

Truth or Consequences Municipal Schools

Financial Statements  
For the Year Ended June 30, 2019

**TRUTH OR CONSEQUENCES  
MUNICIPAL SCHOOLS**

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**STATE OF NEW MEXICO**  
 Truth or Consequences Municipal Schools  
 June 30, 2019  
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**STATE OF NEW MEXICO**  
Truth or Consequences Municipal Schools  
Official Roster  
June 30, 2019

<u>Name</u>	<u>Board of Education</u>	<u>Title</u>
Brett Smith		President
Doug Whitehead		Vice President
Crystal Runyan-Diamond		Secretary
John C. Johnson		Member
Dale Gillis		Member
	<u>Administrative Officials</u>	
Randall M. Piper		Superintendent
Renee Garcia		Director of Federal Programs
Sabrina Bierner		Business Manager

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## INDEPENDENT AUDITORS' REPORT

Mr. Brian S. Colón, Esq.  
New Mexico State Auditor  
Board of Education and Management  
Truth or Consequences Municipal Schools  
U.S. Office of Management and Budget  
Truth or Consequences, New Mexico

### Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons of the General Fund and the major special revenue funds of Truth or Consequences Municipal Schools (the District), as of and for the year ended June 30, 2019, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' 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 auditors' judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the District'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 District'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, the aggregate remaining fund information, and the budgetary comparisons of the General Fund and the major special revenue funds of Truth or Consequences Municipal Schools, as of June 30, 2019, and the respective changes in financial position thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Management has omitted the Management Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the 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.

Accounting principles generally accepted in the United States of America require Schedules A-1 through B-2 and notes to the Required Supplementary Information on pages 66 through 73 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, the combining and individual fund financial statements, the combining financial statements for the general fund and related budgetary comparisons, the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Supporting Schedules I through IV required by 2.2.2 NMAC are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 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.

A handwritten signature in blue ink that reads "Cordova CPAs LLC". The signature is written in a cursive, flowing style.

Cordova CPAs LLC  
Albuquerque, New Mexico  
November 14, 2019

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**BASIC  
FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO**  
 Truth or Consequences Municipal Schools  
 Statement of Net Position  
 June 30, 2019

	<b>Governmental Activities</b>
<b>Assets</b>	
Current assets	
Cash and cash equivalents	\$ 6,774,748
Receivables:	
Property taxes	353,448
Due from other governments	1,184,507
Other	17,709
Inventory	15,899
Total current assets	8,346,311
Noncurrent assets	
Restricted cash and cash equivalents	2,418,371
Capital assets	59,880,661
Less: accumulated depreciation	(24,681,132)
Total noncurrent assets	37,617,900
<i>Total assets</i>	45,964,211
<b>Deferred outflows of resources</b>	
Deferred outflows - pension	8,162,629
Deferred outflows - OPEB	165,148
<i>Total deferred outflows of resources</i>	8,327,777
<i>Total assets and deferred outflows of resources</i>	\$ 54,291,988

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

	<b>Governmental Activities</b>
<b>Liabilities</b>	
Current liabilities	
Accounts payable	\$ 146,640
Accrued payroll	533,932
Accrued interest	121,029
Current portion of bonds payable	1,660,000
Total current liabilities	<u>2,461,601</u>
Noncurrent liabilities	
Accrued compensated absences	308,444
Bonds payable	10,965,000
Bond premium, net of accumulated amortization of \$38,509	49,864
Net pension liability	32,849,802
Net OPEB liability	7,854,433
Total noncurrent liabilities	<u>52,027,543</u>
<i>Total liabilities</i>	<u>54,489,144</u>
<b>Deferred inflows of resources</b>	
Deferred inflows - pension related	1,700,004
Deferred inflows- OPEB	2,689,096
<i>Total deferred inflows of resources</i>	<u>4,389,100</u>
<b>Net position</b>	
Net investment in capital assets	26,244,940
Restricted for:	
Debt service	2,663,704
Capital projects	1,070,413
Special revenue	479,613
Unrestricted	(35,044,926)
<i>Total net position</i>	<u>(4,586,256)</u>
<i>Total liabilities, deferred inflows of resources, and net position</i>	<u><u>\$ 54,291,988</u></u>

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

**STATE OF NEW MEXICO**  
 Truth or Consequences Municipal Schools  
 Statement of Activities  
 For the Year Ended June 30, 2019

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
<b>Primary government:</b>			
<b>Governmental Activities:</b>			
Instruction	\$ 11,574,620	\$ 27,398	\$ 1,932,926
Support services - students	1,634,339	3,869	272,930
Support services - instruction	201,358	477	33,626
Support services - general administration	850,272	2,013	141,993
Support services - school administration	911,794	2,158	152,267
Central services	1,015,197	2,403	169,535
Operation and maintenance of plant	2,416,169	5,719	403,493
Student transportation	1,309,126	-	812,705
Food services operations	1,143,334	11,279	787,002
Community services operations	130,785	310	21,841
Interest and other charges	290,110	-	-
<i>Total governmental activities</i>	<u>\$ 21,477,104</u>	<u>\$ 55,626</u>	<u>\$ 4,728,318</u>

**General Revenues:**

Taxes:

Property taxes, levied for operating programs

Property taxes, levied for debt services

Property taxes, levied for capital projects

State equalization guarantee

Investment income

Remittal to PED

Total general revenues

Change in net position

Net position, beginning

*Net position, ending*

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





**STATE OF NEW MEXICO**  
 Truth or Consequences Municipal Schools  
 Balance Sheet  
 Governmental Funds  
 June 30, 2019

	<b>General Fund 11000, 13000, 14000</b>	<b>Title I IASA 24101</b>	<b>IDEA-B Entitlement 24106</b>
<i>Assets</i>			
Cash and cash equivalents	\$ 1,597,363	\$ -	\$ 8
Receivables:			
Property taxes	22,085	-	-
Due from other governments	-	508,213	304,039
Other	-	-	-
Inventory	-	-	-
Due from other funds	1,150,935	-	-
<b>Total assets</b>	<b>\$ 2,770,383</b>	<b>\$ 508,213</b>	<b>\$ 304,047</b>
<i>Liabilities, deferred inflows of resources, and fund balances</i>			
<i>Liabilities</i>			
Accounts payable	\$ 88,622	\$ 36	\$ -
Accrued payroll	533,932	-	-
Due to other funds	-	508,177	290,158
<b>Total liabilities</b>	<b>622,554</b>	<b>508,213</b>	<b>290,158</b>
<i>Deferred inflows of resources</i>			
Unavailable revenue - property taxes	16,071	-	-
<b>Total deferred inflows of resources</b>	<b>16,071</b>	<b>-</b>	<b>-</b>
<i>Fund balances</i>			
Nonspendable:			
Inventory	-	-	-
Spendable:			
Restricted for:			
Instructional materials	121,331	-	-
Food services	-	-	-
Extracurricular activities	-	-	-
Education	-	-	13,889
Capital acquisitions and improvements	-	-	-
Debt service	-	-	-
Committed for:			
Subsequent year's expenditures	2,011,795	-	-
Unassigned	(1,368)	-	-
<b>Total fund balances</b>	<b>2,131,758</b>	<b>-</b>	<b>13,889</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 2,770,383</b>	<b>\$ 508,213</b>	<b>\$ 304,047</b>

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

<b>Bond Building Capital Projects Fund 31100</b>	<b>Capital Improvements SB- 9 Local 31701</b>	<b>Debt Service Fund 41000</b>	<b>Other Governmental Funds</b>	<b>Total</b>
\$ 3,750,411	\$ 1,021,072	\$ 2,416,678	\$ 407,587	\$ 9,193,119
-	82,061	249,302	-	353,448
-	-	-	372,255	1,184,507
-	-	-	17,709	17,709
-	-	-	15,899	15,899
-	-	-	-	1,150,935
<u>\$ 3,750,411</u>	<u>\$ 1,103,133</u>	<u>\$ 2,665,980</u>	<u>\$ 813,450</u>	<u>\$ 11,915,617</u>
\$ 8,973	\$ 32,720	\$ -	\$ 16,289	\$ 146,640
-	-	-	-	533,932
21,163	-	-	331,437	1,150,935
<u>30,136</u>	<u>32,720</u>	<u>-</u>	<u>347,726</u>	<u>1,831,507</u>
-	60,945	181,628	-	258,644
-	60,945	181,628	-	258,644
-	-	-	15,899	15,899
-	-	-	-	121,331
-	-	-	279,604	279,604
-	-	-	23,672	23,672
-	-	-	146,596	160,485
3,720,275	1,009,468	-	-	4,729,743
-	-	2,484,352	-	2,484,352
-	-	-	-	2,011,795
-	-	-	(47)	(1,415)
<u>3,720,275</u>	<u>1,009,468</u>	<u>2,484,352</u>	<u>465,724</u>	<u>9,825,466</u>
<u>\$ 3,750,411</u>	<u>\$ 1,103,133</u>	<u>\$ 2,665,980</u>	<u>\$ 813,450</u>	<u>\$ 11,915,617</u>

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

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**STATE OF NEW MEXICO**  
 Truth or Consequences Municipal Schools  
 Reconciliation of the Balance Sheet to the Statement of Net Position  
 Governmental Funds  
 June 30, 2019

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

Fund balances - total governmental funds	\$ 9,825,466
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds	35,199,529
Delinquent property taxes not collected within sixty days after year end are not considered "available" revenues and are considered to be unavailable revenue in the fund financial statements, but are considered revenue in the Statement of Activities	258,644
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and therefore, are not reported in funds:	
Deferred outflows related to pension	8,162,629
Deferred outflows related to OPEB	165,148
Deferred inflows related to pension	(1,700,004)
Deferred inflows related to OPEB	(2,689,096)
Liabilities including bonds payable and related components, net pension and OPEB liability, are not due and payable in the current period and, therefore, are not reported in the funds:	
Accrued compensated absences not due and payable	(308,444)
Accrued interest payable	(121,029)
Bonds payable	(12,625,000)
Bond premiums (net of amortization)	(49,864)
Net pension liability	(32,849,802)
Net OPEB liability	(7,854,433)
<i>Total net position - governmental activities</i>	<u><u>\$ (4,586,256)</u></u>

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

**STATE OF NEW MEXICO**  
 Truth or Consequences Municipal Schools  
 Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Governmental Funds  
 For the Year Ended June 30, 2019

	<b>General Fund 11000, 13000, 14000</b>	<b>Title I IASA 24101</b>	<b>IDEA-B Entitlement 24106</b>
<i>Revenues</i>			
Property taxes	\$ 159,515	\$ -	\$ -
Intergovernmental revenue:			
Federal flowthrough	203,707	1,028,678	556,624
Federal direct	-	-	-
Local sources	-	-	-
State flowthrough	82,052	-	-
State direct	10,598,243	-	-
Transportation distribution	812,705	-	-
Charges for services	9,278	-	-
Investment income	1,289	-	-
<b>Total revenues</b>	<b>11,866,789</b>	<b>1,028,678</b>	<b>556,624</b>
<i>Expenditures</i>			
Current:			
Instruction	7,138,236	723,083	212,341
Support services - students	607,156	-	319,152
Support services - instruction	-	37,033	-
Support services - general administration	532,423	32,160	24,097
Support services - school administration	593,195	-	-
Central services	482,549	236,402	-
Operation and maintenance of plant	1,456,854	-	-
Student transportation	824,969	-	-
Food services operations	-	-	-
Community services operations	2,232	-	1,034
Capital outlay	-	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Bond issuance costs	-	-	-
<b>Total expenditures</b>	<b>11,637,614</b>	<b>1,028,678</b>	<b>556,624</b>
<i>Excess (deficiency) of revenues over expenditures</i>	229,175	-	-
<i>Other financing sources (uses)</i>			
Remittal to PED	(3,618)	-	-
Bond proceeds	-	-	-
<b>Total other financing sources (uses)</b>	<b>(3,618)</b>	<b>-</b>	<b>-</b>
<i>Net change in fund balances</i>	225,557	-	-
<i>Fund balances - beginning</i>	1,906,201	-	13,889
<b>Fund balances - end of year</b>	<b>\$ 2,131,758</b>	<b>\$ -</b>	<b>\$ 13,889</b>

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

<b>Bond Building Capital Projects Fund 31100</b>	<b>Capital Improvements SB- 9 Local 31701</b>	<b>Debt Service Fund 41000</b>	<b>Other Governmental Funds</b>	<b>Total</b>
\$ -	\$ 629,053	\$ 1,794,566	\$ -	\$ 2,583,134
-	-	-	1,062,879	2,851,888
-	-	-	243,978	243,978
-	-	-	125,603	125,603
-	-	-	618,724	700,776
-	-	-	71,455	10,669,698
-	-	-	-	812,705
-	-	-	46,348	55,626
65,441	446	34,039	183	101,398
<u>65,441</u>	<u>629,499</u>	<u>1,828,605</u>	<u>2,169,170</u>	<u>18,144,806</u>
-	-	-	827,528	8,901,188
-	-	-	304,367	1,230,675
-	-	-	14,854	51,887
-	6,210	17,718	5,664	618,272
-	-	-	-	593,195
-	-	-	-	718,951
-	482,501	-	-	1,939,355
-	-	-	11,889	836,858
-	-	-	1,010,403	1,010,403
-	-	-	-	3,266
1,611,954	-	-	53,051	1,665,005
-	-	1,640,000	-	1,640,000
-	-	280,787	-	280,787
12,939	-	-	-	12,939
<u>1,624,893</u>	<u>488,711</u>	<u>1,938,505</u>	<u>2,227,756</u>	<u>19,502,781</u>
<u>(1,559,452)</u>	<u>140,788</u>	<u>(109,900)</u>	<u>(58,586)</u>	<u>(1,357,975)</u>
-	-	-	-	(3,618)
1,500,000	-	-	-	1,500,000
1,500,000	-	-	-	1,496,382
(59,452)	140,788	(109,900)	(58,586)	138,407
<u>3,779,727</u>	<u>868,680</u>	<u>2,594,252</u>	<u>524,310</u>	<u>9,687,059</u>
<u>\$ 3,720,275</u>	<u>\$ 1,009,468</u>	<u>\$ 2,484,352</u>	<u>\$ 465,724</u>	<u>\$ 9,825,466</u>

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

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**STATE OF NEW MEXICO**  
 Truth or Consequences Municipal Schools  
 Reconciliation of the Statement of Revenues, Expenditures, and Changes  
 in Fund Balances of Governmental Funds to the Statement of Activities  
 For the Year Ended June 30, 2019

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

Net change in fund balances - total governmental funds	\$	138,407
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital expenditures		1,665,005
Depreciation expense		(1,662,024)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds:

Change in unavailable revenue related to property taxes receivable		42,583
--	--	--------

Governmental funds report District pension and OPEB contributions as expenditures. However in the Statement of Activities, the cost of pension and OPEB benefits earned net of employee contributions is reported as pension and OPEB expense:

District pension contributions subsequent to measurement date		1,164,823
District OPEB contributions subsequent to the measurement date		165,148
Pension expense		(5,069,522)
Net OPEB expense		150,198

The issuance of long-term debt (e.g. bonds, notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities:

Current year amortization of bond premiums		5,892
Bond proceeds		(1,500,000)
Increase in accrued compensated absences not due and payable		(38,198)
Increase in accrued interest payable		(2,277)
Principal payments on bonds		1,640,000

<i>Change in net position of governmental activities</i>	<b>\$</b>	<b><u>(3,299,965)</u></b>
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The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO**  
 Truth or Consequences Municipal Schools  
 General Fund - 11000, 13000, 14000  
 Statement of Revenues, Expenditures, and Changes in  
 Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual  
 For the Year Ended June 30, 2019

