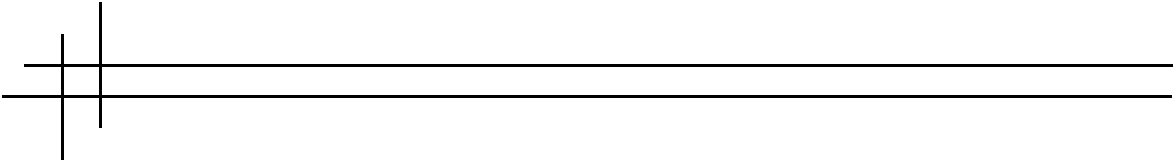


State of New Mexico
Tatum Municipal Schools

Annual Financial Report
June 30, 2019

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



State of New Mexico
Tatum Municipal Schools
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 For the Year Ended June 30, 2019

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Tatum Municipal Schools
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State of New Mexico
Tatum Municipal Schools
Official Roster
June 30, 2019

Board of Education

Travis Glenn	President
Rusty Henard	Vice-President
Dan Partin	Secretary
Jonathan Peppin	Member
Daniel Palacios	Member

School Officials

Buddy Little	Superintendent
Leslie Pearce	Director of Business & Finance

De'Aun Willoughby CPA, PC

Certified Public Accountant

225 Innsdale Terrace Clovis, NM 88101

(855) 253-4313

Independent Auditor's Report

Mr. Brian S. Colón
State Auditor of the State of New Mexico
Board Members of the Tatum Municipal Schools

Mr. Colón and Members of the Board

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of Tatum Municipal Schools (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 misstatements, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2019, and the respective changes in financial position and the respective budgetary comparisons for the general fund and 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

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

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

Other Information

Our audit was conducted for the purpose of forming opinions on the District's financial statements that collectively comprise the District's basic financial statements. The other schedules presented as other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 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.

De'Aun Willoughby, CPA, PC

Clovis, New Mexico
October 17, 2019

Financial Section

State of New Mexico
Tatum Municipal Schools
Government-Wide Statement of Net Position
June 30, 2019

	Governmental Activities
Assets	
Current Assets	
Cash and Cash Equivalents	\$ 1,157,478
Property Taxes Receivable	61,819
Due from Grantor	178,344
Inventory	1,044
Total Current Assets	<u>1,398,685</u>
Noncurrent Assets	
Capital Assets	20,103,947
Less Accumulated Depreciation	(13,733,470)
Total Noncurrent Assets	<u>6,370,477</u>
Total Assets	<u>7,769,162</u>
Deferred Outflows of Resources	
Deferred Outflows Related to Pensions	
Actuarial Experience	7,465
Changes of Assumptions	2,108,133
Investment Experience	22,644
Changes in Proportion	18,703
Contributions Subsequent to Measurement Date	353,725
Deferred Outflows Related to Other Post-Employment Benefits	
Contributions Subsequent to Measurement Date	50,896
Total Deferred Outflows of Resources	<u>2,561,566</u>
Liabilities	
Current Liabilities	
Accounts Payable	20,913
Accrued Compensated Absences	9,698
Accrued Interest	12,875
Current Portion of Long-Term Debt	425,000
Total Current Liabilities	<u>468,486</u>
Noncurrent Liabilities	
Compensated Absences	52,115
Bonds, Net of Premiums	2,212,667
Pension Liability	10,228,923
Other Post-Employment Benefits Liability	2,448,124
Total Noncurrent Liabilities	<u>14,941,829</u>
Total Liabilities	<u>15,410,315</u>
Deferred Inflows of Resources	
Deferred Inflows Related to Pensions	
Actuarial Experience	194,673
Changes in Proportion	375,333
Deferred Inflows Related to Other Post-Employment Benefits	
Actuarial Experience	144,945
Investment Experience	30,552
Changes of Assumptions	457,054
Changes in Proportion	179,030
Total Deferred Inflows of Resources	<u>1,381,587</u>
Net Position	
Net Investment in Capital Assets	3,732,810
Restricted for:	
Capital Projects	252,920
Debt Service	644,447
Unrestricted	(11,091,351)
Total Net Position	<u>\$ (6,461,174)</u>

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

State of New Mexico
Tatum Municipal Schools
Government-Wide Statement of Activities
For the Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities					
Instruction	\$ 3,834,637	\$ 26,593	\$ 240,332	\$ 0	\$ (3,567,712)
Support Services					
Students	197,038	0	17,746	0	(179,292)
Instruction	147,178	0	0	0	(147,178)
General Administration	246,228	0	0	0	(246,228)
School Administration	425,595	0	5,129	0	(420,466)
Central Services	280,321	0	0	0	(280,321)
Operation of Plant	861,764	7,150	0	0	(854,614)
Student Transportation	319,979	0	280,255	0	(39,724)
Food Services Operations	200,657	34,902	94,570	0	(71,185)
Community Service	8,301	0	0	0	(8,301)
Interest on Long-Term Obligations & Other Charges	37,500	0	0	0	(37,500)
Total Governmental Activities	\$ 6,559,198	\$ 68,645	\$ 638,032	\$ 0	(5,852,521)
General Revenues					
Taxes					
Property Taxes, Levied for General Purposes					55,619
Property Taxes, Levied for Capital Projects					243,986
Property Taxes, Levied for Debt Service					545,274
Federal and State aid not restricted to specific purpose					
General					3,709,125
Capital					136,781
Miscellaneous					108,822
Subtotal, General Revenues					4,799,607
Change in Net Position					(1,052,914)
Net Position - Beginning					(5,408,260)
Net Position - Ending					\$ (6,461,174)

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

State of New Mexico
Tatum Municipal Schools
Governmental Funds
Balance Sheet
June 30, 2019

	General		
	Operational 11000	Teacherage 12000	Transportation 13000
Assets			
Cash and Cash Equivalents	\$ 191,612	\$ 4,966	\$ 1
Receivables			
Taxes Receivable	4,080	0	0
Due From Grantor	0	0	0
Interfund Balances	161,601	0	0
Inventory	0	0	0
Total Assets	\$ 357,293	\$ 4,966	\$ 1
Liabilities			
Accounts Payable	\$ 17,039	\$ 0	\$ 3,874
Accrued Compensated Absences	9,698	0	0
Interfund Balance	0	0	0
Total Liabilities	26,737	0	3,874
Deferred Inflows of Resources			
Unavailable Revenue	3,758	0	0
Total Deferred Inflows of Resources	3,758	0	0
Fund Balances			
Nonspendable-Inventory	0	0	0
Restricted for Special Revenue	0	0	0
Restricted for Capital Projects	0	0	0
Restricted for Debt Service	0	0	0
Unassigned	326,798	4,966	(3,873)
Total Fund Balances	326,798	4,966	(3,873)
Total Liabilities, Deferred Inflows and Fund Balances	\$ 357,293	\$ 4,966	\$ 1

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

State of New Mexico
Tatum Municipal Schools
 Governmental Funds
 Balance Sheet
 June 30, 2019

	General		Special Revenue	
	Instructional Materials 14000		Title I 24101	IDEA B Entitlement 24106
Assets				
Cash and Cash Equivalents	\$ 10,097	\$	0	\$ 0
Receivables				
Taxes Receivable	0		0	0
Due From Grantor	0		78,859	57,928
Interfund Balances	0		0	0
Inventory	0		0	0
Total Assets	\$ 10,097	\$	78,859	\$ 57,928
Liabilities				
Accounts Payable	\$ 0	\$	0	\$ 0
Accrued Compensated Absences	0		0	0
Interfund Balance	0		78,859	57,928
Total Liabilities	0		78,859	57,928
Deferred Inflows of Resources				
Unavailable Revenue	0		0	0
Total Deferred Inflows of Resources	0		0	0
Fund Balances				
Nonspendable-Inventory	0		0	0
Restricted for Special Revenue	0		0	0
Restricted for Capital Projects	0		0	0
Restricted for Debt Service	0		0	0
Unassigned	10,097		0	0
Total Fund Balances	10,097		0	0
Total Liabilities, Deferred Inflows and Fund Balances	\$ 10,097	\$	78,859	\$ 57,928

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

State of New Mexico
Tatum Municipal Schools
Governmental Funds
Balance Sheet
June 30, 2019

	Debt Service 41000	Other Governmental Funds	Total Governmental Funds
Assets			
Cash and Cash Equivalents	\$ 640,080	\$ 310,722	\$ 1,157,478
Receivables			
Taxes Receivable	40,652	17,087	61,819
Due From Grantor	0	41,557	178,344
Interfund Balances	0	0	161,601
Inventory	0	1,044	1,044
Total Assets	<u>\$ 680,732</u>	<u>\$ 370,410</u>	<u>\$ 1,560,286</u>
Liabilities			
Accounts Payable	\$ 0	\$ 0	\$ 20,913
Accrued Compensated Absences	0	0	9,698
Interfund Balance	0	24,814	161,601
Total Liabilities	<u>0</u>	<u>24,814</u>	<u>192,212</u>
Deferred Inflows of Resources			
Unavailable Revenue	36,285	15,323	55,366
Total Deferred Inflows of Resources	<u>36,285</u>	<u>15,323</u>	<u>55,366</u>
Fund Balances			
Nonspendable-Inventory	0	1,044	1,044
Restricted for Special Revenue	0	76,309	76,309
Restricted for Capital Projects	0	252,920	252,920
Restricted for Debt Service	644,447	0	644,447
Unassigned	0	0	337,988
Total Fund Balances	<u>644,447</u>	<u>330,273</u>	<u>1,312,708</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 680,732</u>	<u>\$ 370,410</u>	<u>\$ 1,560,286</u>

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

State of New Mexico
Tatum Municipal Schools
 Reconciliation of the Governmental Funds
 Balance Sheet to the Statement of Net Position
 June 30, 2019

Total Fund Balance - Governmental Funds \$ 1,312,708

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

Property taxes receivable will be collected after the period of availability, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds. 55,366

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

Capital Assets	\$ 20,103,947	
Accumulated Depreciation	<u>(13,733,470)</u>	6,370,477

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

Deferred Outflows Related to Pensions	2,510,670	
Deferred Outflows of Resources Related to OPEB	50,896	
Deferred Inflows Related to Pensions	(570,006)	
Deferred Inflows of Resources Related to OPEB	<u>(811,581)</u>	1,179,979

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

Accrued Interest	(12,875)	
Compensated Absences	(52,115)	
Bonds payable	(2,575,000)	
Net Premiums on Bond Issue	(62,667)	
Pension Liability	(10,228,923)	
Other Post-Employment Benefits Liability	<u>(2,448,124)</u>	<u>(15,379,704)</u>

Total Net Position - Governmental Activities \$ (6,461,174)

