Reimbursement of Travel Expense (Other Non-compliance) Repeated and Revised

Criteria: 2.42.2.9 NMAC 1978: REIMBURSEMENT OF ACTUAL EXPENSES IN LIEU OF PER DIEM RATES:

A. **Applicability:** Upon written request of a public officer or an employee, agency heads may grant written approval for a public officer or employee of that agency or local public body to be reimbursed actual expenses in lieu of the per diem rate where overnight travel is required.

B. **Overnight travel:** For overnight travel for state officers and employees where overnight lodging is required, the public officer or employee will be reimbursed as follows:

(1) **Actual reimbursement for lodging:** A public officer or an employee may elect to be reimbursed actual expenses for lodging not exceeding the single occupancy room charge (including tax) in lieu of the per diem rate set forth in this Section. Whenever possible, public officers and employees should stay in hotels which offer government rates. Agencies, public officers or employees who incur lodging expenses in excess of \$215.00 per night must obtain the signature of the agency head or chairperson of the governing board on the travel voucher prior to requesting reimbursement and on the encumbering document at the time of encumbering the expenditure.

(2) **Actual reimbursement for meals: Actual expenses for meals are limited by Section 10-8-4(K)(2) NMSA 1978 (1995 Repl. Pamp.) to a maximum of \$30.00 for in-state travel and \$45.00 for out-of-state travel for a 24-hour period.**

(3) **Receipts required:** The public officer or employee must submit receipts for the actual meal and lodging expenses incurred. Under circumstances where the loss of receipts would create a hardship, an affidavit from the officer or employee attesting to the expenses may be substituted for actual receipts. The affidavit must accompany the travel voucher and include the signature of the agency head or governing board. See Appendix B for a sample affidavit.

C. **Return from overnight travel: On the last day of travel when overnight lodging is no longer required, partial day reimbursement shall be made. To calculate the number of hours in the partial day, begin with the time the traveler initially departed on the travel. Divide the total number of hours traveled by 24. The hours remaining constitute the partial day which shall be reimbursed as follows:**

- (1) for less than 2 hours, none;
- (2) for 2 hours but less than 6 hours, \$12.00;
- (3) for 6 hours or more, but less than 12 hours, \$20.00;
- (4) for 12 hours or more, \$30.00;
- (5) no reimbursement for actual expenses will be granted in lieu of partial day per diem rates.

Condition: During our review of travel and per diem compliance testing we noted the following instances in which proper procedures were not followed:

- In 1 of 10 items reviewed an employee was not paid \$12 for their final day per-diem
- In 1 of 10 items reviewed an employee was paid in excess of the \$30 maximum meal expense

In the prior year's audit, there were 4 instances in which there was no signature from the supervising official authorizing payment, 1 instance where there was not departure and return time listed, and 4 instances in which employees were paid actuals on the final day of an overnight stay instead of the per-diem rate.

The District has made improvements in travel and per diem procedures during the year as all travel tested has a supervisor's signature and departure and return times and the number of incorrect reimbursements were cut in half.

Cause: The District did not properly calculate the reimbursement rate for travel expenses.

STATE OF NEW MEXICO
SPRINGER MUNICIPAL SCHOOLS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019

Schedule IX

Section III – Section 12-6-5 NMSA 1978 Findings (Continued)

NM 2018-001 – Improper Reimbursement of Travel Expense (Other Non-compliance) (Continued)
Repeated and Revised

Effect: The District paid employees incorrect amounts for their travel reimbursements. Employees were not reimbursed at the District and State mandated rates.

Auditor's Recommendation: We recommend that management ensure that they are reimbursing employees properly for qualified expenses and ensure that policies are consistent for all employees.

Responsible Official's View:

- Specific corrective action plan for finding:

More precise attention will be put forward when reconciling reimbursements in the future.

- Timeline for completion of corrective action plan:

This will be completed by end of FY20.

- Employee position(s) responsible for meeting the timeline:

The business manager is responsible for reconciling the reimbursement amounts.