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variances</b>
	<b>Original</b>	<b>Final</b>		<b>Favorable (Unfavorable) Final to Actual</b>
<i>Revenues</i>				
Property taxes	\$ 156,888	\$ 156,888	\$ 158,016	\$ 1,128
Intergovernmental revenue:				
Federal flowthrough	40,000	183,181	203,707	20,526
Federal direct	-	-	-	-
Local sources	-	-	-	-
State flowthrough	76,016	78,694	99,342	20,648
State direct	10,625,342	10,707,010	10,598,243	(108,767)
Transportation distribution	812,705	812,705	812,705	-
Charges for services	900	900	9,278	8,378
Investment income	1,200	1,200	1,289	89
Miscellaneous	-	-	-	-
<b>Total revenues</b>	<b>11,713,051</b>	<b>11,940,578</b>	<b>11,882,580</b>	<b>(57,998)</b>
<i>Expenditures</i>				
Current:				
Instruction	7,573,364	7,758,249	7,104,444	653,805
Support services - students	900,681	854,682	607,156	247,526
Support services - instruction	40,736	3,736	-	3,736
Support services - general administration	474,342	566,090	532,976	33,114
Support services - school administration	642,199	622,087	593,195	28,892
Central services	482,361	514,014	495,769	18,245
Operation and maintenance of plant	1,440,862	1,479,933	1,438,174	41,759
Student transportation	812,705	831,324	826,675	4,649
Community services operations	3,719	3,719	1,487	2,232
<b>Total expenditures</b>	<b>13,350,749</b>	<b>13,695,282</b>	<b>11,599,876</b>	<b>2,095,406</b>
<i>Excess (deficiency) of revenues over expenditures</i>	<b>(1,637,698)</b>	<b>(1,754,704)</b>	<b>282,704</b>	<b>2,037,408</b>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	1,637,698	1,754,704	-	(1,754,704)
Remittal to PED	-	-	(3,618)	(3,618)
Transfers (out)	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>1,637,698</b>	<b>1,754,704</b>	<b>(3,618)</b>	<b>(1,758,322)</b>
<i>Net change in fund balance</i>	-	-	279,086	279,086
<i>Fund balance - beginning of year</i>	-	-	1,935,280	1,935,280
<i>Fund balance - end of year</i>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,214,366</b>	<b>\$ 2,214,366</b>
Net change in fund balance (Non-GAAP Budgetary Basis)				\$ 279,086
Adjustments to revenues for taxes and intergovernmental revenue				(15,791)
Adjustments to expenditures for supplies and payroll expenditures				(37,738)
<b>Net change in fund balance (GAAP Basis)</b>				<b>\$ 225,557</b>

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

**STATE OF NEW MEXICO**  
 Truth or Consequences Municipal Schools  
 Title I Special Revenue Fund - 24101  
 Statement of Revenues, Expenditures, and Changes in Fund Balance  
 Budget (Non-GAAP Budgetary Basis) and Actual  
 For the Year Ended June 30, 2019

Exhibit C-2

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variances Favorable (Unfavorable)</b>
	<b>Original</b>	<b>Final</b>		<b>Final to Actual</b>
<i>Revenues</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue:				
Federal flowthrough	743,672	1,107,584	734,180	(373,404)
Federal direct	-	-	-	-
State flowthrough	-	-	-	-
State direct	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total revenues</b>	<b>743,672</b>	<b>1,107,584</b>	<b>734,180</b>	<b>(373,404)</b>
<i>Expenditures</i>				
Current:				
Instruction	350,480	766,092	723,047	43,045
Support services	69,636	69,348	69,193	155
Central services	317,378	265,966	236,402	29,564
Operation and maintenance of plant	-	-	-	-
Student transportation	6,178	6,178	-	6,178
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total expenditures</b>	<b>743,672</b>	<b>1,107,584</b>	<b>1,028,642</b>	<b>78,942</b>
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	(294,462)	(294,462)
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<i>Net change in fund balance</i>	-	-	(294,462)	(294,462)
<i>Fund balance - beginning of year</i>	-	-	(213,715)	(213,715)
<i>Fund balance - end of year</i>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (508,177)</b>	<b>\$ (508,177)</b>
Net change in fund balance (Non-GAAP Budgetary Basis)				\$ (294,462)
Adjustments to revenues for federal grants				294,498
Adjustments to expenditures for supplies				(36)
<i>Net change in fund balance (GAAP Basis)</i>				<b>\$ -</b>

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

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## STATE OF NEW MEXICO

Exhibit C-3

Truth or Consequences Municipal Schools  
 IDEA-B Entitlement Special Revenue Fund - 24106  
 Statement of Revenues, Expenditures, and Changes in Fund Balance  
 Budget (Non-GAAP Budgetary Basis) and Actual  
 For the Year Ended June 30, 2019

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variances Favorable (Unfavorable)</b>
	<b>Original</b>	<b>Final</b>		<b>Final to Actual</b>
<i>Revenues</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue:				
Federal flowthrough	-	649,576	324,598	(324,978)
Federal direct	-	-	-	-
State flowthrough	-	-	-	-
State direct	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total revenues</b>	<b>-</b>	<b>649,576</b>	<b>324,598</b>	<b>(324,978)</b>
<i>Expenditures</i>				
Current:				
Instruction	-	247,389	212,341	35,048
Support services	-	396,187	343,249	52,938
Central services	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Food services operations	-	-	-	-
Community services operations	-	6,000	1,034	4,966
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>649,576</b>	<b>556,624</b>	<b>92,952</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>-</b>	<b>-</b>	<b>(232,026)</b>	<b>(232,026)</b>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>-</b>	<b>-</b>	<b>(232,026)</b>	<b>(232,026)</b>
<b>Fund balance - beginning of year</b>	<b>-</b>	<b>-</b>	<b>(58,124)</b>	<b>(58,124)</b>
<b>Fund balance - end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (290,150)</b>	<b>\$ (290,150)</b>
Net change in fund balance (Non-GAAP Budgetary Basis)				\$ (232,026)
Adjustments to revenues for federal grants				232,026
No adjustments				-
<b>Net change in fund balance (GAAP Basis)</b>				<b>\$ -</b>

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

**STATE OF NEW MEXICO**  
 Truth or Consequences Municipal Schools  
 Statement of Fiduciary Net Position  
 Fiduciary Funds  
 June 30, 2019

Exhibit D-1

	<b>Private Purpose Trust Funds</b>	<b>Custodial Funds</b>
<i>Current assets</i>		
Cash and cash equivalents	\$ 38,671	\$ 280,853
<i>Total assets</i>	\$ 38,671	\$ 280,853
 <i>Current liabilities</i>		
Accounts payable	\$ -	\$ 21,034
Accrued payroll	-	-
Due to student organizations	-	259,819
<i>Total liabilities</i>	-	280,853
 <i>Net Position</i>		
Restricted net position - endowment	38,671	-
<i>Total net position</i>	\$ 38,671	\$ -

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

**STATE OF NEW MEXICO**  
 Truth or Consequences Municipal Schools  
 Statement of Changes in Fiduciary Net Position  
 Fiduciary Funds  
 June 30, 2019

Exhibit D-2

	<b>Private Purpose Trust Funds</b>	<b>Custodial Funds</b>
<i>Additions:</i>		
Investment earnings	\$ 20	\$ -
Contributions and donations from private sources	-	359,566
<i>Total additions</i>	20	359,566
 <i>Deductions:</i>		
Scholarships	-	-
Other deductions	-	-
Student activity expenditures	-	317,795
<i>Total deductions</i>	-	317,795
Change in net position	20	
Beginning net position	38,651	
Ending net position	\$ 38,671	
Change in liabilities held for others		41,771
Beginning liabilities held for others		239,082
Ending liabilities held for others		\$ 280,853

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

**STATE OF NEW MEXICO**  
Truth or Consequences Municipal Schools  
Notes to Financial Statements  
June 30, 2019

**NOTE 1. Summary of Significant Accounting Policies**

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

The School Board operates five schools within the District and has a population of over 1,260 students. In conjunction with the regular education programs, all of these schools offer special education. In addition, the School Board provides transportation for the students.

The summary of significant accounting policies of the District is presented to assist in the understanding of the District’s financial statements. The financial statements and notes are the representation of Truth or Consequences Municipal Schools’ management, who is responsible for their integrity and objectivity. The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standard Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of the District’s accounting policies are described below. At year end June 30, 2019, there is no GASB Statement No. 77 disclosure requirement.

During the year ended June 30, 2019, the District adopted GASB Statements No. 83, *Certain Asset Retirement Obligations*, No. 84, *Fiduciary Activities*, No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* as required by GAAP. None of these pronouncements have a significant impact on these financial statements.

**A. Financial Reporting Entity**

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

The basic – but not the only – criterion for including a potential component unit within the reporting entity is the governing body’s ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens.



**STATE OF NEW MEXICO**  
Truth or Consequences Municipal Schools  
Notes to Financial Statements  
June 30, 2019

**NOTE 1. Summary of Significant Accounting Policies (continued)**

*A. Financial Reporting Entity (continued)*

A third criterion used to evaluate the potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity. Based upon the application of these criteria, the District has no component units and is not a component unit of another governmental agency.

*B. Government-wide and fund financial statements*

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Truth or Consequences Municipal Schools does not have business-type activities as of June 30, 2019.

In the government-wide Statement of Net Position, the governmental activities column is presented on a consolidated basis and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position is reported in three parts – Net investment in capital assets, restricted net position and unrestricted net position.

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

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise fund are reported as separate columns in the fund financial statements. The District does not have any enterprise funds.

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions*. Property taxes are recognized as revenues in the year for which the taxes are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

**STATE OF NEW MEXICO**  
Truth or Consequences Municipal Schools  
Notes to Financial Statements  
June 30, 2019

**NOTE 1. Summary of Significant Accounting Policies (continued)**

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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

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

Under the requirements of GASB Statement No. 34, the District is required to present certain of its governmental funds as major funds based upon certain criteria. The major funds presented in the fund financial statements include the following (in addition to the General Fund), which may include funds that were not required to be presented as major but were at the discretion of management:

*General Fund:*

The *Operational Fund* is used to account for the State Equalization Guarantee from the NM State Legislature and is the primary operating fund of the District, and accounts for all financial resources, except those required to be accounted for in other funds. Authority for the creation of this fund is the New Mexico Public Education Department.

The *Transportation Fund* is used to account for the costs associated with transporting school age children. Authority for the creation of this fund is the New Mexico Public Education Department.

The *Instructional Materials Fund* is used to account for the monies received from the State Department of Education for the purposes of purchasing instructional materials (books, manuals, periodicals, etc.) used in the education of students. Authority for the creation of this fund is the New Mexico Public Education Department.

*Special Revenue Funds:*

*Title I (24101)* – The major objectives of the Title I program are to provide supplemental educational opportunity for academically disadvantaged children in the area of residing. Campuses are identified for program participation by the percentage of students on free or reduced-price lunches. Any school with a free and reduced-price lunch percentage that is equal to or greater than the total district percentage becomes eligible for program participation.

**STATE OF NEW MEXICO**  
Truth or Consequences Municipal Schools  
Notes to Financial Statements  
June 30, 2019

**NOTE 1. Summary of Significant Accounting Policies (continued)**

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

Any student whose test scores fall below District established criteria and who is attending a Title I campus is eligible to receive Title I services. Poverty is the criterion that identifies a campus; educational need determines the students to be served. Federal revenues accounted for in this fund are allocated to the District through the New Mexico Department of Education. Authorized by the Elementary and Secondary Education Act (ESEA) of 1965, as amended by the No Child Left Behind Act of 2001, Title I, Part A (Public Law 107-110).

*IDEA-B Entitlement (24106)* – This fund is used to account for a program funded by a Federal grant to assist the schools in providing free appropriate public education to all handicapped children. Authorized by the Individuals with Disabilities Education Act of 2004, Title I, Part B (Public Law 108-446).

*Capital Projects Funds:*

The *Bond Building Capital Projects Fund (31100)* is used to account for bond proceeds and any income earned thereon. The proceeds are restricted for the purpose of making additions to and furnishing of school buildings, or purchasing or improving school grounds or any combination thereof, as approved by the voters of the District. Authority for the creation of this fund is the New Mexico Public Education Department.

*Capital Improvement SB-9 Local (31701)* is used to account for erecting, remodeling, making additions to and furnishing of school buildings, or purchasing or improving school grounds or any combination thereof as identified by the local school board. Financing is provided by special tax levy as authorized by the Public School District Capital Improvements Act (22-25-1 to 22-25-10 NMSA 1978).

*Debt Service Funds:*

The *Debt Service Fund (41000)* is used to account for the accumulation of resources for the payment of General Long-Term Debt principal and interest. Authority for the creation of this fund is the New Mexico Public Education Department.

Additionally, the government reports the following fund types:

*Fiduciary Funds:*

The fiduciary funds are purely custodial (assets equal liabilities) and do not involve measurement of results of operations. These funds account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, or student organizations.

The *Private Purpose Trust Fund* is used to account for monies for Audrey Lang to provide scholarships. The principal amounts are to be maintained intact and invested. Investment earnings are to be used for the scholarships. Funds related to the private purpose trust fund are held in one account.

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

**STATE OF NEW MEXICO**  
Truth or Consequences Municipal Schools  
Notes to Financial Statements  
June 30, 2019

**NOTE 1. Summary of Significant Accounting Policies (continued)**

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

Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the District's taxpayer or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the District's general revenues. Program revenues are categorized as (a) charges for services, which include revenues collected for cafeteria fees and lost books, etc., (b) program-specific operating grants, which includes revenues received from state and federal sources such as Title I and IDEA-B to be used as specified within each program grant agreement, and (c) program-specific capital grants and contributions, which include revenues from the state resources such as SB-9 funding to be used for capital projects. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and other items not properly included among program revenues.

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with the function. The District does not currently employ indirect cost allocation systems. Depreciation expense is specifically identified by function and is included in the direct expense of each function, except for that portion of depreciation that is identified as unallocated in the Statement of Activities. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

*D. Assets, Liabilities and Net Position or Equity*

**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 twelve months or less from the date of acquisition.

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

Investments for the District are reported at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the Pool is the same as the fair value of the pool shares. As of June 30, 2019, the District held \$1,693 in the State Treasurer's Investment Pool.

**Fair Value Measurements:** The fair value framework uses a hierarchy that prioritizes the inputs to the valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). As of June 30, 2019, there are no items are required to be valued using valuation techniques.

**Restricted Assets:** Restricted assets are those that are set aside for restrictions resulting from enabling legislation for future capital outlay expenditures and debt service payments. The District's restricted assets are made up of debt service funds that cannot be spent in the subsequent year.

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

**STATE OF NEW MEXICO**  
Truth or Consequences Municipal Schools  
Notes to Financial Statements  
June 30, 2019

**NOTE 1. Summary of Significant Accounting Policies (continued)**

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

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

The District receives monthly income from a tax levy in Sierra County. The funds are collected by the County Treasurer and are remitted to the District in the following month. Under the modified accrual method of accounting, the amount remitted by the Sierra County Treasurer in July and August is considered 'measurable and available' and, accordingly, is recorded as revenue in the governmental fund financial statements during the year ended June 30, 2019. Period of availability is deemed to be sixty days subsequent to year end for property taxes and ninety days subsequent to year end for other nonexchange revenues.

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

**Inventory:** The District's method of accounting for inventory is the consumption method. Under the consumption approach, governments report inventories they purchase as an asset and defer the recognition of the expenditures until the period in which the inventories are actually consumed. Inventory is valued at cost. In the General Fund, inventory consists of expendable supplies held for consumption. Inventory in the Food Service Fund consists of U.S.D.A. commodities and other purchased food and non-food supplies.

The cost of purchased inventory is recorded as an expenditure at the time individual inventory items are consumed. Commodities consumed during the year are reported as revenues and expenditures; unused commodities are reported as inventories.

**Capital Assets:** Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000, per section 12-6-10 NMSA 1978, and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets, (retroactive to 1979) are to be included as part of the governmental capital assets reported in the government wide statements.

Donated capital assets are recorded at estimated fair market value at the date of donation. Information Technology Equipment including software is being capitalized and included in furniture, fixtures, and equipment in accordance with NMAC 2.20.1.9 C (5).