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

State of New Mexico
Tatum Municipal Schools
 Governmental Funds
 Statement of Revenues, Expenditures and Changes
 in Fund Balance
 For the Year Ended June 30, 2019

	General		
	Operational 11000	Teacherage 12000	Transportation 13000
Revenues			
Property Taxes	\$ 43,095	\$ 0	\$ 0
Fees	0	7,150	0
State & Local Grants	3,709,125	0	280,255
Federal Grants	0	0	0
Miscellaneous	101,779	0	0
Total Revenues	<u>3,853,999</u>	<u>7,150</u>	<u>280,255</u>
Expenditures			
Current			
Instruction	2,310,422	0	0
Support Services			
Students	159,658	0	0
Instruction	114,253	0	0
General Administration	188,732	0	0
School Administration	314,814	0	0
Central Services	224,956	0	0
Operation of Plant	540,214	13,062	0
Student Transportation	0	0	281,598
Food Services Operations	45,987	0	0
Community Services	6,532	0	0
Capital Outlay	0	0	0
Debt Service			
Principal	0	0	0
Interest	0	0	0
Total Expenditures	<u>3,905,568</u>	<u>13,062</u>	<u>281,598</u>
Excess (Deficiency) of Revenues Over Expenditures	(51,569)	(5,912)	(1,343)
Fund Balances at Beginning of Year	<u>378,367</u>	<u>10,878</u>	<u>(2,530)</u>
Fund Balances End of Year	<u>\$ 326,798</u>	<u>\$ 4,966</u>	<u>\$ (3,873)</u>

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

State of New Mexico
Tatum Municipal Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes
in Fund Balance
For the Year Ended June 30, 2019

	Special Revenue		
	General	Title I	IDEA B
	Instructional Materials 14000	24101	Entitlement 24106
Revenues			
Property Taxes	\$ 0	\$ 0	\$ 0
Fees	0	0	0
State & Local Grants	10,429	0	0
Federal Grants	0	84,755	88,103
Miscellaneous	0	0	0
Total Revenues	<u>10,429</u>	<u>84,755</u>	<u>88,103</u>
Expenditures			
Current			
Instruction	9,771	84,755	70,657
Support Services			
Students	0	0	17,446
Instruction	0	0	0
General Administration	0	0	0
School Administration	0	0	0
Central Services	0	0	0
Operation of Plant	0	0	0
Student Transportation	0	0	0
Food Services Operations	0	0	0
Community Services	0	0	0
Capital Outlay	0	0	0
Debt Service			
Principal	0	0	0
Interest	0	0	0
Total Expenditures	<u>9,771</u>	<u>84,755</u>	<u>88,103</u>
Excess (Deficiency) of Revenues Over Expenditures	658	0	0
Fund Balances at Beginning of Year	<u>9,439</u>	<u>0</u>	<u>0</u>
Fund Balances End of Year	<u>\$ 10,097</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

State of New Mexico
Tatum Municipal Schools
 Governmental Funds
 Statement of Revenues, Expenditures and Changes
 in Fund Balance
 For the Year Ended June 30, 2019

	Debt Service 41000	Other Governmental Funds	Total Governmental Funds
Revenues			
Property Taxes	\$ 516,237	\$ 241,109	\$ 800,441
Fees	0	61,495	68,645
State & Local Grants	0	140,774	4,140,583
Federal Grants	0	170,497	343,355
Miscellaneous	2,460	4,583	108,822
Total Revenues	<u>518,697</u>	<u>618,458</u>	<u>5,461,846</u>
Expenditures			
Current			
Instruction	0	101,740	2,577,345
Support Services			
Students	0	0	177,104
Instruction	0	300	114,553
General Administration	2,818	1,246	192,796
School Administration	0	5,129	319,943
Central Services	0	0	224,956
Operation of Plant	0	224,352	777,628
Student Transportation	0	0	281,598
Food Services Operations	0	126,242	172,229
Community Services	0	0	6,532
Capital Outlay	0	146,593	146,593
Debt Service			
Principal	400,000	0	400,000
Interest	55,500	0	55,500
Total Expenditures	<u>458,318</u>	<u>605,602</u>	<u>5,446,777</u>
Excess (Deficiency) of Revenues Over Expenditures	60,379	12,856	15,069
Fund Balances at Beginning of Year	<u>584,068</u>	<u>317,417</u>	<u>1,297,639</u>
Fund Balances End of Year	<u>\$ 644,447</u>	<u>\$ 330,273</u>	<u>\$ 1,312,708</u>

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

State of New Mexico
Tatum Municipal Schools
 Reconciliation of the Governmental Funds
 Statement of Revenues, Expenditures and Changes in Fund Balance
 To the Statement of Activities
 June 30, 2019

Excess (Deficiency) of Revenues Over Expenditures \$ 15,069

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

Some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered "available" revenues in the governmental funds, and are instead reported as unavailable revenues. They are however, recorded as revenues in the Statement of Activities.

Property Taxes Receivable, June 30, 2018	\$ (10,928)	
Property Taxes Receivable, June 30, 2019	<u>55,366</u>	44,438

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

Depreciation expense	(505,152)	
Capital Outlays	<u>146,593</u>	(358,559)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

Principal paid for bonds		400,000
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Bond issue costs and premium on the bond issue are amortized in the Statement of Activities but are recorded as an expenditure and revenue respectfully in the year of issue on the Statement of Revenues, Expenditures and Changes in Fund Balances. The bond issue costs and premiums are amortized over the life of the bonds.

Amortization of Premiums this year		16,000
------------------------------------	--	--------

Interest is accrued through year end but the Balance Sheet included interest payable within thirty day of year end.

Accrued Interest, June 30, 2018	14,875	
Accrued Interest, June 30, 2019	<u>(12,875)</u>	2,000

Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences, June 30, 2018	59,768	
Compensated Absences, June 30, 2019	<u>(52,116)</u>	<u>7,652</u>

State of New Mexico

Tatum Municipal Schools

Reconciliation of the Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balance

To the Statement of Activities

June 30, 2019

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

Pension Contributions	353,725	
Other Post-Employment Benefits Contributions	50,896	
Pension Expense	(1,625,319)	
Other Post-Employment Benefits Expenses	<u>41,184</u>	<u>(1,179,514)</u>

Changes in Net Position of Governmental Activities \$ (1,052,914)

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

State of New Mexico
Tatum Municipal Schools
 General Fund-Operational-11000
 Statement of Revenues, Expenditures, and Changes in Cash Balance -
 Budget and Actual (Budgetary Basis)
 For the Year Ended June 30, 2019

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Property Taxes	\$ 45,347	\$ 45,347	\$ 43,954	\$ (1,393)
State & Local Grants	3,604,077	3,706,604	3,709,125	2,521
Miscellaneous	77,100	77,100	101,779	24,679
Total Revenues	<u>3,726,524</u>	<u>3,829,051</u>	<u>3,854,858</u>	<u>25,807</u>
Expenditures				
Instruction				
Personnel Services	1,635,382	1,650,382	1,578,623	71,759
Employee Benefits	579,514	589,333	532,983	56,350
Professional & Tech Services	22,385	18,735	9,552	9,183
Purchased Property Services	4,848	4,848	4,827	21
Other Purchased Services	17,384	38,559	36,544	2,015
Supplies	51,003	66,603	50,831	15,772
Supply Assets	95,000	99,286	89,030	10,256
Total Instruction	<u>2,405,516</u>	<u>2,467,746</u>	<u>2,302,390</u>	<u>165,356</u>
Support Services				
Students				
Personnel Services	47,904	47,904	47,904	0
Employee Benefits	12,010	12,010	12,003	7
Professional & Tech Services	82,900	101,925	99,296	2,629
Other Purchased Services	0	1,000	455	545
Total Students	<u>142,814</u>	<u>162,839</u>	<u>159,658</u>	<u>3,181</u>
Instruction				
Personnel Services	77,372	80,572	80,538	34
Employee Benefits	28,719	29,909	29,576	333
Professional & Tech Services	183	2,083	1,847	236
Supplies	1,885	4,535	4,506	29
Total Instruction	<u>108,159</u>	<u>117,099</u>	<u>116,467</u>	<u>632</u>
General Administration				
Personnel Services	121,591	118,291	118,254	37
Employee Benefits	40,062	38,817	37,117	1,700
Professional & Tech Services	18,456	27,726	23,907	3,819
Other Purchased Services	3,150	4,550	2,858	1,692
Supplies	1,750	2,050	1,086	964
Supply Assets	0	5,000	4,979	21
Total General Administration	<u>\$ 185,009</u>	<u>\$ 196,434</u>	<u>\$ 188,201</u>	<u>\$ 8,233</u>

State of New Mexico
Tatum Municipal Schools
 General Fund-Operational-11000
 Statement of Revenues, Expenditures, and Changes in Cash Balance -
 Budget and Actual (Budgetary Basis)
 For the Year Ended June 30, 2019

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
School Administration				
Personnel Services	\$ 222,670	\$ 230,044	\$ 230,037	\$ 7
Employee Benefits	75,503	75,054	74,084	970
Professional & Tech Services	500	500	0	500
Other Purchased Services	1,400	880	657	223
Supplies	2,000	6,050	1,381	4,669
Supply Assets	0	11,635	8,655	2,980
Total School Administration	<u>302,073</u>	<u>324,163</u>	<u>314,814</u>	<u>9,349</u>
Central Services				
Personnel Services	123,608	123,608	123,608	0
Employee Benefits	61,331	50,577	50,215	362
Professional & Tech Services	9,980	9,684	7,195	2,489
Purchased Property Services	12,000	17,800	17,755	45
Other Purchased Services	3,260	10,810	7,949	2,861
Supplies	14,000	13,020	12,433	587
Supply Assets	0	5,900	5,855	45
Total Central Services	<u>224,179</u>	<u>231,399</u>	<u>225,010</u>	<u>6,389</u>
Operation of Plant				
Personnel Services	174,237	187,087	165,911	21,176
Employee Benefits	63,484	67,234	48,898	18,336
Purchased Property Services	145,800	160,300	132,544	27,756
Other Purchased Services	97,187	135,690	135,569	121
Supplies	38,810	52,520	48,175	4,345
Supply Assets	30,000	2,548	711	1,837
Total Operation of Plant	<u>549,518</u>	<u>605,379</u>	<u>531,808</u>	<u>73,571</u>
Other				
Other	4,760	4,760	0	4,760
Total Other	<u>4,760</u>	<u>4,760</u>	<u>0</u>	<u>4,760</u>
Total Support Services	<u>1,516,512</u>	<u>1,642,073</u>	<u>1,535,958</u>	<u>106,115</u>
Food Service				
Professional & Tech Services	800	800	0	800
Other Purchased Services	1,000	2,077	0	2,077
Supplies	65,000	65,000	45,987	19,013
Total Food Service	<u>\$ 66,800</u>	<u>\$ 67,877</u>	<u>\$ 45,987</u>	<u>\$ 21,890</u>