STATE OF NEW MEXICO
SPRINGER MUNICIPAL SCHOOLS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019

Schedule IX

Section III – Section 12-6-5 NMSA 1978 Findings (Continued)

NM 2018-004 – Timeliness of Deposits (Other Non-compliance) Repeated and Revised

Criteria: 6.20.2.14 NMAC 1978 CASH CONTROL STANDARDS:

A. School districts shall establish and maintain a cash management program to safeguard cash and provide prompt and accurate reporting that adheres to cash management requirements of the office of management and budget (OMB) Circular A-102, and applicable state and federal laws and regulations.

B. The school district shall issue a factory pre-numbered receipt for all money received. Pre-numbered receipts are to be controlled and secured. If a receipt is voided, all copies shall be marked "VOID" and retained in the receipt book.

C. **Money received and receipted shall be deposited in the bank within twenty-four (24) hours or one banking day.** If the distance to the bank is considerable, or the cash collection is limited to small amounts and/or low volume and it is impractical to meet the twenty-four hour/one banking day requirement, the local board may request approval from the department for an alternative plan. The bank deposit slip shall have the numbers from applicable receipts entered on it or attached as a reference.

K. All bank accounts shall be reconciled on a monthly basis. Reconciled bank statements are to be reviewed by the business manager and/or assistant superintendent for business administration. The bank statement, deposit slips, and canceled checks shall be made available to the district's auditor during the annual audit.

Condition: During our review of activity receipts we identified the following instances in which proper procedures were not followed:

- In 1 of 9 items tested money received was not deposited within 24 hours.
 - \$150 was received on 9/12/18 and was deposited on 9/19/18

The District has not made improvement in activity receipt deposits made within the allotted 24-hour window. However, they one had one exception in each of the two year's tested, so neither year had a significant issue.

Cause: The District did not deposit the funds received within 24 hours after receipt. Proper procedures relating to cash receipts were not followed.

Effect: Non-adherence to state statutes places the District in noncompliance and lack of timeliness of deposits could subject the District to a possible occurrence of fraud.

Auditors' Recommendations: We recommend that the District emphasize the importance of timely deposits of receipts. The District should cross-train employees so that more than one individual is able to make deposits to ensure timely deposits are possible.

Responsible Official's Plan:

- For this specific deposit the business office was out attending a conference.

A waiver will be requested for small deposits to be extended beyond the current 24-hour requirement.

- Timeline for completion of corrective action plan:

The waiver will be requested by the time the audit it accepted by OSA.

- Employee position(s) responsible for meeting the timeline:

The Business Manager and Assistant Business Manger are responsible for completing this.

STATE OF NEW MEXICO
 SPRINGER MUNICIPAL SCHOOLS
 SCHEDULE OF FINDINGS AND RESPONSES
 FOR THE YEAR ENDED JUNE 30, 2019

Section III – Financial Statement Findings (Continued)

NM 2018-006 – Budgetary Controls and Cash Appropriations (Other Non-compliance) Repeated and Revised

Criteria: 2.2.2.10 NMAC 1978 GENERAL CRITERIA:

Q. Budgetary presentation:

(2) The differences between the budgetary basis and GAAP basis revenues and expenditures shall be reconciled. If the required budgetary comparison information is included in the basic financial statements, the reconciliation shall be included on the statement itself or in the notes to the financial statements. If the required budgetary comparison is presented as RSI, the reconciliation to GAAP basis shall appear in either a separate schedule or in the notes to the RSI (AAG-SLV 11.14). **The notes to the financial statements shall disclose the legal level of budgetary control for the entity and any excess of expenditures over appropriations at the legal level of budgetary control. The legal level of budgetary control for local governments is at the fund level. The legal level of budgetary control for school districts is at the function level.**

R. Appropriations:

(1) Budget related findings:

(a) If actual expenditures exceed budgeted expenditures at the legal level of budgetary control, that fact shall be reported in a finding and disclosed in the notes to the financial statements.

(b) If budgeted expenditures exceed budgeted revenues (after prior-year cash balance and any applicable federal receivables used to balance the budget), that fact shall be reported in a finding. This type of finding shall be confirmed with the agency’s budget oversight entity (if applicable).

All District funds, with the exception of agency funds, are to be budgeted by the local governing body and submitted to the Public Education Department for approval. Cash balances re-budgeted to make up for deficit budgeted revenues that do not cover the budgeted expenditures cannot exceed the actual cash balance available at the end of the prior year.