The District was a phase III government for purposes of implementing GASB Statement No. 34. However, the District does not have any infrastructure assets to report.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Library books are not capitalized.

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

Capital expenditures made on the District's building construction projects by the New Mexico Public School Facilities Authority are included in the District's capital assets as appropriate.

**STATE OF NEW MEXICO**  
Truth or Consequences Municipal Schools  
Notes to Financial Statements  
June 30, 2019

**NOTE 1. Summary of Significant Accounting Policies (continued)**

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

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

Buildings and improvements	20-50 years
Equipment and furniture	3-10 years

**Accrued Payroll Liabilities:** In the fund financial statements, governmental fund types recognize the accrual of unpaid salaries, wages, and benefits that employees earned prior to the end of the fiscal year. The amount recognized in the fund financial statements represents the amounts due to employees or due to third parties for the employee benefits.

**Deferred Outflows of Resources:** In addition to assets, the balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a use of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until that time. The District has four types of items that qualify for reporting in this category for reporting in this category related to the pension and OPEB plans which are discussed in Notes 10 and 11.

**Deferred Inflows of Resources:** In addition to liabilities, the balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Revenue must be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period) to be recognized. If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding liability for deferred inflows of resources.

The District has one type of item, which arises under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue – property taxes, are reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District has recorded \$258,644 related to property taxes that are considered “unavailable”. The District also has items that qualify for reporting in this category for reporting in this category related to the pension and OPEB plans which are discussed in Notes 10 and 11.

**Compensated Absences:** Qualified employees are entitled to earn and accumulate annual leave and leave. For annual leave, twelve (12) month employees are granted annual days up front. Unused annual leave shall carry over as annual leave. If an employee leaves the District during the contract year, annual leave days will be pro-rated accordingly. Upon resignation, retirement or death, any twelve (12) month employee who has completed twenty-four (24) months of employment shall be entitled to and shall be paid for a maximum of forty (40) days of earned and unused annual leave at his or her regular rate of pay.

For leave, at the time of resignation, retirement or death, employees with at least five (5) consecutive years of service with the District may sell back up to fifty (50) days of accumulated leave at the following rates: 1. Certified employees (Bachelor’s Degree +): \$75.00/day, 2. Educational assistants and Non-certified paraprofessionals with at least an Associates’ Degree or equivalent: \$65.00/day, 3. All other bargaining unit employees: \$55.00/day.

**STATE OF NEW MEXICO**  
Truth or Consequences Municipal Schools  
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June 30, 2019

**NOTE 1. Summary of Significant Accounting Policies (continued)**

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

The District's policies, regarding vacation time, permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources. These liabilities have typically been liquidated from general fund resources.

**Long-term Obligations:** In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. Bond premiums and discounts 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 inconsequential.

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

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

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

*Net investment in capital assets:* Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. At year end, the District had \$3,720,275 in unspent bond proceeds.

*Restricted Net Position:* Consist of net position with "legally enforceable" constraints placed on the use, either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation. Legally enforceable means that a government can be compelled by an external party – such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation, only for the purposes specified by the legislation. Generally, the enforceability of an enabling legislation restriction is determined by professional judgment.

If it is determined that the restrictions continue to be legally enforceable, then for the purposes of financial reporting, the restricted net position should not reflect any reduction for resources used for purposes not stipulated by the enabling legislation. Descriptions for the related restrictions for net position are restricted for "debt service or capital projects."

**STATE OF NEW MEXICO**  
Truth or Consequences Municipal Schools  
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June 30, 2019

**NOTE 1. Summary of Significant Accounting Policies (continued)**

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

*Unrestricted Net Position:* All other net positions that do not meet the definition of “restricted” or “net investment in capital assets”.

The government-wide Statement of Net Position reports \$4,213,730 of restricted net position related to grants, capital projects and debt service.

**Fund Balance:** In the fund financial statements, governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. For committed and assigned fund balance, the District’s highest level of decision-making authority is the Board of Education. Formal action by the Board of Education is required to establish a fund balance commitment or assignment.

For the classification of fund balances, the District considers restricted or unrestricted amounts to have been spent when an expenditure is incurred for the purposes for which both restricted and unrestricted fund balance is available. Also for the classification of fund balances, the District considers committed, assigned or unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

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

*Nonspendable:* Consists of amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. At June 30, 2019, the nonspendable fund balance of the District is comprised of inventory in the Food Service fund of \$15,899, which is not in spendable form.

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

*Committed:* Consist of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the District’s Board of Education. Those committed amounts cannot be used for any other purpose unless the District’s Board of Education removes or changes the specified use by taking formal action.

*Assigned:* Consist of amounts that are constrained by the District's *intent* to be used for specific purposes, but are neither restricted nor committed. Formal action by the District’s Board of Education is required to assign amounts to be used for specific purposes.

*Unassigned:* Represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund except for those other governmental funds reflecting a deficit.

**Inter-fund Transactions:** Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund from expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other inter-fund transactions, except quasi-external transactions and reimbursements, are reported as transfers.



**STATE OF NEW MEXICO**  
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**NOTE 1. Summary of Significant Accounting Policies (continued)**

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

Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other inter-fund transfers are reported as operating transfers.

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

*E. Revenues*

**State Equalization Guarantee:** School districts in the State of New Mexico receive a 'state equalization guarantee distribution' which is defined as "that amount of money distributed to each school district to ensure that the school district's operating revenue, including its local and federal revenues as defined (in Chapter 22, Section 825, NMSA 1978) is at least equal to the school district's program cost. A school district's program costs are determined through the use of various formulas using 'program units' which take into consideration 1) early childhood education; 2) basic education; 3) special education; 4) bilingual-multicultural education; 5) size, etc. Payment is made from the public school fund under the authority of the Secretary of the Public Education Department. The District received \$10,598,243 in state equalization guarantee distributions during the year ended June 30, 2019.

**Tax Revenues:** The District receives mill levy and ad-valorem tax revenues primarily for debt service and capital outlay purposes. Tax revenues are recognized when they are in the hands of the collecting agency. The District records only the portion of the taxes considered to be 'measurable' and 'available' on a modified accrual basis. The District recognized \$2,583,134 in tax revenues during the year ended June 30, 2019. Descriptions of the individual debt service and capital outlay funds contained in these financial statements include information regarding the authority for the collection and use of these taxes. Property taxes attach an enforceable lien on property as of January 1. Tax notices are sent to property owners by November 1<sup>st</sup> of each year to be paid in whole or in two installments by November 10<sup>th</sup> and April 10<sup>th</sup> of each year. Sierra County collects County, City, and School taxes and distributes them to each fund once per month except in June when the taxes are distributed twice to close out the fiscal year.

**Transportation Distribution:** School districts in the State of New Mexico receive student transportation distributions. The transportation distribution is allocated to each school district in accordance with formulas developed by the State Transportation Director and the Secretary of the Public Education Department. The funds shall be used only for the purpose of making payments to each school district for the to-and-from school transportation costs of students in grades K through twelve attending public school within the school district. The District received \$812,705 in transportation distributions during the year ended June 30, 2019.

**Instructional Materials:** The New Mexico Public Education Department (PED) receives federal mineral leasing funds from which it makes annual allocations to the various school districts for the purchase of educational materials. Of each allocation, fifty percent is restricted to the purchase of materials listed in the PED "Multiple List", while fifty percent of each allocation is available for purchases directly from vendors. Allocations received from the State for the year ended June 30, 2019 totaled \$42,482.

**STATE OF NEW MEXICO**  
Truth or Consequences Municipal Schools  
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**NOTE 1. Summary of Significant Accounting Policies (continued)**

*E. Revenues (Continued)*

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

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

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

The council shall consider all applications for assistance from the fund and after public hearing shall either approve or deny the application. Applications for grant assistance shall only be accepted by the council after a district has complied with the provisions of this section. The council shall list all applications in order of priority and all allocations shall be made on a priority basis. Money in the fund shall be disbursed by warrant of the Department of Finance and Administration on vouchers signed by the Secretary of Finance and Administration following certification by the council that the application has been approved. During fiscal year 2019, the District did not receive special capital outlay funds.

**SB-9 State Match:** The Director shall distribute to any school district that has imposed a tax under the Public School Capital Outlay Improvements Act (22-25-1 to 22-25-10 NMSA 1978) an amount from the public school capital improvements fund that is equal to the amount by which the revenue estimated to be received from the imposed tax as specified in Subsection B of section 22-25-3 NMSA 1978, assuming a one hundred percent collection rate, is less than an amount calculated by multiplying the product obtained by the rate imposed in the District under the Public School Capital Improvements Act. The distribution shall be made by December 1, of each year that the tax is imposed in accordance with Section 22-25-3 NMSA 1978. Provided, however, in the event that sufficient funds are not available in the public school capital improvement funds to make the state distribution provided for in this section, the dollar per program unit figure shall be reduced as necessary. The district did not receive state SB-9 matching during the year end June 30, 2019.

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

The District also receives revenues from Federal departments which are unrestricted to expenditures for special purposes. These revenues are reported in the Operational Fund.

**STATE OF NEW MEXICO**  
Truth or Consequences Municipal Schools  
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**NOTE 1. Summary of Significant Accounting Policies (continued)**

*F. Pensions*

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

*G. 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.

**NOTE 2. Stewardship, Compliance and Accountability**

*Budgetary Information*

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

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

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

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

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

1. In April or May, the local school board submits to the School Budget and Finance Analysis Bureau (SBFAB) of the New Mexico Public Education Department, a proposed operating budget for the ensuing fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them. All budgets submitted to the State of New Mexico Public Education Department (PED) by the District shall contain headings and details as described by law and have been approved by the New Mexico Public Education Department.

**STATE OF NEW MEXICO**  
Truth or Consequences Municipal Schools  
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June 30, 2019

**NOTE 2. Stewardship, Compliance and Accountability (continued)**

*Budgetary Information - (Continued)*

2. In May or June of each year, the proposed “operating” budget will be reviewed and approved by the SBFAB and certified and approved by the local school board at a public hearing of which notice has been published by the local school board who fixes the estimated budget for the District for the ensuing fiscal year.
3. The school board meeting, while not intended for the general public, is open for the general public unless a closed meeting has been called.
4. The “operating” budget will be used by the District until they have been notified that the budget has been approved by the SBFAB and the local school board. The budget shall be integrated formally into the accounting system. Encumbrances shall be used as an element of control and shall be integrated into the budget system.
5. The District shall make corrections, revisions and amendments to the estimated budgets fixed by the local school board to recognize actual cash balances and carryover funds, if any. These adjustments shall be reviewed and approved by the SBFAB.
6. The superintendent is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the school board and the New Mexico Public Education Department.
7. Budget change requests are processed in accordance with Supplement 1 (Budget Preparation and Maintenance) of the Manual of Procedures Public School Accounting and Budgeting. Such changes are initiated by the District and approved by the SBFAB.
8. Legal budget control for expenditures is by function.
9. Appropriations lapse at fiscal year-end. Funds unused during the fiscal year may be carried over into the next fiscal year by budgeting those in the subsequent fiscal year’s budget. The budget of Truth or Consequences Municipal Schools 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.
10. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Capital Projects Funds and Debt Service Funds.
11. Budgets for the General, Special Revenue, Capital Projects, and Debt Service Funds are adopted on a basis not consistent with generally accepted accounting principles (GAAP). Encumbrances are treated the same way for GAAP purposes and for budget purposes.

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

The accompanying Statements of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual present comparisons of the legally adopted budget with actual data on a budgetary basis. Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of resultant basis, perspective, equity, and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2019, is presented.

**STATE OF NEW MEXICO**  
 Truth or Consequences Municipal Schools  
 Notes to Financial Statements  
 June 30, 2019

**NOTE 2. Stewardship, Compliance and Accountability (continued)**

*Budgetary Information - (Continued)*

The appropriated budget for the year ended June 30, 2019, was properly amended by the Board of Education throughout the year. These amendments resulted in the following changes:

	Excess (deficiency) of revenues over expenditures	
	Original Budget	Final Budget
Budgeted Funds:		
Operational Fund	\$ (1,637,698)	\$ (1,637,698)
Transportation Fund	\$ -	\$ (3,619)
Instructional Materials Fund	\$ -	\$ (113,387)
Title I Fund	\$ -	\$ -
IDEA-B Entitlement	\$ -	\$ -

The District is required to balance its budgets each year. Accordingly, amounts in excess or deficient are presented as changes in cash designated for expenditures, not as an excess or deficiency of revenues over expenditures.

The reconciliation between the Non-GAAP budgetary basis amounts and the financial statements on the GAAP basis for each governmental fund is included in the individual budgetary comparison. The District budgets on a modified cash basis with respect to payroll or held checks being accrued and expensed, therefore, fund balances on the budget statements do not reconcile to cash due to the District's accrued payroll which is presented on the accrual basis.

**NOTE 3. Deposits and Investments**

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

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

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

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

The collateral pledged is listed on Schedule II of this report. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico.

According to the Federal Deposit Insurance Corporation, public unit deposits are funds owned by the public unit. Time deposits, savings deposits and interest bearing NOW accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution.

**STATE OF NEW MEXICO**  
 Truth or Consequences Municipal Schools  
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**NOTE 3. Deposits and Investments (continued)**

**Deposits:**

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of bank failure, the District’s deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk, other than the following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978.) At June 30, 2019, \$6,314,807 of the District’s deposits of \$7,314,807 was exposed to custodial credit risk. \$4,204,720 was uninsured and collateralized by collateral held by the pledging bank’s trust department, not in the District’s name. As of June 30, 2019, \$2,110,087 is uninsured and uncollateralized. As of June 30, 2019, the carrying amount of these deposits was \$6,764,117; total amount of deposits (and other cash equivalents) of \$7,314,807 less outstanding items of \$550,690. New Mexico State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the District for a least one half of the amount on deposit with the institution. The schedule listed below will meet the State of New Mexico, Office of the State Auditor’s requirements in reporting the insured portion of the deposits.

	<b>Bank of the Southwest</b>	<b>BBVA Compass</b>	<b>First Savings Bank</b>	<b>Citizens Bank of Las Cruces</b>	<b>Total</b>
Amount of deposits	\$ 2,286,693	\$ 286,718	\$ 289,222	\$ 4,452,174	\$ 7,314,807
FDIC Coverage	(250,000)	(250,000)	(250,000)	(250,000)	(1,000,000)
Total uninsured public funds	2,036,693	36,718	39,222	4,202,174	6,314,807
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the District's name	1,503,652	36,718	39,222	2,625,128	4,204,720
Uninsured and uncollateralized	\$ 533,041	\$ -	\$ -	\$ 1,577,046	\$ 2,110,087
Collateral requirement (50% of uninsured funds)	\$ 1,018,347	\$ 18,359	\$ 19,611	\$ 2,101,087	\$ 3,157,404
Pledged Collateral	1,503,652	75,000	251,092	2,625,128	4,454,872
Over (Under) collateralized	\$ 485,305	\$ 56,641	\$ 231,481	\$ 524,041	\$ 1,297,468

**Investments:**

The District has investments held in U.S. Treasury Money Market Mutual Funds at the Bank of Albuquerque in connection with New Mexico Finance Authority (NMFA) for bonds in the amount of \$2,746,833. These funds are backed by the full faith and credit of the U.S. government, therefore, there is no custodial, foreign, or interest rate risk subject to disclosure for the District. These are classified as cash equivalents due the liquidity of the funds.

The District does not have a risk policy beyond that required by State Statute. The District invests in the State Treasurer Local Governmental Investment Pool, a New Mexico sponsored investment alternative.

The State Treasurer Local Government Investment Pool is not SEC registered. The State Treasurer, with the advice and consent of the State Board of Finance, is authorized to invest money held in the short-term investment fund in accordance with Sections 6-10-10P and Sections -10-10.1A and E, NMSA 1978.

**STATE OF NEW MEXICO**  
 Truth or Consequences Municipal Schools  
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**NOTE 3. Deposits and Investments (continued)**

The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments.

The pool does not have unit shares. Per Section 6-10-10.1F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the amounts were invested.