State of New Mexico
Tatum Municipal Schools
 General Fund-Operational-11000
 Statement of Revenues, Expenditures, and Changes in Cash Balance -
 Budget and Actual (Budgetary Basis)
 For the Year Ended June 30, 2019

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Community Service				
Personnel Services	\$ 12,000	\$ 12,000	\$ 5,620	\$ 6,380
Employee Benefits	2,856	2,856	912	1,944
Supply Assets	25,721	25,721	0	25,721
Total Community Service	<u>40,577</u>	<u>40,577</u>	<u>6,532</u>	<u>34,045</u>
Total Expenditures	<u>4,029,405</u>	<u>4,218,273</u>	<u>3,890,867</u>	<u>327,406</u>
Excess (Deficiency) of Revenues Over Expenditures	(302,881)	(389,222)	(36,009)	353,213
Cash Balance Beginning of Year	<u>389,222</u>	<u>389,222</u>	<u>389,222</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 86,341</u>	<u>\$ 0</u>	<u>\$ 353,213</u>	<u>\$ 353,213</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (36,009)	
Net Change in Taxes Receivable			2,228	
Net Change in Accounts Payables			(5,752)	
Net Change in Accrued Compensated Absences			(8,948)	
Net Change in Unavailable Revenue			(3,088)	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (51,569)</u>	

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

State of New Mexico
Tatum Municipal Schools
 General Fund-Teacherage-12000
 Statement of Revenues, Expenditures, and Changes in Cash Balance -
 Budget and Actual (Budgetary Basis)
 For the Year Ended June 30, 2019

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Fees	\$ 8,200	\$ 8,200	\$ 7,150	\$ (1,050)
Total Revenues	<u>8,200</u>	<u>8,200</u>	<u>7,150</u>	<u>(1,050)</u>
Expenditures				
Operation of Plant				
Personnel Services	8,000	8,000	7,556	444
Employee Benefits	2,683	2,883	2,702	181
Purchased Property Services	0	1,400	1,240	160
Other Purchased Services	2,860	2,860	2,860	0
Supplies	300	400	237	163
Supply Assets	6,492	4,792	340	4,452
Total Operation of Plant	<u>20,335</u>	<u>20,335</u>	<u>14,935</u>	<u>5,400</u>
Total Expenditures	<u>20,335</u>	<u>20,335</u>	<u>14,935</u>	<u>5,400</u>
Excess (Deficiency) of Revenues Over Expenditures	(12,135)	(12,135)	(7,785)	4,350
Cash Balance Beginning of Year	<u>12,751</u>	<u>12,751</u>	<u>12,751</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 616</u>	<u>\$ 616</u>	<u>\$ 4,966</u>	<u>\$ 4,350</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (7,785)	
Net change in Accounts Payables			<u>1,873</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (5,912)</u>	

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

State of New Mexico
Tatum Municipal Schools
 General Fund-Transportation-13000
 Statement of Revenues, Expenditures, and Changes in Cash Balance -
 Budget and Actual (Budgetary Basis)
 For the Year Ended June 30, 2019

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
State Grant	\$ 280,255	\$ 280,255	\$ 280,255	\$ 0
Total Revenues	<u>280,255</u>	<u>280,255</u>	<u>280,255</u>	<u>0</u>
Expenditures				
Student Transportation				
Personnel Services	89,518	100,655	100,655	0
Employee Benefits	60,459	76,537	76,537	0
Professional & Tech Services	1,500	462	462	0
Purchased Property Services	56,400	34,393	34,393	0
Other Purchased Services	30,350	29,512	29,512	0
Supplies	40,925	38,070	38,070	0
Supply Assets	1,103	626	626	0
Total Student Transportation	<u>280,255</u>	<u>280,255</u>	<u>280,255</u>	<u>0</u>
Total Expenditures	<u>280,255</u>	<u>280,255</u>	<u>280,255</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	0	0
Cash Balance Beginning of Year	<u>1</u>	<u>1</u>	<u>1</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ 0</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 0	
Net change in Accounts Payables			(3,874)	
Net Change in Accrued Compensated Absences			2,531	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (1,343)</u>	

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

State of New Mexico
Tatum Municipal Schools
 General Fund-Instructional Materials-14000
 Statement of Revenues, Expenditures, and Changes in Cash Balance -
 Budget and Actual (Budgetary Basis)
 For the Year Ended June 30, 2019

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
State Grant	\$ 10,429	\$ 11,873	\$ 10,429	\$ (1,444)
Total Revenues	<u>10,429</u>	<u>11,873</u>	<u>10,429</u>	<u>(1,444)</u>
Expenditures				
Instruction				
Supplies	<u>23,010</u>	<u>24,454</u>	<u>9,771</u>	<u>14,683</u>
Total Instruction	<u>23,010</u>	<u>24,454</u>	<u>9,771</u>	<u>14,683</u>
Total Expenditures	<u>23,010</u>	<u>24,454</u>	<u>9,771</u>	<u>14,683</u>
Excess (Deficiency) of Revenues Over Expenditures	(12,581)	(12,581)	658	13,239
Cash Balance Beginning of Year	<u>9,439</u>	<u>9,439</u>	<u>9,439</u>	<u>0</u>
Cash Balance End of Year	\$ <u><u>(3,142)</u></u>	\$ <u><u>(3,142)</u></u>	\$ <u><u>10,097</u></u>	\$ <u><u>13,239</u></u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ <u>658</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			\$ <u><u>658</u></u>	

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

State of New Mexico
Tatum Municipal Schools
Special Revenue Fund-Title I-24101
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Federal Grants	\$ 91,212	\$ 117,385	\$ 32,159	\$ (85,226)
Total Revenues	<u>91,212</u>	<u>117,385</u>	<u>32,159</u>	<u>(85,226)</u>
Expenditures				
Instruction				
Personnel Services	46,497	52,817	52,554	263
Employee Benefits	18,452	26,032	24,423	1,609
Supplies	0	3,428	2,750	678
Supply Assets	0	8,845	5,028	3,817
Total Instruction	<u>64,949</u>	<u>91,122</u>	<u>84,755</u>	<u>6,367</u>
Total Expenditures	<u>64,949</u>	<u>91,122</u>	<u>84,755</u>	<u>6,367</u>
Excess (Deficiency) of Revenues Over Expenditures	26,263	26,263	(52,596)	(78,859)
Cash Balance Beginning of Year	<u>(26,263)</u>	<u>(26,263)</u>	<u>(26,263)</u>	<u>0</u>
Cash Balance End of Year	\$ <u>0</u>	\$ <u>0</u>	\$ <u>(78,859)</u>	\$ <u>(78,859)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (52,596)	
Net Change in Due from Grantor			<u>52,596</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			\$ <u>0</u>	

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

State of New Mexico
Tatum Municipal Schools
Special Revenue Fund-IDEA B Entitlement-24106
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Federal Grants	\$ 56,399	\$ 222,153	\$ 86,574	\$ (135,579)
Total Revenues	<u>56,399</u>	<u>222,153</u>	<u>86,574</u>	<u>(135,579)</u>
Expenditures				
Instruction				
Personnel Services	0	59,365	45,382	13,983
Employee Benefits	0	34,503	25,275	9,228
Total Instruction	<u>0</u>	<u>93,868</u>	<u>70,657</u>	<u>23,211</u>
Support Services				
Students				
Personnel Services	0	4,350	0	4,350
Employee Benefits	0	356	0	356
Other Purchased Services	0	67,180	17,446	49,734
Total Students	<u>0</u>	<u>71,886</u>	<u>17,446</u>	<u>54,440</u>
Total Support Services	<u>0</u>	<u>71,886</u>	<u>17,446</u>	<u>54,440</u>
Total Expenditures	<u>0</u>	<u>165,754</u>	<u>88,103</u>	<u>77,651</u>
Excess (Deficiency) of Revenues Over Expenditures	56,399	56,399	(1,529)	(57,928)
Cash Balance Beginning of Year	<u>(56,399)</u>	<u>(56,399)</u>	<u>(56,399)</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (57,928)</u>	<u>\$ (57,928)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (1,529)	
Net Change in Due from Grantor			<u>1,529</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 0</u>	

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

State of New Mexico
Tatum Municipal Schools
Statement of Fiduciary Assets and Liabilities-Agency Funds
June 30, 2019

	<u>Agency Funds</u>
Assets	
Cash and Cash Equivalents	\$ 66,722
Total Assets	<u>\$ 66,722</u>
Liabilities	
Deposits Held for Others	\$ 66,722
Total Liabilities	<u>\$ 66,722</u>

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

Summary of Significant Accounting Policies

The financial statements of the Tatum Municipal Schools (District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

Financial Reporting Entity

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

GASB Statement No. 14 established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the District is considered a *primary government*, since it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the District may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges and issue bonded debt.

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

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

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

Governmental Funds

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

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

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

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

Debt Service Fund - The Debt Service Fund is used to account for the resources for, and the payment of, principal, interest and related costs.

Fiduciary Fund Type

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

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

The District reports the following major governmental funds:

General Fund (11000)(12000)(13000)(14000)

The General Fund consist of four sub funds. The first is the Operational fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. The Teacherage accounts for rents collected from teachers and related expenditures. The Transportation fund includes a state grant to provide transportation for students in the District. The Instructional Materials fund accounts for a state grant to provide text books for students in the District.

Major Special Revenue Fund

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

IDEA B Entitlement (24106). To account for a program funded by a Federal grant to assist the District in providing free appropriate public education to all handicapped children. Funding authorized by the Individuals with Disabilities Education Act, Part B, Sections 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. The fund was created by the authority of federal grant provisions.

Major Debt Service Fund

Debt Service Fund (41000). To account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. The resources of this fund are generated by a tax levy based upon property values. Expenditures are restricted to debt reduction.

Measurement Focus and Basis of Accounting

Government-Wide Financial Statements (GWFS)

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

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

Program Revenues

Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the District's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the District's general revenues. Program revenues include: 1) charges for services to students or applicants who purchase, use or directly benefit from the goods or services provided by the given function 2) program-specific operating grants and contributions, and including grants for transportation, instructional materials, food service, special revenue funds such as special education as well as others and federal and state programs 3) program specific capital grants and contributions.

Fund Financial Statements (FFS)

Governmental Funds

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

Revenues

Ad valorem taxes are susceptible to full accrual on the government wide financial statements. Property Tax revenues recognize revenues net of estimated refunds and uncollectible accounts in the period for which the taxes are levied.