Additionally, 22-8-11 NMSA 1978 BUDGETS; APPROVAL OF OPERATING BUDGET:

B. No School district or state-chartered school or officer or employee of a school district or state-chartered school shall make any expenditure or incur any obligation for the expenditure of public funds unless that expenditure or obligation is made in accordance with an operating budget approved by the department. This prohibition does not prohibit the transfer of funds pursuant to the department’s rules and procedures.

Condition: The District re-budgeted “cash balance” in excess of available cash balances in the following funds:

Non-major Funds:		Original	Actual	
		Cash Budget	Cash	Difference
26163	Golden Apple Foundation	\$ 1,391	\$ 386	\$ (1,005)
29134	Solar Pilot	87,241	75,988	(11,253)
	Total	<u>\$ 88,632</u>	<u>\$ 76,374</u>	<u>\$ (12,258)</u>

STATE OF NEW MEXICO
 SPRINGER MUNICIPAL SCHOOLS
 SCHEDULE OF FINDINGS AND RESPONSES
 FOR THE YEAR ENDED JUNE 30, 2019

Section III – Financial Statement Findings (Continued)

NM 2018-006 – Budgetary Controls and Cash Appropriations (Other Non-compliance) (Continued)
Repeated and Revised

The District had expenditures in excess of budget in the following funds:

Fund #	Fund and Function	Amount
Major Funds:		
41000	Debt Service - General Administration	\$ 25
Non-major Funds:		
43000	Education Technology - General Administration	<u>27</u>
	Total	<u>\$ 52</u>

The District has made improvement in with regards to expenditures in excess of budgets as in the prior year the District had five instances of functions having expenditures in excess of budget with only two in the current year and both of those were due to the District receiving more property tax revenue than the Public Education Department expected them to receive which caused them to exceed the budget allowed for the 1% county fee. The District had a slight decline in cash appropriations budget compliance as two funds had excess cash budgeted in the current year and only one fund in the prior year.

Effect: The District has budgeted a cash balance that does not exist. If the District expends all budgeted expenditures it will overdraw its existing funds. The District has also expended funds in excess of its budget authority

Cause: Modifying the cash balance of the funds and improper internal controls regarding expenditures was missed by District personnel.

Auditor’s Recommendation: Budget for future years should be reviewed to ensure all funds have adequate budget authority for budgeted expenditures. Greater attention should be given to the budget monitoring process end-of-the-year cash balance estimates. Adjustments should be made to cash balances after actual amounts are determined.

Responsible Official’s Plan:

- Specific corrective action plan for finding:

When completing BAR’s upon completion of the audit more effort will be made to work along with the PED to ensure that the correct amounts are budgeted.

- Timeline for completion of corrective action plan:

This will be completed upon the OSA acceptance of the audit.

- Employee position(s) responsible for meeting the timeline:

The business manager is responsible for this.

STATE OF NEW MEXICO
SPRINGER MUNICIPAL SCHOOLS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019

Section III – Financial Statement Findings (Continued)

NM 2019-001 – Improper Approval of Budget Adjustment (Other Non-compliance)

Criteria: [6.20.2.10 NMAC 1978](#) BUDGET MAINTENANCE STANDARDS:

A. Budget adjustment requests shall be submitted on the most current form prescribed by the department. The school district shall maintain a log of all budget adjustment requests to account for status, numerical sequence, and timely approval at each level. The log is to be retained for audit purposes.

B. School districts shall submit budget adjustment requests for the operating budget to the department for budget increases, budget decreases, transfers between functional categories, and transfers from the emergency reserve account. The department must take action on budget adjustment requests within 30 calendar days from the date of receipt by the department or such requests will otherwise be considered approved. Expenditures shall not be made by the school district until budget authority has been established and approval received from the department. **Budget adjustments shall not be incorporated into the school district's accounting system until approval is received by the department.**

Condition: During our testing of budget adjustment requests, we discovered 1 instance in which the District entered the budget adjustment into their accounting program prior to approval from the School Board.

Cause: The District recorded the adjustment on 2/11/19 but the Board did not approve.

Effect: The budget adjustment has not been properly authorized according to statute.

Auditor's Recommendation: We recommend that the District ensure that all budget adjustments are not recorded in the ledger until after approval from the Board and PED has been completed. We also recommend that the District verify all needed budget adjustments are on the Board agenda and presented for approval.