Investments are valued at fair value based on quoted market prices as of the valuation date.

Participation in the pool is voluntary. The District has \$1,693 on deposit in the pool at June 30, 2019, which is AAAM rated with a weighted average maturity of 35 days (WAM (R)) and 112 days (WAM (F)).

Reconciliation to the Statement of Net Position:

Cash and cash equivalents- Governmental Activities Exhibit A-1	\$ 6,774,748
Restricted cash and cash equivalents- Governmental Activities Exhibit A-1	2,418,371
Fiduciary funds - Exhibit D-1	<u>319,524</u>
 Total cash and cash equivalents	 9,512,643
 Plus: reconciling items	 550,690
Less: LGIP	1,693
Less: NMFA	<u>2,746,833</u>
 Bank balance of deposits and other cash equivalents	 <u><u>\$ 7,314,807</u></u>

**STATE OF NEW MEXICO**  
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**NOTE 4. Receivables**

Receivables as of June 30, 2019 are as follows:

	<u>General Fund</u>	<u>Title I</u>	<u>IDEA-B Entitlement</u>	<u>Bond Building</u>
Property taxes receivable	\$ 22,085	\$ -	\$ -	\$ -
Due from other governments:				
Federal sources	-	508,213	304,039	-
State sources	-	-	-	-
Other	-	-	-	-
	<u>\$ 22,085</u>	<u>\$ 508,213</u>	<u>\$ 304,039</u>	<u>\$ -</u>
	<u>Capital Improvements SB-9 Local</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Property taxes receivable	\$ 82,061	\$ 249,302	\$ -	\$ 353,448
Due from other governments:				
Federal sources	-	-	174,666	986,918
State sources	-	-	197,589	197,589
Other- Spaceport America	-	-	17,709	17,709
	<u>\$ 82,061</u>	<u>\$ 249,302</u>	<u>\$ 389,964</u>	<u>\$ 1,555,664</u>

In accordance with GASB No. 33, property tax revenues in the amount of \$258,644, which were not collected within the period of availability have been reclassified as deferred inflows of resources-property taxes and grants in the governmental fund financial statements. All of the above receivables are deemed to be fully collectible.



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**NOTE 5. Interfund Receivables and Transfers**

The District records temporary interfund receivable and payables to enable the funds to operate until grant monies are received. The composition of interfund balances as of June 30, 2019 is as follows:

<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Amount</u>
General Fund - 11000	Title I IASA - 24101	\$ 508,177
General Fund - 11000	IDEA-B Entitlement - 24106	290,158
General Fund - 11000	Bond Building - 31100	21,163
General Fund - 11000	Migrant Children Education - 24103	12,466
General Fund - 11000	New Mexico Autism Project - 24108	7,293
General Fund - 11000	IDEA-B Preschool - 24109	6,067
General Fund - 11000	Education of Homeless - 24113	5,568
General Fund - 11000	Fresh Fruit & Vegetables-24118	15,896
General Fund - 11000	(RDA) Results Driven Accountability - 24132	14,249
General Fund - 11000	Teacher/Principal Training/Recruiting - 24154	47,944
General Fund - 11000	Rural / Low Income Schools - 24160	39,578
General Fund - 11000	Carl D Perkins Secondary - Current - 24174	7,535
General Fund - 11000	Carl D Perkins Secondary Redistribution- 24176	1,665
General Fund - 11000	USDA Equipment Grant- 24183	8,610
General Fund - 11000	Student Support Academic Achievement Title IV - 24189	7,972
General Fund - 11000	Spaceport - 26199	3,727
General Fund - 11000	Dual Credit Instructional Materials - 27103	372
General Fund - 11000	2012 G.O. Bond Student Library - 27107	14,854
General Fund - 11000	NM Reads to Lead - 27114	14,098
General Fund - 11000	Truancy Initiative Grant - 27141	21,590
General Fund - 11000	Pre-K Initiative - 27149	101,944
General Fund - 11000	College Counselor - 27189	9
	Total	<u>\$ 1,150,935</u>

All Interfund balances are to be paid within one year.

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**NOTE 6. Capital Assets**

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

	<u>Balance July 1, 2018</u>	<u>Additions and Adjustments</u>	<u>Dispositions</u>	<u>Balance June 30, 2019</u>
<b>Governmental activities:</b>				
Capital assets not depreciated				
Land	\$ 243,455	\$ -	\$ -	\$ 243,455
Construction in process	1,781,452	273,580	-	2,055,032
Total assets not depreciated	<u>2,024,907</u>	<u>273,580</u>	<u>-</u>	<u>2,298,487</u>
Capital assets depreciated				
Buildings and improvements	50,677,257	1,364,308	-	52,041,565
Equipment and furniture	5,513,492	27,117	-	5,540,609
Total assets depreciated	<u>56,190,749</u>	<u>1,391,425</u>	<u>-</u>	<u>57,582,174</u>
Total assets	58,215,656	1,665,005	-	59,880,661
Less accumulated depreciation for:				
Buildings and improvements	18,832,210	1,441,021	-	20,273,231
Equipment and furniture	4,186,898	221,003	-	4,407,901
Total accumulated depreciation	<u>23,019,108</u>	<u>1,662,024</u>	<u>-</u>	<u>24,681,132</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 35,196,548</u>	<u>\$ 2,981</u>	<u>\$ -</u>	<u>\$ 35,199,529</u>

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

Instruction	\$ 764,531
Support Services – Students	112,186
Support Services – Instruction	132,962
Support Services – General Administration	24,930
Support Services – School Administration	45,707
Central Services	20,776
Operations / Maintenance of Plant	199,442
Transportation Services	228,559
Food Services	132,931
Total	<u>\$ 1,662,024</u>

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**NOTE 7. Long-Term Debt**

*General Obligation Bonds:*

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. The original amount of the outstanding general obligation bonds as of June 30, 2019 was \$20,250,000. General obligation bonds are direct obligations and pledge the full faith and credit of the District. These bonds are issued with varying terms and varying amounts of principal maturing each year. All general obligation bonds as of June 30, 2019 are for governmental activities.

General obligation bonds outstanding at June 30, 2019, are comprised of the following:

	Series 3/28/2008	Series 10/23/2009	Series 10/30/2012	Series 10/22/2013
Original Issue:	\$1,750,000	\$1,500,000	\$5,000,000	\$3,000,000
Principal Due:	August 1	August 1	August 1	August 1
Interest Due:	February 1 August 1	February 1 August 1	February 1 August 1	February 1 August 1
Interest Rates:	2.819% - 3.881%	0.65% - 3.52%	2.00% - 2.25%	2.00% - 3.35%
Maturity Date:	8/1/2020	8/1/2023	8/1/2027	8/1/2028
	Series 7/25/2014	Series 5/29/2014	Series 7/21/2017	Series 9/4/2018
Original Issue:	\$3,000,000	1,500,000	\$3,000,000	\$1,500,000
Principal Due:	August 1	August 1	August 1	August 1
Interest Due:	February 1 August 1	February 1 August 1	February 1 August 1	February 1 August 1
Interest Rates:	.10% - 3.38%	.10% - 2.486%	.10% - 3.38%	1.52% - 3.15%
Maturity Date:	8/1/2029	8/1/2028	8/1/2030	8/1/2032

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**NOTE 7. Long-Term Debt (continued)**

During the year ended June 30, 2019 the following changes occurred in the liabilities reported in the government-wide Statement of Net Position:

	<u>Balance June 30, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2019</u>	<u>Due Within One Year</u>
General Obligation Bonds	\$ 12,765,000	\$ 1,500,000	\$ 1,640,000	\$ 12,625,000	\$ 1,660,000
Compensated Absences	270,246	112,790	74,592	308,444	-
Total long-term debt	<u>\$ 13,035,246</u>	<u>\$ 1,612,790</u>	<u>\$ 1,714,592</u>	<u>\$ 12,933,444</u>	<u>\$ 1,660,000</u>

The annual requirements to amortize the General Obligation Bonds as of June 30, 2019, including interest payments are as follows. The interest rates range from .10% to 3.881% with maturity dates until August 1, 2032.

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2020	\$ 1,660,000	\$ 271,839	\$ 1,931,839
2021	1,255,000	236,486	1,491,486
2022	940,000	209,770	1,149,770
2023	1,075,000	188,049	1,263,049
2024	1,075,000	163,957	1,238,957
2025-2029	5,690,000	406,716	6,096,716
2030-2033	930,000	18,871	948,871
	<u>\$ 12,625,000</u>	<u>\$ 1,495,688</u>	<u>\$ 14,120,688</u>

In prior years, the general fund was typically used to liquidate long-term liabilities other than general obligation bonds and lease purchase notes.

Compensated Absences – Administrative employees of the Schools are able to accrue a limited amount of annual leave and all employees are able to accrue an unlimited amount of general leave during the year. During fiscal year June 30, 2019, compensated absences increased \$38,198 for annual leave over the prior year accrual.

Operating Leases – The District leases office equipment under short-term cancelable operating leases. Rental cost for the year ended June 30, 2019 was \$36,688.

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**NOTE 8. Risk Management**

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

The NMPSIA provides coverage for up to a maximum of \$750,000,000 for each property damage claim with a \$25,000 deductible for each building. General liability coverage is afforded to all employees, volunteers and school board members and the limit is subject to the NMSA Tort Claims Act on a per occurrence basis. The automobile and property liability limit is subject to the provisions of the Tort Claims Act. The crime limit is \$1,250,000 per occurrence for Faithful Performance. A limit of \$1,250,000 applies to Depositor's Forgery, Credit Card Forgery and Money Orders. A limit of \$100,000 applies to Money and Security, with all crime coverage subject to a \$750 deductible.

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

**NOTE 9. Other Required Individual Fund Disclosures**

Generally accepted accounting principles require disclosures of certain information concerning individual funds including:

**A.** Deficit fund balance of individual funds: The District reported a deficit fund balance at June 30, 2019 in the following funds:

Pupil Transportation	\$ 1,368
Carl D Perkins Secondary- Current	38
College Counselor	<u>9</u>
Total Governmental Funds	<u>\$ 1,415</u>

These deficits will have to be funded via a permanent cash transfer. This is expected to be resolved in this next current year.

- B.** Excess of expenditures over appropriations: No funds of the District exceeded approved budgetary authority at the fund level for the year ended June 30, 2019.
- C.** Designated cash appropriations in excess of available balance: No funds of the District exceeded the budgeted cash appropriations for the year ended June 30, 2019.

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**NOTE 10. Pension Plan – Educational Retirement Board**

**General Information about the Pension Plan**

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

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**NOTE 10. Pension Plan – Educational Retirement Board (continued)**

These members must meet one of the following requirements.

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

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

**Benefit Options** – The Plan has three benefit options available.

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

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

**Cost of Living Adjustment (COLA)** – All retired members and beneficiaries receiving benefits receive an automatic adjustment 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

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**NOTE 10. Pension Plan – Educational Retirement Board (continued)**

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 and 2018 educational employers contributed to the Plan based on the following rate schedule.

Fiscal Year	Date Range	Wage Category	Member Rate	Employer Rate	Combined Rate	Increase Over Prior Year
2019	7-1-18 to 6-30-19	Over \$20K	10.70%	13.90%	24.60%	0.00%
2019	7-1-18 to 6-30-19	\$20K or less	7.90%	13.90%	21.80%	0.00%
2018	7-1-17 to 6-30-18	Over \$20K	10.70%	13.90%	24.60%	0.00%
2018	7-1-17 to 6-30-18	\$20K or less	7.90%	13.90%	21.80%	0.00%

The contribution requirements 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 \$2,042,608 and \$1,889,373, 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 \$32,849,802 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2018 using generally accepted actuarial principles. The roll-forward incorporates the impact of the new assumptions adopted by the Board on April 21, 2017. There were no other significant events of changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2018. Therefore, the employer’s portion was established as of the measurement date of June 30, 2018. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating educational institutions, actuarially determined. At June 30, 2018, the District’s proportion was .27625% percent, which was an decrease of .01773% percent from its proportion measured as of June 30, 2017.



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**NOTE 10. Pension Plan – Educational Retirement Board (continued)**

For the year ended June 30, 2019, the District recognized pension expense of \$5,069,522. At June 30, 2019, District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$ 23,975	\$ 625,185
Net difference between expected and actual investments on pension plan investments	72,721	-
Change of assumptions	6,770,189	-
Change in proportion	130,921	1,074,819
District's contributions subsequent to the measurement date	<u>1,164,823</u>	<u>-</u>
Total	<u>\$ 8,162,629</u>	<u>\$ 1,700,004</u>

\$1,164,823, reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2019	\$ 3,458,795
2020	2,107,019
2021	(268,969)
2022	957
2023	-
Thereafter	-

*Actuarial assumptions.* 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:

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**NOTE 10. Pension Plan – Educational Retirement Board (continued)**

Actuarial Cost Method	Entry age normal
Inflation	2.50%
Salary Increases	Composed of 2.50% inflation, plus 0.75% productivity increase rate, plus step-rate promotional increases for less than 10 years of service
Investment Rate of Return	7.25%
Single Discount Rate	5.69%
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.
Mortality	Healthy Males – 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 – 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.

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 rate 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%.

Basis for Allocation – The employers' proportionate share, reported in the Schedule of Employer Allocations, is calculated using employer contributions for employers that were members of NMERB, as of June 30, 2018.

Rate of Return – The long-term expected rate of return on pension plan investments is determined annually using a building-block approach that includes the following: 1) rate of return projections are the sum of current yield plus projected changes in price (valuation, defaults, etc.); 2) application of key economic projections (inflation, real growth, dividends, etc.); and 3) structural themes (supply and demand imbalances, capital flows, etc.) developed for each major asset class.

Discount Rate – A single discount rate of 5.69% was used to measure the total pension liability as of June 30, 2018. This single discount rate was based on an expected rate of return on pension plan investments of 7.25% and a municipal bond rate of 3.62%. Based on the stated assumptions and the projection of cash flows, the Plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2050. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the 2050 fiscal year, and the municipal bond rate was applied to all benefit payments after that date.

Sensitivity of the Net Pension Liability – The following table shows the sensitivity of the net pension liability to changes in the discount rate as of June 30, 2018. In particular, the table presents the Plan's net pension liability if it were calculated using a discount rate one percentage point lower (4.69%) or one percentage point higher (6.69%) than the single discount rate.

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**NOTE 10. Pension Plan – Educational Retirement Board (continued)**

	<b>1% Decrease (4.69%)</b>	<b>Current Discount Rate (5.69%)</b>	<b>1% Increase (6.69%)</b>
District's proportionate share of the net pension liability	\$ 42,692,161	\$ 32,849,802	\$ 24,819,051

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

**Payables to the pension plan.** At June 30, 2019, the District owed the ERB \$172,819 for the contributions withheld in the month of June 2019.

**NOTE 11. Post-Employment Benefits – State Retiree Health Care Plan**

General Information about the OPEB

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

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

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

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**NOTE 11. Post-Employment Benefits – State Retiree Health Care Plan (continued)**

**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	<u>93,349</u>
	<u>156,025</u>
Active membership	
State general	19,593
State police and corrections	1,886
Municipal general	17,004
Municipal police	3,820
Municipal FTRE	2,290
Educational Retirement Board	<u>48,756</u>
	<u>93,349</u>

**Contributions** – Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee’s salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer’s participation in the Fund. Contributions to the Fund from the District were \$247,697 for the year ended June 30, 2019.

**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 \$7,854,433 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District’s proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2017. At June 30, 2018, the District’s proportion was .18063 percent.