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

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

Expenditures

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

Other Financing Sources (Uses)

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

Basis of Budgeting

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

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

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

1. Prior to April 15, (unless a later date is fixed by the Secretary of Education) the local school board submits to the School Budget and Finance Analysis Unit (SBFAU) of the New Mexico Public Education Department an estimated budget for the District for the ensuing fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them. All budgets submitted to the New Mexico Public Education Department (PED) by the district shall contain headings and details as prescribed by law.
2. Prior to June 20, of each year, the proposed "operating" budget will be reviewed and approved by the SBFAU and certified and approved by the local school board at the public hearing of which notice has been published by the local school board which fixed the estimated budget for the district for the ensuing fiscal year.
3. The "operating" budget will be used by the District until they have been notified that the budget has been approved by the SBFAU and the local school board. The budget shall be integrated formally in to the accounting system. Encumbrances shall be used as an element for control and shall be integrated into the budget system.
4. The 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 SBFAU.
5. No school board or officer or employee of the District shall make any expenditures or incur any obligation for the expenditures of public funds unless such expenditure or contractual obligation is made in accordance with an operating budget approved by the division. But this does not prohibit the transfer of funds between line items within a series of a budget.
6. Budget change requests are processed in accordance with Supplement I (Budget Preparation and Maintenance) of the *Manual of Procedures Public School Accounting and Budgeting*. Such changes are initiated by the District and approved by the SBFAU.
7. Legal budget control for expenditures is by function.
8. Appropriations lapse at fiscal year end. Funds unused during the fiscal year may be carried over into the next fiscal year by budgeting those in the subsequent fiscal year's budget. The budget of the District has been amended during the current fiscal year in accordance with these procedures. The budget schedules included in the accompanying financial statements reflect the approved budget and amendments thereto.

Budget comparison schedules are no longer required for non-major funds and are not included.

Cash and Cash Equivalents

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

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

Investments

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

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

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

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

Receivables and Payables

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

Property Taxes

The County collects the District's share of property taxes assessed. Property taxes attach an enforceable lien on property as of January 1st. Tax notices are sent by the County treasurer to property owners by November 1st of each year to be paid in whole or in two installments by November 10th and April 10th of each year. The County collects such taxes and distributes them to the District on a monthly basis. The District accounts for its share of property taxes in the General, Debt Service and Capital Projects Funds. Only those collections received are recorded as revenues for the budget presentation.

Elimination and Reclassifications of Certain Receivables and Payables

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

Inventories and Prepaid Items

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

Capital Assets

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

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

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

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

Capital Leases

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

Short -Term Debt

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

Long-Term Liabilities

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

Restricted Net Position

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

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

Imposed by law through constitutional provisions or enabling legislation.

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

Fund Balances of Fund Financial Statements

Nonspendable Fund Balance is a category that is not converted into cash such as inventory.

Restricted fund balance includes amounts that have constraints placed on their use that are (a) externally imposed by grantors, laws or regulation of other governments or (b) imposed by enabling legislation.

Committed fund balance is a classification for governmental fund balance reporting that includes amounts that can only be used for specific purposes pursuant to constraints imposed by law and require a formal action of the government's highest level of decision-making authority.

Assigned fund balance is a classification for governmental fund balance reporting that includes amounts that the governmental entity intends to use for specific purposes.

Unassigned fund balance is the residual classification used for reporting spendable fund balance in the General Fund that represents amounts that have not been committed or assigned or restricted.

Interfund Transfers

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

Deferred Inflows

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

Estimates

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

A. Deposits and Investments

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

Western Commerce Bank

<u>Name of Account</u>		Balance Per Bank 6/30/19	Reconciled Balance	Type
General	Checking	\$ 964,308	\$ 673,271	Interest
School Lunch	Checking	47,109	35,678	Interest
Athletics	Checking	5,603	5,475	Interest
Activity	Checking	55,423	53,451	Interest
Total Deposited		<u>1,072,443</u>	<u>\$ 767,875</u>	
Less: FDIC Coverage		(250,000)		
Uninsured Amount		822,443		
50% collateral requirement		411,222		
Pledged securities		1,162,499		
Over (Under) requirement		<u>\$ 751,278</u>		

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

The following securities are pledged at Wells Fargo:

<u>Description</u>	<u>CUSIP #</u>	<u>Market Value</u>	<u>Maturity Date</u>	<u>Location</u>
GNMA #MA1082	36179NFX1	\$ 572,647	06/20/1943	FHLB, Dallas, TX
SBAP 2014-20E	83162CWG4	589,852	05/04/1934	FHLB, Dallas, TX
		<u>\$ 1,162,499</u>		

Custodial Credit Risk-Deposits

<u>Depository Account</u>	Bank Balance
Insured	\$ 250,000
Collateralized:	
Collateral held by the pledging bank in District's name	822,443
Uninsured and uncollateralized	0
Total Deposits	<u>\$ 1,072,443</u>

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2019 none of the District's bank balance of \$1,072,443 was exposed to custodial credit risk.

New Mexico State Treasurer

	Balance 6/30/19	Reconciled Balance	Type
Tatum Municipal Schools	\$ 104,395	\$ 104,395	Saving
Tatum Municipal Schools	149,606	149,606	Saving
Tatum Municipal Schools	113,474	113,474	Saving
Tatum Municipal Schools	46,866	46,866	Saving
Tatum Municipal Schools	19,737	19,737	Saving
Tatum Municipal Schools	13,271	13,271	Saving
Tatum Municipal Schools	8,976	8,976	Saving
Total Deposited	<u>\$ 456,325</u>	<u>\$ 456,325</u>	

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GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, relates to how deposits and investments are reported in the annual financial statements of governmental entities. GASB Statement No. 40 disclosures inform financial statement users about deposit and investment risks that could affect a government’s ability to provide services and meet its obligations as they become due. GASB Statement No. 40 requires governments to disclose deposit and investment risks related to credit risk (including custodial credit risk), concentration of credit risk, interest rate risk, and foreign currency risk. The State Treasurer’s Office provides the following information regarding the LGIP:

1. With respect to credit risk, the LGIP, a government investment pool, is rated AAAM by Standard & Poor’s. Therefore, the LGIP reports AAAM for credit risk. Public funds are not required to disclose custodial credit risk for external investment pools. Therefore, the LGIP is exempt from this requirement.
2. GASB Statement No. 40 defines concentration of credit risk as investments of more than 5% in any on issuer. External investment pools, such as the LGIP, are excluded from the requirement of disclosing concentration of credit risk. Therefore, The LGIP is exempt from this disclosure. However, our portfolio is posted on the State Treasurer’s website www.stonm.org and available for review by participants at any time.
3. GASB Statement No. 40 defines interest rate risk as the risk that interest rate variations may adversely affect the fair value of an investment. According to GASB Statement No. 40, an acceptable method for reporting interest rate risk is weighted average maturity (“WAM”). The State Treasurer’s Office uses this method for reporting purposes for the LGIP. The WAM of the LGIP is identified on the monthly LGIP investment report found on the State Treasurer’s Office website at www.nmsto.gov. As of June 30, 2019, the LGIP WAM(R) is 35 days and WAM(F) is 112 days.

B. Receivables

Revenues are deferred in accordance with the modified accrual basis of accounting for the fund financial statements. The following deferred revenues are measurable but do not represent available expendable resources for the fund financial statements for the fiscal year ended June 30, 2019:

	Operational 11000	Debt Service 41000	Non-Major Funds	Totals
Property Taxes				
Available	\$ 322	\$ 4,367	\$ 17,087	\$ 21,776
Unavailable	3,758	36,285	0	40,043
Total	<u>\$ 4,080</u>	<u>\$ 40,652</u>	<u>\$ 17,087</u>	<u>\$ 61,819</u>

Amounts due from other agencies and units of government were as follows as of June 30, 2019:

	Title I 24101	IDEA B Entitlement 24106	Non-Major Funds	Totals
State	\$ 0	\$ 0	\$ 40,797	\$ 40,797
Federal	78,859	57,928	760	137,547
Total	<u>\$ 78,859</u>	<u>\$ 57,928</u>	<u>\$ 41,557</u>	<u>\$ 178,344</u>

C. Interfund Receivables, Payables and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Funds			Totals
	Title I 24101	IDEA B Entitlement 24106	Other Governmental Funds	
Operational Fund	<u>\$ 78,859</u>	<u>\$ 57,928</u>	<u>\$ 24,814</u>	<u>\$ 161,601</u>

The above interfund balances resulted from reimbursement grants. The shortfalls were covered by the above funds. All transactions will be repaid within one year.

D. Capital Assets

Capital Assets Balances and Activity for the fiscal year is as follows:

	Beginning Balance 6/30/18	Increases	Decreases	Ending Balance 6/30/19
Governmental Activities				
Capital Assets not being depreciated				
Land	\$ 819,961	\$ 0	\$ 0	\$ 819,961
Construction in Progress	0	0	0	0
Total Capital Assets, not Being Depreciated	<u>819,961</u>	<u>0</u>	<u>0</u>	<u>819,961</u>
Other Capital Assets				
Buildings & Improvements	16,896,208	146,592	0	17,042,800
Equipment, Vehicles, Software & Library Books	<u>2,241,185</u>	<u>0</u>	<u>0</u>	<u>2,241,185</u>
Total Capital Assets, being depreciated	<u>19,137,393</u>	<u>146,592</u>	<u>0</u>	<u>19,283,985</u>
Total Capital Assets	<u>19,957,354</u>	<u>146,592</u>	<u>0</u>	<u>20,103,946</u>
Less Accumulated Depreciation				
Buildings & Improvement	11,464,997	417,913	0	11,882,910
Equipment, Vehicles, Information Technology Equipment, Software & Library Books	<u>1,763,321</u>	<u>87,239</u>	<u>0</u>	<u>1,850,560</u>
Total Accumulated Depreciation	<u>13,228,318</u>	<u>505,152</u>	<u>0</u>	<u>13,733,470</u>
Capital Assets, net	<u>\$ 6,729,036</u>	<u>\$ (358,560)</u>	<u>\$ 0</u>	<u>\$ 6,370,476</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 508,035
Total depreciation expenses	<u>\$ 508,035</u>

E. Long-Term Liabilities and Other Liabilities

A summary of activity in the Long-Term Debt is as follows:

	Balance 6/30/18	Additions	Reductions	Balance 6/30/19	Amounts Due Within One Year
Governmental Activities					
Bonds and Notes Payable					
General Obligation					
Bonds	\$ 2,975,000	\$ 0	\$ 400,000	\$ 2,575,000	\$ 400,000
Total Bonds	<u>2,975,000</u>	<u>0</u>	<u>400,000</u>	<u>2,575,000</u>	<u>400,000</u>
Other Liabilities					
Compensated					
Absences	63,799	6,549	8,535	61,813	9,698
Total Other Liabilities	<u>63,799</u>	<u>6,549</u>	<u>8,535</u>	<u>61,813</u>	<u>9,698</u>
Long-Term Liabilities	<u>\$ 3,038,799</u>	<u>6,549</u>	<u>\$ 408,535</u>	<u>\$ 2,636,813</u>	<u>\$ 409,698</u>

Reconciliation of Notes to the Government Wide Statements

Outstanding Bonds in Notes	\$ 2,575,000
Premium on Bond Issue	78,667
Accumulated Amortization	(16,000)
	\$ 2,637,667
Current Portion of Long-Term Debt	\$ 425,000
Bonds, Net of Premiums	2,212,667
	\$ 2,637,667

Payments on the general obligation bonds are made by the Debt Service Funds. The compensated absences liability will ultimately be liquidated by several of the District's governmental funds, with most being paid by the General Fund.