- Specific corrective action plan for finding:

While compiling minutes for this specific meeting the secretary failed to list all BAR's that were approved by the school board. More attention will be set when minutes are being compiled in the future.

- Timeline for completion of corrective action plan:

This action has already been remedied.

- Employee position(s) responsible for meeting the timeline:

The business manager is responsible for completing this.

STATE OF NEW MEXICO
SPRINGER MUNICIPAL SCHOOLS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019

Section III – Financial Statement Findings (Continued)

NM 2019-002 – Improper Withholding of Employee Contributions (Other Non-compliance)

Criteria: 22-29-10 NMSA 1978: Group Insurance Contributions:

A. Group insurance contributions for school districts, charter schools and participating entities in the authority shall be made as follows:

(1) at least seventy-five percent of the cost of the insurance of an employee whose annual salary is less than fifteen thousand dollars (\$15,000);

(2) at least seventy percent of the cost of the insurance of an employee whose annual salary is fifteen thousand dollars (\$15,000) or more but less than twenty thousand dollars (\$20,000);

(3) at least sixty-five percent of the cost of the insurance of an employee whose annual salary is twenty thousand dollars (\$20,000) or more but less than twenty-five thousand dollars (\$25,000); or

(4) at least sixty percent of the cost of the insurance of an employee whose annual salary is twenty-five thousand dollars (\$25,000) or more.

B. Within available revenue, school districts, charter schools and participating entities in the authority may contribute up to eighty percent of the cost of the insurance of all employees.

Condition: During our review of personnel files we discovered two employees whose withholdings were less than the amount prescribed by statute. One of the employee's contract was greater than \$25,000 and should have had deductions at 40%/60%. The District was making deductions for an employee making between \$20,000 and \$24,999. In the second instance the employee was making between \$15,000 and \$19,999 but was having deductions for less than \$15,000.

Cause: The District has not followed state guidelines in regards to employee contribution limits.

Effect: The District's improper calculation of employee withholdings has resulted in two employees having less withheld from their paycheck than statute requires.

Auditor's Recommendation: We recommend that the District review personnel files to ensure that employee contributions are being calculated and withheld properly.

Responsible Official's Plan:

- Specific corrective action plan for finding:

The payroll clerk will develop a spreadsheet and work with the financial system software support to remedy why the amounts are not matching on both documents.

- Timeline for completion of corrective action plan:

The leave tracking will be remedied by end of FY20.

- Employee position(s) responsible for meeting the timeline:

The Payroll Clerk is responsible for meeting this timeline.

STATE OF NEW MEXICO
SPRINGER MUNICIPAL SCHOOLS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019

Schedule IX

Section IV – Prior Year Audit Findings

Financial Section Findings

FS 2016-004 – Purchase Orders and Payment Authorization – Repeated and Revise
FS 2018-001 – Failure to Follow Proper Internal Controls Related to Payroll – Resolved
FS 2018-002 – Improper Recording of Journal Entries – Resolved
FS 2018-003 – Improper Cash Controls – Repeated and Revised
FS 2018-004 – Internal Control over Leave Tracking – Repeated and Revised

Section 12-6-5 NMSA 1978 Findings

NM 2018-001 – Improper Reimbursement of Travel Expense – Repeated and Revised
NM 2018-002 – Failure to Follow Bid-RFP Procedures – Resolved
NM 2018-003 – Improper Maintenance of Credit Card Receipts and Purchase of High-Grade Fuel – Resolved
NM 2018-004 – Timeliness of Deposits – Repeated and Revised
NM 2019-005 – Improper Management of Student Activity Funds – Resolved
NM 2018-006 – Budgetary Controls and Cash Appropriations – Repeated and Revised

STATE OF NEW MEXICO
SPRINGER MUNICIPAL SCHOOLS
OTHER DISCLOSURES
FOR THE YEAR ENDED JUNE 30, 2019

Auditor Prepared Financials

Manning Accounting and Consulting Services, 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 October 22, 2019. The following individuals were in attendance.

Springer Municipal Schools

Robert Tafoya, Board President
Joe A. Apodaca, Board Member
Rebecca Rigoni, Business Manager
Lenore Montoya, Asst. Business Manager

Manning Accounting and Consulting Services, LLC

Byron Manning, CPA, Managing Partner
Chris Manning, Staff