For the year ended June 30, 2019, the District recognized OPEB expense of \$(150,198). 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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**NOTE 11. Post-Employment Benefits – State Retiree Health Care Plan (continued)**

	<b>Deferred Outflow of Resources</b>	<b>Deferred Inflow of Resources</b>
Differences between expected and actual experience	\$ -	\$ 465,033
Net difference between expected and actual investments on OPEB plan investments	-	98,020
Change of assumptions	-	1,466,388
Change in proportion	-	659,655
District's contributions subsequent to the measurement date	165,148	-
<b>Total</b>	<b>\$ 165,148</b>	<b>\$ 2,689,096</b>

Deferred outflows of resources totaling \$165,148 represent District contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

2019	\$	(655,394)
2020		(655,394)
2021		(655,394)
2022		(537,959)
2023		(184,955)

**Actuarial assumptions.** The total OPEB liability as of June 30, 2018 was determined by an actuarial valuation as of June 30, 2017 that was rolled forward to a measurement date of June 30, 2018. The mortality, retirement, disability, turnover and salary increase assumptions for PERA members are based on the PERA annual valuation as of June 30, 2016 and for ERB members are based on the ERB actuarial experience study as of June 30, 2016. The following actuarial assumptions were applied to the actuary's measurement:

Valuation Date	June 30, 2017
Actuarial cost method	Entry age normal, level percent of pay, calculated on individual employee basis
Asset valuation method	Market value of assets
Actuarial assumptions:	
Inflation	2.50% for ERB; 2.25% for PERA
Projected payroll increases	3.50% 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

**STATE OF NEW MEXICO**  
 Truth or Consequences Municipal Schools  
 Notes to Financial Statements  
 June 30, 2019

**NOTE 11. Post-Employment Benefits – State Retiree Health Care Plan (continued)**

**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 equities	7.8
Private equity	11.8
Credit and structured finance	5.3
Real estate	4.9
Absolute return	4.1
U.S. equity - small/mid cap	7.1

**Discount Rate.** The discount rate used to measure the Fund’s total OPEB liability is 4.08% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 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 (3.87%) was applied. Thus, 4.08% is the blended discount rate.

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

**STATE OF NEW MEXICO**  
 Truth or Consequences Municipal Schools  
 Notes to Financial Statements  
 June 30, 2019

**NOTE 11. Post-Employment Benefits – State Retiree Health Care Plan (continued)**

	<b>1% Decrease (3.08%)</b>	<b>Current Discount Rate (4.08%)</b>	<b>1% Increase (5.08%)</b>
District's proportionate share of the net OPEB liability	\$ 9,505,714	\$ 7,854,433	\$ 6,552,856

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

	<b>Trend Rate Sensitivity Analysis</b>		
	<b>1% Decrease</b>	<b>Rate</b>	<b>1% Increase</b>
District's proportionate share of the net OPEB liability	\$ 6,639,750	\$ 7,854,433	\$ 8,806,772

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

**Payable Changes in the Net OPEB Liability.** At June 30, 2019, the District reported a payable of \$20,844 for outstanding contributions due to NMRHCA for the year ended June 30, 2019.

**NOTE 12. Construction and Other Significant Commitments**

The District has committed to pay for construction contracts related to the new Wellness Center that was not completed at June 30, 2019 in the amount of \$9,937.

**NOTE 13. 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.

**NOTE 14. Subsequent Events**

The date to which events occurring after June 30, 2019, the date of the most recent Statement of Net Position, have been evaluated for possible adjustment to the financial statements or disclosures is November 14, 2019 which is the date on which the financial statements were available to be issued.

**STATE OF NEW MEXICO**  
Truth or Consequences Municipal Schools  
Notes to Financial Statements  
June 30, 2019

**NOTE 15. Contingent Liabilities**

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

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

**NOTE 16. Subsequent Pronouncement**

In June 2017, GASB Statement No. 87 *Leases*, was issued. Effective Date: The provisions of this Statement are effective for fiscal years beginning after December 15, 2019. The District is still evaluating the significance of the impact from this pronouncement on its financial statements.

In June 2018, GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The standard will be implemented during the fiscal year ended June 30, 2021. The District is still evaluating how this pronouncement will affect the financial statements.

In August 2019, GASB Statement No. 90, *Majority Equity Interest-an amendment of GASB Statements No. 14 and No. 61*, was issued. Effective Date: The provisions of this Statement are effective for fiscal years beginning after December 15, 2020. The District does not expect this pronouncement to have a material effect on the financial statements.

In May 2019, GASB Statement No. 91, *Conduit Debt Obligations*, was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. The District does not expect this pronouncement to have a material effect on the financial statements.



**REQUIRED SUPPLEMENTARY INFORMATION**

**STATE OF NEW MEXICO**  
 Truth or Consequences Municipal Schools  
 Schedule of Proportionate Share of the Net Pension Liability  
 Educational Retirement Board (ERB) Pension Plan  
 Last 10 Fiscal Years\*

	<b>2019 Measurement Date (As of and for the Year Ended June 30, 2018)</b>	<b>2018 Measurement Date (As of and for the Year Ended June 30, 2017)</b>
Truth or Consequences Municipal Schools proportion of the net pension liability (asset)	0.27625%	0.29398%
Truth or Consequences Municipal Schools proportionate share of the net pension liability (asset)	\$ 32,849,802	\$ 32,671,374
Truth or Consequences Municipal Schools covered payroll	7,745,840	8,393,694
Truth or Consequences Municipal Schools proportionate share of the net pension liability (asset) as a percentage of its covered payroll	424%	389%
Plan fiduciary net position as a percentage of the total pension liability	52.17%	52.95%

\* The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, Truth or Consequences Municipal Schools will present information for those years for which information is available.

See independent auditors' report.  
 See notes to required supplementary information.

<b>2017 Measurement Date (As of and for the Year Ended June 30, 2016)</b>	<b>2016 Measurement Date (As of and for the Year Ended June 30, 2015)</b>	<b>2015 Measurement Date (As of and for the Year Ended June 30, 2014)</b>
0.28963%	0.2936%	0.2981%
\$ 32,671,374	\$ 19,015,325	\$ 17,007,632
8,271,424	8,342,192	7,770,122
395%	228%	219%
61.58%	63.97%	66.54%

See independent auditors' report.  
See notes to required supplementary information.

**STATE OF NEW MEXICO**  
 Truth or Consequences Municipal Schools  
 Schedule of Contributions  
 Educational Retirement Board (ERB) Pension Plan  
 Last 10 Fiscal Years\*

	<b>As of and for the Year Ended June 30, 2019</b>	<b>As of and for the Year Ended June 30, 2018</b>
Contractually required contribution	\$ 1,164,823	\$ 1,075,613
Contributions in relation to the contractually required contribution	1,164,823	1,075,613
Contribution deficiency (excess)	\$ -	\$ -
Truth or Consequences Municipal Schools' covered payroll	8,380,064	7,745,840
Contribution as a percentage of covered payroll	13.9%	13.9%

\* The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, Truth or Consequences Municipal Schools will present information for those years for which information is available.

See independent auditors' report.  
 See notes to required supplementary information.

<b>As of and for the Year Ended June 30, 2017</b>	<b>As of and for the Year Ended June 30, 2016</b>	<b>As of and for the Year Ended June 30, 2015</b>
\$ 1,164,418	\$ 1,148,816	\$ 1,159,563
<u>1,164,418</u>	<u>1,148,816</u>	<u>1,159,563</u>
<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
8,393,694	8,271,424	8,342,192
13.9%	13.9%	13.9%

See independent auditors' report.  
See notes to required supplementary information.

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**STATE OF NEW MEXICO**  
Truth or Consequences Municipal Schools  
Notes to Required Supplementary Information  
June 30, 2019

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

*Changes in assumptions and methods.* Actuarial assumptions and methods are set by the Board of Trustee, based upon recommendation 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 3.5% to 3.00%, and the annual assumed COLA from 2.00% to 1.90%.

See independent auditors' report.  
See notes to required supplementary information.

**STATE OF NEW MEXICO**  
 Truth or Consequences Municipal Schools  
 Schedule of Proportionate Share of the Net OPEB Liability  
 Retiree Health Care OPEB Plan  
 Last 10 Fiscal Years\*

Schedule B-1

	<b>2019 Measurement Date (As of and for the Year Ended June 30, 2018)</b>	<b>2018 Measurement Date (As of and for the Year Ended June 30, 2017)</b>
Truth or Consequences Municipal School's proportion of the net OPEB liability (asset)	0.18063%	0.19500%
Truth or Consequences Municipal School's proportionate share of the net OPEB liability (asset)	\$ 7,854,433	\$ 8,836,762
Truth or Consequences Municipal School's covered payroll	7,712,857	8,370,949
Truth or Consequences Municipal School's proportionate share of the net OPEB liability as a percentage of its covered payroll	102%	106%
Plan fiduciary net position as a percentage of the total OPEB liability	13.14%	11.34%

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

See independent auditors' report.  
 See notes to required supplementary information.



**STATE OF NEW MEXICO**  
 Truth or Consequences Municipal Schools  
 Schedule of Contributions  
 Retiree Health Care OPEB Plan  
 Last 10 Fiscal Years\*

Schedule B-2

	<b>As of and for the Year Ended June 30, 2019</b>	<b>As of and for the Year Ended June 30, 2018</b>
Contractually required contribution	\$ 165,148	\$ 154,262
Contributions in relation to the contractually required contribution	165,148	154,262
Contribution deficiency (excess)	\$ -	\$ -
Truth or Consequences Municipal School's covered payroll	8,256,554	7,712,857
Contribution as a percentage of covered payroll	2.00%	2.00%

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

**Notes to Required Supplementary Information**

**RHC Plan**

*Changes of Benefit Terms*

Recent changes in benefits are described in the financial statement note disclosure covering the Other Post-Employment Benefits (OPEB) – Retiree Health Trust.

*Changes of Assumptions*

Changes in actuarial assumptions are described in the financial statement note disclosure covering the Other Post-Employment Benefits (OPEB) – Retiree Health Trust.

Additional financial information supporting the preparation of the Schedule of Employer Allocations and the Schedule of OPEB Amounts by Employer, including the disclosure of the net OPEB liability and the unmodified audit opinion on the financial statements, is located in the New Mexico Retiree Health Care Authority financial statements for the fiscal year ended June 30, 2018. Additional financial information is available at [www.nmrhca.state.nm.us](http://www.nmrhca.state.nm.us) or by contacting New Mexico Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

See independent auditors' report.  
 See notes to required supplementary information.

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## **SUPPLEMENTARY INFORMATION**

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**NONMAJOR GOVERNMENTAL FUNDS**

**STATE OF NEW MEXICO**  
Truth or Consequences Municipal Schools  
Nonmajor Governmental Fund Descriptions  
June 30, 2019

**SPECIAL REVENUE FUNDS**

**Food Services (21000)** – The Food Service Fund is used to account for income from meal sales, State and Federal reimbursements and to make cash disbursements for activities dealing with preparation and serving of meals. Authority for the creation of this fund is the New Mexico Public Education Department.

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

**Migrant Children Education (24103)** – To account for federal resources administered by the State Public Education Department to provide for special educational needs of migratory agricultural workers. Authorized by the Elementary and Secondary Education Act (ESEA) of 1965, as amended by the No Child Left Behind Act of 2001, Title I, Part C (Public Law 107-110).

**New Mexico Autism Project (24108)** – To account for a sub-grant to be used to support the District's implementation of the New Mexico Autism Project and improve the outcomes for students with Autism Spectrum Disorders. Authority for creation of this fund is the New Mexico Public Education Department.

**IDEA-B Preschool and IDEA-B Early Intervention (24109 and 24112)** – The objective of the Assistance to States for the Education of Handicapped Children Program is to assist in providing free, appropriate public education to all handicapped children from ages three to five. Authorized by the Individuals with Disabilities Education Act of 2004, Title I, Part B (Public Law 108-446).

**Education of Homeless (24113)** – To ensure that homeless children and youth have equal access to the same free, appropriate public education as other children; to provide activities for and services to ensure that these children enroll in, attend, and achieve success in school; to establish or designate an office in each State educational agency (SEA) for the coordination of education for homeless children and youth; to develop and implement programs for school personnel to heighten awareness of specific problems of homeless children and youth; and to provide grants to local educational agencies (LEAs). Authorized by McKinney-Vento Homeless Assistance Act, Title VII-B, as reauthorized by the No Child Left Behind Act of 2001 (Public Law 107-110).

**Fresh Fruit & Vegetables (24118)** – To assist States, through cash grants, in providing free fresh fruits and vegetables to school children in designated participating schools. Authorized by National School Lunch Act, as amended, 42 U.S.C. 1769.

**(RDA) Results Driven Accountability (24132)** – This grant supports school improvement, with the focus on students with disabilities in grades K-3, through the implementation of the evidence-based practices identifies in Results Driven Accountability as outline in the approved Request for Information. In accordance with the federal regulations at 2 C.F.R., 200.331(a).

**Teacher/Principal Training & Recruiting (24154)** – To improve the skills of teachers and the quality of instruction in mathematics and science, and also to increase the accessibility of such instruction to all students. Authorized by the Elementary and Secondary Education Act of 1965, as amended by the No Child Left Behind Act of 2001, Title II, Part A, Sec. 2101-2151 (Public Law 107-110).

**Rural / Low Income Schools (24160)** – To account for funds used to provide financial assistance to rural districts to carry out activities to help improve the quality of teaching and learning in their schools. Elementary and Secondary Education Act of 1964 (ESEA), Title VI, Part B, as amended.

**STATE OF NEW MEXICO**  
Truth or Consequences Municipal Schools  
Nonmajor Governmental Fund Descriptions  
June 30, 2019

**SPECIAL REVENUE FUNDS (continued)**

**Carl D. Perkins (Secondary – Current - 24174) (Secondary Redistribution - 24176)** - The objective of this grant is to provide secondary and post-secondary educational institutions the opportunity to develop, implement, and operate programs using different models of curricula that integrate vocational and academic learning. Authorized by the Carl D. Perkins Vocational and Technical Education Act of 1998 (Public Law 105-332).

**USDA Equipment Grant (24183)** – To account for the purchase of new kitchen equipment under the U.S. Department of Agriculture’s funded by the National School Lunch Program. In accordance with federal regulations at 2 C.F.R, 200.33 (a).

**Student Support Academic Achievement Title IV (24189)** – This fund is a sub-award for funding through the Student Support and Academic Enrichment Program. This sub-award supports well-rounded educational opportunities, safe and healthy students and effective use of technology. CFDA number- 84.424A

**Title XIX Medicaid 3/21 Years (25153)** – To account for funds to provide school-based screening, diagnostic services and other related health services and administrative activities in conformance with the approved Medicaid State Plan in order to improve health and developmental outcomes for children. Authority for creation of this fund is the New Mexico Public Education Department.

**ROTC (25200)** – provide Federal funding for the implementation of R.O.T.C. programs. Authority for creation of this fund is the New Mexico Public Education Department.

**Spaceport (26199)** – To account for funds received from Sierra County to be used to supplement science, technology, engineering, and math programs for Grades 6 through 12. Authority for creation of this fund is the New Mexico Public Education Department.

**Dual Credit Instructional Materials (27103)** – To account for legislative appropriations for dual credit instructional materials. Instructional materials are for courses approved by the NM Higher Education Department and through an approved agreement between the District and a college/university. Authority for the creation of this fund is the New Mexico Public Education Department.

**2012 GO Bond Student Library (27107)** – To account for funds provided to be used for library resource acquisitions, including library books for public school libraries. Authority for the creation of this fund is the New Mexico Public Education Department.

**NM Reads to Lead (27114)** – Funds appropriated by the NM Legislature to support the implementation of the New Mexico Reads to Lead initiative for grades K-3. Authority for the creation of this fund is the New Mexico Public Education Department.

**Excellence in Teaching (27125)** – House Bill 2 established this fund to recognize teachers earning the highest distinction on NMTEACH with a one-time non-reoccurring stipend of \$5,000 or \$10,000 with the larger awards for secondary math and science teachers and teachers in MRI designated schools. The District must issue monetary awards to identified teachers by December 21, 2018.

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**STATE OF NEW MEXICO**  
Truth or Consequences Municipal Schools  
Nonmajor Governmental Fund Descriptions  
June 30, 2019

**SPECIAL REVENUE FUNDS (continued)**

**Truancy Initiative Grant (27141)** – The purpose of the Truancy Initiative Grant is to establish a cohort of Attendance Success Coaches in elementary, middle, and high schools across the state whose role is to work with students, families, communities, schools and districts to increase student attendance and reduce chronic absenteeism.