General Obligation Bonds.

The following bonds were issued for the purpose of erecting, furnishing, remodeling and making additions to District buildings and improving District grounds. A tax is annually assessed, levied and collected upon all taxable property within the District for the purpose of providing the necessary funds to meet the interest and principal payments as they become due.

Series	Date of Issue	Original Amount	Interest Rate	Balance
2013	6/8/13	4,000,000	2%	\$ 2,575,000
				\$ 2,575,000

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

	Principal	Interest	Total
2020	\$ 425,000	\$ 47,250	\$ 472,250
2021	465,000	38,350	503,350
2022	500,000	28,700	528,700
2023	550,000	18,200	568,200
2024	635,000	6,350	641,350
Total	\$ 2,575,000	\$ 138,850	\$ 2,713,850

F. Commitments

The District has no construction commitments.

G. Retirement Plan

Summary of Significant Accounting Policies

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

General Information about the Pension Plan

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

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

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

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

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

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

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

Chapter 288, Laws of 2009 changed the eligibility requirements for new members first employed on, or after, July 1, 2010 and before July 1, 2013. The eligibility for a member who either becomes a new member on or after July 1, 2010 and before July 1, 2013, or at any time prior to July 1, 2010 refunded all member contributions and then becomes re-employed after July 1, 2010 is as follows:

- *The member's age and earned service credit add up to the sum of 80 or more,
- *The member is at least sixty-seven years of age and has five or more years of earned service credit, or
- *The member has service credit totaling 30 years or more.

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

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

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

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

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

Benefit Options. The Plan has three benefit options available.

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

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

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

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

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

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

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

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

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

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

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

Contributions. For the fiscal year ended June 30, 2019 educational employers contributed to the Plan based on the following rate schedule.

<u>Fiscal Year</u>	<u>Date Range</u>	<u>Wage Category</u>	<u>Member's Rate</u>	<u>Employer's Rate</u>	<u>Combined Rate</u>
2019	7-1-18 to 6-30-19	Over \$20K	10.70%	13.90%	24.60%
2019	7-1-18 to 6-30-19	\$20K or less	7.90%	13.90%	21.80%
2018	7-1-17 to 6-30-18	Over \$20K	10.70%	13.90%	24.60%
2018	7-1-17 to 6-30-18	\$20K or less	7.90%	13.90%	21.80%

The contribution requirements are established in statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the New Mexico Legislature. For the fiscal years ended June 30, 2019 and 2018, the District paid employee and employer contributions of \$353,725 and \$268,935 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 \$10,228,923 for their 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 District's portion was established as of the measurement date of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating educational institutions at June 30, 2018, actuarially determined. At June 30, 2018, the District's proportion was 0.08602%, which was a decrease of 0.00473% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the District recognized pension expense of \$1,625,319. At the June 30, 2019, the District reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 7,465	194,673
Net difference between projected and actual earnings on pension plan investments	22,644	0
Changes of assumptions	2,108,133	0
Changes in proportion and differences between the District's contributions and proportionate share of contributions	18,703	375,333
District's contributions subsequent to the measurement date	353,725	0
	<u>\$ 2,510,670</u>	<u>570,006</u>

\$353,725 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 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	
2019	\$ 1,042,864
2020	617,549
2021	(73,772)
2022	298
Total	<u>\$ 1,586,939</u>

Actuarial Assumptions and Methods. The total pension liability as of June 30, 2018 was based on an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 and was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method

Entry age normal

Inflation

2.50%

Salary Increases

3.25% composed of 2.50% inflation, plus 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

Fiscal year	2017	2016	2015	2014
Service life in years	3.35	3.77	3.92	3.88

Mortality

Healthy males: Based on the RP-2000 Combined Mortality Table with White Collar adjustments, generational mortality improvements with Scale BB from the table's base year of 2000.

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

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

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

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

Retirement Age Experience based table of rates based on age and service. Adopted by NMERB on April 21, 2017 in conjunction with the six-year experience study for the period ended June 30, 2016.

Cost-of-living Increases 1.90% per year, compounded annually; increases deferred until July 1 following the year a member retires, or the year in which a member attains the age of 65 (67 for Tier 3), whichever is later or, for disabled retirees, until July 1 of the third year following retirement.

Payroll Growth 3.00% per year (with no allowance for membership growth).

Contribution Accumulation The accumulated member account balance with interest is estimated at the valuation date by assuming that member contributions increased 5.50% per year for all years prior to the valuation date. Contributions are credited with 4.00% interest, compounded annually, applicable to the account balances in the past as well as the future.

Disability Incidence Approved rates are applied to eligible members with at least 10 years of service.

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

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

- *Rate of return projections that are the sum of current yield plus projected changes in price (valuations, defaults, etc.)
- *Application of key economic projections (inflation, real growth, dividends, etc.)
- *Structural themes (supply and demand imbalances, capital flows, etc.) developed for each major asset class.

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

Discount rate. A single discount rate of 5.69% was used to measure the total pension liability as of June 30, 2018. This rate is 0.21% less than the 5.90% discount rate used for June 30, 2017.

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

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

Sensitivity of the Net Pension Liability. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 5.69 percent, 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 percent) or 1-percentage-point higher (6.69 percent) than the current rate:

	1% Decrease (4.69%)	Current Discount Rate (5.69%)	1% Increase (6.69%)
The Districts' proportionate share of the net pension liability	\$ 13,293,682	\$ 10,228,923	\$ 7,728,271

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

H. Other Post-Employment Benefits (OPEB)

Retiree Health Care Plan

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

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.

Summary of Significant Accounting Policies. *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.

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

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:

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

Contributions. Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee's salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer's participation in the Fund. Contributions to the Fund from the District were \$50,896 for the year ended June 30, 2019.

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 members; 2.25% for PERA members
Projected payroll increases	3.25% to 12.50%, based on years of service, including inflation
Investment rate of return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation
Health care cost trend rate	8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 for Medicare medical plan costs
Mortality	ERB members: RP-2000 Combined Healthy Mortality Table with White Collar Adjustment (males) and GRS Southwest Region Teacher Mortality Table (females) PERA members: RP-2000 Combined Healthy Mortality

Rate of Return

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

Asset Class	Long-Term Rate of Return
U.S. core fixed income	2.1%
U.S. equity - large cap	7.1%
Non U.S. - emerging markets	10.2%
Non U.S. - developed	7.8%
Private equity	11.8%
Credit and structured	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

The following presents the net OPEB liability, calculated using the discount rate of 4.08%, as well as what the Fund's net OPEB liability would be if it were calculated using a discount rate that is 1-percent lower or 1-percent higher than the current rate:

	1% Decrease (3.08%)	Current Discount Rate (4.08%)	1% Increase (5.08%)
The Districts' proportionate share of the net OPEB liability.	\$ 2,962,806	\$ 2,448,124	\$ 2,042,439

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

	1% Decrease	Current Trend Rates	1% Increase
The Districts' proportionate share of the net OPEB liability.	\$ 2,069,523	\$ 2,448,124	\$ 2,744,955

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

At June 30, 2019, the District reported a liability of \$2,448,124 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. The District's proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2018. At June 30, 2018, the School's proportion was 0.05630%.

For the year ended June 30, 2019, the District recognized OPEB expense of \$(41,184). At June 30, 2019 the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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Notes to the Financial Statements
June 30, 2019

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 0	\$ 144,945
Net difference between projected and actual earnings on OPEB investments	0	30,552
Changes in assumptions	0	457,054
Changes in proportion and differences between the District's contributions and proportionate share of contributions	0	179,030
District's contributions subsequent to the measurement date	50,896	0
	<u>\$ 50,896</u>	<u>\$ 811,581</u>

Deferred outflows of resources totaling \$24,875 represent 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	
2019	\$ (198,647)
2020	(198,647)
2021	(198,647)
2022	(162,044)
2023	(53,596)
Total	<u>\$ (811,581)</u>

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.

I. Reconciliation of Budgetary Basis to GAAP Basis Statements

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

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

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

J. Risk Management

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

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

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

K. Tax Abatement

The District has not been affected by a tax abatement.

L. Joint Powers Agreements

A joint powers agreement was entered into with the Regional Education Cooperative No. 6 (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.

There are ten schools that participate in the REC, they are Dora, Elida, Floyd, Fort Sumner, Grady, House, Logan, Melrose, San Jon, and Texico. 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 financial statements for the REC were prepared by another IPA. The audit report is available at the REC located at 1500 South Ave K, Station 9, Portales, New Mexico 88130.

M. Concentrations

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

N. 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.

O. Subsequent Events

Subsequent events were evaluated through October 17, 2019 which is the date the financial statements were available to be issued.

Required Supplemental Information

State of New Mexico
Tatum Municipal Schools
Schedules of Required Supplementary Information for Pension Plan

Schedule of the District's Proportionate Share of the Net Pension

Last 10 Fiscal Years*

	Fiscal	2015	2016	2017	2018
	Year	2014	2015	2016	2017
	Measurement Date				
District's proportion of the net pension liability		0.08931%	0.09272%	0.09415%	0.09075%
District's proportionate share of the net pension liability	\$	5,095,779 \$	6,005,721 \$	6,775,442 \$	10,085,472
District's covered-employee payroll	\$	2,635,007 \$	2,687,986 \$	2,584,438 \$	2,404,030
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll		193.39%	223.43%	262.16%	419.52%
Plan fiduciary net position as a percentage of the total pension liability		66.54%	63.97%	61.58%	52.95%
	Fiscal	2019			
	Year	2018			
	Measurement Date				
District's proportion of the net pension liability		0.08602%			
District's proportionate share of the net pension liability	\$	10,228,923			
District's covered-employee payroll	\$	2,544,788			
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll		401.96%			
Plan fiduciary net position as a percentage of the total pension liability		52.17%			

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

State of New Mexico
Tatum Municipal Schools
Schedules of Required Supplementary Information for Pension Plan

Schedule of District's Contributions

Last 10 Fiscal Years*

	June 30,			
	2015	2016	2017	2018
Contractually required contribution	\$ 366,266	\$ 373,630	\$ 359,169	\$ 334,160
Contributions in relation to the contractually required contribution	<u>366,266</u>	<u>373,630</u>	<u>359,169</u>	<u>334,160</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
District's covered-employee payroll	2,635,007	2,687,986	2,584,438	2,404,030
Contributions as a percentage of covered-employee	13.90%	13.90%	13.90%	13.90%

Schedule of District's Contributions

Last 10 Fiscal Years*

	June 30,
	2019
Contractually required contribution	\$ 353,725
Contributions in relation to the contractually required contribution	<u>353,725</u>
Contribution deficiency (excess)	<u>\$ 0</u>
District's covered-employee payroll	2,544,788
Contributions as a percentage of covered-employee	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 District is not available prior to fiscal year 2015, the year the statement's requirements became effective.

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

Notes to Required Supplementary Information

Changes of benefit terms and assumptions.

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%.

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

Tatum Municipal Schools**Schedules of Required Supplementary Information and Notes for Other Post Employment Benefits****Schedule of the District's Proportionate Share of the Net Other Post Employment Benefits (OPEB) Liability**

Last 10 Fiscal Years*

	2018 2017	2019 2018
District's proportion of the net OPEB liability	0.06020%	0.05630%
District's proportionate share of the net OPEB liability	\$ 2,728,067	\$ 2,448,124
District's covered-employee payroll	\$ 2,404,030	\$ 2,544,788
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	113.48%	96.20%
Plan fiduciary net OPEB as a percentage of the total OPEB liability	11.34%	11.34%

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

Schedule of District's Contributions

Last 10 Fiscal Years*

	June 30, 2018	June 30, 2019
Contractually required contribution	\$ 48,081	\$ 50,896
Contributions in relation to the contractually required contribution	48,081	50,896
Contribution deficiency (excess)	\$ 0	\$ 0
District's covered-employee payroll	2,404,030	2,544,788
Contributions as a percentage of covered-employee payroll	2.00%	2.00%

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

Notes to Required Supplementary Information

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

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

**Supplemental Information Related to
Nonmajor Funds**

Nonmajor Special Revenue Funds

Food Services (21000). To account for revenue and expenditures associated with the school breakfast and lunch program. Funding is provided from fees from patrons and USDA food reimbursements. Authority for creation of this fund is NMSA 22-13-13.

Athletics (22000). To account for revenue and expenditures associated with the District's budgeted athletic activities. Authority for creation of this fund is NMAC 6.20.2.

IDEA Preschool (24109). To account for a program funded by a Federal grant to assist the District in providing a free appropriate public education to preschool disabled children aged three through five years. Funding authorized by the Individuals with Disabilities Education Act, Part B, Section 619, as amended, Public Laws 94-142, 99-457, 100-630, 101-497, 101-476, and 102-119. The fund was created by the authority of federal grant provisions.

NM Results Plan-24132. To provide funding to schools for professional development, coaching, technical assistance, and additional funds to support school improvement targeted to early elementary reading achievement. Funding authorized by the Individuals with Disabilities Education Act, Part B, Sections 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. The fund was created by the authority of federal

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

Rural Education Achievement Program (REAP) (25233). To account for funds received from US Department of Education and is designed to address the needs of rural, low-income schools. The fund was created by the authority of federal grant provisions.

Dual Credit Instructional Materials (27103). To provide financial assistance to purchased instructional materials for the college classes offered to students who are taking them for dual credits. The fund was created by the authority of state grant provisions.

GO Student Library Books (27107). To account for revenues and expenditures from a state grant to provide for public school and juvenile detention libraries. The funding made available to update and expand library collections in order to circulate and provide access of materials to students and teachers. Funding provided by the State of New Mexico. The fund was created by the authority of state grant provisions.

Wind Farm Projects (29134). To account for funds received from a wind farm in lieu of property tax revenue. The fund was created by definition.

Nonmajor Capital Projects Funds

Bond Building (31000). To account for a bond issue to spend of capital improvements.

Special Capital Outlay-Local (31300). To account for money received from local sources for the purpose of Capital Outlay Projects.

Special Capital Outlay-State (31400). To account for a state grant to pay for capital improvements.

Senate Bill Nine-Local (31701). The revenues are derived from local ad-valorem taxes. Expenditures are restricted to capital improvements, maintenance of the facilities and supplies.

Nonmajor Debt Service Fund

Deferred Sick Leave (42000). To account for the transfers from other funds used to pay eligible employees for their unused sick leave upon their separation of employment from the District.

State of New Mexico
Tatum Municipal Schools
 Nonmajor Funds
 Combining Balance Sheet
 June 30, 2019

	Special Revenue		
	Food Service 21000	Athletics 22000	IDEA Preschool 24109
Assets			
Cash and Cash Equivalents	\$ 35,678	\$ 14,451	\$ 0
Receivables			
Taxes Receivable	0	0	0
Due From Grantor	16,743	0	11,785
Inventory	1,044	0	0
Total Assets	<u>\$ 53,465</u>	<u>\$ 14,451</u>	<u>\$ 11,785</u>
Liabilities			
Accounts Payables	\$ 0	\$ 0	\$ 0
Interfund Balance	0	0	11,785
Total Liabilities	<u>0</u>	<u>0</u>	<u>11,785</u>
Deferred Inflows of Resources			
Unavailable Revenue	0	0	0
Total Deferred Inflows of Resources	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances			
Nonspendable-Inventory	1,044	0	0
Restricted for Special Revenue	52,421	14,451	0
Restricted for Capital Projects	0	0	0
Total Fund Balance	<u>53,465</u>	<u>14,451</u>	<u>0</u>
Total Liabilities and Fund Balances	<u>\$ 53,465</u>	<u>\$ 14,451</u>	<u>\$ 11,785</u>

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

State of New Mexico
Tatum Municipal Schools
 Nonmajor Funds
 Combining Balance Sheet
 June 30, 2019

	Special Revenue		
	NM Results Plan 24132	Teacher/ Principal Training 24154	REAP 25233
Assets			
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 0
Receivables			
Taxes Receivable	0	0	0
Due From Grantor	0	7,396	0
Inventory	0	0	0
Total Assets	\$ 0	\$ 7,396	\$ 0
Liabilities			
Accounts Payables	\$ 0	\$ 0	\$ 0
Interfund Balance	0	7,396	0
Total Liabilities	0	7,396	0
Deferred Inflows of Resources			
Unavailable Revenue	0	0	0
Total Deferred Inflows of Resources	0	0	0
Fund Balances			
Nonspendable-Inventory	0	0	0
Restricted for Special Revenue	0	0	0
Restricted for Capital Projects	0	0	0
Total Fund Balance	0	0	0
Total Liabilities and Fund Balances	\$ 0	\$ 7,396	\$ 0

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

State of New Mexico
Tatum Municipal Schools
 Nonmajor Funds
 Combining Balance Sheet
 June 30, 2019

	Special Revenue		
	Dual Credit Instructional Materials 27103	GO Student Library 27107	Wind Farm Projects 29134
Assets			
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 9,437
Receivables			
Taxes Receivable	0	0	0
Due From Grantor	760	0	0
Inventory	0	0	0
Total Assets	\$ 760	\$ 0	\$ 9,437
Liabilities			
Accounts Payables	\$ 0	\$ 0	\$ 0
Interfund Balance	760	0	0
Total Liabilities	760	0	0
Deferred Inflows of Resources			
Unavailable Revenue	0	0	0
Total Deferred Inflows of Resources	0	0	0
Fund Balances			
Nonspendable-Inventory	0	0	0
Restricted for Special Revenue	0	0	9,437
Restricted for Capital Projects	0	0	0
Total Fund Balance	0	0	9,437
Total Liabilities and Fund Balances	\$ 760	\$ 0	\$ 9,437

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

State of New Mexico
Tatum Municipal Schools
 Nonmajor Funds
 Combining Balance Sheet
 June 30, 2019

	Capital Projects		
	Bond Building 31100	Special Capital Outlay-Local 31300	Special Capital Outlay-State 31400
Assets			
Cash and Cash Equivalents	\$ 5,217	\$ 31,081	\$ 0
Receivables			
Taxes Receivable	0	0	0
Due From Grantor	0	0	4,873
Inventory	0	0	0
Total Assets	\$ 5,217	\$ 31,081	\$ 4,873
Liabilities			
Accounts Payables	\$ 0	\$ 0	\$ 0
Interfund Balance	0	0	4,873
Total Liabilities	0	0	4,873
Deferred Inflows of Resources			
Unavailable Revenue	0	0	0
Total Deferred Inflows of Resources	0	0	0
Fund Balances			
Nonspendable-Inventory	0	0	0
Restricted for Special Revenue	0	0	0
Restricted for Capital Projects	5,217	31,081	0
Total Fund Balance	5,217	31,081	0
Total Liabilities and Fund Balances	\$ 5,217	\$ 31,081	\$ 4,873

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

State of New Mexico
Tatum Municipal Schools
 Nonmajor Funds
 Combining Balance Sheet
 June 30, 2019

	<u>Capital Projects</u>	<u>Debt Service</u>	
	Senate Bill Nine-Local 31701	Deferred Sick Leave 42000	<u>Total</u>
Assets			
Cash and Cash Equivalents	\$ 124,521	\$ 90,337	\$ 310,722
Receivables			
Taxes Receivable	17,087	0	17,087
Due From Grantor	0	0	41,557
Inventory	0	0	1,044
Total Assets	<u>\$ 141,608</u>	<u>\$ 90,337</u>	<u>\$ 370,410</u>
Liabilities			
Accounts Payables	\$ 0	\$ 0	\$ 0
Interfund Balance	0	0	24,814
Total Liabilities	<u>0</u>	<u>0</u>	<u>24,814</u>
Deferred Inflows of Resources			
Unavailable Revenue	15,323	0	15,323
Total Deferred Inflows of Resources	<u>15,323</u>	<u>0</u>	<u>15,323</u>
Fund Balances			
Nonspendable-Inventory	0	0	1,044
Restricted for Special Revenue	0	0	76,309
Restricted for Capital Projects	126,285	90,337	252,920
Total Fund Balance	<u>126,285</u>	<u>90,337</u>	<u>330,273</u>
Total Liabilities and Fund Balances	<u>\$ 141,608</u>	<u>\$ 90,337</u>	<u>\$ 370,410</u>

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

State of New Mexico
Tatum Municipal Schools
 Nonmajor Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balance
 For the Year Ended June 30, 2019