**Pre-K Initiative (27149)** – To account for legislative appropriations for the purpose of providing high quality Pre-K services that align to NM Pre-K standards to underserved 4-year-olds in the District. To expand early childhood educational capacity so that all families of 4-year-olds in the district who want to enroll their child in a high quality Pre-K program can do so, regardless of income or ethnicity. Authority for the creation of this fund is the New Mexico Public Education Department.

**Kindergarten - Three Plus (27166)** – To account for legislative appropriations to provide an extended school year for kindergarten through third grade students. The program focuses on acclimating young students to the structure of a classroom environment and spending additional instructional time to prepare students for the next grade level. Authority for the creation of this fund is the New Mexico Public Education Department.

**College Counselor (27189)** – To account for funding awarded to assist with the transition from secondary education to higher education. Authority for the creation of this fund is the New Mexico Public Education Department.

**K-3 Plus 4 & 5 PILOT (27198)** – This program provides funding for additional educational time for students in kindergarten through fifth grade with at least 25 instructional days, beginning up to two months earlier than the regular school year.

**NM Highway Grant (28120)** - To account for funds received from the NM Department of Transportation to assist with surface needs such as paving school parking areas and bus areas.

**STATE OF NEW MEXICO**  
 Truth or Consequences Municipal Schools  
 Combining Balance Sheet  
 Nonmajor Special Revenue Funds  
 June 30, 2019

	<b>Food Services 21000</b>	<b>Athletics 22000</b>	<b>Migrant Children Education 24103</b>	<b>New Mexico Autism Project 24108</b>
<i>Assets</i>				
Cash and cash equivalents	\$ 251,734	\$ 23,672	\$ -	\$ -
Due from other governments	44,159	-	12,466	7,319
Other	-	-	-	-
Inventory	15,899	-	-	-
<i>Total assets</i>	<u>\$ 311,792</u>	<u>\$ 23,672</u>	<u>\$ 12,466</u>	<u>\$ 7,319</u>
<i>Liabilities, deferred inflows of resources, and fund balances</i>				
<i>Liabilities</i>				
Accounts payable	\$ 16,289	\$ -	\$ -	\$ -
Due to other funds	-	-	12,466	7,293
<i>Total liabilities</i>	<u>16,289</u>	<u>-</u>	<u>12,466</u>	<u>7,293</u>
<i>Fund balances</i>				
Nonspendable:				
Inventory	15,899	-	-	-
Spendable:				
Restricted for:				
Food services	279,604	-	-	-
Extracurricular activities	-	23,672	-	-
Education	-	-	-	26
Unassigned	-	-	-	-
<i>Total fund balances</i>	<u>295,503</u>	<u>23,672</u>	<u>-</u>	<u>26</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 311,792</u>	<u>\$ 23,672</u>	<u>\$ 12,466</u>	<u>\$ 7,319</u>

See independent auditors' report.

<b>IDEA-B Preschool 24109</b>	<b>IDEA-B Early Intervention 24112</b>	<b>Education of Homeless 24113</b>	<b>Fresh Fruit &amp; Vegetables 24118</b>	<b>(RDA) Results Driven Accountability 24132</b>
\$ -	\$ -	\$ -	\$ -	\$ -
6,067	-	5,568	15,896	14,249
-	-	-	-	-
-	-	-	-	-
<u>\$ 6,067</u>	<u>\$ -</u>	<u>\$ 5,568</u>	<u>\$ 15,896</u>	<u>\$ 14,249</u>
\$ -	\$ -	\$ -	\$ -	\$ -
6,067	-	5,568	15,896	14,249
<u>6,067</u>	<u>-</u>	<u>5,568</u>	<u>15,896</u>	<u>14,249</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ 6,067</u>	<u>\$ -</u>	<u>\$ 5,568</u>	<u>\$ 15,896</u>	<u>\$ 14,249</u>

See independent auditors' report.

**STATE OF NEW MEXICO**  
 Truth or Consequences Municipal Schools  
 Combining Balance Sheet  
 Nonmajor Special Revenue Funds  
 June 30, 2019

	<b>Teacher/ Principal Training &amp; Recruitment 24154</b>	<b>Rural / Low Income Schools 24160</b>	<b>Carl D Perkins Secondary - Current 24174</b>	<b>Carl D Perkins Secondary Redistribution 24176</b>
<i>Assets</i>				
Cash and cash equivalents	\$ -	\$ 496	\$ -	\$ -
Due from other governments	47,944	39,082	7,497	1,996
Other	-	-	-	-
Inventory	-	-	-	-
<i>Total assets</i>	<u>\$ 47,944</u>	<u>\$ 39,578</u>	<u>\$ 7,497</u>	<u>\$ 1,996</u>
 <i>Liabilities, deferred inflows of resources, and fund balances</i>				
<i>Liabilities</i>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	47,944	39,578	7,535	1,665
<i>Total liabilities</i>	<u>47,944</u>	<u>39,578</u>	<u>7,535</u>	<u>1,665</u>
 <i>Fund balances</i>				
Nonspendable:				
Inventory	-	-	-	-
Spendable:				
Restricted for:				
Food services	-	-	-	-
Extracurricular activities	-	-	-	-
Education	-	-	-	331
Unassigned	-	-	(38)	-
<i>Total fund balances</i>	<u>-</u>	<u>-</u>	<u>(38)</u>	<u>331</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 47,944</u>	<u>\$ 39,578</u>	<u>\$ 7,497</u>	<u>\$ 1,996</u>

See independent auditors' report.

<b>USDA Equipment Grant 24183</b>	<b>Student Support Academic Achievement Title IV 24189</b>	<b>Title XIX Medicaid 3/21 Years 25153</b>	<b>ROTC 25200</b>	<b>Spaceport 26199</b>
\$ -	\$ -	\$ 58,109	\$ 25,280	\$ 22,916
8,610	7,972	-	-	-
-	-	-	-	17,709
-	-	-	-	-
<u>\$ 8,610</u>	<u>\$ 7,972</u>	<u>\$ 58,109</u>	<u>\$ 25,280</u>	<u>\$ 40,625</u>
\$ -	\$ -	\$ -	\$ -	\$ -
8,610	7,972	-	-	3,727
<u>8,610</u>	<u>7,972</u>	<u>-</u>	<u>-</u>	<u>3,727</u>
-	-	-	-	-
-	-	-	-	-
-	-	58,109	25,280	36,898
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>58,109</u>	<u>25,280</u>	<u>36,898</u>
<u>\$ 8,610</u>	<u>\$ 7,972</u>	<u>\$ 58,109</u>	<u>\$ 25,280</u>	<u>\$ 40,625</u>

See independent auditors' report.

**STATE OF NEW MEXICO**  
 Truth or Consequences Municipal Schools  
 Combining Balance Sheet  
 Nonmajor Special Revenue Funds  
 June 30, 2019

	<b>Dual Credit Instructional Materials 27103</b>	<b>2012 GO Bond Student Library 27107</b>	<b>NM Reads to Lead 27114</b>	<b>Excellence in Teaching 27125</b>
<i>Assets</i>				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Due from other governments	944	14,854	14,098	-
Other	-	-	-	-
Inventory	-	-	-	-
<i>Total assets</i>	<u>\$ 944</u>	<u>\$ 14,854</u>	<u>\$ 14,098</u>	<u>\$ -</u>
<i>Liabilities, deferred inflows of resources, and fund balances</i>				
<i>Liabilities</i>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	372	14,854	14,098	-
<i>Total liabilities</i>	<u>372</u>	<u>14,854</u>	<u>14,098</u>	<u>-</u>
<i>Fund balances</i>				
Nonspendable:				
Inventory	-	-	-	-
Spendable:				
Restricted for:				
Food services	-	-	-	-
Extracurricular activities	-	-	-	-
Education	572	-	-	-
Unassigned	-	-	-	-
<i>Total fund balances</i>	<u>572</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 944</u>	<u>\$ 14,854</u>	<u>\$ 14,098</u>	<u>\$ -</u>

See independent auditors' report.

<b>Truancy Initiative Grant 27141</b>	<b>Pre-K Initiative 27149</b>	<b>Kindergarten - Three Plus 27166</b>	<b>College Counselor 27189</b>	<b>K-3 Plus 4 &amp; 5 PILOT 27198</b>
\$ -	\$ -	\$ 26	\$ -	\$ -
21,590	101,944	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ 21,590</u>	<u>\$ 101,944</u>	<u>\$ 26</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -
21,590	101,944	-	9	-
<u>21,590</u>	<u>101,944</u>	<u>-</u>	<u>9</u>	<u>-</u>
-	-	-	-	-
-	-	-	-	-
-	-	26	-	-
-	-	-	(9)	-
-	-	<u>26</u>	<u>(9)</u>	<u>-</u>
<u>\$ 21,590</u>	<u>\$ 101,944</u>	<u>\$ 26</u>	<u>\$ -</u>	<u>\$ -</u>

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**STATE OF NEW MEXICO**  
 Truth or Consequences Municipal Schools  
 Combining Balance Sheet  
 Nonmajor Special Revenue Funds  
 June 30, 2019

	<b>NM Highway Grant 28120</b>	<b>Total</b>
<i>Assets</i>		
Cash and cash equivalents	\$ 25,354	\$ 407,587
Due from other governments	-	372,255
Other	-	17,709
Inventory	-	15,899
	<u>\$ 25,354</u>	<u>\$ 813,450</u>
<i>Total assets</i>		
	<u>\$ 25,354</u>	<u>\$ 813,450</u>
 <i>Liabilities, deferred inflows of resources, and fund balances</i>		
<i>Liabilities</i>		
Accounts payable	\$ -	\$ 16,289
Due to other funds	-	331,437
	<u>-</u>	<u>347,726</u>
<i>Total liabilities</i>		
	<u>-</u>	<u>347,726</u>
 <i>Fund balances</i>		
Nonspendable:		
Inventory	-	15,899
Spendable:		
Restricted for:		
Food services	-	279,604
Extracurricular activities	-	23,672
Education	25,354	146,596
Unassigned	-	(47)
	<u>25,354</u>	<u>465,724</u>
<i>Total fund balances</i>		
	<u>25,354</u>	<u>465,724</u>
 <i>Total liabilities, deferred inflows of resources, and fund balances</i>		
	<u>\$ 25,354</u>	<u>\$ 813,450</u>

See independent auditors' report.

**STATE OF NEW MEXICO**  
 Truth or Consequences Municipal Schools  
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Nonmajor Special Revenue Funds  
 For the Year Ended June 30, 2019

	<b>Food Services 21000</b>	<b>Athletics 22000</b>	<b>Migrant Children Education 24103</b>	<b>New Mexico Autism Project 24108</b>
<i>Revenues</i>				
Intergovernmental revenue:				
Federal flowthrough	\$ 787,002	\$ -	\$ 19,802	\$ 7,319
Federal direct	-	-	-	-
Local sources	-	-	-	-
State flowthrough	-	-	-	-
State direct	-	-	-	-
Charges for services	11,279	35,069	-	-
Investment income	183	-	-	-
<i>Total revenues</i>	<u>798,464</u>	<u>35,069</u>	<u>19,802</u>	<u>7,319</u>
<i>Expenditures</i>				
Current:				
Instruction	-	11,230	19,259	7,316
Support services - students	-	-	-	-
Support services - instruction	-	-	-	-
Support services - general administration	-	-	543	-
Student transportation	-	-	-	-
Food services operations	975,173	-	-	-
Capital outlay	-	-	-	-
<i>Total expenditures</i>	<u>975,173</u>	<u>11,230</u>	<u>19,802</u>	<u>7,316</u>
<i>Net change in fund balances</i>	(176,709)	23,839	-	3
<i>Fund balances - beginning</i>	<u>472,212</u>	<u>(167)</u>	<u>-</u>	<u>23</u>
<i>Fund balances - end of year</i>	<u>\$ 295,503</u>	<u>\$ 23,672</u>	<u>\$ -</u>	<u>\$ 26</u>

See independent auditors' report.

<b>IDEA-B Preschool 24109</b>	<b>IDEA-B Early Intervention 24112</b>	<b>Education of Homeless 24113</b>	<b>Fresh Fruit &amp; Vegetables 24118</b>	<b>(RDA) Results Driven Accountability 24132</b>
\$ 16,494	\$ -	\$ 13,639	\$ 26,620	\$ 21,398
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>16,494</u>	<u>-</u>	<u>13,639</u>	<u>26,620</u>	<u>21,398</u>
16,494	-	13,639	-	21,398
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	26,620	-
-	-	-	-	-
<u>16,494</u>	<u>-</u>	<u>13,639</u>	<u>26,620</u>	<u>21,398</u>
-	-	-	-	-
-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditors' report.

**STATE OF NEW MEXICO**  
 Truth or Consequences Municipal Schools  
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Nonmajor Special Revenue Funds  
 For the Year Ended June 30, 2019

	<b>Teacher/ Principal Training &amp; Recruitment 24154</b>	<b>Rural / Low Income Schools 24160</b>	<b>Carl D Perkins Secondary - Current 24174</b>	<b>Carl D Perkins Secondary Redistribution 24176</b>
<i>Revenues</i>				
Intergovernmental revenue:				
Federal flowthrough	\$ 78,151	\$ 39,082	\$ 17,408	\$ 1,996
Federal direct	-	-	-	-
Local sources	-	-	-	-
State flowthrough	-	-	-	-
State direct	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
<i>Total revenues</i>	<u>78,151</u>	<u>39,082</u>	<u>17,408</u>	<u>1,996</u>
<i>Expenditures</i>				
Current:				
Instruction	75,177	39,082	16,655	1,996
Support services - students	-	-	-	-
Support services - instruction	-	-	-	-
Support services - general administration	2,974	-	753	-
Student transportation	-	-	-	-
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
<i>Total expenditures</i>	<u>78,151</u>	<u>39,082</u>	<u>17,408</u>	<u>1,996</u>
<i>Net change in fund balances</i>	-	-	-	-
<i>Fund balances - beginning</i>	-	-	(38)	331
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (38)</u>	<u>\$ 331</u>

See independent auditors' report.

<b>USDA Equipment Grant 24183</b>	<b>Student Support Academic Achievement Title IV 24189</b>	<b>Title XIX Medicaid 3/21 Years 25153</b>	<b>ROTC 25200</b>	<b>Spaceport 26199</b>
\$ 8,610	\$ 25,358	\$ -	\$ -	\$ -
-	-	187,990	55,988	-
-	-	-	-	125,603
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>8,610</u>	<u>25,358</u>	<u>187,990</u>	<u>55,988</u>	<u>125,603</u>
-	25,358	-	32,653	5,101
-	-	158,226	-	97,750
-	-	-	-	-
-	-	-	-	-
8,610	-	-	-	-
-	-	-	-	-
<u>8,610</u>	<u>25,358</u>	<u>158,226</u>	<u>32,653</u>	<u>102,851</u>
-	-	29,764	23,335	22,752
-	-	28,345	1,945	14,146
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58,109</u>	<u>\$ 25,280</u>	<u>\$ 36,898</u>

See independent auditors' report.

**STATE OF NEW MEXICO**  
 Truth or Consequences Municipal Schools  
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Nonmajor Special Revenue Funds  
 For the Year Ended June 30, 2019

	<b>Dual Credit Instructional Materials 27103</b>	<b>2012 GO Bond Student Library 27107</b>	<b>NM Reads to Lead 27114</b>	<b>Excellence in Teaching 27125</b>
<i>Revenues</i>				
Intergovernmental revenue:				
Federal flowthrough	\$ -	\$ -	\$ -	\$ -
Federal direct	-	-	-	-
Local sources	-	-	-	-
State flowthrough	2,526	14,854	32,271	37,599
State direct	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
<i>Total revenues</i>	<u>2,526</u>	<u>14,854</u>	<u>32,271</u>	<u>37,599</u>
<i>Expenditures</i>				
Current:				
Instruction	2,526	-	30,877	37,599
Support services - students	-	-	-	-
Support services - instruction	-	14,854	-	-
Support services - general administration	-	-	1,394	-
Student transportation	-	-	-	-
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
<i>Total expenditures</i>	<u>2,526</u>	<u>14,854</u>	<u>32,271</u>	<u>37,599</u>
<i>Net change in fund balances</i>	-	-	-	-
<i>Fund balances - beginning</i>	<u>572</u>	-	-	-
<i>Fund balances - end of year</i>	<u>\$ 572</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditors' report.