	Special Revenue		
	Food Service 21000	Athletics 22000	IDEA Preschool 24109
Revenues			
Property Taxes	\$ 0	\$ 0	\$ 0
Fees	34,902	26,593	0
State & Local Grants	0	0	0
Federal Grants	94,570	0	21,020
Miscellaneous	50	539	0
Total Revenues	<u>129,522</u>	<u>27,132</u>	<u>21,020</u>
Expenditures			
Current			
Instruction	0	27,249	21,020
Support Services			
Instruction	0	0	0
General Administration	0	0	0
School Administration	0	0	0
Operation of Plant	0	0	0
Food Services Operation	126,242	0	0
Capital Outlay	0	0	0
Total Expenditures	<u>126,242</u>	<u>27,249</u>	<u>21,020</u>
Excess (Deficiency) of Revenues Over Expenditures	3,280	(117)	0
Fund Balances at Beginning of Year	<u>50,185</u>	<u>14,568</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 53,465</u>	<u>\$ 14,451</u>	<u>\$ 0</u>

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

State of New Mexico
Tatum Municipal Schools
 Nonmajor Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balance
 For the Year Ended June 30, 2019

	Special Revenue		
	NM Results Plan 24132	Teacher/ Principal Training 24154	REAP 25233
Revenues			
Property Taxes	\$ 0	\$ 0	\$ 0
Fees	0	0	0
State & Local Grants	0	0	0
Federal Grants	0	12,179	42,728
Miscellaneous	0	0	0
Total Revenues	<u>0</u>	<u>12,179</u>	<u>42,728</u>
Expenditures			
Current			
Instruction	0	7,050	42,728
Support Services			
Instruction	0	0	0
General Administration	0	0	0
School Administration	0	5,129	0
Operation of Plant	0	0	0
Food Services Operation	0	0	0
Capital Outlay	0	0	0
Total Expenditures	<u>0</u>	<u>12,179</u>	<u>42,728</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	0
Fund Balances at Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

State of New Mexico
Tatum Municipal Schools
 Nonmajor Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balance
 For the Year Ended June 30, 2019

	Special Revenue		
	Dual Credit Instructional Materials 27103	GO Student Library 27107	Wind Farm Projects 29134
Revenues			
Property Taxes	\$ 0	\$ 0	\$ 9,437
Fees	0	0	0
State & Local Grants	3,693	300	0
Federal Grants	0	0	0
Miscellaneous	0	0	0
Total Revenues	<u>3,693</u>	<u>300</u>	<u>9,437</u>
Expenditures			
Current			
Instruction	3,693	0	0
Support Services			
Instruction	0	300	0
General Administration	0	0	0
School Administration	0	0	0
Operation of Plant	0	0	0
Food Services Operation	0	0	0
Capital Outlay	0	0	0
Total Expenditures	<u>3,693</u>	<u>300</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	9,437
Fund Balances at Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 9,437</u>

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

State of New Mexico
Tatum Municipal Schools
 Nonmajor Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balance
 For the Year Ended June 30, 2019

	Capital Projects		
	Bond Building 31100	Special Capital Outlay-Local 31300	Special Capital Outlay-State 31400
Revenues			
Property Taxes	\$ 0	\$ 0	\$ 0
Fees	0	0	0
State & Local Grants	0	0	136,781
Federal Grants	0	0	0
Miscellaneous	0	428	0
Total Revenues	<u>0</u>	<u>428</u>	<u>136,781</u>
Expenditures			
Current			
Instruction	0	0	0
Support Services			
Instruction	0	0	0
General Administration	0	0	0
School Administration	0	0	0
Operation of Plant	0	0	0
Food Services Operation	0	0	0
Capital Outlay	0	0	136,781
Total Expenditures	<u>0</u>	<u>0</u>	<u>136,781</u>
Excess (Deficiency) of Revenues Over Expenditures	0	428	0
Fund Balances at Beginning of Year	<u>5,217</u>	<u>30,653</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 5,217</u>	<u>\$ 31,081</u>	<u>\$ 0</u>

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

State of New Mexico
Tatum Municipal Schools
 Nonmajor Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balance
 For the Year Ended June 30, 2019

	<u>Capital Projects</u>	<u>Debt Service</u>	
	Senate Bill Nine-Local 31701	Deferred Sick Leave 42000	<u>Total</u>
Revenues			
Property Taxes	\$ 231,672	\$ 0	\$ 241,109
Fees	0	0	61,495
State & Local Grants	0	0	140,774
Federal Grants	0	0	170,497
Miscellaneous	2,550	1,016	4,583
Total Revenues	<u>234,222</u>	<u>1,016</u>	<u>618,458</u>
Expenditures			
Current			
Instruction	0	0	101,740
Support Services			
Instruction	0	0	300
General Administration	1,246	0	1,246
School Administration	0	0	5,129
Operation of Plant	224,352	0	224,352
Food Services Operation	0	0	126,242
Capital Outlay	9,812	0	146,593
Total Expenditures	<u>235,410</u>	<u>0</u>	<u>605,602</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,188)	1,016	12,856
Fund Balances at Beginning of Year	<u>127,473</u>	<u>89,321</u>	<u>317,417</u>
Fund Balance End of Year	<u>\$ 126,285</u>	<u>\$ 90,337</u>	<u>\$ 330,273</u>

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

Other Supplemental Information

Fiduciary Fund

Activity Trust Fund

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

State of New Mexico
Tatum Municipal Schools
Agency Fund - Activities
Schedule of Fiduciary Net Assets and Liabilities-Agency Funds
For the Year Ended June 30, 2019

	Beginning Balance 7/1/18	Additions	Deductions	Ending Balance 6/30/19
Assets				
After Prom Party	\$ 2,050	\$ 9,775	\$ 8,736	\$ 3,090
All Students	13,271	0	0	13,271
Booster Club	668	0	0	668
Boys Basketball	772	10,087	8,344	2,515
Class of 2017	26		26	0
Class of 2018	1,004	56	0	1,060
Class of 2019	5,087	1,128	6,215	0
Class of 2020	1,757	21,490	15,327	7,920
Class of 2021	549	576	0	1,125
Class of 2022	1,320	0	0	1,320
Class of 2023	1,090	0	0	1,090
Class of 2024	1,328	0	812	516
Class of 2025	0	664	0	664
Computer Lab	1,244	0	0	1,244
Coyotes Caught Being Good	0	3,723	2,058	1,665
District 4	0	1,715	1,715	0
Drama	1,413	595	1,415	593
Elementary Office	1,822	969	1,278	1,513
FFA	2,885	24,084	26,468	500
Field House	219	14,545	14,668	95
Girls Basketball	0	5,647	3,654	1,993
Home Ec	10	0	0	10
HS A/R	442	57	45	454
HS Vending	4,193	8,088	4,521	7,759
Interest	511	346	0	858
Library	2,412	3,722	3,466	2,667
Miscellaneous	357	88	0	445
NHS	2,205	4,182	2,991	3,395
S.C.A.T	465	0	465	0
Student Council	673	10	683	0
Summer Recreation	2,830	0	2,663	166
Textbooks	2,107	11	129	1,989
Varsity Cheerleaders	627	4,003	4,630	0
Varsity Gym	574	292	100	766
Volleyball	3,513	2,183	3,015	2,681
WERC Scholarship	488	0	0	488
Yearbooks	8,194	5,420	9,414	4,199
Total Assets	\$ 66,106	\$ 123,455	\$ 122,839	\$ 66,722
Liabilities				
Deposits Held for Others	\$ 66,106	\$ 123,455	\$ 122,839	\$ 66,722
Total Liabilities	\$ 66,106	\$ 123,455	\$ 122,839	\$ 66,722

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

State of New Mexico
Tatum Municipal Schools
Cash Reconciliations - All Funds
For the Year Ended June 30, 2019

		Beginning Cash Balance 7/1/18	Revenue	Expenditures	Ending Cash Balance 6/30/19
Operational	11000	\$ 389,222	3,854,858	\$ 3,890,867	\$ 353,213
Teacherage	12000	12,751	7,150	14,935	4,966
Transportation	13000	1	280,255	280,255	1
Instructional Materials	14000	9,439	10,429	9,771	10,097
Food Service	21000	49,106	101,151	114,579	35,678
Athletics	22000	14,568	27,132	27,249	14,451
Activities	23000	66,106	123,455	122,839	66,722
Federal Flowthrough	24000	(116,422)	166,510	206,057	(155,968)
Federal Direct	25000	(5,856)	48,585	42,728	0
State Flowthrough	27000	(4,285)	10,814	7,289	(760)
Local or State	29000	0	9,437	0	9,437
Bond Building	31100	5,217	0	0	5,217
Special Capital Outlay Local	31300	30,653	428	0	31,081
Special Capital Outlay State	31400	0	131,908	136,781	(4,873)
Senate Bill Nine Local	31701	134,940	237,257	247,677	124,520
Debt Service	41000	571,095	527,303	458,318	640,080
Deferred Sick Leave	42000	89,321	1,016	0	90,337
Totals		\$ <u>1,245,855</u>	<u>5,537,688</u>	\$ <u>5,559,345</u>	\$ <u>1,224,198</u>

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

De'Aun Willoughby CPA, PC

Certified Public Accountant

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

Independent Auditor's Report

Mr. Brian S. Colón
State Auditor of the State of New Mexico
Board Members of the Tatum Municipal Schools

Mr. Colón and Members of the Board

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 for the general fund and major special revenue funds, of Tatum Municipal School (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 17, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses, that we consider to be significant deficiencies. 2019-001, 2019-004

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 is described in the accompanying Schedule of Findings and Responses; 2019-001, 2019-002, 2019-003, 2019-004, 2019-005, 2019-006.

The District's Responses to Findings

The District's responses to the findings identified in our audit as described in the accompanying Schedule of Findings and Responses. The District's response was not subject to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

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

 De'Ann Willoughby, CPA PC

Clovis, New Mexico

October 17, 2019

Prior Year Audit Findings

	Status
2018-001 Cash Appropriations in Excess of Available Cash Balances	Repeated & Modified
2018-002 NMPSIA	Repeated & Modified
2018-003 New Hires	Resolved
2018-004 Certification of Inventory	Resolved
2018-005 Expenditures	Resolved
2018-006 Stale Dated Checks	Repeated & Modified

Summary of Audit Results

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
• Material weakness (es) identified?	N/A
• Significant	2
Noncompliance	N/A

Current Year Audit Findings

2019-001 (2018-001) Cash Appropriations in Excess of Available Cash Balances-Compliance and Internal Control-Significant Deficiency

Condition

The District maintained a deficit budget in excess of available cash balance in the following funds:

Major Funds	Fund	Amount
General Fund-Instructional Materials	14000	\$ (3,142)

Management is not making progress resolving this finding. This was an oversight of Management on this one fund.

Criteria

Section 2.2.2.10. (P) (1), NMAC, requires all school district funds, with the exception of agency funds, to be budgeted by the local governing body and submitted to the PED for approval. Cash balances rebudgeted to make up the deficit budgeted revenues that do not cover the budgeted expenditures, cannot exceed the actual cash balance available at the end of the prior year.

Cause

The District does not have a procedure in place to ensure sufficient beginning cash balances exist to absorb budget deficits.

Effect

The District will have to supplement the budget deficit with other funds, which may lead to financial difficulties and deplete the budget in other funds.

Recommendation

BARS should be issued shortly after audited cash balances are confirmed if estimated cash balances are more and cash was used to balance the budget. As expenditure budgets are increased, it should be determined there is sufficient budgeted revenues and beginning cash balances to balance the budget.

Response

The District will ensure that all BARS will be issued to adjust beginning cash to actual and reduce expenditures as necessary shortly after the audit report has been approved assuring the cash balances are correct. The Superintendent will approve the spreadsheet indicating the adjustments required to the budget to resolve this issue.

Responsible Party and Timeline

The Business Manager is responsible and the issue will be resolved in the current fiscal year.

2019-002 (2018-002) NMPSIA-Compliance and Other Matter

Condition

Of the 16 employees tested 1 of the employee's withholding for NMPSIA was incorrect for the dental and vision insurance premiums withheld. The amount deducted was 35% of the premium however the employee's wages were over 25,000, so the percentage should have been 40%. This error caused the District to over pay their portion by \$4.79 per month or \$57.46 for the fiscal year.

Management is making progress resolving this finding. This was an oversight of Management on this one employee.

Criteria

6.50.8.1 NMAC Subsection D of Section 22-29-7 NMSA 1978, directs the authority to promulgate necessary rules, regulations and procedures for the implementation of the New Mexico Public School Insurance Authority Act, Section 22-29-1 et seq. NMSA 1978.

Cause

Contracts were not double checked with insurance categories before running payroll to ensure classifications are correct.

Effect

These mistakes are costing the District money that could be used to educated the students.

Recommendation

Tables selected for each employee should be reviewed before the first payroll run.

Response

Payroll will double check classifications with contracts in order to ensure all employees are paying in the correct category. Additionally, Business Manager will flag employees who have crossed a threshold when contracts are prepared.

Responsible Party and Timeline

Payroll Clerk and Business Manager are responsible and the issue will be resolved in the current fiscal year.

2019-003 (2018-006) Stale Dated Checks-Compliance and Other Matter

Condition

The general bank account had five checks that were dated greater than a year old that were listed on the outstanding check listing totaling \$403.10. The activity bank account had five checks greater than a year old listed on the outstanding check listing totaling \$182.48.

Management is not making progress resolving this finding. This was an oversight of Management in both accounts.

Criteria

As per Section 6-10-57(A), NMSA 1978 Whenever any warrant issued by the state, county, municipality, school district or special district is unpaid for one year after it becomes payable, the fiscal officer shall cancel it. Section 7-8A, NMSA 1978, and related regulations require that the District provide information about the payees and the related funds to Unclaimed Property Division of the New Mexico Taxation and Revenue Department for outstanding checks that were distributed but not cashed within one year.

Cause

Stale dated checks have been overlooked as there has been no consistent procedure for looking for these checks.

Effect

Carrying numerous bank reconciling items could result in a misstatement in the accounting records or related misappropriation of funds.

Recommendation

The District should implement a procedure to review the outstanding check listings for all bank accounts and track stale-dated checks. If checks on the outstanding check listings are greater than one year old, these checks should be voided and the District take appropriate steps to ensure that the funds are reported to the Unclaimed Property Division as may be necessary.

Response

Business Manager will institute a procedure to look for these items twice a year-at the beginning and at the end of the year for all funds and all accounts.

Responsible Party and Timeline

Business Manager is responsible and the issue will be resolved in the current fiscal year.

2019-004 Payroll-Compliance and Internal Control-Significant Deficiency

Condition

Out of 16 employees tested for payroll period number 19 which is 1 of the 24 pay periods it was noted:

- (a) Ten of the 10 non-exempt employees' timesheets were not signed by the employee or supervisor. One of 10 non-exempt employees was paid overtime of \$1,317.45 however another employee's timesheet indicated overtime should have been paid of \$31.43.
- (b) One of the 6 exempt employees was paid an extra \$1,881.04. The District could not produce documentation showing this employee was entitled to this additional pay.
- (c) One I-9 Section 2 was incomplete.
- (d) One background check was missing.
- (e) One W-4 was missing.

Criteria

- (a) Recordkeeping Requirements under the Fair Labor Standards Act (FLSA). Every covered employer must keep certain records for each non-exempt worker. The Act requires no particular form for the records, but does require that the records include certain identifying information about the employee and data about the hours worked and the wages earned. The law requires this information to be accurate. Fair Labor Standards Act requires time and a half be paid to employees who work more than forty hours in a work week.
- (b) NMAC 6.20.2.18 states the local board shall establish written policies and procedures which comply with state and federal regulations on payroll as well as maintaining strict internal controls, close supervision and financial accounting in accordance with GAAP.
- (c) As per U.S. Citizens and Immigration Services Employers have certain responsibilities under immigration law during the hiring process. The employer sanctions provisions, found in section 274A of the Immigration and Nationality Act (INA), were added by the Immigration Reform and Control Act of 1986 (IRCA). These provisions further changed with the passage of the Immigration Act of 1990 and the Illegal Immigration Reform and Immigrant Responsibility Act (IIRIRA) of 1996. Complete and retain a Form I-9 for each employee required to complete the form.
- (d) Criminal background checks are performed on all district personnel in accordance with Section 28-2-1.6, NMSA 1978 or if applicable NM Statute 22-10(A)-5 states that if an employee terminates and returns, a new background check is required.
- (e) IRS W-4 – Employee's Withholding Allowance Certificate - Form W-4 tells the employer, the marital status, the number of withholding allowances, and any additional amount to use when you deduct federal income tax from the employee's pay. If an employee fails to give their employer a properly completed Form W-4, the employer must withhold federal income taxes from his or her wages as if he or she were single and claiming no withholding allowances.

Cause

- (a) Time is entered electronically and employees have little to no access to printer at clock-in areas.
- (b) A prefilled adjustment from previous year was not cleared out, resulting in overpayment in current year.
- (c) I-9 was not checked for completeness.
- (d) Administrative Employee was missed in previous checks for background clearances.
- (e) Checks of files overlooked missing W-4.

Effect

- (a) The District could be overpaying or underpaying non-exempt employees and could be subject to back pay as well as penalties, and attorney fees.
- (b) If employees are overpaid, that money could be used to provide additional educational opportunities for the students and misappropriating taxpayers' money.
- (c) I-9 penalties assessed after April 5, 2019 now range \$230 to \$2,292 per I-9 for I-9 paperwork violations, which includes improper completion.

2019-004 Payroll-Compliance and Internal Control-Significant Deficiency

(d) As a safety measure, people with serious criminal records may not be fit to have responsibility for the safety and well being of children.

(e) Without having a W-4 on file the employer cannot prove how the employee completed the W-4. If the employee has any interest and penalties as a result of this under withholding, then the employer would be liable for these amounts.

Recommendation

(a) Timesheets should be signed by both the employee and supervisor communicating the hours documented are hours worked. Hours worked greater than 40 hours per work week should be paid at time and a half or offered comp time at time and a half.

(b) The District should have contracts, stipends or timesheets to backup wages paid to employees.

(c) We recommend additional training, supervision, review, and the use of the M-274 Handbook. All I-9 should be reviewed and updated as necessary.

(d) and (e) Training, supervision, and review of personnel files is necessary to avoid not having a background check and W-4 in files.

Response

Timesheets are printed at the admin office twice a month and all non-exempt employees are called over to verify and sign. Timesheets are then presented to supervisors to do the same. Contract amounts are verified before running the first payroll to ensure accuracy. All prior year adjustments are cleared out upon rollover whenever possible. All documentation will be reviewed during the summer to ensure compliance with all payroll recordkeeping requirements.

Responsible Party and Timeline

Payroll Clerk has instituted these new procedures in the current fiscal year.

2019-005 State Unemployment Quarterly Report-Compliance and Other Matter

Condition

One of the four quarterly payroll reports was not submitted timely to Workforce Solutions. The quarter ending 9/30/18 is due by the end of the following month (10/31/18). It was not submitted until 11/21/18.

Criteria

New Mexico Department of Labor, Employment Security Division. State Unemployment (SUTA Form 903A) is due by the last day of the month following end of the quarter.

Cause

Payroll Clerk missed deadline filing SUTA report timely.

Effect

Penalties and interest are assessed causing money to be spent on them rather than educating the students.

Recommendation

Training and supervision is necessary to avoid all of the above issues.

Response

Supervisor has instructed employee to ensure all reports are file timely. A checklist procedure will be instituted to ensure reports do not get overlooked.

Responsible Party and Timeline

Business Manager and Payroll Clerk are responsible for ensuring compliance and instituting checklists in the current fiscal year.

2019-006 Educational Retirement Board-Compliance and Other Matter

Condition

The report submitted to Educational Retirement Board (ERB) for September was incorrect indicating the employees' withholding matrix was also incorrect.

Criteria

22-11-21 NMSA 1978 Contributions; members; local administrative units. The ERB handbook states any employee working .25 FTE or more is covered by ERB's retirement program. As per ERB New Member Brochure any employee covered by ERB's retirement program earning greater than \$20,000 is to contribute 10.7% and employees earning less than \$20,000 are to contribute 7.9%. ERB withholdings are based on the employee's gross salary without including stipends or increments.

Cause

Contracts were not double checked with ERB categories before running payroll to ensure classifications are correct.

Effect

Incorrect withholdings cost the District money that could be spent on other educational activities for students.

Recommendation

The ERB report created by Visions software should be hand calculated before it is filed with ERB. A simple hand calculation revealing math errors indicates issues with employees' withholding matrix. Errors could be revealed and addressed quickly saving the District money. To resolve the matrix issue, each employee setup will have to be reviewed and errors corrected.

Response

The Secretary in charge of filing these reports has already contacted ERB and ERB did an adjustment on their end and the District has paid the difference. The Secretary will hand calculate the reports each month and correct employees' withholding matrix if necessary.

Responsible Party and Timeline

Payroll Clerk and Business Manager are responsible and the issue will be resolved in the current fiscal year.

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

Exit Conference-An exit conference was held on September 24, 2019. Those present were Buddy Little-Superintendent, Daniel Palacios-Board Member, Micaella Martinez-Audit Committee Member, Christie Mullins-Administrative Secretary, Leslie Pearce-Business Manager, Starla Sharp-Auditor and De'Aun Willoughby-CPA.