<b>Truancy Initiative Grant 27141</b>	<b>Pre-K Initiative 27149</b>	<b>Kindergarten - Three Plus 27166</b>	<b>College Counselor 27189</b>	<b>K-3 Plus 4 &amp; 5 PILOT 27198</b>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
48,391	329,263	109,817	-	44,003
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>48,391</u>	<u>329,263</u>	<u>109,817</u>	<u>-</u>	<u>44,003</u>
-	329,263	104,263	-	37,642
48,391	-	-	-	-
-	-	-	-	-
-	-	5,528	-	6,361
-	-	-	-	-
-	-	-	-	-
<u>48,391</u>	<u>329,263</u>	<u>109,791</u>	<u>-</u>	<u>44,003</u>
-	-	26	-	-
-	-	-	(9)	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26</u>	<u>\$ (9)</u>	<u>\$ -</u>

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**STATE OF NEW MEXICO**  
 Truth or Consequences Municipal Schools  
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Nonmajor Special Revenue Funds  
 For the Year Ended June 30, 2019

	<b>NM Highway Grant 28120</b>	<b>Total</b>
<i>Revenues</i>		
Intergovernmental revenue:		
Federal flowthrough	\$ -	\$ 1,062,879
Federal direct	-	243,978
Local sources	-	125,603
State flowthrough	-	618,724
State direct	71,455	71,455
Charges for services	-	46,348
Investment income	-	183
<i>Total revenues</i>	71,455	2,169,170
<i>Expenditures</i>		
Current:		
Instruction	-	827,528
Support services - students	-	304,367
Support services - instruction	-	14,854
Support services - general administration	-	5,664
Student transportation	-	11,889
Food services operations	-	1,010,403
Capital outlay	53,051	53,051
<i>Total expenditures</i>	53,051	2,227,756
<i>Net change in fund balances</i>	18,404	(58,586)
<i>Fund balances - beginning</i>	6,950	524,310
<i>Fund balances - end of year</i>	\$ 25,354	\$ 465,724

See independent auditors' report.

**STATE OF NEW MEXICO**  
 Truth or Consequences Municipal Schools  
 Combining Balance Sheet  
 General Fund  
 June 30, 2019

Statement B-1

	<b>Operational 11000</b>	<b>Pupil Transportation 13000</b>	<b>Instructional Materials 14000</b>	<b>Total</b>
<i>Assets</i>				
Cash and cash equivalents	\$ 1,444,058	\$ 430	\$ 152,875	\$ 1,597,363
Receivables:				
Property taxes	22,085	-	-	22,085
Due from other funds	1,150,935	-	-	1,150,935
<i>Total assets</i>	<u>\$ 2,617,078</u>	<u>\$ 430</u>	<u>\$ 152,875</u>	<u>\$ 2,770,383</u>
<i>Liabilities, deferred inflows of resources, and fund balances</i>				
<i>Liabilities</i>				
Accounts payable	\$ 55,280	\$ 1,798	\$ 31,544	\$ 88,622
Accrued payroll	533,932	-	-	533,932
<i>Total liabilities</i>	<u>589,212</u>	<u>1,798</u>	<u>31,544</u>	<u>622,554</u>
<i>Deferred inflows of resources</i>				
Unavailable revenue - property taxes	16,071	-	-	16,071
<i>Total deferred inflows of resources</i>	<u>16,071</u>	<u>-</u>	<u>-</u>	<u>16,071</u>
<i>Fund Balances</i>				
<i>Spendable:</i>				
<i>Restricted for:</i>				
Transportation	-	-	-	-
Instructional materials	-	-	121,331	121,331
<i>Committed for:</i>				
Subsequent year's expenditures	2,011,795	-	-	2,011,795
Unassigned	-	(1,368)	-	(1,368)
<i>Total fund balances</i>	<u>2,011,795</u>	<u>(1,368)</u>	<u>121,331</u>	<u>2,131,758</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 2,617,078</u>	<u>\$ 430</u>	<u>\$ 152,875</u>	<u>\$ 2,770,383</u>

See independent auditors' report.

**STATE OF NEW MEXICO**  
 Truth or Consequences Municipal Schools  
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 General Fund  
 For the Year Ended June 30, 2019

Statement B-2

	<b>Operational 11000</b>	<b>Pupil Transportation 13000</b>	<b>Instructional Materials 14000</b>	<b>Total</b>
<i>Revenues</i>				
Property taxes	\$ 159,515	\$ -	\$ -	\$ 159,515
Intergovernmental revenue:				
Federal flowthrough	203,707	-	-	203,707
State flowthrough	39,570	-	42,482	82,052
State direct	10,598,243	-	-	10,598,243
Transportation distribution	-	812,705	-	812,705
Charges for services	9,278	-	-	9,278
Investment income	1,289	-	-	1,289
<i>Total revenues</i>	<u>11,011,602</u>	<u>812,705</u>	<u>42,482</u>	<u>11,866,789</u>
<i>Expenditures</i>				
Current:				
Instruction	7,103,698	-	34,538	7,138,236
Support services - students	607,156	-	-	607,156
Support services - general administration	532,423	-	-	532,423
Support services - school administration	593,195	-	-	593,195
Central services	482,549	-	-	482,549
Operation and maintenance plant	1,456,854	-	-	1,456,854
Student transportation	10,781	814,188	-	824,969
Community services operations	2,232	-	-	2,232
<i>Total expenditures</i>	<u>10,788,888</u>	<u>814,188</u>	<u>34,538</u>	<u>11,637,614</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>222,714</u>	<u>(1,483)</u>	<u>7,944</u>	<u>229,175</u>
<i>Other financing sources (uses):</i>				
Remittal to PED	-	(3,618)	-	(3,618)
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>(3,618)</u>	<u>-</u>	<u>(3,618)</u>
<i>Net change in fund balances</i>	222,714	(5,101)	7,944	225,557
<i>Fund balances - beginning</i>	<u>1,789,081</u>	<u>3,733</u>	<u>113,387</u>	<u>1,906,201</u>
<i>Fund balances - end of year</i>	<u>\$ 2,011,795</u>	<u>\$ (1,368)</u>	<u>\$ 121,331</u>	<u>\$ 2,131,758</u>

See independent auditors' report.

**STATE OF NEW MEXICO**  
 Truth or Consequences Municipal Schools  
 Operational Fund - 11000  
 Statement of Revenues, Expenditures, and Changes in  
 Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual  
 For the Year Ended June 30, 2019

Statement B-3

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variances</b>
	<b>Original</b>	<b>Final</b>		<b>Favorable (Unfavorable) Final to Actual</b>
<i>Revenues</i>				
Property taxes	\$ 156,888	\$ 156,888	\$ 158,016	\$ 1,128
Intergovernmental revenue:				
Federal flowthrough	40,000	183,181	203,707	20,526
Federal direct	-	-	-	-
Local sources	-	-	-	-
State flowthrough	33,534	33,534	56,860	23,326
State direct	10,625,342	10,707,010	10,598,243	(108,767)
Transportation distribution	-	-	-	-
Charges for services	900	900	9,278	8,378
Investment income	1,200	1,200	1,289	89
Miscellaneous	-	-	-	-
<b>Total revenues</b>	<b>10,857,864</b>	<b>11,082,713</b>	<b>11,027,393</b>	<b>(55,320)</b>
<i>Expenditures</i>				
Current:				
Instruction	7,530,882	7,599,702	7,101,450	498,252
Support services - students	900,681	854,682	607,156	247,526
Support services - instruction	40,736	3,736	-	3,736
Support services - general administration	474,342	566,090	532,976	33,114
Support services - school administration	642,199	622,087	593,195	28,892
Central services	482,361	514,014	495,769	18,245
Operation and maintenance of plant	1,440,862	1,479,933	1,438,174	41,759
Student transportation	-	15,000	10,781	4,219
Other support services	19,877	19,877	-	19,877
Food services operations	-	-	-	-
Community services operations	3,719	3,719	1,487	2,232
Capital Outlay	959,903	1,041,571	-	1,041,571
<b>Total expenditures</b>	<b>12,495,562</b>	<b>12,720,411</b>	<b>10,780,988</b>	<b>1,939,423</b>
<i>Excess (deficiency) of revenues over expenditures</i>	<b>(1,637,698)</b>	<b>(1,637,698)</b>	<b>246,405</b>	<b>1,884,103</b>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	1,637,698	1,637,698	-	(1,637,698)
Transfers (out)	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>1,637,698</b>	<b>1,637,698</b>	<b>-</b>	<b>(1,637,698)</b>
<i>Net change in fund balance</i>	-	-	246,405	246,405
<i>Fund balance - beginning of year</i>	-	-	1,814,656	1,814,656
<i>Fund balance - end of year</i>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,061,061</b>	<b>\$ 2,061,061</b>
Net change in fund balance (Non-GAAP Budgetary Basis)				\$ 246,405
Adjustments to revenues for taxes and intergovernmental revenue				(15,791)
Adjustments to expenditures for supplies and payroll expenditures				(7,900)
<b>Net change in fund balance (GAAP Basis)</b>				<b>\$ 222,714</b>

See independent auditors' report.

**STATE OF NEW MEXICO**  
 Truth or Consequences Municipal Schools  
 Pupil Transportation Fund - 13000  
 Statement of Revenues, Expenditures, and Changes in  
 Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual  
 For the Year Ended June 30, 2019

Statement B-4

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable (Unfavorable) Final to Actual</u>
<i>Revenues</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue:				
Federal flowthrough	-	-	-	-
Federal direct	-	-	-	-
Local sources	-	-	-	-
State flowthrough	-	-	-	-
State direct	-	-	-	-
Transportation distribution	812,705	812,705	812,705	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total revenues</b>	<b>812,705</b>	<b>812,705</b>	<b>812,705</b>	<b>-</b>
<i>Expenditures</i>				
Current:				
Instruction	-	-	-	-
Support services - students	-	-	-	-
Support services - instruction	-	-	-	-
Support services - general administration	-	-	-	-
Support services - school administration	-	-	-	-
Central services	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Student transportation	812,705	816,324	815,894	430
Other support services	-	-	-	-
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
<b>Total expenditures</b>	<b>812,705</b>	<b>816,324</b>	<b>815,894</b>	<b>430</b>
<i>Excess (deficiency) of revenues over expenditures</i>	-	(3,619)	(3,189)	430
<i>Other financing sources (uses):</i>				
Designated cash (budgeted increase in cash)	-	3,619	-	(3,619)
Remittal to PED	-	-	(3,618)	(3,618)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>3,619</b>	<b>(3,618)</b>	<b>(7,237)</b>
<i>Net change in fund balance</i>	-	-	(6,807)	(6,807)
<i>Fund balance - beginning of year</i>	-	-	7,237	7,237
<i>Fund balance - end of year</i>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 430</b>	<b>\$ 430</b>
Net change in fund balance (Non-GAAP Budgetary Basis)				\$ (6,807)
No adjustments to revenues				-
Adjustments to expenditures for supplies and payroll expenditures				1,706
<b>Net change in fund balance (GAAP Basis)</b>				<b>\$ (5,101)</b>

See independent auditors' report.

**STATE OF NEW MEXICO**  
 Truth or Consequences Municipal Schools  
 Instructional Materials Fund - 14000  
 Statement of Revenues, Expenditures, and Changes in  
 Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual  
 For the Year Ended June 30, 2019

Statement B-5

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable</u> <u>(Unfavorable)</u>
				<u>Final to Actual</u>
<i>Revenues</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue:				
Federal flowthrough	-	-	-	-
Federal direct	-	-	-	-
Local sources	-	-	-	-
State flowthrough	42,482	45,160	42,482	(2,678)
State direct	-	-	-	-
Transportation distribution	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total revenues</b>	<b>42,482</b>	<b>45,160</b>	<b>42,482</b>	<b>(2,678)</b>
<i>Expenditures</i>				
Current:				
Instruction	42,482	158,547	2,994	155,553
Support services - students	-	-	-	-
Support services - instruction	-	-	-	-
Support services - general administration	-	-	-	-
Support services - school administration	-	-	-	-
Central services	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Food services operations	-	-	-	-
Community services operations	-	-	-	-
Capital outlay	-	-	-	-
<b>Total expenditures</b>	<b>42,482</b>	<b>158,547</b>	<b>2,994</b>	<b>155,553</b>
<i>Excess (deficiency) of revenues over expenditures</i>	-	(113,387)	39,488	152,875
<i>Other financing sources (uses):</i>				
Designated cash (budgeted increase in cash)	-	113,387	-	(113,387)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>113,387</b>	<b>-</b>	<b>(113,387)</b>
<i>Net change in fund balance</i>	-	-	39,488	39,488
<i>Fund balance - beginning of year</i>	-	-	113,387	113,387
<i>Fund balance - end of year</i>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 152,875</b>	<b>\$ 152,875</b>
Net change in fund balance (Non-GAAP Budgetary Basis)				\$ 39,488
No adjustments to revenues				-
Adjustments to expenditures for supplies				(31,544)
<b>Net change in fund balance (GAAP Basis)</b>				<b>\$ 7,944</b>

See independent auditors' report.

## **SUPPORTING SCHEDULES**

**STATE OF NEW MEXICO**  
 Truth or Consequences Municipal Schools  
 Custodial Funds  
 Schedule of Changes in Fiduciary Assets and Liabilities  
 For the Year Ended June 30, 2019

Schedule I

	<u>Balance June 30, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2019</u>
T or C Elementary	\$ 36,860	\$ 60,432	\$ 56,175	\$ 41,117
SEC Elementary	4,875	9,534	8,387	6,022
Arrey Elementary	9,495	18,198	13,888	13,805
T or C Middle School	26,641	18,390	23,264	21,767
Hot Springs High School	105,750	115,018	102,857	117,911
Transportation	166	-	-	166
Special Ed Department	950	-	-	950
Athletics	32,776	130,149	111,216	51,709
Central Office	<u>21,569</u>	<u>7,845</u>	<u>2,008</u>	<u>27,406</u>
Total	<u>\$ 239,082</u>	<u>\$ 359,566</u>	<u>\$ 317,795</u>	<u>\$ 280,853</u>



**STATE OF NEW MEXICO**  
 Truth or Consequences Municipal Schools  
 Schedule of Collateral Pledged by Depository for Public Funds  
 June 30, 2019

Schedule II

<u>Name of Depository</u>	<u>Description of Pledged Collateral</u>	<u>Maturity</u>	<u>CUSIP Number</u>	<u>Fair Market June 30, 2019</u>
<b>Bank of the Southwest</b>				
	GNMA II Pool #80119	10/20/2027	Not Provided	\$ 3,652
	Letter of Credit- Insured by FHLB	11/4/2019	Not Provided	<u>1,500,000</u>
	<b>Total Bank of the Southwest</b>			<u>1,503,652</u>
	Name and location of safekeeper for above pledged collateral: Federal Home Loan Bank, Irving, Texas			
<b>BBVA Compass</b>				
	FHLB Atlanta #132566	10/23/2019	Not Provided	<u>75,000</u>
	<b>Total BBVA Compass</b>			<u>75,000</u>
	Name and location of safekeeper for above pledged collateral: Federal Home Loan Bank, Atlanta, Georgia			
<b>First Savings Bank</b>				
	GNR 2012-96 AD	8/20/2027	38378HAU0	47,208
	FHLMC 15 YR	8/1/2031	3132KFNN8	<u>203,884</u>
	<b>Total First Savings Bank</b>			<u>251,092</u>
	Name and location of safekeeper for above pledged collateral: Federal Home Loan Bank, Irving, Texas			
<b>Citizens Bank of Las Cruces</b>				
	FHLB Letter of Credit	3/22/2027	Not Provided	509,548
	FFCB Letter of Credit	12/11/2026	Not Provided	<u>2,115,580</u>
	<b>Total Citizens Bank of Las Cruces</b>			<u>2,625,128</u>
	Name and location of safekeeper for above pledged collateral: Federal Home Loan Bank, Irving, Texas			
	<b>Total Collateral Pledged</b>			<u>\$ 4,454,872</u>

See independent auditors' report.

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**STATE OF NEW MEXICO**  
 Truth or Consequences Municipal Schools  
 Schedule of Deposits and Investments  
 June 30, 2019

Schedule III

<u>Bank Account Type/ Name</u>	<u>Bank of the Southwest</u>	<u>BBVA Compass</u>	<u>First Savings Bank</u>	<u>Citizens Bank of Las Cruces</u>	<u>Total</u>
Cash Deposits:					
Checking - Operational	\$ 1,606,962	\$ -	\$ -	\$ -	\$ 1,606,962
Checking - Payroll	641,060	-	-	-	641,060
Checking - Audrey Lang	38,671	-	-	-	38,671
Checking - Activity	-	286,718	-	-	286,718
Checking - Food Services	-	-	289,222	-	289,222
Checking - Capital	-	-	-	2,035,190	2,035,190
Checking - Debt Service	-	-	-	2,416,984	2,416,984
Total Cash Deposits	<u>2,286,693</u>	<u>286,718</u>	<u>289,222</u>	<u>4,452,174</u>	<u>7,314,807</u>
Other (cash equivalents):					
NMFA US MM					2,746,833
LGIP					1,693
Total other (cash equivalents)					<u>2,748,526</u>
Total Deposits					10,063,333
Reconciling items					<u>(550,690)</u>
<i>Reconciled balance June 30, 2019</i>					<u><u>\$ 9,512,643</u></u>
Reconciliation to financial statements:					
Cash and cash equivalents:					
Government-wide statement of net position - Exhibit A-1					\$ 6,774,748
Restricted cash and cash equivalents:					
Government-wide statement of net position - Exhibit A-1					2,418,371
Statement of fiduciary net position custodial funds - Exhibit D-1					319,524
<i>Cash and cash equivalents per Financial Statements</i>					<u><u>\$ 9,512,643</u></u>

See independent auditors' report.

**STATE OF NEW MEXICO**  
 Truth or Consequences Municipal Schools  
 Cash Reconciliation  
 For the Year Ended June 30, 2019

	<b>Operational 11000</b>	<b>Transportation 13000</b>	<b>Instructional Materials 14000</b>	<b>Food Services 21000</b>
Audited Cash June 30, 2018	\$ 1,670,213	\$ 7,237	\$ 113,387	\$ 462,129
Add:				
2018-2019 receipts	11,027,393	812,705	42,482	691,611
Total cash available	12,697,606	819,942	155,869	1,153,740
Less:				
2018-2019 expenditures PY NMFA cash not listed on PED report	(10,661,435)	(815,894)	(2,994)	(902,006)
Remittal to PED	-	(3,618)	-	-
Cash per PED	2,036,171	430	152,875	251,734
Add / Less:				
Audit Adjustment	-	-	-	-
Negative cash loans from (to)	(1,126,045)	-	-	-
NMFA cash	-	-	-	-
Change in payroll accruals	533,932	-	-	-
<i>Cash per financial statement</i>	<u>\$ 1,444,058</u>	<u>\$ 430</u>	<u>\$ 152,875</u>	<u>\$ 251,734</u>

See independent auditors' report.

(Exhibit D-1)					
Athletics 22000	Non-Instructional Support 23000	Federal Flowthrough 24000	Federal Direct 25000	Local Grants 26000	State Flowthrough 27000
\$ -	\$ 239,082	\$ 827	\$ 30,290	\$ 17,873	\$ -
<u>35,069</u>	<u>346,214</u>	<u>1,313,453</u>	<u>243,978</u>	<u>107,894</u>	<u>665,302</u>
<u>35,069</u>	<u>585,296</u>	<u>1,314,280</u>	<u>274,268</u>	<u>125,767</u>	<u>665,302</u>
(11,397)	(304,443)	(2,286,954)	(190,879)	(102,851)	(818,143)
-	-	-	-	-	-
-	-	-	-	-	-
<u>23,672</u>	<u>280,853</u>	<u>(972,674)</u>	<u>83,389</u>	<u>22,916</u>	<u>(152,841)</u>
-	-	-	-	-	-
-	-	973,178	-	-	152,867
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 23,672</u>	<u>\$ 280,853</u>	<u>\$ 504</u>	<u>\$ 83,389</u>	<u>\$ 22,916</u>	<u>\$ 26</u>

See independent auditors' report.

**STATE OF NEW MEXICO**  
 Truth or Consequences Municipal Schools  
 Cash Reconciliation  
 For the Year Ended June 30, 2019

	<b>State Direct 28000</b>	<b>Bond Building 31100</b>	<b>Capital Improvements SB-9 31700</b>	<b>(See Note 5) Capital Improvements SB-9 Local 31701</b>
Audited Cash June 30, 2018	\$ 6,950	\$ 4,024,374	\$ -	\$ 901,895
Add:				
2018-2019 receipts	71,455	1,769,752	-	623,496
Total cash available	78,405	5,794,126	-	1,525,391
Less:				
2018-2019 expenditures PY NMFA cash not listed on PED report	(53,051)	(1,794,412)	-	(504,370)
Remittal to PED	-	(2,998,069)	-	-
Cash per PED	25,354	1,001,645	-	1,021,021
Add / Less:				
Audit Adjustment	-	1,933	-	51
Negative cash loans from (to)	-	-	-	-
NMFA cash	-	2,746,833	-	-
Change in payroll accruals	-	-	-	-
<i>Cash per financial statement</i>	<u>\$ 25,354</u>	<u>\$ 3,750,411</u>	<u>\$ -</u>	<u>\$ 1,021,072</u>

See independent auditors' report.

<b>Debt Service 41000</b>	<b>(Exhibit D-1) Custodial Fund</b>	<b>Total</b>
\$ 2,543,457	\$ 38,651	\$ 10,056,365
<u>1,811,726</u>	<u>20</u>	<u>19,562,550</u>
<u>4,355,183</u>	<u>38,671</u>	<u>29,618,915</u>
(1,938,199)	-	(20,387,028)
-	-	(2,998,069)
<u>-</u>	<u>-</u>	<u>(3,618)</u>
<u>2,416,984</u>	<u>38,671</u>	<u>6,230,200</u>
(306)	-	1,678
-	-	-
-	-	2,746,833
<u>-</u>	<u>-</u>	<u>533,932</u>
<u>\$ 2,416,678</u>	<u>\$ 38,671</u>	<u>\$ 9,512,643</u>

See independent auditors' report.

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## **COMPLIANCE SECTION**

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

**INDEPENDENT AUDITORS' REPORT**

Mr. Brian S. Colón, Esq.  
New Mexico State Auditor  
Board of Education and Management  
Truth or Consequences Municipal Schools  
U.S. Office of Management and Budget  
Truth or Consequences, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons of the General Fund and the major special revenue funds of the Truth or Consequences Municipal Schools (the District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 14, 2019.

**Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests did not disclose instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted a certain matter that is required to be reported per section 12-6-5 NMSA 1978 that we have described in the accompanying schedule of Section 12-6-5 NMSA 1978 findings as item 2019-001.

## **District's Responses to Findings**

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

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Cordova CPAs LLC". The signature is written in a cursive, flowing style.

Cordova CPAs LLC  
Albuquerque, NM  
November 14, 2019

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**FEDERAL FINANCIAL ASSISTANCE**

## REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

### INDEPENDENT AUDITORS' REPORT

Mr. Brian S. Colón, Esq.  
New Mexico State Auditor  
Board of Education and Management  
Truth or Consequences Municipal Schools  
U.S. Office of Management and Budget  
Truth or Consequences, New Mexico

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

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

#### Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

#### Auditors' Responsibility

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

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

## Opinion on Major Federal Program

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

## Report on Internal Control Over Compliance

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

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

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

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



Cordova CPAs LLC  
Albuquerque, NM  
November 14, 2019

**STATE OF NEW MEXICO**  
 Truth or Consequences Municipal Schools  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2019

<b>Federal Grantor or Pass-Through Grantor / Program Title</b>	<b>Pass Thru Number</b>	<b>Federal CFDA Number</b>		<b>Federal Expenditures</b>	<b>Funds Provided to Subrecipients</b>	<b>Noncash Assistance</b>
<b>U.S. Department of Education</b>						
<i>Passed through New Mexico Public Education Department</i>						
IDEA-B Entitlement	24106	84.027	(1)	\$ 556,624	\$ -	\$ -
IDEA-B Preschool	24109	84.173	(1)	16,494	-	-
(RDA) Results Driven Accountability	24132	84.027A	(1)	21,398	-	-
<i>Total IDEA Cluster</i>				<u>594,516</u>		
Title I - IASA	24101	84.010	*	1,028,678	-	-
Migrant Children Education	24103	84.011		19,802	-	-
Education of Homeless	24113	84.196		13,639	-	-
Teacher/ Principal Training /Recruiting	24154	84.367A		78,151	-	-
Rural Education	24160	84.358		39,082	-	-
Carl Perkins	24174	84.048		17,408	-	-
Carl Perkins	24176	84.048		1,996	-	-
USDA Equipment Grant	24183	10.579		8,610	-	-
Student Support Academic Achievement Title IV	24189	84.424A		25,358	-	-
<i>Subtotal - Passed through New Mexico Public Education Department</i>				<u>1,827,240</u>	<u>-</u>	<u>-</u>
<i>Total U.S. Department of Education</i>				<u>1,827,240</u>	<u>-</u>	<u>-</u>
<b>U.S. Department of Health and Human Services</b>						
<i>Passed through New Mexico Human Services Department</i>						
Autism and other disabilities	24108	93.998		7,316	-	-
<i>Total U.S. Department of Health and Human Services</i>				<u>7,316</u>	<u>-</u>	<u>-</u>
<b>U.S. Department of Defense</b>						
<i>Federal Direct Payments</i>						
ROTC	25200	12.100		32,653	-	-
<i>Total U.S. Department of Defense</i>				<u>32,653</u>	<u>-</u>	<u>-</u>
<b>U.S. Department of Agriculture</b>						
<i>Federal Direct Payments</i>						
Schools and Roads - Grants to States	None	10.665		143,181	-	-
<i>Passed through New Mexico Public Education Department</i>						
Fresh Fruits and Vegetables	24118	10.582		26,620	-	-
Student Nutrition Cluster	21000	10.555	(2)*	65,914	-	65,914
Student Nutrition Cluster	21000	10.555	(2)*	909,259	-	-
<i>Subtotal - Passed through New Mexico Public Education Department</i>				<u>1,001,793</u>	<u>-</u>	<u>65,914</u>
<i>Total U.S. Department of Agriculture</i>				<u>1,144,974</u>	<u>-</u>	<u>65,914</u>
<i>Total Federal Financial Assistance</i>				<u>\$ 3,012,183</u>	<u>\$ -</u>	<u>\$ 65,914</u>

\* Denotes Major Federal Financial Assistance Program

() Denotes Cluster

See independent auditors' report.  
 See accompanying notes to schedule of expenditures of federal awards.



**Notes to Schedule of Expenditures of Federal Awards****1 Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of Truth or Consequences Municipal Schools and is presented on the modified accrual basis of accounting, which is the same basis as was used to prepare the fund financial statements. The information in this Schedule is presented in accordance with the requirements of *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

**2 Loans**

The District did not expend federal awards related to loans or loan guarantees during the year.

**3 10% de minimus Indirect Cost Rate**

The District did not elect to use the allowed 10% indirect cost rate.

**4 Federally Funded Insurance**

The District has no federally funded insurance.

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**STATE OF NEW MEXICO**  
 Truth or Consequences Municipal Schools  
 Schedule of Findings and Questioned Costs  
 For the Year Ended June 30, 2019

**SECTION I - SUMMARY OF AUDITORS' RESULTS**

*Financial Statements:*

- |  |            |
|--|------------|
| 1. Type of auditors' report issued   | Unmodified |
| 2. Internal control over financial reporting:                                    |            |
| a. Material weaknesses identified?   | None noted |
| b. Significant deficiencies identified not considered to be material weaknesses? | None noted |
| c. Noncompliance material to the financial statements noted?                     | None noted |

*Federal Awards:*

- |   |            |
|---|------------|
| 1. Internal control over major programs:  |            |
| a. Material weaknesses identified?  | None noted |
| b. Significant deficiencies identified not considered to be material weaknesses?                              | None noted |
| 2. Type of auditors' report issued on compliance for major programs   | Unmodified |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? | None noted |
| 4. Identification of major programs:  |            |

CFDA Number	Federal Program
10.553 and 10.555 84.010	Student Nutrition Cluster Title I - IASA

- |   |           |
|---|-----------|
| 5. Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| 6. Auditee qualified as low-risk auditee?                                   | No        |

**STATE OF NEW MEXICO**  
Truth or Consequences Municipal Schools  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2019

**SECTION II - FINANCIAL STATEMENT FINDINGS**

**None noted**

**SECTION III - FEDERAL AWARD FINDINGS**

**None noted**

**SECTION IV – SECTION 12-6-5 NMSA FINDINGS**

**2019-001 Controls over Activity Funds Cash Receipts (Other Matter)**

*Condition:* The District has various decentralized locations that are not in compliance with the 24-hour deposit rule as set forth by NMAC 6.20.2.14 (C). During testwork performed, we noted the following:

- 3 out of 10 deposits tested totaling \$2,675, were not deposited within 24 hours.

*Criteria:* According to NMAC 6.20.2.14 (C) states that deposits must be made within a 24-hour period from the receipt of the monies or by the end of the next business day.

Also, according to NMAC 6.20.2.11(B) Internal Control Structure Standards- Each school district shall develop, establish and maintain a structure of internal accounting controls and written procedures to provide for segregation of duties, a system of authorization and recording procedures, and sound accounting practices in performance of duties and functions.

*Effect:* Monies that are collected at decentralized locations which are not deposited timely and did not adhere to the District's policies and procedures in place, creates an increased risk of errors, fraud or abuse.

*Cause:* Personnel at the school sites noted above did not adhere to the policies in place during the year.

*Auditors' Recommendations:* We recommend that the District emphasize the importance of following proper procedures to school site administration. In addition, management should consider conducting internal trainings on the importance and ramifications of not following state statutes and laws.

*Agency Response:* The District and Management will emphasize the importance of following proper procedures to school site administration. Management will continue to have internal trainings on the importance and ramifications of not following state statutes and laws. The Business Manager will be the responsible party to coordinate these training which will be conducted in the fiscal year 2020.

**STATE OF NEW MEXICO**  
Truth or Consequences Municipal Schools  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2019

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**2017-001 Financial Close and Adjustments (Significant Deficiency) (Resolved)**

**2018-001 Travel and Per Diem (Other Noncompliance) (Resolved)**

**STATE OF NEW MEXICO**  
Truth or Consequences Municipal Schools  
Other Disclosures  
June 30, 2019

**OTHER DISCLOSURES**

**Exit Conference**

An exit conference was held on November 12, 2019. In attendance were the following:

**Representing Truth or Consequences Municipal Schools:**

Brett Smith – Board President  
Randall M. Piper – Superintendent  
Sabrina Bierner – Business Manager  
Barbara Chavez – Payroll Specialist  
Robert Chavez – Accounts Payable Clerk  
Renee Garcia – Director of Federal Programs

**Representing Cordova CPAs LLC:**

Robert Gonzales, CPA – Principal

**Auditor Prepared Financial Statements**

Cordova CPAs LLC prepared the GAAP-basis financial statements and footnotes of Truth or Consequences Municipal Schools from the original books and records asserted by management. The responsibility for the financial statements remains with Truth or Consequences Municipal Schools.